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Canada, Parl. Special Joint
Comm. on Canada Pension Plan.

Special Joint Committee of
the Senate and the House
of Commons on Bill C-136
Canada Pension Plan

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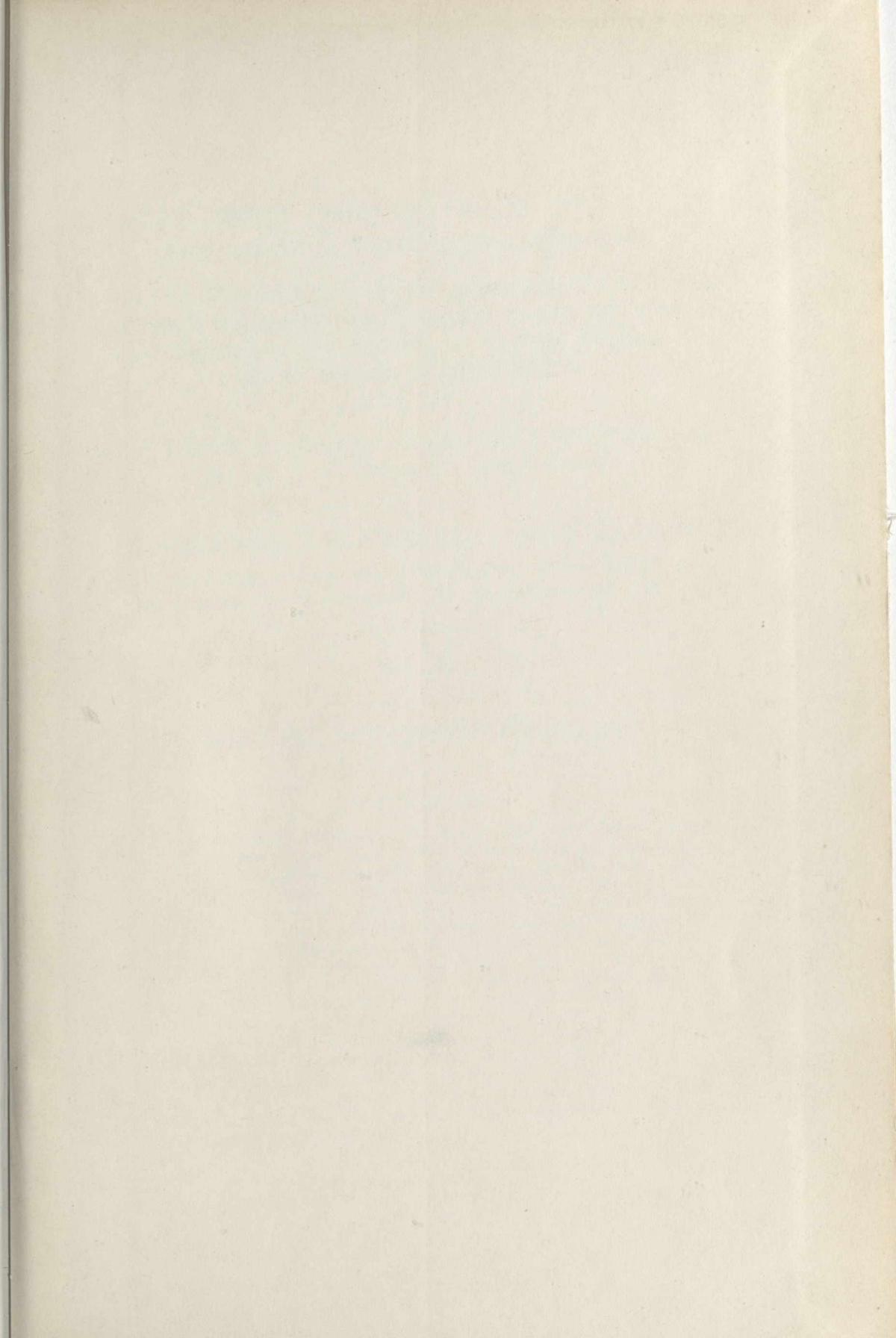
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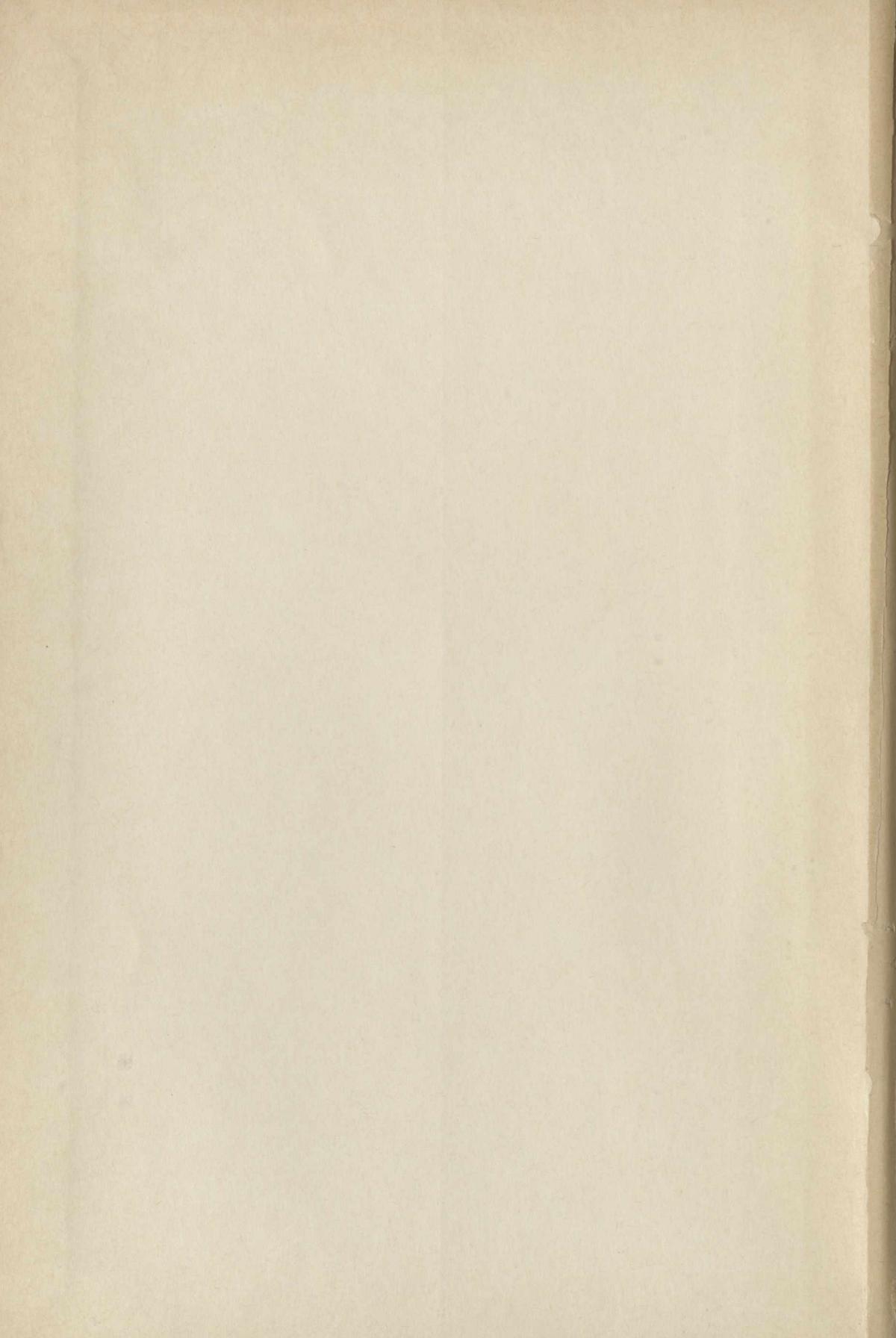
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HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

SPECIAL JOINT COMMITTEE OF THE SENATE
AND OF THE HOUSE OF COMMONS

Appointed to Consider and Report upon Bill C-136, An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors.

*Joint Chairmen: Senator Muriel McQ. Fergusson and
Mr. A. J. P. Cameron (High Park).*

MINUTES AND PROCEEDINGS AND EVIDENCE

(Meetings held during the adjournment of the Senate and of the House of Commons, as of January 12, 1965.)

No. 18

WEDNESDAY, JANUARY 20, 1965

WITNESSES:

Messrs: J. E. E. Osborne, Technical Adviser to this Committee; Samuel Eckler, Consulting Actuary; *From: The Canadian Manufacturers' Association*, Mr. H. B. Style, First Vice President; Chairman of the Board, John Inglis Company Limited, Toronto. *From: Dominion Bridge Company Limited, Montreal*, Mr. C. C. Belden, Manager, Employee Relations. *From: Imperial Oil Limited, Toronto*, Mr. J. K. Marcus, Supervisor, Benefits, Employee Relations. *From: Canadian General Electric Company Limited, Toronto*, Mr. L. E. Marrs, Manager, Personnel Accounting, Corporate Department. *From: Union Carbide Canada Limited, Toronto*, Mr. H. Taylor, Vice President, Industrial Relations. *From: The Canadian Manufacturers Association*, Mr. J. P. Villeneuve, Chairman, Quebec Division Industrial Relations Committee; Vice President Industrial Relations and Personnel, Johnson & Johnson Limited, Montreal. *From: The Canadian Manufacturers' Association, Toronto*, Mr. J. C. Whitelaw, Executive Vice President and General Manager. *From: Honeywell Controls Limited, Leaside*, Mr. L. F. Wills, Vice President and General Manager. *From: Alexander Services and Dubleby Funnell, Consulting Actuary*, Messrs Norman G. Kirkland and J. W. Moreland, both Vice Presidents.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

MEMBERS OF THE COMMITTEE FOR THE SENATE

Honourable Senator Muriel McQ. Fergusson, *Chairman*,

and Honourable Senators:

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Boucher	Lefrançois	Stambaugh
Croll	McCutcheon	Thorvaldson
Denis	Smith (<i>Queens-</i>	
Flynn	<i>Shelburne</i>)	

MEMBERS OF THE COMMITTEE FOR THE HOUSE OF COMMONS

Mr. A. J. P. Cameron, M.P. (*High Park*), *Chairman*

and Messrs.

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Basford	Gundlock	Monteith
Cantelon	Howe (<i>Wellington-Huron</i>)	Morison
Cashin	Knowles	Munro
Chatterton	Laverdière	Perron
Côté (<i>Longueuil</i>)	Leboe	Prittie
Enns	Lloyd	Rhéaume
Francis		(Mrs.) Rideout

(Quorum 10)

Maxime Guitard,
Clerk of the Special Joint Committee.

(Meetings held after adjournment of the House)

MINUTES OF PROCEEDINGS

WEDNESDAY, January 20, 1965.

(35)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:10 o'clock a.m. this day. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Croll, Denis, Fergusson, Lefrançois, Smith (*Kamlops*), Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson—9.

Representing the House of Commons: Mrs. Rideout and Messrs. Cameron (*High Park*), Cantelon, Côté (*Longueuil*), Francis, Gray, Gundlock, Knowles, Laverdière, Leboe, Lloyd, Macaluso, Monteith, Morison, Munro, Prittie, Rhéaume—17.

In attendance: Mr. Samuel Eckler, Consulting Actuary.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Joint Chairman, Mrs. Fergusson, tabled a letter received from Mr. F. C. Dimock, Secretary of the Canadian Life Insurance Officers Association, explaining Chart I in that Association's submission presented on January 13, 1965.

On motion of Senator Croll, seconded by Senator Stambaugh,

Resolved,—That the letter from Mr. Dimock be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix A23*)

The Committee agreed that the brief previously submitted by Mr. Eckler be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix A24*)

The Joint Committee introduced Mr. Eckler who summarized his brief, and was questioned.

The questioning being concluded, the Joint Chairman thanked the witness, who then retired.

At 12:30 o'clock p.m., the Committee adjourned until 2:30 o'clock p.m. this day.

Dorothy F. Ballantine,
Clerk of the Committee, Pro tempore.

AFTERNOON SITTING

(36)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reconvened at 2:35 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Croll, Denis, Ferguson, Lefrançois, McCutcheon, Smith (*Kamlops*), Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson (10).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Côté (*Longueuil*), Francis, Gray, Knowles, Laverdière, Leboe, Lloyd, Macaluso, Monteith, Morison, Munro, Prittie (17).

In attendance: From *The Canadian Manufacturers' Association*, Mr. H. B. Style, First Vice President; Chairman of the Board, John Inglis Company Limited, Toronto. From *Aluminum Company of Canada Limited*, Montreal, Mr. R. L. Auger, Manager, Employee Benefits Division. From *Beach Industries Limited*, Smith Falls, Mr. R. J. Beach, President. From *Dominion Bridge Company Limited*, Montreal, Mr. C. C. Belden, Manager, Employee Relations. From *The Steel Company of Canada Limited*, Hamilton, Mr. J. G. Connor, Manager, Insurance & Pension Department. From *The Alexander Fleck Limited*, Ottawa, Mr. L. W. Fleck, President. From *The Canadian Manufacturers' Association*, Toronto, Mr. I. Freedman, Manager, Industrial Relations Department. From *Canadian Manufacturers' Association*, Mr. Willis George, Canadian Representative. From *Imperial Oil Limited*, Toronto, Mr. J. K. Marcus, Supervisor, Benefits, Employee Relations. From *Canadian General Electric Company Limited*, Toronto, Mr. L. E. Marris, Manager, Personnel Accounting, Corporate Department. From *Union Carbide Canada Limited*, Toronto, Mr. H. Taylor, Vice President, Industrial Relations. From *The Canadian Manufacturers' Association*, Mr. J. P. Villeneuve, Chairman, Quebec Division Industrial Relations and Vice President, Industrial Relations & Personnel, Johnson and Johnson Limited, Montreal. From *Shell Canada Limited*, Toronto, Mr. W. D. Walker, Specialist, Policy & Benefits. From *The Canadian Manufacturers' Association*, Toronto, Mr. J. C. Whitelaw, Executive Vice President and General Manager. From *Honeywell Controls Limited*, Leaside, Mr. L. F. Wills, Vice President and General Manager.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

In accordance with a motion passed at a previous sitting, the brief submitted by The Canadian Manufacturers' Association is appended to this day's Minutes of Proceedings and Evidence. (*See Appendix A25*)

The Committee having completed its examination of the delegation, the Joint Chairman thanked the witnesses and they retired.

On motion of Mr. Macaluso seconded unanimously,

Resolved: That a vote of thanks and appreciation be extended to the delegation for its contribution.

At 4:30 o'clock p.m. the Committee adjourned until 8:00 o'clock this evening.

EVENING SITTING
(37)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reassembled at 8:07 o'clock this evening. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Fergusson, Lefrançois, Smith (Kamloops), Stambaugh, Thorvaldson (5).

Representing the House of Commons: Messrs. Aiken, Basford, Cameron (High Park), Francis, Gray, Knowles, Laverdière, Leboe, Lloyd, Macaluso, Monteith, Munro (12).

In attendance: Messrs. Norman G. Kirkland and J. W. Moreland both Vice Presidents of Alexander Services and Dudley Funnell, Consulting Actuary.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Joint Chairman introduced Mr. Kirkland, who in turn, introduced his two assistants.

Mr. Kirkland made a preliminary statement and was questioned thereon.

In accordance with a motion passed at a previous sitting, the brief previously submitted for distribution by Alexander and Alexander Services is appended to this day's Minutes of Proceedings and Evidence. (*See Appendix A26*). The Committee completed its examination of the witness.

The Joint Chairman then thanked Mr. Kirkland who retired.

At 10:07 p.m. the Committee adjourned until 10:00 o'clock a.m. on Thursday, January 21, 1965.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

WEDNESDAY, January 20, 1965.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mrs. Rideout, and gentlemen, we have a quorum. Before we hear the witness I would like to tell you that Mr. Cameron, as Joint Chairman of the committee, has received a letter from The Canadian Life Insurance Officers Association, signed by Mr. Dimmick, answering some of the questions concerning their chart 1 which was submitted on January 13. I would like to have a motion that this be included in today's record.

Hon. Mr. CROLL: Madam Chairman, I think that is a rather important letter?

The CHAIRMAN (*Mr. Cameron*): Very important.

Hon. Mr. CROLL: It takes about four or five days to get the record, and I suggest that the letter be mimeographed or photographed, and copies delivered to us, because we could question on that in the next couple of days. Is that possible?

The CHAIRMAN (*Mr. Cameron*): I would think so.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You realize that this is chart 1?

Hon. Mr. CROLL: Yes, it indicated there were a certain number of people who were not covered.

Mr. OSBORNE: No, that was concerning the percentage of the gross national product of the United States and Canada.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I have a motion from Senator Croll, seconded by Senator Stambaugh, that Mr. Dimmick's letter on this matter be included in today's record. Do all agree?

—Agreed.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Our witness today is the head of a well-known firm of actuaries in Toronto. Amongst their clients are a number of companies and unions, in at least three Canadian provinces, and I am sure that what our witness will have to say will be from knowledge of the circumstances, and very interesting to us. He is Mr. Samuel Eckler of Eckler, Brown and Company Limited.

May I say first that no doubt you realize, Mr. Eckler, that you do not need to read the whole brief unless you wish to do so. Yours is not very long, but we prefer to have a summary, and then that you answer questions on it, for I am sure all members have read it.

Mr. KNOWLES: The brief will be in the record, of course?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, it will be in the record.

Mr. SAMUEL ECKLER, F.S.A.: Madam Chairman, members of the committee, I approach these proceedings very much as I used to approach an examination a long, long time ago. I had to get some material ready. I always have to be prepared for questions perhaps to which the answers may prove impossible for me. However, coming before you now, I notice so many of my friends here that perhaps the questions will be more sympathetic than I feared they might be.

I am going to take advantage of your suggestion, Madam Chairman, that I do not read this brief, but it is difficult to summarize a six page brief, because it has already been somewhat summarized. Perhaps, however, I could indicate what I was planning to do in this brief. I deliberately kept it short. I made some statements that I am afraid perhaps are too categorical and should have been severely qualified, but I think in order to make my point I erred in this way. There are three parts to this brief.

May I say at the outset that I have no official axe to grind, that I represent no group but myself.

In our work, of course, we have dealt with many types of plans, as the Chairman has indicated, but I am not here representing them, and I am not here at the behest of any of them. In addition to that, I did not ask any of them whether I should or should not make an appearance. Perhaps I was afraid to. They might have told me not to. I thought I should come here and present my views to you.

The three parts of my brief are these: The first part, which I call an exercise in nostalgia really because it may very well be that this legislation has obtained the concensus of Canadians—at least, the substantive part of it—so it might be difficult to reverse gears and start afresh. I hoped we could, but perhaps this is not a realistic approach. But I do this, I think, perhaps with a view to clarifying what I say later.

In this first part of the brief I do indicate what I think should have been done if we were starting with a clean sheet, and the substance of my remarks there is a series of major revisions in the Old Age Security Plan. I will not list them here; they are all in the brief. However, I do want to highlight two or three things I think are paramount in the Old Age Security Plan and things that will, just by the nature of the animal, lead to problems in the Canada Pension Plan.

The O.A.S. is universal. There are no uncovered areas in the O.A.S. This is one of the major defects, I think, of the Canada Pension Plan.

The O.A.S. is—and this I want to stress—a simple plan. In my private pension plan practice as much as possible we make a great virtue of simplicity. The whole nature of pension plans is complex enough without adding to it unnecessary complexities. The main virtue of simplicity is that people understand what they have. I doubt very much that many people, for example in the United States, understand in a complete way what their benefits are under the U.S. social security. I do not say our plan is more complicated, the proposed Canada Pension Plan, but in certain areas perhaps it is. Really, in studying the bill, that I know this committee has done—and I have not had a chance to study this thoroughly as I would like to—it is an extremely complex document, and even to explain, after one understands it, the escalation provisions, the actual formula by which a benefit will be determined, is a very difficult thing and requires a very sophisticated person, a person with certain specialized skills, mathematical skills, to understand what the benefits are. The O.A.S. did not have this difficulty. It is a flat benefit everybody gets and understands. That is the second advantage, simplicity. The first advantage is universality.

The third advantage—and perhaps this is almost as important as the other two—is that the cost aspects of O.A.S. are pretty clear-cut. It is a pay-as-you-go plan. Unfortunately something that should have been done—and in the suggestions I make for improvements of the O.A.S. it is one of the suggestions I make—is that there should be some fiscal responsibility and a statute should spell out those projections of benefit payments for reasonably long periods of time. This could be done equally for the O.A.S. as is being suggested for the

Canada Pension Plan. When the O.A.S. was started many years ago Senator Croll was on that committee.

Hon. Mr. CROLL: Senators Knowles and Smith.

Mr. KNOWLES: Please, please!

Hon. Mr. CROLL: Well, not "Senator" Knowles.

Hon. Mr. SMITH (*Queens-Shelburne*): Do not mention any names.

Mr. ECKLER: Premier Lesage, the present Premier of Ontario, was chairman of the committee. Projections were made at that time for long periods of time as to what the cost would be. Unfortunately, this type of projection—

The CHAIRMAN (*Hon. Mrs. Fergusson*): You said that Mr. Lesage was Premier of Ontario.

Mr. ECKLER: I am sorry, I meant Quebec. Unfortunately, these projections have not been continued. If they had been perhaps the responsibility in O.A.S. would have been greater, but there is no reason why this could not be done. But the point I want to make is that the cost aspects are pretty clear-cut. We know what we are going to spend for the next 20 or 25 years, and we work out some "contributions"—in quotation marks, because it would not be by contributions from deductions from income, but a certain amount from sales tax, a certain amount from the income tax, and a certain amount from corporation tax. This could be done equally in O.A.S.

I have been somewhat surprised there is some inference this type of financing is only unique for an earnings-related plan. It can be done equally for the flat rate plan, which we have had in operation for some years. At any rate, these are the three advantages today for O.A.S.: Universality, fiscal responsibility, and ease of comprehension. This is the first part of my brief, where I suggest to reverse gears and go back and, as I said at the outset, perhaps this is too late; I do not know.

The second part of my brief is really a plea, assuming this is a fait accompli and this is the concensus of Canadians, and the members of Parliament and the senators who are very close to this situation—far closer than another private citizen would be—then, what do we do? I am making a plea to avoid the fragmentation of the C.C.P. that seems to be coming about. Quebec has indicated it will run its own plan. The newspapers indicate that the Ontario Government is considering the same thing. I do not know about the other provinces. I think there have been some questions raised by one of the western provinces about it, but whether they are considering running their own plan or not, I do not know. What bothers me here is a fragmentation of a plan which should be a unifying rather than a divisive influence.

I make the point a pension plan is not another type of social security measure such as Workmen's Compensation or temporary disability insurance, which you do not have here, or hospital insurance. We could quite conveniently have separate provincial plans without any great administrative complexity, because you do not accrue benefits in these other social security measures. In pension plans you accrue benefits, at least under the Canada Pension Plan, for a long period of time, and it seemed to me this is the type of plan that requires a national rather than a provincial base.

I make a plea here for reconsideration of this, bearing in mind the interest of some provinces in having a voice in this matter. I make a plea: Cannot we still work out some federal-provincial agency which will satisfy the desires of the provinces and also achieve a unitary plan for the entire country? This is the second part. I could talk at greater length on it, but perhaps this will come much later.

The third part is really the one I am least proud of, because I did not do what I would like to have done, gone through many other areas of the bill.

I just picked out certain areas and made comments on them. One is the funding approach that is employed in the plan. By and large I support the type of funding approach which is indicated or employed in the Canada Pension Plan. I do not favour full reserve funding and pay-as-you-go. What has been suggested here is a compromise between the two, where you attempt to level out contributions for a reasonable period in the future. What has been suggested here is a compromise between the two, where you attempt to level out contributions for a reasonable period in the future, which I think here is about 20 or 25 years.

The second part I comment on is the self-employed, and here I agree with the intentions of the framers of the legislation in providing for compulsory coverage of self-employed. However, I question that these intentions will really materialize. I question very much that we will get anything close to 100 per cent coverage of the self-employed, so that even when we talk about the uncovered areas I think we will also have a large group there that will be uncovered.

The third area is the full question of the floor and the ceiling. I did not have the opportunity in the last day or two to read all the discussions that took place at this committee, because I just got the proceedings from the last day or two, but I do know a lot of time was spent in discussions of the ceiling particularly and of the floor.

My own view is that it was a mistake to introduce a floor in the establishment of contributions. I think this was totally unnecessary. and will become an administrative headache.

I suggest that what was attempted in the floor was to provide a graduated benefit but not graduated contributions. This could have been achieved by a somewhat different formula than the 25 per cent. That is, you can graduate benefits as they have done in the U.S. social security program.

The fourth part that bothers me is the large uncovered area, and this again is a matter of philosophy, principles, what we are trying to do.

If the C.P.P. is regarded as an extension of the private pension plan then, of course, what is done here is fine, because these uncovered areas I referred to are uncovered in private pension plans as well. I refer to people not in the labour market and those who have not had a chance to build up private pensions. Now, if the approach here is an extension of the private pension plan, then fine, but I think we are attempting more. This is my assumption at any rate.

Because of the nature of the plan, we have left out an extremely large group of people. I think you have heard this many times before, but for some reason or other we have left out everybody not on the labour market. Certainly there are very few people not on the labour market during their entire lifetime, but just those who are in and out of the labour market for short periods will not build up too many benefits, at least not under the C.P.P.

We have left out the disabled and the retired groups and these also are not on the labour market. We have the difficulty of the 10-year build-up, in that the benefits after 10 years from the inception of the plan will be quite modest and not nearly so generous as for those retiring after 75.

I suggest that these difficulties can only be removed by enlarging the O.A.S. and by shortening the maturity period.

Now, Madam Chairman, perhaps I spoke longer in my summary than I did in the brief. I am afraid this happens quite often but I wanted to give you my offhand comments even if I had to duplicate to some extent my brief. That completes my remarks.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much, Mr. Eckler. I think Mr. Francis would like to ask you some questions.

Mr. FRANCIS: Madam Chairman, I was interested in Mr. Eckler's presentation concerning funding of the Canada Pension Plan. We have had quite varying recommendations on this aspect. A number of actuaries have said that they like pay-as-you-go and one or two have indicated that they go in the direction of complete funding. Do I take it from your brief that you generally support the funding proposals as laid out in the plan itself? Would that be a fair statement?

Mr. ECKLER: Yes, I think it is. Mind you, the fact that it is a 25-year period in the plan is perhaps accidental as well. I have a notion that the 1.8 per cent formula was developed before the actuaries submitted their reports, but by and large, whether it is 20 or 25 years, I like the idea of a projection of costs for a reasonably short period.

As a matter of fact in my brief I suggest we should not even bother with projections beyond 20 or 25 years because it is quite speculative and the cost is averaged out over that period. By and large I support the funding approach that is implied in the plan.

Mr. FRANCIS: Madam Chairman, some actuaries have been critical of what they consider to be loading against future generations, and the same actuaries have, almost in the next breath, said they like old age security as it is, without funding whatsoever, and, at any rate, charging against income. Do you have any views about this loading against future generations?

Mr. ECKLER: This perhaps is quite important. As I indicated in my extemporaneous remarks here, I suggest that the entire thing—not only for the C.P.P. but for the O.A.S. as well—becomes one package in terms of financing. This might involve, of course, a build-up of a somewhat larger fund than is indicated in the Canada Pension Plan. However, whether it is fair to ask the young generation of 10 or 20 years from now—or even the present generation—to finance the benefits of the present old generation, is a good question, if one approaches it from the point of view of private pension plans.

Of course that is not the frame of reference used here. In a basic way this is a redistribution of income from one group to another, and this is the way I would like to approach social security.

So long as the act remains in force I think it is very wise on insisting on a careful examination by an actuary every five years, and insisting that his report be forthcoming before any amendments are made.

The question of what will happen 25 years from now, as I said at the outset, is one I am not sure we can project. I am not sure that we can project that far in advance. I think that is speculative. I think five or 10 years from now we could project another 25 years and take a look then. We could keep the average for this 20- or 25-year period from that point on. This is the approach I like to take.

Mr. FRANCIS: Madam Chairman, Mr. Eckler has made a suggestion on page 2 that the "level of benefits could be varied with relation to the periods of residence in any specific province during the five or 10 years preceding the attainment of minimum age for entitlement to the O.A.S. benefit." This is the first time I have seen that suggestion. Would Mr. Eckler like to expand on what he had in mind here?

Mr. ECKLER: I have been very cautious in all my enthusiasm for O.A.S. because I remember a session I had with the Canadian Labour Congress some years ago where Mr. Anderson and I were on a panel discussing a number of things, private pension plans, social security, etc. At that time I made a strong plea for an O.A.S. scheme rather than an earnings-related approach.

I am afraid I did not succeed, but I was very conscious then, as I have been since in discussions of this sort about the criticisms of O.A.S., that it is

difficult if not impossible to offer the same benefits for groups that have different ranges of income, provincially, between urban and rural areas.

I say here, of course, that I am not concerned about this really. I personally am not concerned. This does not bother me. I think the price we would have to pay for this type of redundancy might well be worth the universality in the common type of benefits for all areas of the country, because needs do not differ that much.

Mr. FRANCIS: Needs do not differ, Mr. Eckler?

Mr. ECKLER: Well, the needs of a person in a low-income area, in terms of basic needs, should be the same as in any other area.

Mr. FRANCIS: Surely, the cost of living is different if you live in Toronto than from what it is if you live in a small rural community in Ontario, or some other part of the country?

Mr. ECKLER: I doubt that the differences are that great between Toronto and another area. Of course, housing costs are considerably different and so are transportation costs, but I doubt that the difference is that great. I still think, even if they were great, it would not be that serious. My point is that the price of this universality, the price of this common benefit, perhaps because of redundant benefits in certain areas, is worth the results that we are going to get from it, such as simplicity and all the other advantages that I have indicated in my presentation.

Hon. Mr. THORVALDSON: Madam Chairman, if I may interrupt, I would like to get the benefit of what the gentleman is saying, but I am quite a way from the front, and—

Mr. ECKLER: I am sorry.

Mr. FRANCIS: I would be delighted to yield to Senator Thorvaldson if he has a question on this point.

Hon. Mr. THORVALDSON: I beg your pardon?

Mr. FRANCIS: Have you any questions on this point?

Hon. Mr. THORVALDSON: No. I was indicating that I could not hear the witness. I prefer not to use the ear phone because, after all, I am not all that far from the witness.

Mr. ECKLER: If I speak at this level can you hear me?

Hon. Mr. THORVALDSON: Yes, that is fine.

Mr. ECKLER: What I have said is that I personally am not concerned about the redundancy in a flat rate plan which might develop if we attempted to produce a minimum subsistence benefit for a high cost area. I think that the price we pay for that would be worth the advantages of a common plan for the entire country.

Your specific question was: Could I develop more this variation by provinces in an O.A.S. type of plan?

Mr. FRANCIS: Yes, I would like to hear your thoughts on this, Mr. Eckler.

Mr. ECKLER: I have not too much to add to what I have said here. It is a thought that came to me. I think administratively it could be worked out. I think administratively residence in a province could be established more readily with the type of residence that is going to be maintained now. We do not, incidentally, resolve the problem of urban-rural differences. We resolve only the differences between one province and another. It may be that the urban-rural differences are far more serious than the provincial differences, but all this can do is resolve some of the provincial differences, and there can be wage indexes developed from province to province. We can use these as a formula by which the benefits could be varied from province to province.

Mr. FRANCIS: Do you not see any difficulties if you had, for example, a slightly higher rate in New Brunswick than in Nova Scotia? My neighbour to the right, Mr. Lloyd, is from Nova Scotia. Do you not think there might be some difficulty in explaining this to some parts of the country—that is, if you have this difference? Do you not think there would be some problems of public attitude about it?

Mr. ECKLER: Madam Chairman, I do not quite see how this thing is any different from the differences that are inherent in the C.P.P. We are just doing it in a roundabout way in the C.P.P., because the differences will also apply there as between one province and another if the earnings level in one province is different from that in another. Perhaps we conceal it, but it is still a general program of redistribution of income. The type of criticism that can be levelled against that type of differential—and as I said at the outset I do not favour it, really—can be levelled equally well in substance against the C.P.P.

Mr. FRANCIS: Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Croll?

Hon. Mr. CROLL: I have just one question. Your brief covered the uncovered groups. This is a matter that causes me a great deal of concern. Assume for the moment that this is an exercise in nostalgia, I direct you to the first paragraph on page 4 of your brief where you suggest some alternatives. You think that these objectives might be reached in developing an earnings-related plan on some other sort of basis. Would you care to enlarge on that? What is in your mind?

Mr. ECKLER: Well, on page 4 I deal with the second part of my brief in which I make a plea for a common earnings-related plan for the entire country. Even though we have the opting-out provisions that are now in the act I think inevitably variations are going to develop between some of the provincial plans and the federal plan. That part of the brief is really only a plea for a common plan.

I think the difficulties of the uncovered areas will apply there as well, and the only way you can include these uncovered areas is by some rather major enlargement of O.A.S. That is the only way that I can see by which these uncovered areas can be covered.

The group that is not going to get this full pension—that is, those retiring from 1967 to 1975—can only be brought into the covered area by a shortening of that maturity period. The other groups that are not in the labour market, and those already retired, can only be brought in by some amendment to O.A.S. You cannot use the earnings approach to these uncovered groups because there are no earnings on which to base their pension. It might be an idea there to think of some enlargement of O.A.S.

Hon. Mr. CROLL: You did cover this in the brief, but one of the problems of O.A.S., as you know, is the matter of disabled persons, widows and orphans, who are covered under the plan at the present time. I am forgetting about portability for the moment, but you do make some suggestion as to how that could conceivably be done. Is not that administratively almost impossible, or do you see an easy way of doing it?

Mr. ECKLER: That is on page 4. That is the reversion to O.A.S.

Hon. Mr. CROLL: Yes.

Mr. ECKLER: I do not see why there would be any problems in establishing a disability or survivor's or children's or widow's benefit under the O.A.S. approach—none whatsoever. The entitlement to disability would then be a matter of residence with the condition of disability. That is the test you would use, and not the number of years of contributions. The test you would

use would be the type of test we are now using in O.A.S., and that would be age and residence. These are the tests that you would use for establishing the entitlement to benefit.

The level of benefit would be a matter of cost. How high are we going to go? We may think in terms of disability only after 55 or after 50, because of cost considerations. It does not have to be 75. It could be something less. This is a matter of taking a look at the cost, and seeing what can be done with it, but there is no inherent difference in terms of entitlement to benefits between earnings and a flat rate.

Hon. Mr. CROLL: But you do talk about a supplemental plan. That is what caught my eye. This is on page 4 in the first paragraph.

Mr. ECKLER: Well, that first paragraph there really deals only with the C.P.P. What I am suggesting there—I am calling it an earnings-related supplemental plan, and that is another term really for the C.P.P. I have felt for some time that it would have been far clearer—and I have had so many meetings with employees and employers trying to explain what these things are—if we had introduced the entire thing as a package, because the integration of the private pension plan is an entire thing. It is a package. We are going to deal not only with the C.P.P. but the whole of the old age security picture. That is what I deliberately talk about—not the C.P.P. in some areas, but an earnings-related supplement to O.A.S.

Hon. Mr. CROLL: I see. One of the things you did not mention in the plan is the question of integration with the private plans. You have had a great deal of experience with private plans. What do you see?

Mr. ECKLER: Well, I see a lot of work for actuaries. That is one thing that I see.

Hon. Mr. CROLL: Is that bad?

Mr. ECKLER: Not bad for me, but perhaps it is for other people. All plans will have to be re-examined by employers and unions. They will have to take a good look at them. Many unions are asking for a complete decking. They are asking that their plan continue as before, and that the C.P.P. be added on completely, so that the old age employee, if he leaves the working force, will have three benefits—the C.P.P., the O.A.S. and his own private pension which will be continued on the same basis as before the C.P.P.

Even some employee groups that I have spoken to, and these are employee groups who have extremely generous pension plans where the formula might be 70 per cent of the final salary, which is the public servants' approach both in Ottawa and other provinces, are not sure about decking, because they really may be putting too much money aside for their old age and not having enough available for their current needs.

In those generous, liberal type of pension plans, there is bound to be a major modification in the private pension arrangement. The Civil Service modifications have already been disclosed. The various provincial civil service organizations and the various teachers' organizations are taking a good look at their plans to see what they ought to do. These are generous plans. The banks, the financial institutions and some other groups that have generous plans undoubtedly will be modifying their plans. In some cases that will be done with the complete consent of the employees. In some of these public plans, the employees are paying as much as 5 to 6½ per cent of earnings, and this added to the 1.5 on the average of \$2,500 or 1.8 above that, would be quite a crimp in their income and might provide a pension at retirement which might mean, including O.A.S., an amount which is out of all proportion to their needs at that time. Obviously, they are going to make some major changes in their plans.

You come down to the lower or bottom area of private pension plans—many union-negotiated plans, others not union-negotiated, where you have a very modest type of plan. In those cases the benefit might be \$2 to \$2.50 for each year of service. We have seen some worth \$50 and \$55 in some union-negotiated plans, after 20 years' service.

Certainly there the pressures will be to deck completely, to add the two together without a modification of the private plan. Whether this will happen I do not know, because some of these areas have industries which are marginal and which might not be able to afford contributions of $1\frac{1}{2}$ per cent from employer and $1\frac{1}{2}$ per cent from employee. There might be modifications there, but certainly the trend there might be a continuation of the private pension arrangement.

Then you have the late middle area, not the 2 per cent plans of the Civil Service type, not the flat rate union-negotiated plans on modest levels—because some union-negotiated plans are not modest but quite good. You have a middle area of private pension arrangement, where a common formula would be $1\frac{1}{2}$ per cent to 2 per cent of career average, which might work out at 30, 40 or 50 per cent of final salary.

What is going to be done there? It is anybody's guess. They will all take a look at that and in most cases there will be some modification, but how major it will be I do not know.

As to the question whether there are any insuperable difficulties of integration, I do not think so. I think it can be done. I doubt that very many people will understand what the benefits are going to be. This is a difficulty I see, and this is a serious difficulty.

I am really very much impressed by the confusion rampant in this country about pensions, and it has been confounded by the different uses of terms like "portability". Everybody has a different definition of this term. What is the Ontario plan? It is not a plan, it is just a set of rules. The question is: what is the Ontario plan, what is the Canada plan, and so forth. I think it can be done, but I think it can be done with a lot of anguish and a lot of misunderstanding.

Hon. Mr. CROLL: You said it will be difficult to tell the man what he gets in the way of a pension. In the end, when you have finished and when a plan has been organized and agreed to, and when you have made your study and the employer has made his and the employee has made his, the rules are pretty simple at that stage, are they not, once you have come to a decision?

Mr. ECKLER: I think it is a part, and a good part of good retirement policy, that there should be a lot of discussion with the employer one, two, three, four or five years before retirement, as to the employee's needs and what his resources will be at the time of retirement. Unfortunately, this is not done too often. I think a figure can be given to that employee. There is no question about that. It can be given five years before. My point is that 25 years before retirement or 20 years before retirement it will be difficult to explain to him what his benefit will be in terms of the future. That is the point.

Hon. Mr. CROLL: But you can still give him a figure, the two figures being related in some proximity?

Mr. ECKLER: Yes, a figure could be given to him, there is no question about that. How accurate it is is another question. A figure can be given to him. My point is that the means by which the figure is derived would be difficult to give to him.

Hon. Mr. CROLL: You may or may not be able to answer this question from your study of pension plans in Canada. Can you strike an average?

Mr. ECKLER: In terms of the benefit level?

Hon. Mr. CROLL: Yes?

Mr. ECKLER: I think all members here have the D.B.S. study, a comprehensive study of pension plans that was completed 1960. I have a copy of it here and I am sure most of you have.

I do not think I can strike an average. There are so many types of plans. There are the flat rate which are typical union-negotiated plans, where the benefit may vary from \$2 for some individual to as much as \$6.50 in some years of service. There are recently-negotiated U.A.W. plans and in these there are very high levels. You also have the career average type of plan. In the case of the union-negotiated one, it might be something like \$2, \$3 or \$4 a month for each year of service. These plans embrace large numbers of employees, because they are the large industrial groups, the industrial unions.

Then there is the earnings-related type of plan, what we call the career-average formula, as in the case of small businesses, where the benefit varies from $1\frac{1}{2}$ to 2 per cent for each year of service. Then you have the straight pension plan, the public service type, the final average salary plans, where they go from $1\frac{1}{2}$, $1\frac{1}{3}$ to 2 per cent, together with a very important additional feature, which is almost unique, but not quite, to public plans—what we call the family pension. This is an important part of private pension arrangements. You might find a pension given to an employee on what we call a single right basis, that is, to the employee so long as he lives, 50 per cent of his income; but after he dies there will not be anything left for his wife. If there is an attempt to convert that to a pension for his wife, that will then reduce it below that. These public service plans have another feature, in that the benefit, where it may be \$2,500 while the man is retired, reduces to \$1,250 to his wife afterwards. This is common in public service plans but not too common in others.

Mr. KNOWLES: My first two or three questions will relate to old age security. Despite your calling this an exercise in nostalgia, we will have old age security with us for quite a long time, so perhaps my questions are appropriate. Would you care to indicate what levels of benefit you think we could have given under O.A.S. if we had gone for an O.A.S. plan only?

Mr. ECKLER: I cannot give you the level. I can only say that whoever is drafting such legislation would obtain from their expert advisers, of which you have a large number here, very capable advisers, a projection of benefits—as the Old Age Security Committee did many years ago in 1950—a projection for 20 or 25 years. They would then take a look at how this money could be raised. In many cases I think it would be raised by a far simpler device than a payroll tax, which is the method of financing the C.P.P. The sales tax would include everybody, even though it is pretty high now, it is still a tax, and so is the payroll tax. I cannot say how high it should be.

I think that this, in a very fundamental way, is a political decision. It is the Members of Parliament, the Members of the House of Commons and the Senate, and the Government, who take a look at the needs and resources and priorities, and then decide. The advantage of the O.A.S. is that it is pretty dramatically highlighted. You know exactly what it is. I am not prepared to say what it can be, but I am prepared to say that it would be more than it is now, if you scrap C.P.P.?

Mr. KNOWLES: If we do not scrap C.P.P., if we keep the two-stage idea, what happens? This question comes under your third heading. You referred to the fact that those now on O.A.S., who are 70 and over, are not given anything under this plan. Do you think that under a joint plan we could meet that deficiency, by making an increase in O.A.S. as well as bringing in C.P.P.?

Mr. ECKLER: We can. It is a matter of dollars—a matter of finding tax revenue for it. Of course we can, if we think it has sufficiently high priority.

Mr. KNOWLES: But in view of your concern that one of the shortcomings of C.P.P. is that it does not provide for the 70 and over population, do you not think we should do something in that area?

Mr. ECKLER: If we have the resources and gave it sufficiently high priority, yes. I think the kernel of my argument is something else, that you get boxed in this way. If you give yourself a C.P.P. as a fait accompli you may have some difficulty in raising the funds required to finance this additional benefit. It might be difficult to have both, be difficult to enlarge O.A.S. to cover these uncovered areas—it would not be impossible but difficult—and to continue with C.P.P.

Mr. KNOWLES: Mr. Eckler, you have made a number of comments on your own in answer to questions about the ways in which money is raised for these plans, and referred to the 433 plan, and also of course to the payroll contributions under C.P.P. I would like to ask your opinion on one subject as applied to both of these collection methods. Do you think it is a good idea that we have the cut-off at \$3,000 of taxable income under O.A.S. and a cut-off at \$5,000 of initial income under the C.P.P., or would you favour contributions at both those levels, I mean contributions without further benefit than C.P.P.?

Mr. ECKLER: If I understand your question, it is: Would I favour the elimination of the ceiling both for benefits and contributions?

Mr. KNOWLES: No, for contributions. The question is not on all fours with respect to both plans. With respect to the O.A.S. would you favour an elimination of that \$3,000 ceiling so as to get more money to do the more things that you think O.A.S. should do.

Mr. ECKLER: The \$3,000 floor—

Mr. KNOWLES: I am talking about the \$3,000 ceiling. Under O.A.S. the income tax is 4 per cent on the first \$3,000 of taxable income.

Mr. ECKLER: You have a problem of collection. The *raison d'être* of the sales tax is that you cover everybody, even people under \$3,000. It might be a sales tax, a consumption tax rather than an income tax. I think you would run into all kinds of problems, and I think national revenue would be better qualified to give a professional answer to that question. My reaction is that offhand I would prefer a sales tax approach to the lower income level.

Mr. KNOWLES: Now may I move to a question in the second section of your brief, where you talk about federal-provincial co-operation in the general area, assuming some kind of earnings related plan. I suppose my question is a bit leading or loaded. You come out very strongly for as much unity in this area as possible. You would have liked to see just one plan. You are sympathetic with the Quebec position, but you wish it were possible to have one plan. If we cannot dissuade Quebec from the decision it has already taken, would you think every effort should be taken to persuade Ontario to stay in?

Mr. ECKLER: It is quite a loaded question.

Mr. KNOWLES: You are just considering Ontario?

Mr. ECKLER: I think the dam has been cracked when one province drops out. I am not sure, but I doubt that the problems would be magnified too much if another province dropped out. Once you have one province dropping out you may run into a competitive revision of future benefits by that one province and the rest of them. You are giving one province the right to do what it wishes, and you are straitjacketing the rest of the country.

Once one province opts out, I think the whole principle has been destroyed. The whole idea of the unified plan has been destroyed. Once that is done, and you can't stop it—although I hope perhaps some machinery could be worked out where Quebec could be persuaded to come in—but once that

is done, I might, if I were involved in some provincial legislation, take the position that that other province might go out as well. You run into other difficulties—you have provincial competition as well. It is not entirely black or white, but to some extent it is, the dam has been broken, and you don't have a single plan any more.

I spent a day with the I.L.O. at Geneva last June, and I was very concerned about this fragmented type of plan. I was not able to get the top experts there—they were in Latin America and many other places, but one to whom I spoke was a Canadian from Montreal, an economist. The question I put to him was, "Do you know of any country in the world that has a fragmented pension plan?" His answer was, "No." This is normally the national approach, because of the nature of these things.

Mr. KNOWLES: You wish we could retain that one plan.

Mr. GRAY: Mr. Eckler used a phrase about giving one province the right to do what it wishes. Does it not have that right constitutionally already?

Mr. ECKLER: Completely they have the right, and in other social security plans as well. In the matter of unemployment insurance they would have that right I should think; but I am not a lawyer. I think they have the right in other areas which they do not use, and I think this is the last area in which this right should be exercised.

Mr. GRAY: We are not giving them the right.

Mr. ECKLER: No, this right they have; but it seems to me that in a national plan to cover all provinces, this is the last area in which that right should be exercised.

Mr. KNOWLES: We are not discussing the legal position, but rather what is desirable?

Mr. ECKLER: That is right.

Mr. KNOWLES: May I move to the third section of your brief? I would like to comment on at least one point, and then there is one rather interesting element in it I would like to question you about. You refer to one of the shortcomings of the plan as being the fact that for the first nine years the benefits are rather modest. You indicate that from the tenth year on that is not the case. No doubt you are aware that a great many witnesses at this table have been telling us that there are windfalls and bonanzas, and that sort of thing in the initial years of the plan. Do you wish to comment further?

Mr. ECKLER: It was only yesterday that I had the proceedings of the committee. I glanced through some of them, and I realized that this is one of the major points of attention; but I do not regard this C.P.P. as an extension of private pension plans, although I think that in the thinking out of this plan the framers have done so. If you did not have this ten-year build up, part of this problem would not be as serious. Part of this total benefit is inherent in an earnings related plan as well. That is one of the difficulties. When you have an earnings related plan, and you have a starting point of some time, if you had a zero maturity period and started paying benefits at once, the problem would be there as well, and might be more severe. I do not support an earnings related plan for this reason, and this is another point, but I am not that exercised about this particular question.

Mr. KNOWLES: Granted your basic position which you just restated, you also do recognize that there is a difference between social insurance and private insurance?

Mr. ECKLER: A fundamental difference.

Mr. KNOWLES: That is the reason for these benefits which some people think are generous?

Mr. ECKLER: Yes, because you have to do a lot of averaging in private insurance.

Mr. KNOWLES: I would like to ask a question or two about the \$600 figure. I am quite interested in your suggestion, and it strikes me as a bit complicated in view of your earlier suggestion that the plan itself is complicated. But, on second thought, I realize it is not a serious situation. I gather you are asking that people be covered right from the first dollar—that is, that they contribute right from the first dollar—and we achieve what we are trying to do for the low paid group by giving more than a 25 per cent pension on the first \$600.

Mr. ECKLER: Or \$800, whatever band is set.

Mr. KNOWLES: Might I say that this problem was placed before us the other day by the Canadian Federation of Agriculture in a slightly different way. The Federation did not make your proposal, but the Federation did express concern about the people who are under \$600 and get no coverage at all, whereas the \$700-people pay on \$100 and get coverage for the full \$700.

As a matter of fact, if I may take a moment, I asked Mr. Osborne some questions and we got it clear that the \$601 man pays on \$1 and gets \$601-worth of benefit, and the \$599 man pays nothing but gets no benefit.

Mr. ECKLER: Yes.

Mr. KNOWLES: I think in terms of our being able to do something by way of amending the plan, you may have given us something very helpful here, and I wish you would expand on it a bit. Is your aim essentially the same as that of the Federation of Agriculture—namely, that we somehow keep in for benefit purposes these people who are below \$600?

Mr. ECKLER: There are a number of reasons for this. One is I think it would simplify administration enormously for the employers. I just read this in the evidence yesterday that Mr. Sheppard, in his evidence, indicated there would be about 200,000-odd refund cheques because of the \$5,000 ceiling, and one million cheques because of the floor. I think that with all the computers in the world it is quite a job to issue one million cheques. Finding the addresses of people to whom these cheques have to be returned might be the most serious problem. This is an administrative reason, in terms of costs, why I do not like the floor. Then, a sort of counterpoise to that, the same thing could have been achieved by no floor, and this would also answer the problem you raised and the C.S.A. has raised, this horrible one, the difference between \$600 and \$601. Any time you set up floors you run into this problem. I personally do not quite see the need for it. Outside of the compromise that has been arranged, I do not see the need for a floor. It is cumbersome, it is complicated and creates benefit problems. I do not know who wants it really, and yet it has been put into the legislation. The idea is that it be progressive. You could achieve this the way I suggest just as easily and, perhaps, more effectively.

Mr. KNOWLES: There are before us, in a sense, three propositions: the proposition in the plan, a \$600 floor, and no contribution below that level and no credit if you are below that level; and then we have the C.S.A.'s proposal that there be no contributions below that level, but that there should be credit for it.

Mr. ECKLER: You need an earnings record. One of the problems you would have there, if you had no contributions below \$600 and a benefit below \$600, is how is your administrative agency going to be able to obtain earnings records? I think you are obliged to have contributions for that reason alone.

Mr. KNOWLES: When you suggest the rate of contribution for a certain band be higher than the 25 per cent—

Mr. ECKLER: The rate of benefit.

Mr. KNOWLES: Yes, the rate of benefit be higher for a certain band, do you think that band should be that same figure? Of course, if you wipe out the \$600 floor, then that band could be set at any arbitrary point.

Mr. ECKLER: Yes, this again depends on your cost projections, what you want to spend.

Mr. KNOWLES: I am going to ask what percentage you would suggest for that first band.

Mr. ECKLER: I am not in a position to give you a specific answer. It is a matter of taking a look at figures. Once the principle is established that could be worked out.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you finished Mr. Knowles?

Mr. KNOWLES: Yes, for the moment.

Mr. LLOYD: Mr. Eckler, may I say first how much I appreciate your establishing your views on broad principle, and then how you attempted to be constructive by saying, "You have a certain situation now. Maybe it is not possible to go back to where you would like to go," and then you say that these are some of the things you propose.

I think your observations on the matter pursued by Mr. Knowles will prove to be a very constructive field of effort for us to examine. However, there are some other things you said that convey information to us, at least to me, that I do not recall being conveyed to us before. Perhaps it was, but there is such a mass of detail that perhaps you will forgive me if I repeat some things that have been discussed on previous occasions.

I believe you mentioned something along these lines—I do not recall the exact words—regarding the mass of members in private pension plans, because of varying rates of pay, periods of unemployment and the like, their percentage of final earnings is something in the order of—what per cent did you say—30 to 40 per cent?

Mr. ECKLER: In private pension plans normally the benefit is expressed as a certain figure for each year of service. It could be, as in the union-negotiated plans, \$4 a month, for example, for each year of service. It could be in salaried plans 2 per cent of the average earnings for each year of service. So, if an employee has 35 years' service with one employer, he would obtain 70 per cent of his average earnings throughout his working lifetime. In view of the rapid growth in average earnings, even without inflation, because of productivity changes and so forth, that 70 per cent perhaps drops to 30 or 40 per cent of final earnings, and that is how you get my figure, roughly.

Mr. LLOYD: In other words, for all practical purposes there is a large mass of members of private pension plans who, when they reach retirement age, will be deriving an insurance payment of approximately 30 or 40 per cent of their final average earnings, is this what you are saying? The mass of it is there; they represent upward to 70 per cent?

Mr. ECKLER: I say, if anything, that is probably high.

Mr. LLOYD: If you go to the air line people, who have a special scheme, you go above that.

Mr. ECKLER: Yes, and there is the public service field. It is just a guess, but I would say 40 to 50 per cent.

Mr. LLOYD: It struck me, from the figures of those in that \$3,000 to \$5,000 salary range, when you look at the mass of people who are in that salary range, obviously the large proportion of people in Canada are receiving pensions in the 30 to 40 per cent area of their final salary?

Mr. ECKLER: Far less than that, because very few employees remain with one employer for their entire working lifetime.

Mr. LLOYD: For this reason the O.A.S. has been very essential?

Mr. ECKLER: Yes, undoubtedly.

Mr. LLOYD: And necessary to the Government to maintain purchasing power in the hands of people. Then we bring it into the economic sector as being of value.

Mr. ECKLER: I am not an economist. I was thinking of the need for security here. This situation is changing in terms of private pension plans—that is, portability in the legislation of all the provinces—and they attempt to diminish the problem caused by movement from one employer to another. And there has been in the private area an enlargement of this formula over the years. There are some employers switching from the career average plan to the final average salary plan, but for the purposes of the terms of the structure that figure is about right.

Mr. LLOYD: The next question I would like to put to you comes from your observations on page 2, item 3, where you are speaking there of the position of married couples. I think you said it would not be a serious administrative problem to adopt the proposals you have suggested. May I ask, wouldn't there be a problem of establishing marital status—for example, common law relationship's, cohabitation relationships, and so on? Would not this be difficult?

Mr. ECKLER: A problem, but not a serious one.

Mr. LLOYD: It would be an administrative problem?

Mr. ECKLER: I am saying that it is not a serious administrative problem. I did not say there was no problem. There would be a problem, but I think this is a problem in many private pension plans as well, where the question of marital status comes up.

Mr. LLOYD: What do unmarried sisters do? For example, there are many cases of unmarried sisters living together in order to provide some means of meeting the cost of living. In this way they economize. Would you suggest that they be in the same category as the married couples for purposes of pension benefits?

Mr. ECKLER: No, I would exclude them, but I cover that in No. 4, when you could provide reduced benefits for those over 65. That would cover these two sisters whom you have mentioned.

Mr. LLOYD: So, from an administrative point of view, while we may get rid of some administrative problems we may certainly add some others. It is a matter of degree.

Mr. ECKLER: There are not very many problems.

Mr. LLOYD: I know how dangerous it is as a Member of Parliament to make any dogmatic statements of principles. They have a way of coming back later to haunt you, so you usually qualify what you say. So what I am going to say now is an observation leading to a question, and it is this: In dealing with matters of public finance generally, I think it is a sound principle to avoid deficit financing on things such as transfer payments and old age security and social assistance programs.

Now, if this is right, the funds that you raise to finance this sort of thing should be pretty well related to the earning sector of the economy, and I think Mr. Anderson was proposing this in his submission. Now, if this is so, then if we extend old age security to cover all the situations that we try to deal with in social system programs, we would be compelled to raise, for example, the corporation tax; we would be compelled to raise the personal income tax and also the sales tax.

Now, it is not just the sales tax alone, but it is a 4-3-3 program.

Mr. ECKLER: Right.

Mr. LLOYD: This bothers me. Is there not some merit in taxing earned incomes up to a level for this kind of purpose from an economic or financial point of view?

Mr. ECKLER: It is a new form of tax. I am leaving my role of actuary here, but much of what I have said is full of opinions, and non-actuarial opinions at that. I am afraid that I am in an area of public finance, and, though I am interested in it, I am not an expert witness on that. However, I really feel that it is a new type of tax, this payroll tax, and it has merit from that point of view. We have not attacked that area before. It is a new form of tax, but, in terms of incidence, I see really no difference between this and the other taxes that we could superimpose on it, and it might be far easier collecting it.

Mr. LLOYD: Are you among those who advocate the refining and improving of the O.A.S. area?

Mr. ECKLER: Yes, this is in the first part of my brief.

Mr. LLOYD: Do you also say that you would continue revenues from that to the 4-3-3?

Mr. ECKLER: Not necessarily. The Finance Department might find other forms of revenue more convenient and sounder, but I do, in my suggestions for revision of the O.A.S., argue as strongly as I can for projections of benefits for long periods of time, and income to support those benefits, which may in periods of depression perhaps act as an encouragement for employment.

Mr. LLOYD: What bothers me is that from the Chambers of Commerce and the life insurance officers we keep getting statements that we should do more in the O.A.S. field and the flat benefit field, but I wonder if they would be as quick to support us if we had to increase (a) the sales tax, (b) the corporation taxes and also increase the personal taxes to satisfy that field. I doubt it very much. In my mind I think they would holler the other way and we would wind up with nothing for these people retired with 30 to 40 per cent of their average salary on retirement.

This is, practically, a sort of political thing rather than an appraisal of the technical features of the plan.

Finally, I recall your having mentioned that there was a lot of "averaging" in private plans. I think the term "cross-subsidizing" has been used, and some of the witnesses we had before us gave the impression that there was no cross-subsidization in private pension plans. Would you disagree with that point of view in view of your statement?

Mr. ECKER: Well, I have not used the term "cross-subsidization". I did not use it today and I don't want to use it.

Mr. LLOYD: You did use the term "a lot of averaging".

Mr. ECKLER: Let me give you some concrete examples of what I mean. We introduce a pension plan for a low age industrial group; let us say it is the flat rate type of plan. The unions and employers have bargained for a certain amount of cents per hour for pension purposes—three, four, eight or 10 cents an hour. How is this income going to be divided up among the employees of various ages?

It is obvious that if you are going to develop a reasonably adequate pension plan, some of the young have to pay for the old in this plan—some of the old who are close to retirement age, or some already retired or who have another five years to go. If we have a common benefit formula for all the employees they will not be able to pay for all their benefits and this must come from the entire package, and this is where the average comes in.

cross-subsidies

Mr. LLOYD: In other words, those in the lower bracket by an average process would be receiving more in terms of a paid-up annuity fund, if you like, from their contribution than others would receive.

Mr. ECKLER: The older people. I gave you specific examples of a rather homogeneous group where income level is the same, particularly where the average earnings are between \$80 and \$120 a week. These are subsidized by the younger generation.

Mr. LLOYD: So that this is what is described as a windfall which exists in private pension planning, in a sense for older people, and when we use the word "windfall", to be really comprehensive, we should observe a difference of degree between the windfall of the private pension plan as opposed to the proposed Canada Pension Plan.

Mr. ECKLER: I don't like the term "windfall".

Mr. LLOYD: Neither do we. Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Denis.

Hon. Mr. DENIS: Mr. Eckler, I think you agree that the old age security plan is a good one.

Mr. ECKLER: Yes.

Hon. Mr. DENIS: Do you also agree that private contributory plans based on earnings are also good plans?

Mr. ECKLER: Yes, I do.

Hon. Mr. DENIS: Do you also agree that the maximum benefit according to this plan is 25 per cent? That is the maximum benefit we can get is 25 per cent of our earnings?

Mr. ECKLER: Yes, that is the benefit. It is not the maximum. It is simply 25 per cent.

Hon. Mr. DENIS: You agree that if we rely only on 25 per cent of our earnings at retirement time—

Mr. ECKLER: Twenty-five per cent of what they call the adjustment age.

Hon. Mr. DENIS: Do you agree that it is not enough? It is not enough for a good retirement pension—that is, 25 per cent of your earnings?

Mr. ECKLER: Well, that is the very thing on which I think we have slipped up a bit, this whole question of treating this 25 per cent, the Canada Pension Plan, as our old age security plan. It is part of our package; we have \$75 as well for everybody over 70, and the two together have to be considered.

Hon. Mr. DENIS: That is what I wanted. You agree that this plan is good as long as we keep the old age pension plan as it is? You must agree that if the old age security plan does not stay in existence, this part of the C.P.P. is not so good? I would like to know if you agree that this is a plan combining the old age security plan and the supplementary addition of this part of the plan.

Mr. ECKLER: Yes, I think the two should be considered as one package.

Hon. Mr. DENIS: Combined?

Mr. ECKLER: But you want to go beyond that, not only for benefit purposes but for cost purposes.

Hon. Mr. DENIS: Then, when you say there are uncovered groups you do not take into account the fact that there are those who will not get at 70 years of age \$75 a month?

Mr. ECKLER: Well, you see the old age security of \$75 is under an old age plan. It is only at age 70 that it is paid, and it is going to be permitted at age 65. There are no disability or death benefits there at all.

Hon. Mr. DENIS: But do they cover those who are not contributing? Does that part cover—

Mr. ECKLER: Yes, but only for old age; not for disability and survivor's and other benefits.

Hon. Mr. DENIS: Then, it should be added?

Mr. ECKLER: I would say the addition of the supplementary benefits to O.A.S. would solve part of this problem, if we can find the dollars for it, yes.

Hon. Mr. DENIS: So, at the end, if you take away that part where you say there are some groups that are not covered—they are covered up to \$75 per month.

Mr. ECKLER: Under O.A.S., but not under the C.P.P.

Hon. Mr. DENIS: But you said that the O.A.S. and the Canada Pension Plan go together, so they are all covered.

Mr. ECKLER: Under the C.P.P.—

Hon. Mr. DENIS: But the C.P.P. is related to the old age security plan because the one does not go without the other; is that right?

Mr. ECKLER: Your point is that as a package—this is, if I understand your point—the uncovered groups do not necessarily dissolve, but they diminish in size because you still do not cover them for disability and survivor's benefits. You still do not cover this ten-year group in this transitional period.

Hon. Mr. DENIS: They will all be covered in 35 years from now?

Mr. ECKLER: Yes.

Hon. Mr. DENIS: 35 years from now they will all be covered?

Mr. ECKLER: Yes, but we are not concerned about 35 years from now. That is my point.

Hon. Mr. DENIS: But there must be a starting point somewhere. I do not think you are a very old man, but did you benefit from the family allowances?

Mr. ECKLER: I beg your pardon?

Hon. Mr. DENIS: Did you take advantage of the family allowances?

Mr. ECKLER: I did not have much choice.

Hon. Mr. DENIS: But if you are old enough you did not take anything out of it, and you are still paying for it.

Mr. ECKLER: That is the very point I am making. I like this honest, straightforward approach. We know what we are paying, and what we are getting, and everybody is covered.

Hon. Mr. DENIS: I know that my father never got the Old Age Pension, but does that mean that the Old Age Pension is not a good system? A moment ago you were worried about future generations.

Mr. ECKLER: No, I was not worried about the future generations.

Hon. Mr. DENIS: The young generation will pay for the old.

Mr. ECKLER: No, I never made that comment. You misunderstood me, or perhaps I did not make myself clear. I am not concerned about this cross-subsidization because I regard this as a social security measure.

Hon. Mr. DENIS: You consider this plan as a social security measure?

Mr. ECKLER: Yes.

Hon. Mr. DENIS: Now, you say that the scope of the old age security system should be enlarged instead of combining the two.

Mr. ECKLER: Yes.

Hon. Mr. DENIS: According to the White Paper, in ten years from now the fund will be about \$4 billion.

Mr. ECKLER: Yes.

Hon. Mr. DENIS: So if you suggest that we should enlarge the scope of the old age security we would have to raise \$4 billion in ten years from all sources?

Mr. ECKLER: We are raising it under the payroll tax. It is the same idea, the only difference being it is a rather cumbersome method of raising money.

Hon. Mr. DENIS: But the same thing applies so far as the private pension plans are concerned.

Mr. ECKLER: But they are voluntary. I think you can draw a distinction between a private plan and a state plan. One is compulsory and it is there for all time, and the other is voluntary and flexible.

Hon. Mr. DENIS: Have you any idea of what the saving would be administratively if you eliminate the floor of \$600? Have you any idea what you would save so far as administration is concerned?

Mr. ECKLER: No, I have not. I did quote the statement of Mr. Sheppard about the million refund cheques. I do not know how much this will cost.

Hon. Mr. DENIS: But do you agree that there must be a staff to refund payments?

Mr. ECKLER: Yes. It can be done. There is no question that it can be done. My only observation was: I do not see why.

Hon. Mr. DENIS: It all depends on how many cheques the computers can issue or how many cheques the staff can issue, but you can use the same staff or the same computer. It may mean that you will need one more computer.

Mr. ECKLER: I doubt that the costs would be that nominal. I think it would be costly.

Hon. Mr. DENIS: You have noted that if this floor of \$600 is there it has the effect that a man who earns only \$1,000 a year will contribute \$7.20 a year, or 0.7 per cent of his total earnings. At the other extreme, a man earning \$5,000 a year will make a maximum contribution of \$79.20 a year, which is 1.6 per cent of his earnings. This means that the smaller wage earner with this floor will benefit.

Mr. ECKLER: I think he will, and it will remove some of the problems. The suggestion I am making is that we have a flat contribution rate, which is the American plan and has been from its inception. That does not mean we should not experiment, but we should do it with some prudence. I think you can achieve the same thing by varying the benefit and keeping the contribution rate constant for this lower-income person.

Hon. Mr. DENIS: You said it would be hard for an employer to deduct because of this ceiling, but it would be hard only for the first time and then he would be on the same basis—earnings of \$100 a month; contributions of 90 cents a month, and so forth.

Mr. ECKLER: I do not say, Madam Chairman, that it would be hard for the employer. I say here that it would be an administrative headache, and I am thinking more of the administrative agency for the Canada Pension Plan than of the employer.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Thorvaldson?

Hon. Mr. THORVALDSON: Mr. Eckler, I have just a brief question. Although this may be a big problem I do not require a long discourse on it. Referring to page 4—indeed, somebody else asked you some questions about this before—you say in the first paragraph:

I am sympathetic with the desire of Quebec to run its own show . . .

I shall leave that aside for the moment, but you go on to say:

. . . and the similar desire perhaps of other provinces.

I am wondering what is the reasoning behind that statement. I notice that you hedged a bit by using the word "perhaps". I wonder if you would care to expand on that. I ask this question because I know, that my own province of Manitoba, for instance, has not made any suggestion that it wants to get into a wage-related plan, nor have I heard a suggestion that any of the smaller provinces want to do so. Would you care to expand on that?

Mr. ECKLER: The only province I have heard about is the province of Ontario, in which I live. There has been extensive newspaper comments in this particular area, with statements from both the Prime Minister and some of his colleagues.

Mr. KNOWLES: Only one person knows, and he won't tell.

Mr. ECKLER: That is right. I can only record what I read in the press. Certainly there is a lot of discussion going on as to whether Ontario should or should not run its own plan.

Hon. Mr. THORVALDSON: Following on that question, is there a desire, do you think, *per se* of entering the field, or would that desire be prompted by the reasoning that this plan is just not satisfactory and does not fill the bill that the province of Ontario feels ought to be filled?

Mr. ECKLER: Well, there must be reasons for Quebec wanting to run its own show, and the same reasons presumably would apply to Ontario. If Quebec sees some advantages in it then presumably those advantages will apply to the other provinces as well.

Hon. Mr. THORVALDSON: Let us go to your first statement, which is:

I am sympathetic with the desire of Quebec to run its own show . . . Would you expand just briefly on that, Mr. Eckler?

Mr. ECKLER: Well, the desire presumably may be related to having complete control of these funds which they would have, to some extent, even under the Canada Pension Plan. I think that the control the province would have of these benefits, and the administration of benefits, without going to Ottawa—I think these are legitimate desires in terms of any province or agency.

These must be the reasons for Quebec wanting to run it itself and for having to go to the genesis of the Canada Pension Plan. When the Quebec report of Mr. Castonguay was issued, this plan came out and then the C.P.P. was revised to meet it, to make some compromise with the Quebec plan. Presumably Quebec was going on its own at that point. What the reasons are I can just speculate. I think it is a desire to run its own show.

Hon. Mr. THORVALDSON: Having said that, I presume that in your mind the same consideration might run for Ontario, if it decides to opt out of this plan?

Mr. ECKLER: I would speculate so.

Mr. KNOWLES: May I ask a supplementary in that area?

Hon. Mr. THORVALDSON: Yes.

Mr. KNOWLES: Would you make any comment on the difficulty that Ontario might face because of the fact that it does not have an income tax collection system the same as Quebec already has? Would there not be a burden of expense on Ontario that Quebec have not now and might not this burden affect Mr. Robarts' position?

Mr. ECKLER: I might only speculate again there. While Quebec has its own, it might be that Ontario could make an arrangement with Ottawa to cooperate in using its machinery.

Mr. KNOWLES: You understand that Quebec has its own income tax and machinery for collecting it. We understand that Quebec will be collecting its money through its own provincial administration, and that Ontario might have to set up a similar machinery.

Mr. ECKLER: They have done so in the case of hospital insurance. They have put in elaborate machinery for that. I do not know what the plans are, whether they will try to reach an agreement with Ottawa to collect through the Ottawa machinery or not?

Hon. Mr. THORVALDSON: Mr. Eckler, following upon that, you make a remark which I have not heard made before in any brief, although it might have been included in some other brief. You say, on page 4:

But surely these objectives could be reached by developing a national earnings-related supplemental plan administered by a state agency representing the federal and provincial governments.

My question is, is it your idea that if such a plan were feasible and acceptable to the provinces, is it your idea that in that event we might have a national scheme of some kind which might include Quebec?

Mr. ECKLER: This is my hope, if it is not too late. I do not know. My hope is that perhaps Quebec's desires could be satisfied in this type of relationship, rather than a plan run by Ottawa by itself, if it were run by some federal-provincial agency. There may be examples of this, but certainly not on this scale. This is a thought that occurred to me. Whether it is feasible or not, or whether it could be considered mildly by Quebec, I do not know. I just throw it out here for what it is worth. I think that that might embody a common plan. What concerns me is not only the administrative problems of various provincial plans but the inevitable variation in benefits that will occur over the years.

Hon. Mr. THORVALDSON: I presume you would agree that in the case of Ontario intending to have a plan, it would involve a planning conference between the federal authority and Ontario, with the objective of working out this plan.

Mr. ECKLER: I think that would be necessary.

Mr. MUNRO: Do you feel that the negotiations taking place through several federal-provincial conferences, with many meetings of top civil servants of both federal and provincial governments in working out the terms of the present plan, have in effect created a single plan? There have been participation and deliberations by both federal and provincial authorities, including Quebec. They were actively consulted and their own plan is, to all intents and purposes, identical with the C.P.P., so it is fully integrable. Does this not go along the road indicated by your suggestion?

Mr. ECKLER: I really do not know how these agreements are reached, but it occurs to me that very often an agreement is made on a very high level and then the civil servants are asked to work it out. I know this has happened in some cases, where the civil servant might object to the difficulties here, but his superior tells him: "Work it out, this is the agreement." It might have happened here, I do not know. It could very well be that the civil servants and the technicians were told "This is an agreement at a very high level, work it out." This is speculative on my part. I was not involved in these discussions but in other areas of which I have knowledge and in which I am involved in governmental affairs, this happens frequently. A high level agreement is reached, with "damn the details and the problems". The administration decides to do this, and the technicians have to work out the plan. Everything is possible, but at what cost? This is my only reason.

Mr. MUNRO: Would not this type of activity, which is fairly common in any federal state, not take place even with your suggestion? If it were a state agency, any suggestions with respect to proposed changes would be discussed at the political level. Would not the provinces and the federal Government have to get together and try to arrive at some consensus and then the technicians work it out?

Mr. ECKLER: Yes, but it would be one plan. This is the point. It would be one plan. My concern is that we will have two separate plans, at least, in Canada, and they will not be identical, they will vary.

Mr. MUNRO: When you say "two plans," what are you referring to?

Mr. ECKLER: If things go on as they are today, it would be the Quebec plan and the C.P.P., which in substance will be comparable—the exact words are "comparable, but not identical"—and I think Miss LaMarsh used them also in her distinction between the two terms.

Mr. MUNRO: Apparently it has been said that the word "comparable" does not have the effect of making a legal obligation for identical plans. It is a strong legal phrase. We do not want to get into legal argument, but I would point out the effect of having this agreement with Quebec. It would seem, as far as the Canadian citizen is concerned, that "comparable" means, for all intents and purposes, that they do have, as far as they are personally concerned, one plan.

There are two provisions in the bill, probably more, which are pretty stringent requirements for provincial approval before any changes can be made. I believe it refers to two-thirds of the provinces, representing two-thirds of the population. There is that type of requirement. There are provisions also in the bill with respect to funding out features, that provincial representatives periodically meet with the federal authorities and with the federal actuary, the officials of the Department of Finance, to review the status of the fund and any necessity for future contributions rate changes, and so on. With this insistence on it being comparable, as far as Quebec is concerned, with the rights of the provinces to full participation in any future changes, with these provisions concerning the status of the fund and other financial implications, I wonder whether those provisions do not go a long way towards the end you have expressed here?

Mr. ECKLER: I think not. This is what is troubling me. I have not seen the Quebec legislation. I do not know who has seen it. My understanding—and I may be very wrong here—is that the provinces will still be given some flexibility, in varying from the federal plan, that it does not have to be identical but that in substance it should be the same. This is what troubles me—what happens five years from now, if the province that has opted out wants to make amendments in it? The two-thirds protection is only for the members of the C.P.P., not for the province that has opted out. That province can make its change three years from now by its own amendment. That is my understanding.

Mr. MUNRO: On that one point, we could refer it to our adviser to the committee, Mr. Osborne. That is the point you have just raised. Perhaps he could amplify that?

Mr. OSBORNE: Madam Chairman, I would refer you to section 115 of Bill C-136, subparagraph 1, which describes an "included province" for the purpose of amending this legislation. It says:

(1) In this section, "included province" means a province other than the Yukon Territory or the Northwest Territories, except a province providing a comprehensive pension plan unless at the time in respect

of which the description is relevant there is in force an agreement entered into under subsection (3) of section 4 with the government of that province.

That means that if there is an agreement with the province of Quebec, it will be an "included province" and its population will be included in the calculation of two-thirds.

Hon. Mr. CROLL: That is not the point that was made by Mr. Eckler. I understood him to say that the province could follow the plan without regard to the dominion.

Mr. MUNRO: It would all depend if there was an agreement.

Mr. ECKLER: It would depend on the agreement, which we have not seen.

Mr. KNOWLES: But the federal government cannot change that.

Mr. OSBORNE: Madam Chairman, my understanding was that Mr. Eckler said that the two-thirds of the population would not include the province of Quebec.

Mr. ECKLER: That makes it even worse.

Mr. OSBORNE: My point is that the two-thirds would include the province of Quebec.

Mr. ECKLER: I am speculating, but I would think that Quebec would be free to change its plan, but not the federal Parliament. It would need the consent of Quebec to change this plan, but Quebec would not need the consent of anybody else to change its plan.

Mr. OSBORNE: This presupposes that with an agreement between the province of Quebec and the federal government there would be free leeway given to the province to change its legislation in any way it wished without any prior consultation, and I do not believe the framers of the legislation had this in mind.

Mr. ECKLER: I am not suggesting the agreement would be that wide, but that it certainly might permit Quebec to make minor changes in its plan. I am in a very speculative area because the agreement has not been provided.

Mr. MUNRO: I should have put the question that if the agreement with Quebec should co-ordinate the two plans and provide safeguards against variations that concern you, and I am sure all Canadians, then have we not approached the aim you have here?

Mr. ECKLER: No. I think this is black and white. I do not like black and white differences, because nothing is that way, but I think this is because you do give authority to one agency or group to make a change even though it may not be of major importance. What I am suggesting here is something radically different. I am suggesting one plan, not two plans. The agreement which was made in the beginning is part and parcel of the one package. I think there is a difference.

Mr. MUNRO: Thank you.

Mr. RHÉAUME: Mr. Eckler, if in fact all the safeguards are there and the two are identical, and presupposing that any one province will not allow the changes, then would it not baffle you and other Canadians as to why there should be two plans?

Mr. ECKLER: Yes. I make an added suggestion, and perhaps I am going beyond the act. I am suggesting that a joint agency be created, where you might not have this three-month period, I do not know, by which the Canada Pension Plan holds on to three months' funds before the distribution is made.

Mr. RHÉAUME: If in fact we have one plan anyway, your suggestion is that since it affects state and federal agencies, you would create the kind of

federal-provincial agency that would carry on and function permanently, and thereby administrate just one plan?

Mr. PRITIE: Madam Chairman, I do not feel that Mr. Eckler quite appreciates that apparently there are fewer people in the old-age group in Quebec than in Ontario.

Mr. ECKLER: We have been involved in some of this as to the question of the different funds. I do not see why this could not be done in this joint agency as well. This is the very point I am making—why can you not do this with the joint agency? I am trying to avoid division in this type of problem.

Mr. PRITIE: I agree with that.

Hon. Mr. THORVALDSON: Madam Chairman, may I say that when I started the line of questioning I did it was no part of my purpose to go into the details of these arrangements of the Canada Pension Plan. My purpose, and I may say frankly that I am sure other members of the committee must feel the same way, was to point out that it would be much preferable to have an all-Canadian plan and that it certainly would be to the national advantage. That is why I mentioned this point.

I take it, Mr. Eckler, that in your view we could have something in the nature of—and I will use a phrase which is employed a great deal—co-operative federalism, that perhaps it might be possible to have a little co-operative federalism in regard to an acceptable plan? Is that what you had in mind?

Mr. ECKLER: I approached this not administratively, when I spoke of the difficulties in a fragmented plan. I am not a lawyer or an administrative expert in government but I am just making a plea for consideration of this approach, if it has any merit.

Hon. Mr. THORVALDSON: Yes. That is all I want to ask you on that.

There has been a lot of discussion about integration and its problems regarding the Canada Pension Plan. As you are aware, in most pension plans contributions are both from employer and employee. Some plans are contributed to by the employer entirely. Are there any more difficulties involved in the Canada Pension Plan than in any other type?

Mr. ECKLER: I would say the answer is no. In fact, there might be fewer problems, because you do not have the problem of what to do with the employee contributions.

Hon. Mr. THORVALDSON: That is all.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Prittie?

Mr. PRITIE: One question, Madam Chairman, and it is not directed to the brief, but about something to which Mr. Eckler would have some knowledge. I believe it was stated yesterday that seven out of ten provinces had agreed on uniform legislation for private pension plans, and that that legislation would be similar to the Ontario legislation. My question is this: Will similar legislation by all these provinces permit portability within the provinces and between the provinces and private plans? I imagine you are familiar with the Ontario legislation?

Mr. ECKLER: Yes, I was on the Ontario committee.

Mr. PRITIE: If all provinces adopt similar legislation, will this provide portability in private plans between the provinces?

Mr. ECKLER: I have not seen the official release of this yet, and only know what I have seen in the press. I am familiar with the Ontario legislation and know many members of the commission quite well. I know what they are attempting to do. The objective certainly is to have comparable legislation in other provinces and reciprocal agreements between the provinces. This is the way it would be achieved. You see, the way the legislation works now, if a

person terminates employment he will leave that employment with a little bit of pension stored up. If he should move say to Manitoba, he will accrue more pension. So at the time of retirement he will have little bits in various areas. I presume by that time some agency will be established where these little bits of pension could be tied together. That is not in the Ontario act. The act has provision for that central agency, but no legislation has been enacted to cover it.

Mr. PRITTIE: You are speaking of a central interprovincial agency?

Mr. ECKLER: I would think that would have to be done, yes.

Mr. PRITTIE: Then the Ontario plan will provide for portability, within Ontario at least?

Mr. ECKLER: For Ontario employment, yes. The same would apply to Manitoba, Quebec and all the other provinces. If an employee had a little bit of pension, he might say, "I have been in four provinces"—and he would have a little in each province stored there, and until some agency is developed and all these bits of pension can be merged and remitted, I suppose he would get cheques from each plan. However, I would hope that before that point was reached this would all be handed over to some central agency.

Mr. LEBOE: I have one or two questions, Madam Chairman. First, I was interested in your remark, Mr. Eckler, concerning "windfall" in a question put by Mr. Lloyd. I understood you to say that the windfall, whatever you want to call it, or bonus, was the same in the Canada Pension Plan as in the private plan?

Mr. ECKLER: Not the same. But from one point of view there is a comparable windfall in some situations in the private plan as well. I said I did not like the expression "windfall."

Mr. LEBOE: The difference to me is simply that it is a past services benefit, passed from the employer to the employee without any taxation or contribution by any other employee in the private plan; whereas in this particular plan, certainly there must be some difference. Would you not say so?

Mr. ECKLER: Madam Chairman, I make a distinction between employer and employee in private plans; but in a union-negotiated plan it is very little different, because it is a packaged affair on both sides by agreement, that an employer's contribution could be omitted and given to the employee in higher wages, if he wished. This is my pension plan philosophy.

Mr. LEBOE: This is an arrangement by the employer himself in connection with past services benefits?

Mr. ECKLER: Which comes, in a sense, out of the wage package.

Mr. LEBOE: If we extended it to that we could get involved in the fact the consumer is involved in every sphere of economics, so you have no relevant rung in the stepladder. You go right back to the consumer, in the final analysis, because he pays for it all in any case.

Mr. ECKLER: Maybe we should. I do not know.

Mr. LEBOE: If we do this we are not getting a rung to hang anything on for comparison.

I would ask you this question, why, when we have the O.A.S., should we mix the Canada Pension Plan with it, since the O.A.S. is given as a matter of citizen's right, is it not, universal right?

Mr. ECKLER: Residence.

Mr. LEBOE: The Canada Pension Plan is not considered to be a citizen's right, but a contributory plan according to the way it is set up. One of the witnesses we had before us said he did not believe they were mixed up. I say they are; and you say they should be. I am thinking, for instance, of the

fact you mentioned your fears in connection with two plans. Let us suppose for a moment a province which has opted out of this plan, that is running its own plan, really wants to mix the welfare along with the suggestions made a moment ago when we were discussing it—really want to mix the welfare with a pension plan. Where does it put the rest of Canada if we do not keep the O.A.S. and the Canada Pension Plan separate?

Mr. ECKLER: I am not suggesting they be merged. You cannot merge them. It is an earnings-related supplement to the O.A.S. I am suggesting in my submission, simply in terms of costs and benefits, that may be regarded as one branch, but they are two separate plans. Of course, they are two different types of plan.

Mr. LEBOE: That is my point, because if we get mixing these up we will run into difficulties, and this is where I think we are going to have trouble in getting the people to understand the whole Canada Pension Plan, if we start mixing up the O.A.S. in benefits with a pension plan which is contributory. It seems to me if we carry the two together we are going to confuse the population.

Mr. ECKLER: I am afraid they have to be kept together. If you are an employer setting up a private pension plan you would take a good look not only at the C.P.P. but also the O.A.S. in working out a plan suitable for your employees. They both have to be considered together from that point of view.

Mr. LEBOE: I agree with you as far as a private pension plan is concerned. That is the over-all contribution that that employee would like to negotiate with his employer because of these particular things, but surely, we would not say this about the O.A.S. would we?

Mr. ECKLER: There is something—and I am trying to answer your question—there is something in your question that troubles me, some emphasis on contributions. Whether it is to a social security plan or a private pension plan, I do not personally put that much emphasis on it.

Mr. LEBOE: I have a note here too on that.

Mr. ECKLER: That is why I have been calling the "contributions" to the Canada Pension Plan a payroll tax and not a payroll contribution.

Mr. LEBOE: I did mark in quotations "a social security measure". You are saying you do not believe what we have before us is a Canada pension plan but simply a social security measure?

Mr. ECKLER: I do not want to use terms. You can call it Canada Pension Plan if you wish, but it is a social security measure. That is my point.

Mr. LEBOE: A social security measure could be a lot of other things beside.

Mr. ECKLER: Yes, of course. We have a lot of social security measures in our Canadian program.

Mr. LEBOE: I would hate to see the two mixed up.

Hon. Mr. THORVALDSON: Could I ask a question supplementary to the question asked by Mr. Leboe? Mr. Leboe referred to the question of a "windfall", and I think we were referring to the fact that various companies, when they establish a pension plan, assume a vast liability and they put a large amount of money at times.

Mr. Eckler, are you suggesting there is any relationship between, if you want to call it, a "windfall", which is certainly a benefit to employees—are you suggesting there is any relationship between those moneys and the so-called "windfall" we have been referring to in respect of any person of 55 earning \$5,000 and another person age 55 earning \$2,000? The windfall which the \$5,000-a-year man gets is about \$15,000, and the windfall the other

one gets is \$9,000—which, to my mind, are moneys taken from other people. Whereas companies, moneys come out of their own surplus. Are you suggesting those things are the same?

Mr. ECKLER: I am suggesting a direct relationship. I was asked a question by someone else about private pension plans. I indicated that many employees—say the older group of employees—when a pension plan is introduced which bears little relationship to the contributions which they make, get—if you like to call it a “windfall”, then call it a “windfall” but in a certain sense it is comparable.

Hon. Mr. THORVALDSON: Could you define “in a certain sense”? It is paid by the taxpayer or the contributor?

Mr. ECKLER: It might be paid to some extent by the contributor, because without this he might have had higher wages or salary.

Hon. Mr. THORVALDSON: Yes.

Mr. ECKLER: If it is a union-negotiated plan it definitely affects the cents per hour that he is getting. It does affect what he gets, so there is a transfer there. I do not like the expression “windfall” and I have always stayed away from it, and I have been pursued on this particular point. When I try to sell a pension plan, as I do, say, to some union members, I try to approach it not from the point of view of a “windfall” but from the point of view that this is necessary for old age security for some of the older members.

Hon. Mr. THORVALDSON: You will agree the windfall received by the \$5,000-a-year employee is money which is not his own and which comes out of the public purse?

Mr. ECKLER: Of course, there is no question about that.

Hon. Mr. THORVALDSON: And you will agree the type of money put into a private pension fund by an employer is private funds?

Mr. ECKLER: Yes, they are private funds.

Hon. Mr. CROLL: I understood you to say in talking about private employers that the contribution is different and you differentiate. That was your philosophy. You do not use the term but I use the term and looked upon it as “deferred pay”. I use that term.

Mr. ECKLER: Yes, I use it too.

Hon. Mr. CROLL: Did you use it here?

Mr. ECKLER: No, but it is a term I use frequently. That is the reason for my statement that without this provision for past services by employers, in an agreement or private arrangement, the immediate pay would be greater.

Hon. Mr. THORVALDSON: You said “might” and not “would”.

Mr. ECKLER: All right, “might”.

Mr. KNOWLES: In this whole context wouldn't you agree with the statement I think Mr. Churchill once made that insurance brings to the millions the magic of the averages?

Mr. ECKLER: Yes, sure.

Mr. MUNRO: Following on the senator's point, I think this has to be dealt with too in any pension plan, be it public or private. It is not fully funded. There are cross-subsidies involved, so it is a common characteristic a person does not get back benefits in relation to his contributions. Would that be fair?

Mr. ECKLER: I do not think the question of full funding is relevant. I think you can have a fully funded plan with cross-subsidies too. It means you have sufficient funds in hand to cover your liabilities. The question of where you apply it among the various participants is where the question of cross-subsidies

comes in. Certainly, any element of cross-subsidy in any of these plans would result in the beneficiary getting benefits not related to his contribution.

If I could just pursue another point raised by the senator, I too was interested in your hope for a national earnings-related supplemented plan administered by a state agency representing both federal and provincial governments.

Now, I like to think that actually we have done the very best we can. You mention the term "black and white". I would suggest to you that in all reality in federal-provincial relations there is getting to be no such thing as black and white. It is all grey. However, we have endeavoured to do just this, and I think that the end is very close to what you have indicated here for all practical purposes. For instance, you indicated a concern about Quebec. My understanding is that when they came forward with their own proposals they made several compromises and changes in order to come within the ambit of the Canada Pension Plan as far as provisions are concerned. They altered their ceiling. I think it was \$6,000.

Mr. ECKLER: Yes, and the floor was \$4,000.

Mr. MUNRO: And they altered the exemption to \$600 and the percentage was 4 per cent and the transition period was longer. Do you not think that it seems reasonable, if they are prepared to make these several changes in order to have comparable provisions with the Canada Pension Plan, and it is certainly indicative, that they are prepared to enter this type of agreement? Certainly it would indicate that they are trying to arrive at a consensus and come to some agreement so that the plans will be fully integratable, and in that sense we are having one plan as far as all the principal features are concerned—contributory rates, benefits, and so on. In other words, all this has come about from the agreement between federal and provincial governments, which is the essential element in your own suggestion.

You are not going to get a state agency representing federal and provincial governments without endeavouring to come to the same type of consensus either.

Mr. ECKLER: I would like to think that you are right, but I am doubtful. Because of the way things operate in institutions, everything becomes institutionalized—institutions have been generated and developed in Quebec, and there is one in Ottawa—and institutions have their own self-preservative power and go on by themselves.

Certainly this agreement will be made with the most careful attention to detail, but the fact remains that this is going to be a separate plan, and Quebec will have separate legislation which can be amended by any future legislation in Quebec. This is what has troubled me. There can be a change of government and all things may happen, and that plan can be changed.

If you can draft an agreement now between the provinces and the federal Government which will take us down the next five years, then that is fine. But I am sceptical about it.

Mr. MUNRO: To the degree that any government, federal or provincial, can repudiate the action of its predecessor at the same governmental level, and thus ruin the uniform features of any legislation, this type of action can also destroy your concept here, can it not?

Mr. ECKLER: I don't think so, because I am suggesting a new institutional framework. This is the fundamental point which I am making here. It will live by itself as well, whereas you are suggesting two institutions, maybe three—I don't know—and each one will live by itself and this is my concern. Granted that you can change the institutional framework, these have to live and work by themselves.

Mr. MUNRO: In order to guarantee against any future changes in your concept you are contemplating constitutional amendments.

Mr. ECKLER: No, I am suggesting setting up an agency. Whether that would require an amendment, I don't know; I am not a lawyer. I would doubt it, though. It is just a suggestion that I am making which I think might have some merit and should be considered.

Mr. MUNRO: I was just going to suggest that even such an agency, without a constitutional amendment necessarily, could be repudiated by a subsequent provincial administration different from its predecessor, and so on.

Mr. ECKLER: It would be more difficult, though.

Mr. MUNRO: A little more difficult.

Mr. ECKLER: Yes, that is the point.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is that all?

Mr. MUNRO: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Smith.

Hon. Mr. SMITH (*Queens-Shelburne*): Madam Chairman, I tried to get your attention several times.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I am sorry.

Hon. Mr. SMITH (*Queens-Shelburne*): That is all right, I am very patient. I have two very short questions, both referring to matters discussed before. The first subject is that of integration. I would like the benefit of your advice from your experience and I know it should be good advice. I would like your advice as to what percentage of retirement income from present pension plans you would consider to be generous—or as some other brief before us put it a few days ago, “satisfactory” rather than generous—above which level it would be unwise to add the Canada Pension Plan benefits and the O.A.S. benefits as well.

Mr. ECKLER: This is a relative thing whether it is generous or not generous. Some of you may know that the Canadian Welfare Council is going to run a conference on aging within the next year or two, and we had some meetings on this very question: what does a pensioner need to live on? It is a very difficult question to answer. What is generous? I really don't know.

I think the job here is to compare benefits to costs. Take a look at other needs. Certainly, the benefits should have some relationship to minimum living costs, which vary from place to place, of course. In private pension plans we always consider 70 per cent quite generous as a settlement because this is one of the richest plans we have in Canada. This might be the upper limit of the Canada Pension Plan, 70 or 75 per cent. I don't know what is the minimum. I am not really prepared to say.

Hon. Mr. SMITH (*Queens-Shelburne*): What you are saying is that when a person at the day of retirement is making more than he did the day before he retired that is going too far.

Mr. ECKLER: I would say that is excessive. It is redundant. It could happen, though, mind you, if we enlarged the O.A.S. considerably beyond the \$75 level. It could happen and they would have more income than they had before. However, this will happen so rarely as to be not serious.

Hon. Mr. SMITH (*Queens-Shelburne*): The other subject has to do with the minimum earnings level for participation in the plan. Are your chief reasons for suggesting that the \$600 minimum should be removed concerned with administration?

Mr. ECKLER: In my brief that was my chief reason.

Hon. Mr. SMITH (*Queens-Shelburne*): That is what I gathered, but I was not quite sure. Thank you very much.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any other questions?

Mr. MONTEITH: Madam Chairman, it is 12.30.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, I know. I would like to thank our witness for preparing the brief and coming before us to present it and for supporting it and answering so many questions so very patiently.

Mr. ECKLER: It has been a pleasure, Madam.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I would like to say, as Mr. Lloyd did, that it was quite interesting and refreshing to find that, although you have criticisms, your presentation was not all critical, but that you put some proposals before us. Whether we accept them or not, I assure you we will consider them.

Mr. ECKLER: Thank you very much.

AFTERNOON SITTING

WEDNESDAY, January 20, 1965.

The CHAIRMAN (*Mr. Cameron*): Ladies and gentlemen, we have a quorum. I understand that Senator Croll has something he wishes to say.

Hon. Mr. CROLL: Mr. Chairman, I should like the department to have some information made available for me and the other members before we start considering the bill, whenever that time comes, and I should like this notice to reach the department so that they have ample opportunity to prepare it.

I would like to know: Under O.A.S., what would it cost to provide at 65 a disability pension and a pension for women of 65, widowed or single.

In addition to that, I should like to know what would it cost under O.A.S. to increase the pension for those who are now 70 to \$80, at 75 to \$85, at 80 to \$90, at 85 to \$95, and at 90 and over to \$100.

The CHAIRMAN (*Mr. Cameron*): If you will give me that sheet of paper you have I will give it to Mr. Osborne.

Hon. Mr. CROLL: I hope you can read my writing. You will have fun.

The CHAIRMAN (*Mr. Cameron*): You have heard the request of Senator Croll that we ask our economic adviser to obtain this information for him. Is it agreed that we get this information? That is agreed.

Mr. Knowles, I am dealing with a request by Senator Croll for certain information as to what the costs would be in regard to certain increases in the pension under O.A.S. at the age of 65, 70, 75, 80, 85 and so on. The committee has agreed to ask Mr. Osborne to get that information for us.

Mr. KNOWLES: I am very pleased to agree. As a matter of fact I was thinking of asking for similar figures myself. May I ask what the dollar figure is?

Hon. Mr. CROLL: I asked for the dollar figure under O.A.S. to provide at 65 a disability pension and a pension for women, widowed or single, at 65, and under O.A.S. an increase of \$5. Those who are now 70 receive \$75, and I am asking what it would cost if they receive \$80. I am speaking about an increase of \$5 every five years until you get to the age of 90 and over when it will be \$100.

Mr. KNOWLES: What I was going to ask can be computed from that. I was going to ask what an increase of \$10 would cost at 70, but I can do the multiplication.

The CHAIRMAN (*Mr. Cameron*): This is an increase of \$10 at 80.

Hon. Mr. CROLL: It is \$75 now.

Mr. KNOWLES: I was going to ask for the cost of an increase of \$10 at age 70, but the information that Senator Croll has asked for will fill the bill.

The CHAIRMAN (*Mr. Cameron*): Thank you.

Mr. KNOWLES: Mr. Chairman, since we are asking for that information I wonder if we could ask the department also if they can give us any figures as to what it would cost to treat everyone as though he had \$600 income. I am referring to the Canada Pension Plan, and I am referring to the discussion we had with both the Canadian Federation of Agriculture and Mr. Eckler this morning. Is that a figure that can be computed?

Mr. OSBORNE: Mr. Chairman, I should like to consult with the Department of Insurance before answering that question.

Mr. KNOWLES: I shall be glad to defer my question until that conference has taken place.

Mr. OSBORNE: Is the idea to blanket in everyone who has retired prior to the commencement date of the plan at \$600, or to take everyone in the labour force who has not participated in the plan in any particular year and attribute to him a \$600 income?

Mr. KNOWLES: What I am asking for is information based on the assumption that we blanket in everyone as though he had \$600 income. In other words, since we are giving credit for \$600 income at no cost to those who are in the plan I am asking what it would cost to blanket in the rest. This is an idea generated in part by what Mr. Woods said the other night, and also another delegation. The effect would be to give everyone under the Canada Pension Plan who is of retirement age a platform of \$600 to start with.

Mr. OSBORNE: The effect would be to have the universal flat rate benefit plus an additional flat-rate benefit?

Mr. KNOWLES: The effect would be to give everyone \$600.

Mr. OSBORNE: This would not be restricted to those participating in the labour force?

Mr. KNOWLES: That is right.

The CHAIRMAN (*Mr. Cameron*): Is it agreed that we seek this information, subject to Mr. Osborne's checking with the Insurance Department? That is agreed.

We have before us this afternoon The Canadian Manufacturers' Association. You have had an opportunity of reading their brief. There is a considerable number in the group appearing this afternoon. Mr. H. B. Style is the First Vice-President of The Canadian Manufacturers' Association, and is Chairman of the Board of John Inglis Company Limited of Toronto. I understand that Mr. Style will introduce those who are accompanying him, and that Mr. Taylor, who will be introduced as the Vice President, Industrial Relations, of Union Carbide Canada Limited of Toronto, will be their main spokesman. Mr. Style?

Mr. H. B. STYLE (*First Vice-President, Canadian Manufacturers' Association*): Mr. Chairman and members of the committee, I have already been introduced so I shall not re-introduce myself. I am here as First Vice-President of the Canadian Manufacturers' Association, and I should like to express on behalf of my colleague and myself our pleasure at being afforded this opportunity of

appearing before this joint committee of the Senate and the House of Commons so that we may make known the views and recommendations of our association with respect to Bill C-136, to provide for the Canada Pension Plan. I make these comments in the absence of Mr. A. A. Cumming, who is unable to be with us this afternoon because of illness.

Before I introduce our representatives to you I wish to assert that our association supports the principle of uniform contributory pension legislation for Canadians within the framework of a single plan which is centrally administered.

May I now present to you the representatives of C.M.A. Our principal spokesman will be Mr. Harry Taylor. I am going to ask the members of the C.M.A. delegation to rise when I mention their names so that you will know who they are.

Mr. Taylor is Vice-President, Industrial Relations, of Union Carbide of Canada Limited, and he has headed up the committee that has studied the pension plan for C.M.A.

Mr. R. L. Auger, Manager, Employee Benefits Division, Aluminum Company of Canada Limited.

Mr. R. J. Beach, President, Beach Industries Limited, Smith Falls.

Mr. C. C. Belden, Manager, Employee Relations, Dominion Bridge Company Limited, Montreal.

Mr. J. G. Connor, Manager, Insurance and Pension Department, The Steel Company of Canada Limited, Hamilton.

Mr. L. W. Fleck, President, The Alexander Flex Limited, Ottawa.

Mr. I. Freedman, Manager, Industrial Relations Department, The Canadian Manufacturers' Association, Toronto.

Mr. Willis George, the Ottawa representative of The Canadian Manufacturers' Association.

Mr. J. K. Marcus, Supervisor, Benefits, Employee Relations, Imperial Oil Limited, Toronto.

Mr. L. E. Marrs, Manager, Personnel Accounting, Corporate Department, Canadian General Electric Company Limited, Toronto.

Mr. J. P. Villeneuve, who is the Chairman of the Quebec Division Industrial Relations Committee, and also Vice-President, Industrial Relations and Personnel, Johnson and Johnson Limited, Montreal.

Mr. W. D. Walker, Specialist, Policy and Benefits, Shell Canada Limited, Toronto.

Mr. Jack Whitelaw, Executive Vice-President and General Manager, The Canadian Manufacturers' Association, Toronto.

Finally, Mr. L. F. Wills, Vice-President and General Manager, Honeywell Controls Limited, Leaside.

Now, Mr. Chairman, I would like to ask Mr. Taylor to carry on as our spokesman.

The CHAIRMAN (*Mr. Cameron*): Thank you very much, Mr. Style, for the list of members of the delegation. Mr. Taylor, our custom has been to suggest that rather than read the brief, as it will be printed in the Minutes of the Proceedings, that you give a summary and then we ask questions regarding the brief and the summary.

Mr. H. TAYLOR (*Vice-President, Industrial Relations, Union Carbide Canada Limited*): Mr. Chairman and members of the committee, I will follow the procedure indicated by the chairman. By way of preliminary remarks, I will introduce the various points which the association urges should receive from this committee the attention which they deserve, as we think they should be incorporated in whatever plan finally emerges.

We are fully aware that there may be constitutional and related problems involved in the development of a single national plan centrally administered, but it is our view that many people in Canada would in fact prefer a single centrally administered plan. It is also our view that many of these people would welcome further negotiations between the federal Government and the provinces, having as a purpose a single plan centrally administered. Obviously, it is our hope that in such a plan full recognition would be given to the points which we are urging upon you.

It is not our intention to support or challenge the actuarial assumptions as such on which the Canada Pension Plan is based. This has to do with the various points appearing in our summary at page 13.

I have commented briefly on point 1 and I propose to follow that sequence. It might be convenient if you would be kind enough to refer to that summary. I propose to move on now to point 2 as listed in the summary on page 13 of our submission. I repeat that it is not our intention to support or challenge the actuarial assumptions as such on which the Canada Pension Plan is based. However, we do feel there is an extremely large amount built up in the early years by way of advanced funding. We do not believe this is required to the same extent as the plan contemplates. We realize of course that if there is a lower input in the early years there would of necessity have to be a higher input in the later years, if the actuarial assumptions turn out to be correct. However, it is the association's view that this is a risk which should be undertaken by the Government during the build-up years and adjustments made as circumstances dictate when the plan is appraised from time to time.

We recognize of course the need for a modest reserve, as our brief indicates. We think it is essential. Those reserves, perhaps, would be to meet contingencies, emergencies of one sort or another. However, we are not prepared to state what this reserve should be in any stated sum. We believe this is properly a matter for the actuaries to determine.

Moving to point 3, a great deal has been said about the need for educational assistance. While the association is not pleading the case for educational assistance, it does believe that the proposed Canada Pension Plan provides an opportunity, in a small way, to contribute in this direction by exempting bona fide students from making payments into the pension fund from temporary employment earnings that they may enjoy between school periods. You may know that the exemption is related by definition to the one you yourselves have used in the bill, having to do with a dependent child and it is lifted in fact from that reference.

In respect to point 4, and introducing it, the proposal is to eliminate the \$600 exemption. We advance this mainly for two reasons. First, to provide benefit for those people whose earnings are below \$600, by permitting them to participate and have access to a minimum benefit which is proposed in our brief and which amounts to \$150 in so far as that \$600 is concerned. That is to say, we would urge that the \$600 be used as a basis, even though a person's earnings were something less.

We believe this particular point is extremely important. We think it is important not only to manufacturers but to others and also important surely to the Government. We foresee terrific administration difficulties in giving effect to this sort of exemption, by reason of possible overpayments and perhaps some refunds.

With regard to point 5, the association is very much concerned about the provision in Bill C-136 to fasten the main features of the plan to moving indices or what otherwise might be identified as a form of escalation. It might be argued that the 2 per cent per year is itself a safeguard against a runaway situation.

Our concern, however, is deeper than this. It has to do with precommitted increases in accordance with a set of values which themselves are affected by a further set of increases and which would go on *ad infinitum*.

Some members here may recall that I personally happened to be identified with the War Labour Board during the war years, administering a law which then had to do with wage control and the automatic cost of living bonus. A point was reached where it was impossible to continue it. We had to abandon it completely. It is for this reason that we feel it would be a mistake for the Government to embark on a precommitted situation and then as a result we suggest that the review period should be introduced.

I might take together points 6 and 7, which are interlocked. The association believes that the normal retirement age of 65 is a suitable age, but they are concerned that certain people in fact do wish to withdraw from the labour force before this, for a number of reasons some of which we have listed in the brief and which I will not recount here.

We also are aware that a great many private plans do provide for normal retirement on a compulsory basis for women age 60, and there would be no opportunity for them to have access at this point to the benefit contemplated in the Canada Pension Plan.

It is our view that there should be some access to this fund and it should not act as a deterrent to early retirement for those people who feel they must withdraw for health or other reasons.

However, the plan as presently drawn does seem to us to preclude early withdrawal from the labour force. As you well know, the age in the United States is 62—although we are not in the United States, of course.

With respect to point 8, this ties in very closely with early retirement, in the sense that it deals with the amount of money which determines whether or not a person is in fact in a retirement status and therefore eligible for retirement. It is our considered view that this is not adequate at its present level.

We included in our written submission reference to income tax exemption. It has been stated publicly and in a number of cases. We are assuming that it will be recognized. However, we thought it important enough to incorporate it. The suggestion is that the employer's share should be allowed on a business expense and that the employee's share should be a tax exempted amount. We have carried it one step further and have asked you to keep this in addition to the current basic exemption of \$1,500.

Finally, in introducing the several points, we are suggesting that disability benefits for employees be exempt from income tax. I do not know that much need be said about that. It is exempted on an insured basis; it is exempted, I believe, in some other countries, including the United States.

Mr. Chairman, that might suffice at this point by way of introducing the various points which the association wishes to place before you. We will be pleased to answer any questions which we can, and we have here people on whom we may call should the need arise. Thank you.

Mr. LLOYD: Mr. Taylor, personally I am sure I am expressing what other members have expressed as to how much we value your making this presentation to us and the constructive way in which you point out certain matters which should occupy our consideration.

I am interested in this problem of the floor below which we are not taxed. I know that you say you wish it eliminated. We had a similar recommendation this morning from a Mr. Eckler. What I am particularly interested in is the section dealing with the application of the contributions beyond age 18. I believe that you believe the 10 per cent drop-out will not give equitable treatment to persons who continue their schooling beyond 18, and your association

suggests that persons over 18 but less than 25 years of age who are in full time attendance at a school or university be exempted from coverage. There are other ways in which we can achieve somewhat the same objective. I am wondering if we might have the benefit of your views on alternatives. One, for example might be to average a contributor's earnings over the period from the age say 21 to the date of his retirement or disability and to allow a drop-out of 10 per cent of that period while retaining the payment of contributions from age 18; or to increase the drop-out of 10 per cent to 15 per cent or 20 per cent. Could we be favoured with your comments on those alternatives?

Mr. TAYLOR: Yes. Perhaps I might comment and then ask one of our representatives to share in this particular discussion.

The first point you make with respect to age 21, and having to do with the drop-out, would meet part of the problem, but not all of it, because we are trying to achieve a double purpose; one, the first one you indicate, and number two would be to excuse this young fellow from making whatever payments he would be called upon to make and so might assist towards his education in a small way. I am quite sure your thought did extend to the second point, although the alternative you offered had only to do with the first. Did you wish to go farther than that on this point? You are familiar with the thing. By way of illustration we could show you its impact, if it would be helpful.

Mr. LLOYD: Yes, I think it would be helpful.

Mr. TAYLOR: Then I will call on Mr. Marrs to deal with that.

Mr. L. E. MARRS (*Manager, Personnel Accounting, Corporate Department, Canadian General Electric Company Limited*): We have done a little research on this matter, and judging by Ontario school standards a man to complete a university education with a four years course would be 23. It is suggested that this would be a rather unusual person, and that probably that average should be 24, that is, at least five or six years beyond age 18. Therefore, age 21 meets part of that, as Mr. Taylor has pointed out.

The other point he made was that such a man working—and this was quite usual—to assist in paying his fees, would have this particular period to make contributions over the \$600 figure. Admittedly, some people do not make more than that, while others work as long as they can and do considerably better. It is quite possible for a person working for the full period not to exceed \$600, which would be an additional drain on the father, or the other father—the contributions made by governments for loan plans for students. Therefore, your suggestion meets one part and not the other.

Mr. LLOYD: One other question, Mr. Taylor. In representations made to us, quite a number of them dealt with the idea of urging government not to adopt the Canada Pension Plan but instead to improve upon the benefits in the flat rate field under the O.A.S. act and other related measures; but we find it extremely difficult to get any guide lines from the advocates of this policy as to how far we should go with that improvement. However, it was implied that if you continue the O.A.S. you would have to continue financing probably on the basis of 4-3-3, whatever the formula is.

Mr. TAYLOR: It is 3-3-4.

Mr. LLOYD: Now, under the proposals here of the wage rate scheme, we do bring in a great many people at the present time who are exempted from income tax and make contributions to the pension plan, and this is relating it to the earning field. What sort of recommendations do you favour, whether O.A.S. or Canada Pension Plan?

Mr. TAYLOR: Actually we are quite satisfied to have a wage-related plan, subject to the modifications that we are urging upon you. It is true that there is perhaps a place for both types. We are not suggesting that you abandon the

other. My difficulty with some of the advocates of the abandonment of the Canada Pension Plan in favour of the old age security approach is that one plan is not a funded plan and yet most of the difficulties that we are concerned with seem to arise out of the large accumulation of funds in the wage related plan. For that reason we are inclined to say that if you improve the wage related plan it is an acceptable method, a desirable method, from our standpoint, as opposed to going all the way down the other. I think they are two separate and distinct needs, and are compatible. I think they complement one another because they do to some extent meet different needs.

Mr. LLOYD: The problem I see is that those who advocate the extension of O.A.S. keep forgetting, it seems to me, that you are exposing yourself to more political pressures, political expediency, in regard to flat benefits instead of making everybody aware in Canada that when it comes to social welfare payments they have got to be related to the earnings. You cannot defend deficit financing of welfare measures. You might deficit finance those things in the national economy which are calculated to contribute to growth at a future date, but you certainly cannot deficit finance welfare measures. How do you feel about this?

Mr. TAYLOR: Well, actually I think we are concerned, because it seems to relate itself to who pays for it, when you sort it all out; and in the O.A.S. approach, it seems to me that it itself is a form of tax and is not as such allowable business expense, whereas a wage related plan is. For many situations it would seem to me to be desirable if one looked at it selfishly. We have been trying to take a broad view of this thing, instead of viewing it selfishly. If we did that, I think that if we were sure of our net tax position we might conceivably have urged that you abandon the other, but that is not what we are asking you to do.

Mr. LLOYD: Now I see why you are emphasizing tax deduction, and I think your point is well taken. Thank you, Mr. Taylor.

Mr. CANTELON: Mr. Lloyd has covered the argument on that point, but I want to refer to that particular phase. I was much interested in your comments on page 9, paragraph 33. I think I might comment here that as far as I am concerned, I am a schoolteacher and interested in this earlier retirement position which you refer to, because it is going to affect people who do retire generally at earlier than 65. Consequently, I would be happy with regard to this plan to have you make a full statement.

Mr. TAYLOR: With your permission, Mr. Chairman and gentlemen, perhaps I might ask one of my colleagues, Mr. Marcus, to elaborate on that. He perhaps has some more detail than I have with respect to it, so with your consent, perhaps Mr. Marcus might deal with that.

Mr. J. K. MARCUS (*Supervisor, Benefits, employee relations, Imperial Oil Limited*): Mr. Chairman and members, as we see it there are two interrelated recommendations we place before you. I think the second one, as to actuarial reductions, is quite sound. That is, the second recommendation, Mr. Chairman, as to actuarial reduction of the Canada Pension Plan benefit and the Old Age Security benefit, we feel, is sound and presumably carries no additional cost with it.

The other recommendation, I think, has this connotation to it. The contributory period under the proposed plan, of course, is all years between age 18 and age 65. There are examples in our brief, and in one we illustrate an example of an employee in this case who is age 45 at the introduction date of the Canada Pension Plan, which we have as of January, 1966, and then who, for any

number of reasons, withdraws from the work force at age 60, as opposed to age 65, and we see this result coming out in the pension results. Number one, his contributory period would be from age 45 to age 65, which is a period of 20 years, of course, but the proviso to arrive at the Canada Pension Plan result is a 20-year period rather than the actual 15-year working period this particular individual had. The result of this is to evoke a penalty on the employee because, in effect, he is being penalized for the remaining five years, from age 60 to age 65, during which he was not working.

True enough, there is 10 per cent allowable under the plan. This 10 per cent allowable in the case we illustrated would give a relief of two years. But, on the other hand, it may be the 10 per cent allowable should be more properly used at an earlier stage in his career, when he had either no earnings or very low earnings.

So, to recap our submission, we feel it might be not only proper but fair that where an employee actually leaves the work force prior to age 65 he not be penalized for the years prior to age 65 when, in effect, he was not at work.

Mr. CANTELON: In other words, if you use the period from age 60 to 65 as the period in which he does not work, these are the years of the highest income, normally, hence he is penalized because he cannot use the low years when he started?

Mr. MARCUS: That is quite true.

Mr. KNOWLES: Mr. Chairman, as a some time critic of the Canadian Manufacturers' Association, I would like to have a few seconds to say it is very welcome to have a brief that may not agree with our plan, but that accepts the fact we are going to do something and proposes to make certain suggestions. I may balance that before I finish.

I am quite interested in your reference to the \$600 minimum. As a matter of fact, you heard me ask for certain information about this before you took the stand.

Mr. TAYLOR: Yes.

Mr. KNOWLES: The plan itself provides for a \$600 minimum, below which there is no contribution, and in such cases there is no credit.

Mr. TAYLOR: No benefit.

Mr. KNOWLES: Yes, no benefit. We had the Canadian Federation of Agriculture before us a few days ago, and their representatives were concerned about this. Their suggestion was that there continue to be no contribution for anyone below \$600, but that there would be credit for the first \$600, as though that amount had been earned and paid on; in other words, a basic \$150 pension for everyone.

We had Mr. Eckler, an actuary, before us this morning. He has dealt with this subject. He proposes that there be a charge on the first dollar—in other words, everything below \$600—but that the principle of weighting the benefit in favour of those in lower income brackets be carried out by providing a higher rate of benefit on a lower band of income, something higher than the 25 per cent that is provided across the board.

You have now given us another suggestion, namely, that there be contributions right from the first dollar and that there be benefits accordingly. You have not made Mr. Eckler's proposal for a higher rate of benefit, but you have proposed that anyone earning anything less than \$600 be considered as contributing on \$600 in terms of getting the benefit of \$150.

I have lined up these approaches to it to indicate it is a problem. I think it is fair to say from my discussions with other members of the committee, privately as well as publicly, we are concerned about this. Obviously, your interest—and it was Mr. Eckler's interest this morning—is that the problem

is an administrative one. You see difficulties in payroll deductions, refunds, and all the rest of it. But would you agree there is validity to the principle of weighting the benefit in favour of the lower-paid workers, as the plan itself does and as the Federation of Agriculture plan does? And, if you do see validity in that, could you come up with any suggestion other than yours? Yours gets away from the administrative problem. It simplifies things for the \$300 and \$400 person, but it does take away from the plan something that is now in it, namely, a weighting in favour of the low-paid person. That weighting carries all through on a percentage basis: the \$1,000 and \$2,000 person gets, percentage-wise, a better benefit than the \$4,000 or \$5,000 person.

Mr. TAYLOR: Our proposal establishes there is, in effect, a minimum, presumably, for all wage-earners—and we are just dealing with them now. Whether or not they get \$600, they would be entitled to a minimum. The act, as we have it currently drafted, does not provide a minimum, as we read it. This would do that. We recognize it buries the point you are raising with respect to weighting in favour of the low income person in your proposal. Ours does not do that. On the other hand, you do have a weighting in favour of the lower income people in the other component of your total program. In other words, there is no distinction with respect to earnings on the O.A.S. section of your plan.

It would seem to me that to carry out your proposal you would be extending that principle into another segment of it, and the question bothers me a little as to whether it ought to be there, though it was originally drafted there; whether or not it should be accommodated for an appropriate period of time in the other segment, rather than say that everybody has a weighted benefit and everyone has a common salary or amount plus something.

I have some reservations personally, but let me turn this particular point over to Mr. Wills, who is sitting to my left, and who has been invited, who studied that in little more detail. Len, could you offer any views you have that either confirm or deny the point, because the point has not been raised to us in the form in which you have raised it, Mr. Knowles. We were concerned about the administrative problems, and we think this is something that warrants attention, if for no other reason.

Mr. KNOWLES: I agree with you about the administrative problem, but we are also concerned not to lose the weighting factor. We have had before us people like the life insurance officers and Life Insurance Underwriters, and others, and they are aware of the weighting the O.A.S. does. They approve of that, but they have also complained about the C.P.P. in that from their point of view it gives greater benefits to those further up the scale. People in lines not dissimilar to yours saw no objection to the amount of waiting we do have because of the \$600 minimum in the C.P.P.

Mr. WILLS: You have heard alternative arguments which we could advance on the difficulties embodied in the act. These are administrative difficulties. I don't propose to discuss those, because I am sure you are aware of them, but I would like to comment on the point you just raised, sir, if I might. In the proposal as I understand it they provide a higher rate of benefit on a lower level of contribution, or of income, and you would have arrived at that turn-around point on which you probably would have difficulty.

You could possibly arrive at a situation where you were paying as many or more dollars for less dollars of earnings than you were for some larger amount, because of the percentage break-point. I think that the association would more favour a minimum payment regardless of the amount of earnings from the fund as a matter of social justice or social equity.

Mr. KNOWLES: In other words, you want to get rid of administrative difficulties and you do not wish to import other difficulties, but you are not opposed to the principle we already have in the plan, which, as you say, is a matter of social justice.

Mr. WILLS: That is correct, sir. It would just introduce another measure of administrative difficulty with workers moving from one area to another, and with the rates to be applied.

Mr. KNOWLES: Now, I would like to ask a question again of Mr. Taylor on another field. You have spoken rather strongly of the desirability of having one plan for administrative purposes, and I address this question to you as probably the most representative group of employers that we will have before this committee.

I take it that you feel pretty strongly about that. I think it is fair to say that we feel that way in the committee as well, but we are faced with the fact that one province has virtually made the decision to stay out, and do you think we should change that provision in the act which permits other provinces to opt out, or to take steps to avoid any more fragmentation of the plan?

Mr. TAYLOR: I don't think there is any point in locking the door after the horse has left the barn, and this is the sort of thing you would have by changing the section. I don't think changing the section in the bill would preclude opting the province concerned would not opt in the first place. Perhaps they have not opted in. So it may be that that is not the remedy. I think the remedy is to invite a conference to convene in whatever form it needs to be convened in order to reopen negotiations. Our group is not convinced that with the right kind of plan, and when the wishes of a large group of people are known, that this question cannot be resolved.

We think it might be resolved and we think another effort should be attempted to resolve it. Therefore, removing opting out is not going to accomplish much.

Mr. KNOWLES: You would like to see it accomplished, but in some better way?

Mr. TAYLOR: Removing opting out is not the way, unless you can require other provinces on a compulsory basis to opt in.

Mr. KNOWLES: I don't think there is any such thing as opting in. The legislation is legislation for Canada, and it is only by virtue of the legislation that it says that it will not apply in any province having comparable legislation.

Mr. TAYLOR: I don't want to get too involved in the constitutional question, Mr. Knowles, but, if by eliminating opting out we could achieve this, I don't know if that would not be a sort of shotgun wedding, but certainly we would like the result, and we think further efforts should be made to achieve this result.

You people are more skilled as to how you ought to go about it than we are, but if you think it should be undertaken we are not satisfied that the "no" answer that presently exist is satisfactory or ought to be final.

Mr. KNOWLES: I am prepared to leave the question at that.

Mr. MACALUSO: Mr. Taylor, we assume from your representation here that the association would be strongly against the Province of Ontario setting up its own comparable benefits as against this present bill.

Mr. TAYLOR: I don't think we want to identify ourselves with that particular statement, because you are selecting a particular province.

Mr. MACALUSO: Let us say any province.

Mr. TAYLOR: We are opposed to any province going it alone. This is obviously having the cake and eating it too. We have asked for one plan centrally administered.

Hon. Mr. THORVALDSON: When you say "any province", you include Quebec, do you?

Mr. TAYLOR: I include all provinces.

Mr. MACALUSO: Mr. Taylor, when I stated Ontario, I was thinking just of the situation existing there, and when I said "any province" I assumed that that included the province Senator Thorvaldson mentioned.

The CHAIRMAN (*Mr. Cameron*): I think Mr. Taylor has cleared the matter up very thoroughly.

Mr. KNOWLES: I just have one other question; I suppose this is the complement to my compliment.

I know that I am looking at words and that words have different meanings to different people, but I am a little bothered about your sentence in paragraph 5, and you use the phrase in two or three places, "The Association has long recognized there is a social cost of doing business and its members are prepared to meet their fair share of this cost."

Now, I wonder if I can make just this brief statement? It seems to me that doing business is part of the economy of this country and that our economy as it exists is operating for the people in it, and I wonder if we could not find some less offensive, or better, phraseology than that phrase: "the social cost of doing business"? It sounds like business is a sort of god which is prepared to do something for people.

Do you get my point? I think you have it upside down.

Mr. TAYLOR: It may well be that there are better ways of saying it. I am sure, however, that you are aware that this is an old expression, which has been used ever since I can remember, and all of us, I think, have an understanding of what is meant by it, and what was meant at that time, and it has been used not only in Canada but in international circles. So the general statement is actually borrowed from what we thought was common usage.

Now, if they appear to be offensive words I would be happy to have substituted alternative wording having the same purport.

Mr. KNOWLES: You would agree that business and the economy exist for the people in the country?

Mr. TAYLOR: That is one of the many reasons for it.

Mr. KNOWLES: I know enough to stop when I am winning.

The CHAIRMAN (*Mr. Cameron*): Mr. Aiken.

Mr. AIKEN: Mr. Chairman, I would like to ask Mr. Taylor about the earlier retirement recommendation that is in the brief that is suggesting that a person might retire as low as the age of 60 and receive a benefit actuarially reduced.

Now, I wonder if the actuarial figure that the old age security would actually be reduced to at 60 is available, and at the same time what the pension rate of \$104 at 65 would amount to at age 60. The reason I am asking this is that a person aged 60 might retire at the age of 60 on a voluntary basis, unless there was some test for early retirement, and then accept a rather small old age security provision, and a rather small Canada Pension Plan, and later put himself on welfare in his latter years. I would like to ask that those two figures be available and whether, in view of this, you would provide a test of some sort for earlier retirement.

Mr. TAYLOR: I do not come here with any specific figures, sir, as to what the actuarial equivalent would be, because there are a number of factors and

I believe there is more than one table used for calculating mortality and other things, but I am quite sure any actuary can get those figures for you and your staff men could.

Now, whether an acceptable test as to whether or not a person has in fact withdrawn is possible, I think it is simply a question of his having actually withdrawn from the labour force and being in a retirement status and declared to be such.

What we have in mind is this; there are a great many plans that a lot of people are anxious to have—people who want to retire for reasons of health and other reasons, but their health is not such that they can qualify for normal disability credits. These people, we understand, would like to have access to some pension, and they would be willing to sacrifice in order to get something.

Furthermore, as the plan is worked into private plans there will be a hiatus between the time some private plans are available at selected ages when people will qualify, such as the 60:30 combination, which is a very popular trend. There is then no payment from Government sources, and this seems to us to be a mistake. That should be actuarially corrected. While there will be some cost—we are not suggesting there will not be—it will not be very much of an extra cost because what you are doing is putting a man on a level benefit governmentwise.

Mr. AIKEN: I wonder if we could secure figures of that type through the committee?

The CHAIRMAN (*Mr. Cameron*): We can ask Mr. Osborne to obtain them for us.

Mr. AIKEN: Yes, if he could. The reason I raise this is that the old age security rates from age 70 to age 65 cuts it in half—in other words, from \$75 down to \$51, roughly. It appears to me if you cut it from age 65 back to age 60 it would be an even greater percentage of reduction, and the old age security at age 60 might actually amount to very little. It may be that this is the reason why the minimum age in the United States is 62.

The CHAIRMAN (*Mr. Cameron*): May I suggest that you put exactly on the record what you want?

Mr. AIKEN: Yes. I would like to have the amount of old age security actuarially reduced to be payable at the age of 60 from its present rate of \$75 at age 70. Also, what the actuarial reduction of the maximum benefit of \$104 at age 65, assuming a full benefit period, would amount to at age 60.

Mr. TAYLOR: I wonder, Mr. Chairman, with your consent, if I might underline one point so that there is no misunderstanding of our position. We are not advocating a retirement age of 60 in the sense that it may appear. We have declared ourselves in favour of a normal retirement age of 65, which is the one proposed in your bill. We are saying that there will be a certain segment of our society who will wish, voluntarily or other wise, to retire at an earlier age. These people will be denied access. It is that group with which we are concerned. We would not be in favour of supporting full benefits at age 60. This is not what we are advocating.

Mr. AIKEN: You would then suggest a rather strict requirement test?

Mr. TAYLOR: Yes, an appropriate test; I do not know how strict it ought to be.

Mr. AIKEN: Then, there is one other question I should like to ask about funding. This is to be found at page 5, in paragraph 17, where you suggest that the present plan might be put on more of a pay-as-you-go basis than it is now. We have had evidence before the committee from several groups which refers to what are known as the windfall provisions, that go to people around the age of 55 with maximum contributions who will retire at age 65. Now,

would making the plan a pay-as-you-go plan involve lower premiums in the earlier years to the point where the windfall might actually be increased.

Mr. TAYLOR: This is a possibility at certain income levels, but I think we have to go deeper into the problem from that which is apparent from the question as you have phrased it. Our committee has taken the view that much of what seems to be criticism, both public and otherwise, in certain quarters stems from the fact that there is a large pool of money that is going to be used for a secondary purpose, whereas basically our position is that here we are talking about the pension plan. The primary purpose of the collection of funds is to provide benefits, and the other is a secondary purpose. Now, what you say is true, and this is one of the consequences of achieving another purpose which, in the view of our committee, is the greater and more important.

Mr. AIKEN: Then, you are suggesting this would be an actuarial problem that would have to be worked out in such a way as not to increase the windfall benefits—if possible?

Mr. TAYLOR: Well, I would not be too concerned there because I do not think the so-called windfall benefits arising out of this particular point that we are talking about are going to be significant. The windfall benefits are for those people who are currently at age 55 and who probably are at the maximum income level. I think this will be self-leveling over a period of time. I think your problem is a temporary one.

Mr. KNOWLES: Yes.

Mr. WILLS: Mr. Knowles is saying: "Yes".

Mr. KNOWLES: It is nice to know that we can agree.

Mr. AIKEN: Will the funding decrease as you get beyond the normal adjustment period into the area where you do not have this large fund available—that is, between 10 and 20 years?

Mr. TAYLOR: Yes, but in any private plan you accumulate funds to meet a particular contingency. This is a different situation, as we see it, with respect to government. It seems to us that we just do not think you need to collect this much money as quickly as you are collecting it, and we are prepared, as manufacturers here, to meet higher costs later in order to meet what needs to be done. But, we do not think you should collect this much now, and introduce a series of problems because you have got too much money—I was going to say "with which you do not know what to do", but I am sure you will find something to do with it.

Mr. AIKEN: I am not an economist, sir, but it seems to me that the only way in which you can accomplish this would be by lowering the premiums during the earlier years.

Mr. TAYLOR: May I ask one of our men to supplement what I have been saying on this point? I will ask Mr. Belden to answer you. He is knowledgeable in funding matters, and he can pick up the matter from where I left it.

Mr. C. C. BELDEN (*Manager, Employee Relations, Dominion Bridge Company Limited, Montreal*): I think it is possible to have a large fund. It might result in some reduction in the contributions in the earlier years. I can see nothing particularly wrong with this. There is a great difference of opinion, even amongst expert economists, as to whether or not the withdrawal of this amount of money from the private sector of the economy and putting it into the Government sector is going to have an effect on our economy as a whole. Which side you believe does not make much difference, but I think we are playing safer if we do not withdraw so much money from the private sector at an early stage, but to build up to this thing. We can add up our costs later when we get a better view of the matter and see whether some of these assumptions we are making now are actually going to happen.

Mr. AIKEN: I wonder if I might ask if in order to reduce the impact on the windfall benefits the adjustment period might have to go longer than ten years—perhaps into a 15 year period, or so—in order to level out the people who pay earlier and get the greatest benefits?

Mr. BELDEN: Frankly, I cannot become too concerned about the windfall benefit because, as has been pointed out, it is a temporary proposition. We had the same thing in private plans in industry when they were introduced. In most companies when a plan is first introduced the company undertakes to make certain payments into the fund to take care of services the employees have the benefits of at the time the plan is introduced, and in fact this is what we are doing in the Canada Pension Plan, it seems to me.

Mr. LEBOE: When you talk about past services benefits in a private pension plan, are you suggesting that there are past service benefits arising out of this plan as it is now envisaged?

Mr. BELDEN: To the extent that you are going to provide people at advanced ages with the same kind of income that you provide for young people, I believe that is so.

Mr. LEBOE: And for past service?

Mr. BELDEN: Service to the community is perhaps not the proper term. It could be age, if you wish.

Mr. LEBOE: I think that is true and that is the point I wanted to make. It would be picked up to be used in that light and that is why I want to pin it down a little more. The employer pays the shot in the one case and the people in the community pay the shot in the second case.

Hon. Mr. THORVALDSON: In regard to the money which is put into a private pension plan at the beginning, in order to make it solvent for the future, the fund that the company takes out of surplus and puts into that plan, do you suggest for a moment that that has a similar relationship to a pension plan as the so-called windfall that we are talking about in this plan?

Mr. BELDEN: Let me explain this in a different way.

Hon. Mr. THORVALDSON: You are certainly disagreeing with a number of people.

Hon. Mr. CROLL: Not at all. Disagreeing with you.

Mr. BELDEN: When you get into a plan of a private nature, you have a number of people 60, 61, 62, 63 years of age at the time of introduction of the plan. They will not have been in the plan long enough to get an equity in it which would be adequate for retirement, so special provisions are made for those people. This is the same principle as is being adopted by the Canada Pension Plan.

Hon. Mr. THORVALDSON: Would you explain where the money comes from? Who pays the money that consists of the windfall we are talking about? Let me put the case to you. This case has been put to us several times. Take a person aged 55 when this plan commences. He and his employer make certain payments which amount to about \$1,200 and we find that he has a vested interest in that of approximately \$15,000. That is the case of a person who has a salary of about \$5,000. Then take the other case, of a person who has a salary of \$2,000 or \$3,000. He and his employer have paid into the fund and he became eligible for about \$952. He has a vested interest there of about \$9,000. Would you agree with me that the excess that these two men get—one of course gets more than the other because he is on a higher salary scale—would you agree that the so-called windfall they get comes out of money paid by other Canadians into this plan?

Mr. BELDEN: That is right.

Hon. Mr. THORVALDSON: Do you say that is in a similar category to the fund that is put into a pension plan by a private company?

Mr. BELDEN: I can see no difference in principle.

Hon. Mr. THORVALDSON: Why do you say "no difference in principle"? Is it not true that these are public moneys paid by the taxpayers of Canada, or at least the contributors in the case of the Canada Pension Plan, whereas the other moneys are private funds?

Mr. BELDEN: To a certain degree, some of the other moneys are public also, because if we do not use those moneys to pay for the past service with the employer, the employer will certainly pay them in taxes to the Government.

Hon. Mr. CROLL: Provided you are making money.

Hon. Mr. THORVALDSON: Why do you say that you are going to pay this? You have a company which takes a million dollars out of surplus and puts it into a private pension plan. Why do you say you would pay that in taxes to the Government if you did not put it into the private plan?

Mr. BELDEN: If you are in a profit position, that portion of what you put into your pension plan will be paid out.

Hon. Mr. THORVALDSON: I thought you paid corporation tax on profits that you earned this year, not necessarily out of past service—is that not right?

Mr. WILLS: In actual practice it is paid not out of surplus but out of profit of the future, whenever it is permissible under the tax regulations.

Hon. Mr. THORVALDSON: I admit there are cases I happen to know of where it is not done out of surplus.

Mr. LLOYD: I believe the witness said there were some instances where past service benefits were funded to appropriate services in the future, or was it Mr. Thorvaldson who made that statement?

Mr. WILLS: I think it was the senator who made that statement. Even if such cases did arise where past service benefits were contributed from surplus, the surplus itself is taxable on distribution, is it not?

Mr. AIKEN: The objection raised before the committee by one or two witnesses or groups of witnesses is that in the case of the windfall benefit, it is the younger workers and in some cases the lower paid workers who will pay for those windfall benefits to the better paid who have a shorter period of time. This is the objection which has been put before us. My real purpose in starting this line of questioning was to determine whether the pay as you go basis, which would result in lowering the payments for the earlier contributors, would not actually increase the windfall benefits to those also?

Mr. TAYLOR: It is a question of degree. You must remember that much has been said here and elsewhere about this windfall and of course the same principle applies on the O.A.S. side.

Hon. Mr. THORVALDSON: Do you agree that other workers have to pay that windfall?

Mr. TAYLOR: It has to come from the sources from which the funds themselves come—the employers and employees, I presume in this case.

Hon. Mr. THORVALDSON: You agree with that?

Mr. TAYLOR: I cannot help it. It is in the act.

Hon. Mr. THORVALDSON: We are having trouble in getting agreement on that. On page 13 of your brief in your summary paragraphs 45(1), I was interested that your first item mentioned that all provinces are not included in the plan. I might suggest there is some significance in that being your number one recommendation. We all know that in the Manufacturers Association a

tremendous number of companies do business right across Canada. Consequently, I take it that you would much prefer, if we are to have a C.P.P., that we have one nice little plan with no opting out? I guess we are on common ground there.

Mr. TAYLOR: Yes, 100 per cent.

Hon. Mr. THORVALDSON: In your first point you say that further consideration and negotiations might be undertaken to achieve a single plan. I am sure most members of this committee agree that it would be preferable to have a C.P.P. which includes everybody. Would you like to make suggestions as to what consideration or negotiations there might be, now you have indicated your view?

Mr. TAYLOR: I think that I would have to limit myself to the objective, rather than the negotiations in the sense that they are sometimes used. We have stated as a purpose of these negotiations that there be developed a single plan to be centrally administered in which all provinces are included. Now, the form they are to take I think you people would have to devise, hoping that if one is developed it would incorporate those things we are currently urging upon you. I do not know if it would mean another meeting of prime ministers. It is something that I think you would have to work out yourselves. We are not suggesting how you go about it, but we are suggesting that we hope it can be achieved or accomplished, and we will have to leave the methods to you people. I think there are questions of constitutional law, and who has the right to be where. I do not think we want to become involved in that.

Hon. Mr. THORVALDSON: I think your answer is right in line with the view of the witness we had this morning and with whom the same problem was discussed. He had the same reservations in regard to it as yourselves.

Arising from that, we had Mr. Moffat of the Eddy Company before us a couple of days ago, and you know his problem; he is on both sides of the Ottawa River and has technical troubles by virtue of the present situation.

Let me ask you this question: Is it a fact that your problem would be greatly minimized if there had been one satisfactory plan, rather than one where a province is opting out?

Mr. TAYLOR: The answer with regard to the technical problems is yes. I qualify it by saying provided it is a suitable plan. I am not going all out and say any plan.

Hon. Mr. THORVALDSON: I agree with you on that. I think I included the word satisfactory plan.

Mr. TAYLOR: Then I accept that.

The CHAIRMAN (*Mr. Cameron*): Mr. Côté has a supplementary question.

Mr. CÔTÉ: I want to ask a question with regard to one plan. You are aware, naturally, that Quebec had their own views on the pension plan and it was quite different from the federal one. They had in mind to have their own plan, even if the national plan would be the same. But don't you think they made some very good negotiations and that the government did a very good job in trying to get Quebec and the federal plan on the same basis so that it would be just like a universal plan—the same in Quebec as in the other provinces, and that we really explained some very good things through the negotiations to come to the final decision?

Mr. TAYLOR: If one answers your question and accepts the statement you made—"Don't you think the government has done a very good job in getting where they are?" My answer is no. If they had done the type of job we wanted to be done, they all would be in. So I can't say they have done a good job if they have not achieved the desired result advocated; and we are asking to have the machinery put in motion again.

Mr. CÔTÉ: You are aware that Quebec has a right to have their own plan, as has every other province?

Mr. TAYLOR: I am quite aware, but we feel that we should have another run at it.

The CHAIRMAN (*Mr. Cameron*): Mr. Macaluso?

Mr. MACALUSO: Mr. Taylor, my question refers to page 8 where the association deals with all contributors earning less than \$600 a year as belonging to one category which should be entitled to 25 per cent of \$600, that is, \$150 per year by way of benefits on the present maximum pensionable earnings of \$5,000.

Has the association come up with any figures as to the number of people this might cover, and what is the total of the additional cost this might entail in giving a flat benefit in this one category?

Mr. TAYLOR: No, we do not have any figures at all. We have no means of collecting such statistics.

Mr. MACALUSO: Apparently, Mr. Osborne is not here.

Mr. KNOWLES: I asked for figures. They are probably working on them.

Mr. MACALUSO: Thank you very much.

The CHAIRMAN (*Mr. Cameron*): Mr. Basford?

Mr. BASFORD: Mr. Chairman, I just want to add a few comments. Someone described the kind of people you represent, Mr. Taylor, as ogres of Canadian big business. I think the constructive attitude of this brief certainly dispels that view.

Mr. TAYLOR: Thank you.

Mr. BASFORD: Your brief seems to indicate that this problem is a social obligation of business and government.

Most of my questions have already been answered, because I was interested in paragraphs 9 and 10 with which I agree thoroughly.

I am wondering if the C.M.A. has made any representations to the ten provincial governments along this line?

Mr. TAYLOR: I am instructed that in a general way this has been done with all governments.

Mr. BASFORD: I notice your proposal that negotiations be reopened, and that we have another round of talks. You said a moment ago that you did not want to suggest ways in which this should be done by the government. I am inclined to think that another round of talks would not be very fruitful at the moment, and I would like to suggest that the C.M.A. through its ten provincial divisions or branches again make immediate representation to the ten provincial governments that you would want to see them to discuss a satisfactory national plan.

Mr. TAYLOR: We would be quite prepared to take that under advisement and to give it full consideration.

Mr. BASFORD: I certainly wish you would.

Mr. MACALUSO: We could use your help.

Mr. TAYLOR: We will take it under advisement.

The CHAIRMAN (*Mr. Cameron*): Senator Croll?

Hon. Mr. CROLL: All my questions have been answered. That is not going to stop me from asking a question. First, I want to join in something that was said by my friend, Ron Basford, and others, that this is a reasonable and constructive brief which certainly has impressed the committee. On the other

hand, it is what we expected from you. Although I had not any questions to ask a minute ago, I have since prepared a few, just because you brought the boys along with you, and they seem so well prepared.

I want to be able to go back and say "This is what I told the committee".

First of all, there was something said in the brief in connection with the age of retirement at 65. It was mentioned at various times. What is sacrosanct about 65, and not 64 and 66? Why 65? Where did it come from?

Mr. TAYLOR: I cannot answer where it came from. I have been around pretty nearly that long myself. It seems to me that it has always been more or less bounced around. I suspect it may have originated from those people who were then writing private plans. I have not any real reason for it.

Hon. Mr. CROLL: Mr. O'Dell, who is the research director for the American U.A.W. came to our Senate Committee on Aging. We asked him that question and he said that is exactly where it came from, and it got thrown into the original pension plan, and someone said, "We will fix it at 65," and we have been stuck with it ever since.

There is some suggestion here, and as a matter of fact you used the term "social cost," which gives me an awareness, of course, that you have exercised a social conscience. Now, you realize this is a double-decker plan. You have stuck to your last, and this brief deals with the pension plan as it is, and is very clear on that. Was there not some discussion amongst your group about the other element that is not covered, for instance, under the O.A.S., that is, 70 years and over, who are not caught up by the first portion of the plan? Did you give it any thought, was there any discussion?

Mr. TAYLOR: Certainly. We discussed every possible phase of the whole pension idea; but we must remind you that we are here as manufacturers representing manufacturers who themselves employ people in the main, most of whom are less than 70 years of age, and we feel that perhaps it is someone else's responsibility to speak for that group of people who are not identified with manufacturers. We felt it did not belong in our submission, and we have not taken a position on it. We are sympathetic to their problem, however, but we felt that by and large they are not, in general, employed people. There are some, but they are not in most companies.

Hon. Mr. CROLL: What collateral problems did you consider in connection with the plan on which you do not express yourself here, and in which you think you are involved?

Mr. TAYLOR: Well, I do not know that I can outline what you call "collateral problems". I would be more disposed to ask you to name any particular problems you want to know whether we talked about.

Mr. KNOWLES: He opened the door for you.

Mr. MACALUSO: Close it quick.

Mr. TAYLOR: I am closing it quick.

Hon. Mr. CROLL: You did close it a few moments ago when you said, "We are manufacturers and we are dealing with the problem that is before us, and this problem belongs to someone else, although we are sympathetic to it"?

Mr. TAYLOR: That is right.

Hon. Mr. CROLL: I thought if you had few expert views on that aspect of it you might deal with it, but since you did not offer anything, that is all right.

Mr. TAYLOR: Thank you.

The CHAIRMAN (*Mr. Cameron*): Mr. Gray?

Mr. GRAY: I think the questions I would have asked have been quite completely covered, and I just wish to associate myself with those who complimented the witnesses for the nature of their brief. I think I will pass the questioning on to the next questioner.

I might add: Even though I cannot say I have always agreed entirely with the association in the past, and I do not suppose I will in the future, I am pleased to note the way they have come before us attempting to deal constructively with the specific bill we are dealing with. I was very interested to note that these hard-headed, practical men of business support and accept the contributory principle of this bill, and that they have accepted an argument we have made in questioning other witnesses with respect to bonuses and wind-falls. It is the same thing we are doing in this bill and is a very common feature in the private plans you people buy or put into effect for your employees.

The CHAIRMAN (*Mr. Cameron*): That concludes the list of people who indicated they wanted to ask questions.

Mr. AIKEN: Mr. Chairman, there has not been very much questioning on the matter of escalation which is in your brief, and I think it is clearly enough presented that you feel there should not be an automatic feature, but there should be a review period every five years. There is one single question I wish to ask. Would you suggest the review be by legislation or by administrative order?

Mr. TAYLOR: I would be satisfied to have the review by administrative order at reasonable periods, and I would hope the review would be undertaken by qualified people—and by that I mean actuaries, in the main.

Our position on the escalation, I think, is obvious. I do not think anybody at this point really knows whether 2 per cent is too much or not enough. I think we should not pre-commit. I think we can decide that for ourselves, provided we do not decide it every 12 months. I think we have to have a period in which this thing will jell because, as I understand the bill, there is a movement in one direction only, and I do not think it is sound. I would be satisfied with an administrative directive as opposed to legislation. I could live with either.

Mr. AIKEN: Would this assume a formula of some type in the bill by which an administrative order would be governed; and, if so, would not this bring about roughly the same result?

Mr. TAYLOR: Well, you recall in our statement we said we hoped this would be done ex political expediency. We hope it could be divorced from planning for certain things that have a political overtone, and that it could be done in an objective and detached way. I do not think we could here spell out exactly all the details of how this should be achieved. Every private plan is reviewed from time to time. The principle of review is all we are discussing with you.

Mr. AIKEN: You would suggest, in any case, fixed reviews?

Mr. TAYLOR: Yes. We would be satisfied provided they were at reasonable intervals—certainly not less than five years.

Mr. AIKEN: Perhaps I should not be giving evidence, but it rather occurred to me as a result that legislation at a fixed period might be preferable because then the formula would have to be devised by the legislators.

Mr. TAYLOR: May I qualify what I said earlier. We are presenting an idea, an objective. If it can be handled more effectively legislatively I think you people are in a better position to decide than we are. I think if it could be handled otherwise, administratively, we would be concerned with the objective and that it be achieved.

I have been exposed to Orders in Council and many other things, some of which have worked just as well as other forms of directive over my lifetime. I do not know one has had many more general acceptance than some other method. I think this is something you people are better equipped to decide.

Mr. BASFORD: I was going to ask somewhat the same questions as Mr. Aiken. We seem to be on the same wavelength in so far as his opinion of Mr. Diefenbaker is concerned anyway!

Mr. CANTELON: Don't ask him about Mr. Pearson.

Mr. BASFORD: We had Mr. Anderson before us the other day, the chairman of North American Life. His was a very helpful presentation, and in discussing indexing, which you recommend against, he suggested that if indexing was tied, rather than to the cost of living, to the wage index, this would tie it to the level of increase in productivity and avoid the alleged bad effects of tying it to the cost of living index. I was wondering if I could have your comment on it?

Mr. TAYLOR: Yes, we are suggesting it should not be tied to anything as such. We feel an examination during an appropriate review period should take into account a lot of things, including the things you are mentioning—wage levels, the cost of living and all the other factors that have an influence on general conditions within the country, the economic climate as it then exists, and so forth. We are suggesting that to narrow it down to a specific thing—whether wages, cost of living, the consumer price index, the G.N.P. or any other factor—is itself too limiting. In any event, we are telling you we stand for a program that does not include pre-commitments of any sort of this type that changes the value. I do not care what it is—wages or anything else—we do not like any pre-commitment. Therefore, we do not like any indexing for this particular purpose.

Mr. BASFORD: His feeling seemed to be that by tying it to productivity any increase would result from an economy which was able to support such increase.

Mr. TAYLOR: I am not prepared to accept any index of productivity, and I am sure my colleagues would not. All we have to do is raise prices and we have a different level of productivity, and I do not think it is a suitable basis on which to base it.

Hon. Mr. THORVALDSON: Productivity depends on population level, and a lot of other things.

Mr. TAYLOR: It depends on a lot of things. It is a poor basis, and we are not willing to support it.

Mr. KNOWLES: I hope it does not lead to some nasty remark to say my question was also about the feeling on escalation. If there is unanimity on this side of the table in this question, at least we are in disagreement with the witness.

There is another question or two I would like to ask. You made your position clear that you are opposed to automatic indexing on the basis of the consumer price index. I had hoped there might be room to consider the wage index and productivity, but you are opposed to automatic indexing of any kind, though you are not opposed to review of the level of pensions even after those pensions have been paid in.

Mr. TAYLOR: I am not sure I understand the question as you phrased it. Would you re-phrase it?

Mr. KNOWLES: Well, I will try again. There are two times when one can review the level of pensions. You can review the level of pensions people now working will get when they retire; or you can review the level of pensions

people already in retirement are getting. Are you willing that in both cases there be set reviews from time to time?

Mr. TAYLOR: We are suggesting the Canada Pension Plan be reviewed. That means all the benefits derived from it.

Mr. KNOWLES: Including the benefits people are already receiving?

Mr. TAYLOR: Whatever is in it, yes.

Mr. KNOWLES: Your basic statement on this is on page 8, paragraph 29, where you say the association recognizes pension benefits cannot remain at the same level forever. You go on to state your objections to pre-committed increases based on an index. Do I gather you would be willing for both kinds of pension benefits that are referred to in Bill C-136 to be reviewed? That bill outlines the Canada Pension Plan *per se*, but it also refers to old age security.

Mr. TAYLOR: I think, to be realistic, all pensions have to be reviewed. Whether we ask them to do it or not, they are going to do it, and they ought to do it from time to time.

I think what is adequate today might not be adequate in the year 2000. For us to stand here and say "No, they will not be reviewed" is not being realistic.

The answer to the question is yes, they should be reviewed, but, when the time comes there should be the opportunity to say whether they will be amended or not.

Mr. KNOWLES: If they don't review them some of us will ask them to do it.

Mr. TAYLOR: I am sure you would.

Mr. KNOWLES: Mr. Taylor, one other question in this field. The bill before us has two kinds of indexing and, if I am not misinterpreting what you said in your brief and in your testimony so far, you are only referring to one of those kinds of escalations.

Mr. TAYLOR: No.

Mr. KNOWLES: Oh? You refer also, do you, to the escalation involved in computing the kind of pension a person will have at the time of his retirement?

Mr. TAYLOR: Yes, I think this should be reviewed and the circumstances involved at the time in regard to it; all the circumstances surrounding it at the time should be reviewed.

Mr. KNOWLES: Is it not a fact that many pension plans have automatic adjustments in them in that they are based on the average salary across a man's working career, or sometimes the last five or 10 years, or the best of a certain number of years? Is that not in itself an automatic scaling up or down of the pension benefit, and is it not what the C.P.P. proposes? I am not talking now about the 2 per cent increase after retirement, but the proposal that the computation be adjusted. Is that not something which takes the place of this other kind of automatic adjustment?

Mr. TAYLOR: We are quite aware, Mr. Knowles, that there are two types primarily: one that is related to final earnings over something like the last five or 10 years, and another which is described as career benefit earnings. I think if we are going to have a high level inflation for a protracted period, the career type does not as a general rule provide enough, and, therefore, some supplement or adjustment is made. So now the pension is not necessarily in the form of an escalation, because you do, presumably, have a situation where through collective bargaining and other matters you do negotiate what the wage chances will be and, presumably, might take into account all the consequences of wage changes.

Here we are talking about private plans versus government plans and it seems to me the manufacturers would not have any degree of control, whereas

with private plans there is some degree whether or not they elect to exercise it and take the risks that could accompany the private plan on these things.

Mr. KNOWLES: Thank you, Mr. Taylor. May I ask one other question in another field, and it has to do with the size of the fund. Despite our known disagreement, I am in agreement with your position that the collections for pension purposes should not include an element which is collected for another purpose, namely, for developmental purposes.

However, would you not agree that it is reasonable to establish at the initial period of the plan a rate of contribution that could remain level on a projected basis for a reasonable period of time?

Mr. TAYLOR: I don't think that that is necessarily as important as the consequences. Let me put it this way: If such a rate could be determined that would achieve what we are asking to have achieved, the answer to your question would obviously be yes. If it cannot, then I would have to say no.

Now, we are suggesting the rate that is presently proposed would not do what we would like to see done. In other words, there is too rapid a build-up. Now, it may well be that our purpose could be achieved and we could still have the flat rate. That is, it would not necessarily have to be altered during this 10-year build-up period, for example, although we are suggesting a five-year review.

I don't think the common rate is the key to the thing, surely. What is really of concern to us is the fact that here we have a large pool of money that is set aside, and we are suggesting, because you have authority to tax that you just don't need that kind of money so fast.

Mr. KNOWLES: Some of us have said that the present rate makes the plan neither pay-as-you-go nor completely funded, but that it is in between these two, and I gather you would rather get it a little closer to pay-as-you-go than it is.

Mr. TAYLOR: Definitely. As we say in our statement it is a loose term. I don't know just quite what the term means; it means something different to different people and we are saying that it is too high a level of advance funding with the present set-up, and it should not be as high. How high it should be we have to leave to the actuaries.

Mr. KNOWLES: Thank you.

The CHAIRMAN (*Mr. Cameron*): Mr. Munro.

Mr. MUNRO: Mr. Chairman, I was just interested, Mr. Taylor, in page 1 of your brief where you have indicated that "It may be interesting to note that more than three-quarters of the Association's member firms employ less than 100 persons."

I was wondering if you had any approximate information of those three-quarters of the association's member firms which do employ less than 100 people, what the private pension plans were like or the number involved or the number of these particular firms that have private pension plans.

Mr. TAYLOR: We have not got that information.

Mr. MUNRO: There is nothing?

Mr. TAYLOR: We have not got it at all. I am instructed that we have not tabulated that in any form which would be usable in the sense you have phrased your question.

Mr. MUNRO: Mr. Taylor, do you have any figures as far as the number of firms which would be members of your association, say, which hire less than 15 employees?

Mr. TAYLOR: How many?

Mr. MUNRO: Less than 15.

Mr. TAYLOR: Fifteen?

Mr. MUNRO: Yes, can you give an approximate number?

Mr. TAYLOR: Mr. Whitelaw, who is the executive vice president, is perhaps more knowledgeable on this and I would defer to him.

Mr. J. C. WHITELAW (*Executive Vice-President and General Manager, The Canadian Manufacturers' Association*): Mr. Chairman, approximately 75 per cent of the membership involves plants with less than 100 employees, and I would say that roughly something like more than 50 per cent of that 75 per cent would employ less than 50. Now, we have not broken that down below the 50 level, but I would hope that might help to assist you with the answer you are seeking.

Mr. TAYLOR: Perhaps I could comment by way of a supplementary remark. What we are attempting to put before you is that the Canadian Manufacturers' Association is not, as some people think, made up of just a small group of large complex organizations. It is not. Its main bloodstream runs through small organizations and these larger ones are very much in the minority.

Mr. MUNRO: I see. That is why I was particularly interested in your experience in smaller firms whether you found that the smaller the firm became as to the number of employees, say under 15, whether it was a rarity that such firms had any private pension plans at all.

Mr. TAYLOR: I am afraid I cannot answer that; I am sorry.

Mr. KNOWLES: Mr. Chairman, as a supplementary question, do the witnesses know the number of employees represented by the membership of 6,000?

Mr. WHITELAW: I would say in answer to that question that it would be just roughly under one million. This is a figure that we utilized back in 1962 in connection with our appearance before a committee in Toronto involving Senator McCutcheon. That was the figure we used at that time, give or take a few thousand.

Mr. KNOWLES: We have just about the same number in our labour congress.

Mr. TAYLOR: As a matter of fact I think we have been pleading some of their case today.

Hon. Mr. THORVALDSON: This information may have been given before, but out of that million do you know how many employees are covered in private pension plans? Or is that figure available anywhere?

Mr. WHITELAW: I am afraid I cannot answer that specifically, senator. We have not attempted to assemble that type of information.

Mr. WILLS: This is just hearsay, but I saw a figure relating to that.

Hon. Mr. THORVALDSON: I think it would be very interesting to know. It may not be possible to get the information. We do have certain information through the D.B.S., but I quite recognize why you would not have that information.

Mr. WILLS: Just as an aside, when Mr. Whitelaw says there are nearly a million employees he is, of course, including those of us who are here.

Mr. KNOWLES: Yes, and I was including Claude Jodoin and the others in that other figure.

The CHAIRMAN (*Mr. Cameron*): Are there any more questions, Mr. Munro?

Mr. MUNRO: No.

The CHAIRMAN (*Mr. Cameron*): Mr. Lloyd.

Mr. LLOYD: I have a supplement to Mr. Knowles' question. It has to do with the matter of indexing—in effect, increasing benefits by some criterion. I agree with your association, Mr. Taylor, that if there was one universal

plan, simply administered and agreeable in form to all the provincial governments, perhaps indexing would not be necessary. The only thing that bothers me is that when we do have, in fact, one province out, and we look at the provisions of this bill and see there is room for benefits at provincial levels, it seems to me that one of the values of indexing, or one of the values of the escalation is some prescribed formula that is as conservatively low as this, is that it is possible there may be agreement and an avoidance of a breakaway into a variety of benefits. Do you think there is some merit in this?

Mr. TAYLOR: I do not want to seem facetious, but I do not think we should correct one mistake by making another.

Mr. LLOYD: But this kind of indexing might have the effect of keeping benefits level throughout the country. It might have that effect. Where there is portability to be considered I think you might be able to maintain a greater degree of universal benefits with indexing as a guide line. I do not know whether this was agreed to among the premiers when they met with the Government.

Mr. TAYLOR: It is hard for us to support a situation which is at variance with our main theme, which is, mainly, that there still should be a single plan. I am not sure that we should support something that does not follow our main position.

The CHAIRMAN (*Mr. Cameron*): Does that conclude the questioning?

Mr. MACALUSO: I should like to move a vote of thanks to this delegation who have submitted a very fine brief. This is one of the better submissions that we have received, and I think it has given us much food for thought.

Mr. STYLE: Thank you very much, Mr. Chairman. May I thank you, on behalf of the C.M.A., for the very kind reception you have given us. Our people under Mr. Taylor have worked very hard on this, and I am sure they are very pleased at the complimentary remarks that have been made at this meeting.

There is one point I would like to clarify. I came out when Mr. Taylor was asked as to whether the C.M.A. had put forward its views on one national plan to the provincial governments. This has been discussed with all of our provincial organizations, but we have not directly put forward our views to the provincial governments in a formal way. We might very well consider sending them a copy of this brief with an accompanying letter.

May I ask now Mr. Villeneuve to say a few words in conclusion?

The CHAIRMAN (*Mr. Cameron*): Yes.

(*Translation*)

Mr. J. VILLENEUVE (*Chairman of the Quebec Division—Industrial Relations Committee*): Elementary politeness requires us to thank those who have been kind enough to hear us. In our case we want our thanks to be more than a simple act of politeness, we want them to be also an act of courtesy. We have greatly appreciated your compliments on our brief.

The Canadian Manufacturers Association wanted to express its opinions, to comment on and make recommendations to your committee because it is deeply concerned not only about the interests of its members but also about those of all Canadians.

The discussion between the two committees, yours and ours, will, we hope, have served to throw more light on certain fundamental aspects of the Canada Pension Plan whether these aspects be administrative, social, economic or actuarial.

We want to thank you all most sincerely for the time you have given us and the attention you have paid to our suggestions and comments. In return, I am convinced you can always rely on the entire cooperation of the Canadian

Manufacturers Association to help the Government achieve its objectives in the field of social security or, for those who prefer it, in the field of social costs. Thank you very much.

Mr. LAVERDIÈRE: Mr. Chairman, I would like to thank the representative for having said a few words in French which will again allow members of the committee and those in attendance to realize the facilities we have at our disposal to express ourselves in French or English. Thank you.

(Text)

The CHAIRMAN (*Mr. Cameron*): This concludes this meeting of the committee. The Steering Committee will meet as soon as possible in room 307, which is just across the hall.

EVENING SITTING

WEDNESDAY, January 20, 1965.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Gentlemen, we have a quorum. Before we take any evidence, I would ask for a motion, which apparently is customary in many such committees, that all letters or representations addressed to this committee be appended to this day's proceedings, together with any other similar letters which may have been received during the existence of this committee, so that they may form part of the record.

Mr. MONTEITH: I wonder if it is usual to do this in one day's sitting or leave them until the end?

Mr. MUNRO: I believe there was a motion a few days ago that we place them on the record.

Mr. LEBOE: That referred to presentations only.

Mr. MONTEITH: If this deals with later items, I wonder how one could get them on today's proceedings. This is a very competent committee, but it could not do that.

The CHAIRMAN (*Hon. Mrs. Fergusson*): We can amend the motion to say that those we have received be put into today's proceedings and those received later be appended on a subsequent day.

Mr. KNOWLES: How many such presentations have we received?

Mr. MONTEITH: My first reaction is that they probably should go in towards the end. I do not mean we should wait until our final report, but towards the end of our committee sittings.

Mr. LEBOE: That would be a better idea, as then they would be together

The CLERK OF THE COMMITTEE: There are nine now.

Mr. KNOWLES: With respect to Mr. Monteith, I suggest those be put in now and the remainder be put in one some subsequent date.

Mr. MONTEITH: I have no objection. My only thought is that they will be in two places instead of one.

Mr. CAMERON: I think they should go in at the end. I have read them. They are fringe letters or something of that kind.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Our witness tonight is from Alexander & Alexander Services Limited, a widely known firm of consulting actuaries. As you will note from the brief, they have as clients large Canadian industrial concerns and authorities which represent different levels of government, as well as school boards and some other similar groups. Tonight the brief will be presented by the Vice President, Mr. Norman Kirkland of Toronto.

He is a fellow of the Institute of Actuaries and also a member of the Social Security Committee of the Canadian Association of Actuaries.

Mr. Kirkland, we do not ask you to read your brief. As you may have noticed from earlier reports, we ask only for a summary of the special points you think are important in your brief. After that, we would be glad if you would submit yourself to questions from the members of the committee.

Gentlemen, Mr. Kirkland has with him another member of his firm, whom I ask him to introduce.

Mr. Norman G. KIRKLAND (*Vice-President, Alexander & Alexander Services Limited*): Thank you, Madam Chairman. The gentleman on my right is Mr. Dudley Funnell who is a fellow of the Faculty of Actuaries of Scotland and a fellow of the Institute of Actuaries, and senior actuary in our Montreal office. Mr. Funnell has assisted in many ways with the preparation of this brief and may be able to assist me in answering questions, if I find that the matter becomes too involved for me to handle it myself.

Madam Chairman, I commence with a brief summary of our submission. We have concentrated our attention on 11 different difficulties which could result from the adoption of this Canada Pension Plan in the form contained in Bill C-136. These difficulties have been set out in our brief and, to refresh your memory, I shall read them.

The first difficulty, which is probably the most severe of the difficulties, is the inherent instabilities associated with the funding system.

The second difficulty is a rising ultimate pay-as-you-go cost, coupled with the continuing cost of the old age security pensions.

The third difficulty is that, in our opinion, there is too great an advantage to participants in the higher income brackets by reason of the redistribution of income effected in their favour.

The next ensuing difficulties are as follows:

4. Difficulty of preventing a certain number of individuals who have contributed to private retirement plans receiving a total retirement income higher than their terminal salary.
5. Certain difficulties in connection with integration with private plans.
6. Contributions by self-employed a problem when the pay-as-you-go rates increase in the future.
7. Further integration difficulties when contributions are on a pay-as-you-go basis.
8. Overall government benefits payable in Canada effectively in excess of those payable in the United States in 10 years' time.
9. Plan out of line with certain features that have been tested and proved by other countries.
10. Features of plan that were the subject of unfavourable comment in the Report of the Royal Commission on Banking and Finance published in 1964.
11. Difficulties in the area of union-management negotiations likely to be caused by plan.

The recommendations which we put forward to eliminate or reduce those 11 difficulties are summarized on page 32 of our brief. They are two in number. The first recommendation we make is that the transition period, which is proposed now as ten years, be extended to at least 20 years. Our second recommendation, which is possible only, in our opinion, if the first remedy is adopted, is that provision be made for contracting out by individual employers where this does not conflict with the policy of the province concerned.

Madam Chairman, these are the difficulties we envisage, these are the recommendations we would make. I would be most happy to endeavour to answer any questions members of the joint committee may care to ask.

Mr. MUNRO: Some of the principal points seem to be the advocacy here of a longer transition period. One of the points made by many organizations before this committee was that the Canada Pension Plan does not assist many of the people in the older age groups. It would appear to me that, if we extended the transition period, made it twice as long as it is now, we would be guilty of denying another bracket of Canadians the full benefit of the C.P.P., namely, those between 55 and 65 in 1966. I wonder if you have any comments with respect to denying this sizeable portion of Canadians the full benefits?

Mr. KIRKLAND: Madam Chairman, Mr. Munro's observation is a very good one and one which we had considered ourselves. Indeed we would go further, in a sense, and mention that the need for assistance from the state is considered by some to be even greater as a person's age increases and may be most desperate for those people who are perhaps age 75, 80 or 85; but we have recognized the fact that the C.P.P. as such is not designed to provide people over 65 with any benefit that is, those who are at present time over 65.

Accepting that fact, we then had to consider those who were under 65. It is extremely difficult to draw any definite conclusions as to the need that exists, according to age, of the persons in Canada. Unfortunately, no statistics are available showing the extent to which private plans are available to make provisions for different age groups.

It seems very likely that those over 35 percent the greatest proportion of those in pension plans, but we have no way of proving this. I am informed that it has been established that the income of those who have retired recently represents a more reasonable relationship to the average net consumer income in Canada than applies in the case of those who retired say 20 years ago. So it may well follow from that that those now between 55 and 65 on the average will be in less desperate straits than those who retired a few years ago.

I think it is important, though, for me to point out Madam Chairman, that we are not advocating an elimination of pensions for those who will retire in that case in 10 years. For example, in the case of somebody who retires in 10 years, one half of the pension, or in the case of somebody who retires in 20 years; and we have indicated in our brief that that amount, that one half pension, which will be $12\frac{1}{2}$ per cent of earnings, together with the old age security pension, builds up to a pension that is very reasonable in comparison with, for example, the United States.

How are we to judge the level required? One way is to compare the rates provided by other countries, and certainly our suggestion is to provide the pension that is reasonable on that basis.

Mr. MUNRO: Perhaps if we adopted your recommendation it may result in quite a few people receiving half of the benefit they otherwise would under the transition period. Yet it has been pointed out that even in the transition period the people in the lower income brackets have suffered considerably by comparison with those in the higher income brackets. I am talking about higher and lower in relation to the \$600 exemption at the \$5,000 earnings level. It seems to me that if we followed your suggestion the ones in the lower income bracket, namely \$2,500, would receive half what they now would receive under the present Canada Pension Plan, and the plan would certainly be susceptible to more criticism than already has been advanced here.

Mr. KIRKLAND: Madam Chairman, as regards the low paid people, unless I am mistaken, and while I am sure Mr. Munro was correct, there have been recommendations to provide more for these people, if I am correct, and there

have also been representations that the old age security alone in the case of the lower paid people provides a pension that will compare with a similar pension provided by most other countries. In addition, we will be providing a pension of \$20, or thereabouts, which together with the old age security pension, in the case of a married man, would be a very reasonable pension compared with that in other countries. Recently I saw figures that endeavoured to show that the old age security pension alone would compare, for lower paid people, very well with the amount provided in, say Australia, or Germany or even Great Britain.

Mr. MUNRO: Organizations like the life officers association and the life insurance underwriters association, to mention two, and many others, have indicated that at the present age under the old age security system we are not providing enough, and serious consideration should be given to increasing the old age security for those now retired and just recently retired.

Mr. KIRKLAND: The point, Madam Chairman, that Mr. Munro makes is one I indicated earlier when I started to speak, and with which I would agree, although it does not relate to my brief, in which I have not dealt with people over 65.

Mr. MONTEITH: Is Mr. Kirkland merely dealing with the whole matter in this way, that he is accepting the plan as it is outlined in Bill C-136 and is working on it from there on? As I understand it, he may have alternatives which he would have preferred to see, but is actually operating on the present plan and possible adjustments thereto.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think we will have to ask Mr. Kirkland himself.

Mr. KIRKLAND: Madam Chairman, if I may answer, Mr. Monteith is correct. We felt that our presentation could be most constructively helpful if we directed our attention to features in the plan that we feel will very probably cause difficulties and problems in the future. We feel that any expression of opinion we may have to make about the advisability of the Canada Pension Plan would now be made at too late a stage.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Does that answer you question, Mr. Monteith?

Mr. MONTEITH: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you finished Mr. Munro?

Mr. MUNRO: I have no further questions.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Lloyd?

Mr. LLOYD: You have quite a bit to say in your report, sir, about the Royal Commission on Banking. As a matter of fact, you quoted from it. I believe the commission stated that it had not made a thorough study of the proposed Canada Pension Plan. Is that not so?

Mr. KIRKLAND: Madam Chairman, the Porter Commission makes no study at all of the Canada Pension Plan in its present form. It was written before the present plan was proposed.

Mr. LLOYD: There have been views expressed before the committee that the Canada Pension Plan may tend to make Canadians more pension conscious and thus produce a favourable pattern for life insurance operations. Do you think that is a fair statement?

Mr. KIRKLAND: Madam Chairman, although this has no bearing on our brief, I would be glad to answer, if you direct me to do so.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you quoting from the brief, Mr. Lloyd?

Mr. LLOYD: No. I believe the life underwriters made this statement. I will repeat it.

Mr. KIRKLAND: I understand the question, sir.

Mr. LLOYD: The question is simple. Do you think the adoption of the Canada Pension Plan would, in your opinion, tend to make people more pensions conscious, and thus be favourable to life insurance operations?

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think the witness should be obliged to answer that question, but if he wishes to do so, it will be all right.

Mr. KIRKLAND: Well, Madam Chairman, certainly the Canadian Life Officers Association will be better qualified than I to forecast.

Mr. LLOYD: I am sorry. At the beginning I believe you outlined that your company were engaged as consulting actuaries.

Mr. KIRKLAND: But not in the field of life insurance, sir.

Mr. LLOYD: In what field do you mainly operate?

Mr. KIRKLAND: Only in pension and welfare benefits. Therefore, the question in so far as the Canada Pension Plan is concerned would have an effect on pension development in future and has a bearing on our work.

Mr. LLOYD: And in the field of welfare?

Mr. KIRKLAND: Well, Madam Chairman, by welfare, are you referring to—

Mr. LLOYD: I apologize, Mr. Kirkland, but at this hour of the day one is inclined to be a bit broad in definitions.

Mr. KIRKLAND: Welfare benefits would include benefits such as group insurance and medical insurance, sickness insurance, disability insurance, and matters of that type, directed to the welfare of the staff of employers.

Madam Chairman, perhaps I could answer Mr. Lloyd's question. I feel that never in any country has there been a similar example to the position of Canada at the present time, in that in no other country has a social security measure of this sort been introduced when private plans stood at so high a level as they now stand in Canada. We must remember that in 1935 when social security was introduced in the United States there were only a handful of pension plans—1,009, I think to be correct. The introduction of social security encouraged it until it could only go one way, and that was up.

In Great Britain, where the number of private plans was comparable to that in Canada, the introduction of their wage related plan recently is not likely to have increased the number of pension plans in the country. The contracting out feature they permitted was partly brought about by that large number of private plans that existed. It is difficult to see how the number in Canada can increase very dramatically, Madam Chairman, because the number is extremely high now. There is a limit. I think it is impossible for some very small organizations to have pension plans, or for a self-employed person to have them as we know them. I understand that in the Province of Ontario nearly two-thirds of the male population have pension plans available to them. Not all are old enough to be in the plan so there may be a little room for growth in private plans.

Mr. LLOYD: You say two-thirds?

Mr. KIRKLAND: Two-thirds of the male population in the Province of Ontario work for employers who have pension plans.

Mr. LLOYD: How many are members of such plans?

Mr. KIRKLAND: 50 per cent.

Mr. LLOYD: So there are 50 per cent. As we understand the statements made to us here, at least 50 per cent in Ontario of the employed labour force are not members of pension plans today.

Mr. KIRKLAND: Madam Chairman, I mentioned earlier it is most unfortunate we do not have available to us statistics indicating the age distribution of those who are members of pension plans. I believe if they were available we would find of those over, shall we say, age 30 or 35, a high proportion were in pension plans.

Mr. LLOYD: You propose extending the transition period from 10 to 20 years?

Mr. KIRKLAND: Yes.

Mr. LLOYD: You are going to leave a longer time. What are you going to do about the people over these ages, 30 to 35? Would you suggest we extend Old Age Security or what?

Mr. KIRKLAND: Madam Chairman, I may not have expressed myself very well. I say those who are over 35 form the principal number of those in pension plans. Of those who are under 35 or 30 a large proportion are not in pension plans. Many pension plans do not permit their employees to join until they have attained, perhaps, age 30. Those who are older, in my opinion, are covered to quite a large degree by private plans.

Mr. LLOYD: I notice on page 34 of your report you state there were 9,600 pension plans in operation in Canada in 1960 with a total membership of 1,800,000. If I recall correctly, the D.B.S. survey shows the membership was around 8,900 plans. What was the source of your figure of 9,600?

Mr. KIRKLAND: Madam Chairman, these figures were derived from a book on pension plans called "Pension Plans in Canada," and the quotation was one from an article by—

Mr. LLOYD: The National Trust?

Mr. KIRKLAND: No, by, I believe it was, Mr. E. S. Hanes of the Dominion Bureau of Statistics. He wrote an article for this book.

Mr. GRAY: What year was the book published?

Mr. KIRKLAND: It was published last year.

Mr. LLOYD: He has answered the question.

Mr. KIRKLAND: The figures are right, I am sure.

Mr. LLOYD: What is the source of your figure of 12,000 pension plans mentioned in your report for 1964?

Mr. KIRKLAND: Excuse me, the figure of 12,000 relates to 1963. This was from the same article, which is by a member of the Dominion Bureau of Statistics.

Mr. LLOYD: We can check this?

Mr. KIRKLAND: Yes.

Mr. LLOYD: I am just curious about the thing; I just want to establish your source. Finally, on the subject of contracting out, is it true that the majority of the contracted employees in England—you mentioned this in your observations a few moments ago—are public servants or in nationalized industries; or are you familiar with this?

Mr. KIRKLAND: Madam Chairman, it is very hard to derive statistics of this sort. Our statement that 50 per cent had contracted out was learned by verbal information from a large firm of pension consultants in Britain. I have no official Government statistics on this. I learned another fact, which may also not be right, and that is that a relatively larger proportion than even 50 per cent of foreign-owned companies in Britain had contracted out. This may have no bearing on the matter, but it could have. It may indicate that companies where the control came from outside England had been more interested in contracting out. These, of course, would not include civil servants.

Mr. AIKEN: May I ask a supplementary question on these figures? I understand some pension plans—and I am using railway plans as an example—come to maturity in a given number of years, perhaps 20 or 25 years, and that therefore a person can join it at age 40 and get the full benefit from it at age 65, the result being that a number of the younger employees working for employers who have these plans do not go into such a plan though they could. Do you know of any number of plans of this nature which would probably bear on these figures?

Mr. KIRKLAND: Madam Chairman, we are familiar with both the Canadian railway plans. The maturity in both the C.P.R. and the C.N.R. plans is effectively 45 years, because it is only after the full length of service from the youngest age to the oldest that one would obtain the maximum benefit. Now, Mr. Aiken may be thinking of some private plans where recognition for prior services is given when the plan is first set up. This is a feature that is very common where there have been no previous pension plans, and either by recognizing each year of past service as a pension credit or by providing a minimum pension under the terms of a plan the employer is able to provide even for those near to retirement age a reasonable level of retirement income.

I would mention the liability for these extra pensions which are not, in a sense, contributory service-related—in other words, they do not relate to service during which the employer and the employee were contributing in the ordinary way—this liability is normally paid off during the early years of the plan and not deferred to future generations, as is quite customary in state plans.

Mr. AIKEN: The reason I ask the question is that I had information from a trustee of one of the Canadian railway plans who told me that many of their employees do not start paying into the plan until age 40 because they can get full benefit from there to age 65. There may be a mistake in this, but this is what I have been told, and I was told a large proportion of the younger railway men do not pay into the pension fund at all in their younger years but do start in their later years.

Mr. KIRKLAND: Madam Chairman, I can speak with some definite knowledge of both the C.P.R. plan and the C.N.R. plan. Mr. Funnell and I have at one time or another carried out actuarial evaluations in regard to both those plans. In point of fact, in the case of the C.P.R. plan you cannot join the plan if you are age 40 or over. Every employee who joins under age 40 must contribute at once, the moment that he joins; and the full benefit is only derived by those who join the railway at a young age and contribute for every year of service through to retirement.

Mr. AIKEN: Then somebody is missing out on their pension. This is the one figure that was given to me to indicate there were people who qualified for the pension plan but did not participate. It was an example given to me.

Mr. KIRKLAND: Madam Chairman, there is one provision in the railway plan that under some circumstances, on death in service or on disability, a pension will be payable provided 20 or 25 years' service have been performed. That could be the point Mr. Aiken is thinking of.

Mr. AIKEN: There is a misconception by someone then. Do you know of any other plans set up in this way?

Mr. KIRKLAND: Madam Chairman, I do not at all—except, as I say, plans that are set up providing older employees with past service pensions. The closest example we can think of is the civil service plan, where the maturity period is 35 years. No pension is earned in respect of years in excess of 35 under the civil service plan.

Mr. MUNRO: May I ask a supplementary question here, Mr. Aiken?

Mr. AIKEN: My question was supplementary to Mr. Lloyd. Ask Mr. Lloyd.
Mr. LLOYD: Yes.

Mr. MUNRO: You indicated that you had done actuarial studies on the C.P.R. plan. Do I understand you correctly, to say that under their pension plan you could not participate over 40 years of age—that if you are over 40 years of age you could not come in under the plan at commencement?

Mr. KIRKLAND: That is correct. If you are engaged by the C.P.R. over age 40 you are not eligible for the pension plan at the present time.

Mr. KNOWLES: Shades of 1919!

Mr. MUNRO: Would you say that is not an uncommon feature of many pension plans?

Mr. KIRKLAND: Madam Chairman, I would say it is quite uncommon. Indeed, it is so uncommon that, in my opinion, it may have a rather limited life. It may date from times when the railways did not engage an appreciable number of people over age 40.

In some industrial pension plans there are provisions that employees who join at a late age may not derive benefits in larger pension plans funded by means of trustees. It is unusual to have any restriction of that sort unless it be at a very advanced age, for example, the age of 60.

Mr. MUNRO: Well, I was just going to suggest that a plan such as that which I have heard exists certainly discourages any mobility of labour, and discourages employment for people over 40. I think you would agree with that.

Mr. KIRKLAND: Excuse me, may I answer that question? As regards the mobility of labour and the effect of late entry ages, I feel myself that the provincial legislation that has been introduced in Ontario, and is likely to be introduced in many other provinces, will bring about a redesign of plan, indeed will force a redesign of plan, which will remove most of the problem which Mr. Munro is mentioning. These difficulties have arisen in the past and no government did in fact regulate the terms of the pension plans. This was a provincial matter and the federal Government was not able to require these terms. Now the provinces are stipulating certain provisions.

Mr. Funnell has made the point, Madam Chairman, that the Ontario legislation arose because of the lack of vesting, and the lack of vesting, or portability, in private plans is felt by him to have a detrimental effect on the mobility of labour, since older people would join a company without being able to bring a prior pension with them. At least this difficulty in particular will be removed by the provincial legislation, Mr. Munro.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you finished, Mr. Lloyd?

Mr. LLOYD: No. I was on the question of the right to opt out of the plan, and then there were two supplementaries which I think produced some interesting information to the committee. I only have one final question.

We have had evidence here before the committee which indicates that the mass of employees—you cannot put numbers on this—who are members of private pension plans in Canada look forward to something like 30 to 40 per cent of their final earnings as pension benefits.

In that type of plan, if that was the range of benefit, should they be allowed to opt out of the Canada Pension Plan?

Mr. KIRKLAND: Madam Chairman, the whole question of allowing opting out, or contracting out, we admit will present difficulties. We maintain, however, that the difficulties, the problems, which will have to be solved will be worthy of solution in view of the great advantage that will come from permitting this.

One difficulty will be that some private plans are not of the form that will be suitable for opting out. We do not suggest that opting out will be done

in many cases. It may apply only in the case of very large employers. It may apply only in the case of employers of the type similar to universities, provincial governments, and bodies of that sort. Certain larger employers may wish to, but we feel that there are advantages even if that is permitted.

As regards the smaller employers and those providing smaller pensions, it may not be necessary to expect all of the smaller employers to wish to opt out. It could be done. It has been done in Great Britain. And the 30 or 40 per cent of earnings could be suitable in the case of higher-paid employees to provide more benefits than the Canada Pension Plan will provide, and, in the case of lower-paid employees, the employer who is anxious to contract out of the Canada Pension Plan would have to amend his plan and improve it in such a way that he would not give less than the benefits provided by the Canada Pension Plan.

Mr. LLOYD: Some authorities on integration suggest that it is as easy to go the other way and work out arrangements for adjusting plans, which are relatively generous in their benefits, to those on the average. In other words, have them adjust their benefit scales as time goes on to the existing Canada Pension Plan. This would be a lot easier, and would obviate efforts at means testing in the field.

Well, there are others who wish to examine, Madam Chairman, and I have merely this observation. We now have the First Annual Review of the Economic Council of Canada, and I wonder if the witness has seen this report and observed their statement, and I quote:

We incline to the belief that the stability of the rate of gross private saving will not be significantly affected by the introduction of the ... (Canada Pension Plan).

Mr. KIRKLAND: Madam Chairman, I had read this, but I did at the time of reading it note that the form of saving had not been described. Saving is saving whether the funds are vested in provincial bonds or in equity stocks. It is still saving, and the amount of saving might remain the same, but the direction of the saving might be changed, and we might find less of Canada savings being directed to the equity stock and other loan capital required by Canada's industry.

Mr. LLOYD: I think that is covered in the economic report, so I will not pursue it.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Monteith, you seemed to have a question before. Did you ask your question as a supplementary?

Mr. MONTEITH: Not as yet. I wonder if I could ask Mr. Kirkland this. We have had some discussion on contracting out. Do you feel that it is quite logical that contracting out can be carried on so that the employee is not penalized in any way, and will be completely looked after, that his welfare when pensions become available will be protected but will still be instituted so that the overall plan would not be adversely affected?

Mr. KIRKLAND: Madam Chairman, I would say yes to Mr. Monteith's question. I would emphasize that the contracting out would only relate to pension benefits and not to any of the other benefits under the Canada Pension Plan.

Mr. MONTEITH: On another matter, Mr. Kirkland, you mentioned just in passing that you had at one stage considered the possibility of increasing benefits as age increases beyond retirement age. Could you enlighten the committee any on this particular approach? Have you made any real studies on this? Do you have any figures or data you might give us?

Mr. KIRKLAND: I am afraid that I have not at this stage.

Mr. MONTEITH: I think that is all I have at the moment.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Knowles.

Mr. KNOWLES: Mr. Kirkland, I would like to pursue for a few minutes the subject Mr. Munro raised with respect to your proposal that the maturity period be lengthened from 10 to 20 years.

Mr. Munro made the point that many people coming before this committee have complained that our bill does not do anything for certain older people and not enough for certain other older people. If I understood your comments in answer to Mr. Munro you expressed the view that since the Canada Pension Plan itself was concerned only with those now of working age, you did not feel that it was your business to offer suggestions about those in the 65-and-over bracket, or the 70-and-over bracket.

I don't intend to pursue that at the present time. My fellow members on the committee know we pursued it at length, but I think you might have missed—or I missed your reply to it—the one point that I thought Mr. Munro was seeking to make, namely, that some of those who criticized the Canada Pension Plan itself—never mind the old age security end of it—pointed out that although it provides in its present form a pretty good benefit for people who are 55 when the plan starts, it provides a lesser benefit for those who are 56, 57 and so on down to 64.

Now, if you take people at the maximum income of \$5,000 it means that people of 55 can look forward to a pension of \$104 a month, but as you go up from 56 to 65 you drop that by 10 per cent in each case. Is it not a fact that if you put in a 20 year plan it would be only those at age 45 who could look forward to a full pension, and that you would scale down all the way from 46 to 65 the present benefits? Obviously, this would be less popular politically—and there are some politicians in this room—but even apart from that, if there is a case, as some of us think there is, for a two-stage plan or a two-deck plan—flat rate and earnings related—and if it is desirable to get such a plan started, should we not, apart entirely from votes but thinking just in terms of public acceptance of the plan, make it a plan that will appeal to as large a number of people as possible?

Would we not be defeating a public acceptance of this kind of a program if on top of our doing nothing for those aged 65 and 70 and over we were to cut back on what we do for people right down to age 46?

I have been putting this question in the form of an argument. I hope you will accept it in that form, with this question at the end: Would you care to comment?

Mr. KIRKLAND: Madam Chairman, yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Go ahead.

Mr. KIRKLAND: I appreciate the point that Mr. Knowles has made, but I would like to point out that we have to look at the total Government pension that people will be receiving—that is to say, the old age security pension and the Canada Pension benefit—as being the total that will be received by persons from the Canadian Government. In one of our examples we have compared the benefit payable in 10 years' time with the similar benefit paid in the United States, and we found, taking the different earnings levels into account between the two countries, that the amount that will be provided, even with a 20 year maturity period, to somebody retiring in 10 years' time will be slightly higher than social security will be providing there. This, we felt, was one yardstick.

We did find that in most other countries in the world the maturity period has been as high as 30, 40 or even 45 years. Of course, any opinion of a more scientific nature one may hold about this would be more exact if one knew what in fact are the provisions that the people of 50 and 55 are making in Canada. We have statistics relating to all people, but we do not have any re-

lating to that very important age group. We certainly do not know what provision those people are making through the medium of registered retirement savings plans or Government annuities or insurance contracts. It would seem to us that the level of pension that will be provided with a 20 year maturity period in the case of somebody now aged 55 is reasonable by any acceptable standard—by any normal standard.

Nobody will object to having a larger pension, but we feel that the pension provided with a 20 year maturity period is perfectly reasonable, and we also, of course, kept in mind the other advantages. There are very important advantages in extending the transition period to 20 years.

I wonder if I may deviate on this point for a moment, Madam Chairman?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, certainly.

Mr. KIRKLAND: I should like to emphasize that one of the most important advantages in extending the maturity period to 20 years is the avoidance or the reduction of the risk of the instability in the funding system that will be faced if there is a 10 year maturity period.

Canada is not an ordinary country in some ways. We have several governments that are concerned with pensions—several provincial governments and the federal government. Any social security program that contains within its structure potential instability and the possibility of future criticism, when those concerned with it are aware of these deficiencies, would seem to be unwise for Canada to adopt. We do not have one government which will be regulating this plan, but several levels of government in the future. It is, perhaps, because of the greater stability that will exist with a 20 year maturity period than with a 10 year maturity period that we are advising the adoption of this feature.

Mr. KNOWLES: Mr. Kirkland, some of the delegations that have appeared before us and which have asked us to scale down the initial benefits under the Canada Pension Plan, have given as their reason the desire to avoid disparity between the benefits that would be received by those only on old age security and those on both old age security and the Canada Pension Plan. I have listened carefully to what you have said, and I have read carefully what you have given us, and I think it is clear that you do not base your proposal for lengthening the maturity period on that proposition, but you seem rather to do it on the basis of a judgment that the kind of pension benefits that are appearing in their totality are sufficient and reasonable; that is, you compare them with the United States benefits, and so on. Is that correct?

Mr. KIRKLAND: Madam Chairman, Mr. Knowles' point is one of the reasons for our advocating this, but certainly not the principal reason. We investigated this feature in order to see whether the recommendation we were making would upset the plan from the point of view of the level of benefits. We found it did not appear to.

The principal reason is—and I repeat—the inherent instability that will appear in the funding system if a 10 year maturity period is adopted. I am fortified in what I am saying by the actuarial report published by the inter-departmental committee of the Quebec Government. Their findings were precisely the same as our findings in this matter.

Mr. KNOWLES: I accept your correction of what I had said earlier, namely, that it is not your purpose to scale down the benefits but rather to advocate a longer maturity period for the reasons you have given. But, you have looked at the results and you do not find the results unpleasant in terms of what is being done in the United States, and so on. I am sure you appreciate that the concern of some of us is not just to be satisfied with what they may have in the United States, but to get pension levels for our people up into higher brackets as early as possible. Do you not appreciate our viewpoint that the 20-

year period seems to defeat what we regard as one of the major purposes of this kind of legislation?

Mr. KIRKLAND: Madam Chairman, we appreciate Mr. Knowles' point. We do feel that any pension benefit provided by the Canadian Government in the first place, should be looked at in total—that is, old age security and Canada Pension Plan added together—and we should look at the level provided by private plans. The position in Canada is—and I believe this is correct; I am quoting from the book I mentioned earlier—that the level of pensions in Canada provided by private plans is higher than in any other country in the world. This we feel must have some influence on the level of pensions that the Government feels it is obliged to provide.

Madam Chairman, there is another point which can be solved by permitting contracting out, although contracting out is not possible with a 20-year maturity period—it is hardly possible, I should say.

The other difficulty is that there are plans in Canada—the Civil Service plan, for one—under which there will be people retiring in 10 years time with about 110 per cent of their final earnings if the Canada Pension Plan matures in ten years—I repeat, 110 per cent of their final earnings.

Mr. FRANCIS: You mean after the adjustment of Civil Service plan is announced?

Mr. KIRKLAND: Yes, sir, even after the announcement. The adjustment is a very clever adjustment and we respect those who have made it. We feel it is a masterful job, but it does not apply retroactively.

Mr. FRANCIS: It cannot, of course.

Mr. KIRKLAND: It cannot apply retroactively and so we have cases of employees now age 55 in the Civil Service—

Mr. FRANCIS: This is a temporary one, during the transition period.

Mr. KIRKLAND: We are talking about a temporary measure. The whole matter we are talking about is temporary.

A MEMBER: So if life.

Mr. FRANCIS: It is because one cannot have a contractual arrangement in arrears.

Mr. KIRKLAND: It could be avoided if the transitional period is 20 years.

Mr. LEBOE: I am not against what Mr. Knowles said about trying to get pensions as high as possible, but if my figures are right we operate in Canada with a gross national profit of about \$2 billion for over one million of population, roughly. How would that compare with the United States where they have a population of about 180 million?

Mr. KIRKLAND: I am not an economist. I am unable to answer that question.

Mr. LEBOE: I thought you may have figures as the G.N.P. of the United States?

Mr. KNOWLES: I hope Mr. Kirkland will not be shocked if I tell him that the members of this committee are no more capable of being shocked at pensions of 110 per cent. We have had too much evidence before us, by Mr. William Anderson and others, of the problems of people in retirement whose costs might continue to go up but who have no access to any way of increasing their income, that is, the income on which they must live. I am not making the case for such an increase, though you yourself have talked about the possibility of pensions being increased as the age of the recipient goes up. I am merely saying you do not shock us when you tell us this might produce results of 110 per cent.

Mr. KIRKLAND: Pension design, pension planning, is not static. In Canada, actuaries are proud of what they have achieved so far in pension plans. Our

organization is a world-wide one, we can look anywhere else in the world, and I know that, by and large, Canadian pensions in private plans do not occupy second position to any other country in the world. However, we have further advances to make. One advance which is impending is a provision, through the medium of private plans, of pensions which are related to the cost of living. These plans may be the only answer to Mr. Knowles' criticism of private plans in this respect. We recognize that it is a justifiable criticism but we can assure you that arrangements for providing these plans are just around the corner. Our organization has six such plans in force already.

Mr. KNOWLES: I accept your statement of figures of comparison between Canadian pension plans and those of other countries. However, you may not be aware of the other statistics we have had as to the absolute figures regarding our own pension plans, namely, the kind of pensions that many would provide. Witnesses have sat where you are sitting and have told us about their plans and we were shocked by what we were told as to how many are covered and how many are not covered. As a Government, we feel we have a responsibility to get the benefit of pension plans to far more people than come under private plans. I could make further comment but I wish to change the subject.

Mr. KIRKLAND: I was hoping Mr. Knowles would go on to say he would use his influence to have some statistics produced by the Government showing the average coverage which is given by private pension plans by age groups in Canada. It is difficult for anyone to form a reliable opinion as to the need for social welfare without knowing what is provided now at least in broad age groups. An opportunity arose in 1964 when forms were completed in order to obtain a social security number across Canada. Unfortunately, our organization though of this too late or we might have suggested to the Government that one or two questions on this form would have provided exactly this information.

Mr. KNOWLES: Members of this committee have asked that this kind of information be obtained. I do not mean that as a committee we would have suggested exactly that way of doing it.

Now, regarding one of the difficulties, number three, listed by you at the bottom of page 2 and then spelled out in greater detail on pages 14 and 15, I quote your own words. You say that the Canada Pension Plan gives "too great an advantage to participants in the higher income brackets by reason of the redistribution of income effected in their favour." You give figures on pages 14 and 15. Incidentally, there is a computation I do not quite understand and parenthetically I would ask the meaning. You say the yearly contribution is \$79.20 in the case of man B. If that is so, I would have thought his total contribution for ten years would be \$792. Can you tell me why you have \$970 there?

Mr. KIRKLAND: These contributions were accumulated with compound interest.

Mr. KNOWLES: I wanted to get that clear. It does not have any bearing on the point we are making. Your chart makes it quite clear, as we all recognize, that there is a greater advantage for the \$5,000 man than there is for the \$2,000 man. But you would agree—and your brief does not say anything to the contrary—that there is no additional advantage for anybody whose income is beyond \$5,000.

Mr. KIRKLAND: I would not quite agree. It is possible, but it is rather difficult to prove, that the higher paid man, on the basis of taking his income tax into account, does in fact benefit a little more again; but it is a small point.

Mr. KNOWLES: Would it not be the other way? Would not the higher man get much more of a tax saving when he pays in, because it is a total of \$79.20 a year, but when he is drawing his pension benefit, if he is in the higher bracket,

he pays much higher back, whereas the \$2,000 man would not pay so much back.

Mr. KIRKLAND: If we consider his earnings are high while he is earning; but his income is derived mainly from sources that are not subject to income tax after he retires, it is possible to say he is getting more benefit. The tax relief he gets on the income he pays in could be a very high proportion of his contribution, and the amount he gets back could, under certain circumstances—

Mr. FRANCIS: Surely this is most antithetical, as it should be the other way around. The man with the higher income should be subject to the higher tax.

Mr. KIRKLAND: I concede it could be either way.

Mr. KNOWLES: We had better draw it to the attention of the Department of National Revenue.

Mr. KIRKLAND: I think it could work either way.

Mr. KNOWLES: With respect to contracting out, which is the other point you make. We had a witness last week, Mr. Robert Myers of the United States Social Security Administration. Although certain matters of protocol kept him from being too outspoken, he was categorical that contracting out was not a good idea, that they had not put on for it in the United States and it is not in the present setup. I could be corrected on this, but I think he was quoting his friends in the United Kingdom as saying it was not a good idea.

Mr. KIRKLAND: I would imagine that the friends of Mr. Robert Clark—or rather, Mr. Robert Myers—in the United Kingdom might not think it was a good idea. The name Clark was in my mind, because a report was made about 1935 by a gentleman named Clark on the question of contracting out in the United States and the matter was turned down. When we consider United States social security, we must remember that this is essentially a pay-as-you-go plan. Contracting out with a pay-as-you-go plan presents difficulties which are not present to the same extent where the plan is based on a level contribution rate.

Furthermore, as Mr. Funnell points out, there were relatively few plans in force in the United States when social security was introduced, and the need for contracting out did not exist to the same extent as it did in Great Britain in 1960.

I have been told, again only by friends in the consulting business in Britain, that they believe that the contracting out feature in the British plan has served as a brake and discipline on the British Government that has avoided political future changes in the plan that might otherwise have been made. My understanding has been that the plan now proposed is designed to take pensions out of politics.

Mr. KNOWLES: I would say that this is an open question.

Mr. MUNRO: I would say "wishful thinking" would be more accurate.

Mr. KNOWLES: I think you have the answer all right, Mr. Kirkland.

Mr. KIRKLAND: Hope springs eternal!

Mr. KNOWLES: Some of us do not think politics is a bad word.

Mr. KIRKLAND: My best friends are politicians, sir.

Mr. KNOWLES: You identified the United States plan as a pay-as-you-go plan. What definition would you give to the Canada Pension plan?

Mr. KIRKLAND: Madam Chairman, the method of funding used by the Canada Pension Plan, I think, has to be described as a mixed system of funding, that is, a method of funding that does not attempt to set up a full fund that will be sufficient to meet all incurred liabilities if the plan should be wound up, as applies in the case of industrial plans. It has required a contribution rate that is above that of the pay-as-you-go approach.

In other words, it is a mixed system of funding. I would say, though, it is designed for deferred or later conversion to a pay-as-you-go plan. Whether this will occur in 15, 20, 25, or even 30 years time is impossible to say.

So far as we are able to ascertain, this method of funding has not been used by any other country in exactly that form. There have been plans where some element of funding existed, that is, a mixed system of funding designed for early conversion to pay-as-you-go, and this would be true of the United States social security plan.

The Quebec plan as designed, according to the interdepartmental report study, was a mixed system of funding designed to provide a level contribution rate, and tests carried out indicated that the fund will continue to grow for at least 50 years. Estimations beyond that are of a very limited reliability.

We are rather fearful lest the existence of the fund that is established under the terms of the Canada Pension Plan is of not sufficiently definite a nature that it could not be used for purposes not originally intended; for instance, the improvement of benefits without any immediate apparent cost.

A further disadvantage of the plan as it now stands is that a province could, as we understood it, decide to establish its own plan, provide identical benefits, but charge pay-as-you-go contributions and would always require and always continue to require a lower level of contributions from its people than the rest of Canada.

Mr. Funnell feels that the contribution rate may not always be lower. Possibly the current rate may not be, but I believe it will be found that the amount paid by people will almost definitely be less than the amount which would be paid under the Canada Pension Plan, and yet they will get the same benefits.

Is this not a feature that can be described as unstable in the plan?

Mr. KNOWLES: In other words, and correct me if I misinterpret you, you feel the plan is neither one nor the other at the moment, but it is designed in such a way that it may and probably will be converted in a few decades to a pay-as-you-go plan.

Mr. KIRKLAND: That is correct, Madam Chairman.

Mr. KNOWLES: And I gather that one of the reasons you want to make the change is that you would rather keep it a funded plan than a pay-as-you-go plan?

Mr. KIRKLAND: Madam Chairman, I do not think we would like to say as a country that we would prefer a funded plan, other things being equal. We can agree with Miss LaMarsh that the pay-as-you-go approach has certain advantages, provided the population is advised of the ultimate rise that will occur in pay-as-you-go costs. However, this is not a pertinent matter for us to consider, since we understand that the Quebec government has decided that the funded plan is required in the province of Quebec, and we can see great advantage in a uniformity of approach across the country. Indeed, the reversion to a 20 year transition period would be restoring one of the important features of the Quebec plan, a feature that was a necessary part of the actuarial design of that plan.

Mr. KNOWLES: I am sure you will be interested in the brief we had this afternoon, of the Canadian Manufacturers' Association. Oddly enough, I found myself agreeing with a few of its submissions.

They expressed no anxiety at all at the prospect of rates of contribution having to go up at a later date. In fact, they argued against it, but completely they would have had the rates reduced at this point, in other words, would have moved closer in the direction of a pay-as-you-go plan.

Mr. KIRKLAND: May I just agree with Mr. Knowles, Madam Chairman, that this has certain advantages, and we can see the advantages might be so great that some province might decide to adopt that approach, for all we can tell at this stage, perhaps not now but in a few years time. However, we have kept in mind that the Quebec government has established a pattern which would make it very hard for the Canadian Manufacturers Association plan to be adopted on a uniform basis.

Mr. KNOWLES: Are you saying theoretically that you would like to see the plan neither one thing nor another, rather than a mixed plan?

Mr. KIRKLAND: Yes, Madam Chairman.

Mr. KNOWLES: My other question, and it is in the field of contracting out, is this. You are concerned, as many people are, about the complexities in the plan. Would we not in Canada have a great many more complications to deal with if contracting out were allowed, bearing in mind the fact there is mobility of labour—we would have people working part of their lives in an industry that had contracted out, and then for a while in an industry under the Canada Pension Plan, and then an industry under the Quebec pension plan, and back to something else. Does this not add more complications than it subtracts?

Mr. KIRKLAND: I will agree that contracting out will have produced problems. I think they lie within the ability of those who have been able to produce such a thorough document to overcome so many difficulties. They have overcome so many difficulties so far that I believe these additional difficulties lie within their ability.

As regards the complication of having a pension from several sources, we are going to be faced with this, in any event. It would seem that a typical employee, certainly in Quebec, will get three pensions from three sources, namely, from the old age security, from the Quebec plan, and from a private plan. In the contracting out, they may receive a cheque from only two sources. In other cases they may receive it for more.

Mr. KNOWLES: I appreciate the fact that people will get pensions from a number of sources, but the particular point that seemed to bother me about your arrangement is this, that if you don't have contracting out, at least for his Canada pension arrangement, a worker's work history is a piece, it is either in the Quebec plan or in the Canada Pension Plan—it is in the Government plan. But if you have contracting out, part of a worker's life history is in a Government plan and part of it is in a company plan, outside.

Mr. KIRKLAND: That is quite true.

Mr. FRANCIS: Just following Mr. Knowles' questions on contracting out, Madam Chairman, I was thinking of the comparison between the United Kingdom and Canada. There is a constitutional problem. I think the primary jurisdiction in the supervision of a pension plan would be provincial. Wouldn't there be some rather serious difficulty in making sure the plans that were contracting out were kept in step with the general level of benefits, and so on, of the Canada Pension Plan? Wouldn't there be very serious problems in supervising and keeping in touch with the contracting-out plans in different provinces, especially if the provinces did not all establish the necessary authorities?

Mr. KIRKLAND: Madam Chairman, Mr. Francis' point is rather similar to the problems that arise in connection with the supervision of insurance in Canada, which is primarily a provincial matter, but due to what I understand was an arrangement between the provinces and the federal Government, the Department of Insurance at Ottawa effectively carries out supervision on behalf of the provinces. I suppose a similar arrangement could be made in the case of contracting out.

Mr. FRANCIS: In that event, if there were any changes, say, in the Canada Pension Plan, the problem of bringing the contracted-out plans up to the benefit levels of the Canada Pension Plan would raise a number of administrative difficulties, would it not?

Mr. KIRKLAND: Madam Chairman, I think the provinces are going to take on an even harder task when they place solvency tests on pension plans, when they require vesting provisions in pension plans, and several other factors in pension plans, which they are about to do.

Mr. FRANCIS: How many provinces have enacted legislation of this nature?

Mr. KIRKLAND: One has to date, but I read in the paper today that seven provinces have indicated they are going to follow the Ontario Government.

Mr. FRANCIS: I was just interested in some of the problems.

Madam Chairman, I was going to ask a question based on the brief.

Quoting from page 9, it states:

Accordingly we present as a difficulty, the fact that there are inherent instabilities associated with the funding system. The operations of the plan will be very dependent on future actions of future governments. The matter could be a recurring election issue both at the federal and provincial Government levels.

I was very interested in this because, as has been indicated by the Minister in her statements to the house and elsewhere, this is one of the concerns we have with the present Old Age Security program. Don't you agree essentially the same criticism you make here could be made of the Old Age Security program now in existence?

Mr. KIRKLAND: Madam Chairman, I have only heard so far of one province which will be willing to take on Old Age Security payments.

Mr. FRANCIS: My concern is that there could be a political issue regarding the revision of benefits in Old Age Security.

Mr. KIRKLAND: The Old Age Security pension so far as the federal Government is concerned has, no doubt, been a continuing concern of federal politicians. This has, so far, not been very much a concern of provincial politicians.

Mr. BASFORD: But supplementing the Old Age Security pension has been a concern of provincial politicians.

Mr. FRANCIS: I was not aware that your comments were restricted to the provincial level at this time.

Mr. KIRKLAND: I was considering all levels of government. A provincial government that, for example, decided it wished to opt out, contract out of the Canada Pension Plan and provide a higher level of benefits and/or provide for contributions on a pay-as-you-go basis, could do so and could take advantage of the fund that would be their right to enable them to do so.

Mr. FRANCIS: The suggestion that the transition period be increased from 10 to 20 years, would not this have the effect of merely making a larger fund and creating a greater temptation to instability of this nature?

Mr. KIRKLAND: Madam Chairman, the solution we suggest is not perfect. The point Mr. Francis mentioned is a very good one. However, we feel the acceptance of the Canada Pension Plan on the basis it is designed to operate with a level contribution rate would be a determining factor on the future operations of that plan, unless that feature were to be destroyed. In that case any province would not have the same freedom to use the fund indiscriminately. Indeed, the safeguards are not complete unless at the same time contracting out

is permitted, in view of the discipline this will then exercise on future governments in retaining that level contribution feature of the Canada Pension Plan.

Mr. FRANCIS: Madam Chairman, this is my last question. I was interested in Mr. Kirkland's statement in regard to the operation of contracting out in the United Kingdom, which he described as a brake upon the Government. I wonder if he could elaborate on that point? I did not quite follow his thinking on that point.

Mr. KIRKLAND: Madam Chairman, my understanding is that the Government and the Opposition at the last election recognized that any radical change in the form of pension plan they now have, apart from a change in maximum earnings or some feature of this sort, would disrupt the arrangement of contracting out which has been adopted by such a large part of British industry. For example, a large increase in benefits with no corresponding change in contributions, which might be possible—and certainly in the Canadian plan it would be possible, and it might be possible in Britain—would immediately upset the contracting-out arrangement that had been established. The Government would be, so I understand, reluctant to upset this arrangement. Therefore, the contracting-out feature would act as a brake on any very elaborate change in benefits.

Mr. GRAY: I will be very brief, Madam Chairman. Many of the questions I might have asked have been dealt with.

I was interested in your Appendix I, sir, on page 34, in which you attempt to establish a private pension plan coverage in Canada. Even accepting the figures you have there, it would seem to me the most you do is indicate a certain type either of membership on the part of employees or the provision of plans by employers in which employees may not be members. You do not actually attempt to show that whatever plans are available provide acceptable levels of benefits. Isn't that a very big question which affects the validity, if I may put it that way, of some of the hypotheses you put before us in your brief?

Mr. KIRKLAND: Madam Chairman, I would agree the level of benefits is also important. I would mention, though, that even a low level of private plan is an addition to the amount we have been considering when we look at the Old Age Security and Canada Pension Plan together. I would also mention that only those employers who were providing a pension of a sufficiently high level to give more than the Government pension would be permitted to contract out. This could very well decide some employers to improve their benefits.

Mr. GRAY: Of course, the problem has been put to you as to how control would be kept in the light of the divided jurisdiction, control or supervision or policing of the plans that might be allowed to contract out, because of the divided jurisdiction.

Mr. KIRKLAND: Madam Chairman, fortunately the provinces are now in the process of establishing offices, ministries, departments, that will have to provide even greater supervision and have to carry out even greater inspection of private plans than the particular feature Mr. Gray has mentioned.

Mr. GRAY: Mr. Kirkland, are there any other provinces that either have in force or pending in their legislatures at the present time anything similar to the Ontario Pension Benefits Act?

Mr. KIRKLAND: Madam Chairman, according to our information, Manitoba has similar legislation pending, Quebec has indicated its intention to do so, and, as I mentioned earlier, the gathering that took place in Toronto earlier this week has probably brought about agreement from some seven provinces to put in similar legislation. I do not know any more details than that.

Mr. GRAY: The agreement did not include any time table?

Mr. KIRKLAND: Madam Chairman, the time table I have heard throughout is that it will be effective from the end of this year.

Mr. GRAY: It was interesting to me that in spite of the favourable nature of the plans in Ontario, to which you appeared to make some allusion in reply to earlier questions, the Ontario Government found it necessary to introduce the Pension Benefits Act, which in its original form provided for minimum standards, not only of solvency and portability, but of payments as well.

Mr. KIRKLAND: Madam Chairman, the point Mr. Gray makes is one that I welcome the opportunity to speak on. The original legislation enacted in Ontario was designed to make private pensions portable and to avoid the lack of pensions being a reason for refusing to engage older workers. It was later realized that if pensions were to be portable, that is if an employee had a vested right in his pension, it was necessary to make sure the fund supporting the pension was solvent.

This became a second feature of the legislation. Then it was pointed out that some employers, an appreciable number, had no pension plans at all. So, as a third point of the legislation, the requirement was added that any employer of more than 15 employees had to install a minimum level of pension known as the standard plan.

Mr. GRAY: This would indicate that a gap existed which was sufficient enough to be taken care of by legislation.

Mr. KIRKLAND: Madam Chairman, how sufficient a gap has to be I don't know, but certainly one-third of the employers probably had no pension plan.

Mr. GRAY: I have also been struck by the fact sir, that whereas the suggestion has been made in your brief, particularly in Appendix I, that not only are a very high number of employees covered by private pension plans but also they are very likely to have added benefits, the representatives and spokesmen of organized labour are very strongly in favour of a Canada Pension Plan. This would seem to me to imply that they do not agree that either the existing private pension plans cover enough employees or that those covered are getting adequate benefits at the present time.

Mr. KIRKLAND: Madam Chairman, I admire many of the officers in organized labour and I feel that they must in their position endeavour at all times to provide as high a level of benefits as possible to their members. At the present time our problem in private plans is not providing labour with high enough pensions, on the contrary it is providing salaried employees with pensions that are as high as the unionized employees are getting in the same organization.

Mr. KNOWLES: They should get organized.

Mr. GRAY: That is right. Now, I may have misunderstood an earlier answer of yours, but did you say that you were developing private plans which had built into them cost of living adjustments?

Mr. KIRKLAND: Madam Chairman, such plans are possible and are being developed by our company.

Mr. GRAY: This would involve a form of indexing?

Mr. KIRKLAND: The matter is more complex than I can deal with adequately at this stage. It would involve a form of indexes, and something similar to the pension index would probably have to be employed.

Mr. GRAY: You would not be frightened then of the possible effect on cost levels, and so on, in the economy if this concept were adopted widely throughout the private pension field?

Mr. KIRKLAND: Madam Chairman, when we are talking about private plans we are talking about something which is altogether different from a

Government plan. The assets of a private plan can be invested in a manner that governments very often are not willing to use. The assets of private plans are invested appreciably, for example, in common stock investments. And, today, the appreciation that is taking place in common stock is supporting pensions that are remaining level, and one might draw the conclusion that the benefit from that appreciation in common stock is not going to the pensioners but back into the common funds.

This is a matter which could be corrected if we were to introduce more plans where the pension is related to the cost of living.

Mr. GRAY: But do you not feel that if this were done this would create inflationary pressures of a serious nature?

Mr. KIRKLAND: Madam Chairman, I am not an economist. I would rather not answer that question.

Mr. GRAY: Let me put it this way. If for some reason your company were given the opportunity to be the consulting actuaries for the great majority of private pension plans in the country, and the amount of coverage they have now was maintained or increased, would you shrink back from providing them with the cost of living index to which you referred?

Mr. KIRKLAND: Where these plans are in effect there are certain limiting factors, such as the cost of living increases, just as there are in the Canada Pension Plan. The plans to which I am referring are in operation in the United States as part of our organization.

As to whether the effect would be inflationary or not, as I say I am not an economist and not qualified to answer, except that I imagine it would be no more inflationary than the pension index in the Canada Pension Plan.

Mr. GRAY: Which you are willing to accept, at least as an actuary? You were, at least, when you wrote your brief.

Mr. KIRKLAND: Madam Chairman, the difficulties we mentioned in our brief are not all of the difficulties. We concentrated on certain ones which we felt should be drawn to your attention.

Mr. GRAY: Just one final question. You made a comparison on page 24 of your brief with U.S. social security and so on. This may have been covered, but are you aware that the 1965 report of the U.S. Advisory Council on Social Security advocated benefits, as I am informed, of \$166 for a single man and \$270 for a married couple?

Would it not be wise to assume that just as there have been increases in the U.S. social security level benefits over the past 10 years there will be increases in the next 10 years?

Mr. KIRKLAND: We would be most surprised if there were not. Indeed, we have mentioned this point and we have said that we have assumed that any increases in the U.S. benefit level will affect both plans in both countries to a similar extent.

This is on page 24. We would anticipate that it is extremely likely that further increases in wages and costs will bring about further adjustments in U.S. social security and will certainly have an effect on the benefit level in the Canada Pension Plan. We anticipated pending changes in the social security legislation that are not yet in effect.

Mr. GRAY: Quite so. You are suggesting, then, that the projected top level of benefit in the Canada Pension Plan is for 10 years, hence the top level projection now is likely to be even higher 10 years from now.

Mr. KIRKLAND: If wages and costs increase in the next 10 years the formula for the Canada Pension Plan will make provisions for a higher level of benefits.

Mr. GRAY: But your comparison, so far as the figures are concerned, is the presently projected maximum 10 years hence with the United States figures, taking into account the currently pending increases. If we also take into account such things as the recommendations of the United States Advisory Council on Social Security, to which I referred, would you not agree that it is quite likely that the disparity be either not existent at all, or not be as great as the disparity to which you refer in your brief?

Mr. KIRKLAND: Madam Chairman, I believe that even this impending increase has met with some resistance in the United States legislation. However, I think it is likely to go through, from my information. We would consider it unlikely that increases in the future would occur if we were to have ahead of us a period of stable costs and wages. I believe I am right in saying that the increases in social security that have occurred in the past have been due to the effect of inflation on the economy, and this would affect all plans broadly to the same extent.

Mr. AIKEN: Mr. Kirkland, I would like to direct a few questions to you in connection with the contracting-out proposal. You have made two suggestions; one is extending the adjustment period, and the other is the question of contracting-out. You stated that you would really require an extension of the adjustment period before you could contract out. I presumed the opposite would be the case. In other words, we could accept your recommendation to extend the adjustment period, and not the second one if we considered it not feasible.

Mr. KIRKLAND: That is correct, Madam Chairman.

Mr. AIKEN: I would like to ask about the financial implications of contracting out. I have the understanding that the plan is all-inclusive for financial reasons as well as social reasons. By that I mean that those who constructed the plan felt that they had to have everybody in it in order to make it a properly constructed plan. Would this be anywhere near correct?

Mr. KIRKLAND: Madam Chairman, I can imagine that if those who contracted out materially affected the averages that would apply to the population as a whole it could have some effect on the operation of the plan, just as the contracting out of a further province which happens to have a different age distribution or a different salary distribution would. Presumably that would have some small effect on the costs of the Canada Pension Plan.

It would seem that the difficulties that will arise from some employers with a young age distribution or low salaries, or something of this sort, contracting out will be no different from those that are being faced in Britain. According to my understanding, the decision whether to contract out or not in Britain did not depend upon the age distribution so much as the salary distribution. But, I suggest it would not have any damaging effect on the operation of the Canada Pension Plan. I feel that it will not be a feature that will be employed by very many employers. I certainly think that there would be advantages if some of the larger employers were permitted to contract out. I am thinking of the provincial civil service, for example, and the teachers in some of the provinces—the universities and bodies of that sort—all of which are providing a level of benefits far in excess of the Canada Pension Plan.

Mr. AIKEN: Would not the plan then lose its biggest and most easily collectible sources of contributions?

Mr. KIRKLAND: It would lose some contributions, but it would also avoid certain liabilities.

Mr. AIKEN: I am just trying to find out because it seemed to me that this was the reason why these people were not allowed to contract out in the con-

struction of the plan—because the biggest and easiest source of revenue would be gone.

Mr. KIRKLAND: Madam Chairman, I have no sure knowledge of the reasons that motivated the Government in this matter, although I would suppose 10 years and the impending conversion to a pay-as-you-go basis, that contracting out would be very difficult and hardly practical at all. The level of contributions to provide the benefits for those near retirement under the Canada Pension Plan at the present time is so extremely low that it would not make contracting out very popular.

Mr. AIKEN: I would like to ask one question about the mechanics of contracting out. This rather surprised me. You said earlier that if these bodies were allowed to contract out it would only be with respect to the main benefit and not with respect to the related benefits of disability and widows' pension, and so on. Now, how could this be accomplished mechanically? If an employer contracted out would not that mean there would be no contributions to the plan?

Mr. KIRKLAND: Madam Chairman, I would suppose that the contributions to disability and widows' benefits will continue to be paid to the Government, just as they are in Great Britain, as would the contributions to old age security. It would only be the pension benefits to the employee that would be subject to contracting out, and the corresponding contributions would be excused.

Mr. AIKEN: I was under the impression that there was only one contribution. How can you divide the contributions?

Mr. KIRKLAND: Madam Chairman, the contributions can be divided as between pension, on the one hand, and widows' and disability pension on the other. A division was made in the interdepartmental study made in Quebec. Their contribution rate was $3\frac{1}{4}$ per cent for pensions, and $\frac{3}{4}$ of 1 per cent for the other benefits.

Mr. AIKEN: Yes. Well, I understand that as a result of the amendment to the B.N.A. Act with the inclusion of these benefits the pension rate went up a precise amount in the calculations leading to this plan. I presume, therefore, that it can be broken down in the same manner; that you can calculate the amount of contribution for retirement pension and the amount for related benefits.

Mr. KIRKLAND: That is correct, Madam Chairman.

Mr. AIKEN: But there is no provision in the act now. This would have to be an additional provision.

Mr. LAVERDIÈRE: Madam Chairman, my question is simple, and it will be very short. I would like to know what is meant in the brief at page 9 by the word "wisely" in this sentence:

The Chief Actuary in his report has wisely avoided making recommendations in this respect.

I would also like to know what is meant by the word "political" in the next sentence, which is:

The matter is essentially a political question.

Mr. KIRKLAND: Madam Chairman, I can only answer that question by stating that it is not an actuarial question. I therefore assume that it will be a political question.

Mr. LAVERDIÈRE: Well, what is meant by the word "wisely"?

Mr. KIRKLAND: Madam Chairman, a wise actuary confines his work to actuarial work.

Mr. GRAY: I have a supplemental question, if I may put it. Are you suggesting, therefore, sir, that those of your colleagues who have appeared before us and who have attempted to make suggestions with respect to economic factors, are not taking—

Mr. MONTEITH: That is not fair, Madam Chairman.

Mr. KIRKLAND: I can answer that very gladly, Madam Chairman. Many actuaries are also economists.

Mr. KNOWLES: And some are also politicians.

Mr. KIRKLAND: Madam Chairman, maybe the number will increase when they see what an actuary can do with this plan if he were a politician.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any other questions?

Mr. BASFORD: Madam Chairman, I was going to be very quiet and even tempered tonight. I appreciate the fact of these gentlemen coming before us, but I have been a little disturbed by some snide remarks in your brief and presentation, and in other briefs, about politicians and our political processes.

Speaking for myself, I am very proud to be a politician, very proud of the political processes in Canada. It seems to me that, if our people need better pensions, we should be proud to be associated with the provision of such better pensions. In my opinion, the getting of better pensions for our people is and must be essentially a political question and we should not get pensions only when we are told we should get them by a group of authoritarian actuaries.

Mr. AIKEN: Mr. Basford is thinking of the six buck boys.

Mr. KIRKLAND: Being merely an actuary, not intending to inform politicians what they should do, I can merely say that we are concerned in this matter not with present politicians for whom I have the greatest respect but with an unknown generation of future politicians at every level of government.

Mr. BASFORD: I will answer that by saying that while you might not be an economist you are an actuarial politician.

Mr. KNOWLES: You are both diplomats.

Mr. KIRKLAND: I am Irish, Madam Chairman, and that helps.

The CHAIRMAN (*Hon. Mrs. Fergusson*): As there are no further questions, on behalf of the committee I would like to thank you, Mr. Kirkland and Mr. Funnell, for making this presentation on behalf of your organization. You have brought to us some new and interesting ideas and suggestions which certainly will receive the serious consideration of the committee.

Mr. KIRKLAND: Thank you.

APPENDIX A23

THE CANADIAN LIFE INSURANCE OFFICERS ASSOCIATION

302 Bay Street, Toronto 1, Canada

January 18, 1965.

Mr. A. J. P. Cameron, M.P., Chairman,
 Joint Parliamentary Committee on the
 Canada Pension Plan,
 House of Commons,
 Ottawa, Ontario.

Dear Mr. Cameron:

The following is the information concerning Chart 1 in our submission that was requested during the hearing on January 13th.

Question 1: Why were the supporting figures not provided?

Answer: The supporting information was omitted from the submission in the interest of brevity. We had it available at the hearing.

The gross national product figures were taken from the national accounts in the United States and Canada for the first two quarters of 1964 which were available to us when the submission was prepared. Population as at mid-1964 was used. The resulting per capita G.N.P. figures per month are \$265 for the United States and \$195 for Canada. The third quarter national accounts have since been released and for both countries are higher than these figures but the basic relationships depicted in the Chart would be unchanged.

More than 20% of the population of the United States now age 65 and over does not receive any benefit under the graduated benefit program which has been operating for more than 25 years. We understand that a decade or more hence this percentage will be smaller but still significant in size. Notwithstanding this, the minimum benefit shown for the United States in the Chart is that proposed for Social Security. Aside from this comment, we believe the footnote to Chart 1 adequately describes the benefit information provided in the Chart.

The following table shows the supporting information in full:

PROPOSED GOVERNMENT RETIREMENT BENEFITS AS A % OF
 CURRENT PER CAPITA GROSS NATIONAL PRODUCT

	Monthly Benefit	% of per capita G.N.P. per month
Single Person		
Minimum—U.S.A.....	\$ 42.00	16%
Canada (at 65).....	51.00	26
Canada (at 70).....	75.00	39
Maximum—U.S.A.....	143.40	54
Canada (at 65).....	155.17 (104.17 + 51.)	80
Canada (at 70).....	179.17 (104.17 + 75.)	92
Each Person in a Married Couple (One Getting Graduated Benefit)		
Minimum—U.S.A.....	\$ 31.50 $\left(\frac{42. + 21.}{2}\right)$	12%
Canada (at 65).....	102.00 (51. + 51.)	26
Canada (at 70).....	150.00 (75. + 75.)	39
Maximum—U.S.A.....	107.55 $\left(\frac{143.40 + 71.70}{2}\right)$	40
Canada (at 65).....	103.08 $\left(\frac{104.17 + 51. + 51.}{2}\right)$	53
Canada (at 70).....	127.08 $\left(\frac{104.17 + 75. + 75.}{2}\right)$	66

January 18, 1965.

Question 2: Why is there no date attached to Chart 1?

Answer: We believed that no elaboration on paragraph 18 and the heading and explanatory footnote of the Chart was necessary.

Question 3: Is it correct that Chart 1 applies to the year 1976 or later?

Answer: It is proposed under Bill C-136 that the \$51.00 Old Age Security benefit be available in Canada for persons at 65 commencing in 1970 (Proceedings No. 2, page 79). The \$75.00 Old Age Security benefit is available now. The maximum benefit shown in the Chart for Canada would be available in 1976 or later.

The minimum benefit under the United States Social Security would be immediately available, we believe, if and when the proposed change in the program discussed last summer is put into effect. Since the U.S. benefit calculation is based on wage records back to 1950 excluding five drop-out years (Proceedings No. 3, page 149) and since the maximum benefits of \$143.40 and \$107.55 shown above would be based on the fourth change in the pensionable earnings maximum since 1950, it would be a number of years after 1976 before U.S. beneficiaries would qualify for those maximum benefits.

Question 4: If so, did the Association project both gross national product and total population for Canada and the United States for the next ten years?

Answer: Yes. The following is the information on per capita G.N.P. per month for the year 1975 which we had available at the hearing.

For Canada, using a G.N.P. of \$88 billion (Proceedings No. 8, page 421) and population figures of 23,553,000 and 25,543,000 from the Actuarial Report (Proceedings No. 10, page 513) we obtain figures of \$311 and \$287, respectively, for per capita G.N.P. per month. For the United States we used three projections in Study Paper No. 20, 1960, issued by the Joint Economic Committee of the United States. Since the U.S. projections were in constant dollars, we adjusted for prices using the same assumption as in the Actuarial Report (Proceedings No. 10, page 496). The three projections of 1975 per capita G.N.P. per month for the United States were \$468, \$424 and \$391. We then related the monthly benefit figures shown in the answer to Question 1 to these denominators with the following results:

PROPOSED GOVERNMENT RETIREMENT BENEFITS
ABOVE AS A % OF 1975 PER CAPITA G.N.P.

	High Est.	Med. Est.	Low Est.
Single Person			
Minimum—U.S.A.....	9	10	11
Canada (at 65).....	16		18
Canada (at 70).....	24		26
Maximum—U.S.A.....	31	34	37
Canada (at 65).....	50		54
Canada (at 70).....	58		62
Each Person in a Married Couple (One Getting Graduated Benefit)			
Minimum—U.S.A.....	7	7	8
Canada (at 65).....	16		18
Canada (at 70).....	24		26
Maximum—U.S.A.....	23	25	27
Canada (at 65).....	33		36
Canada (at 70).....	41		44

Question 5: Has it been assumed that the husband and wife are the same age in Canada?

Answer: As the footnote to the Chart states, it is assumed that in the case of the Canadian couple both husband and wife took the Old Age Security benefit at the same age; this does not necessarily mean that they were born in the same year.

Question 6: Has this also been assumed for the husband and wife in the United States?

Answer: It is assumed that both took the benefit at age 65 or over; this does not necessarily mean that they were born in the same year.

Question 7: Is the Association aware that the average age of wives is generally two or three years less than the average age of husbands?

Answer: Yes.

Question 8: In paragraph 64, the Association assumed that a man age 65 had a wife age 63. Why was not this assumption made for Chart 1?

Answer: This situation was covered in the answer to Question 1 and, in essence, in the Chart. If the Canadian wife is under 65 (or 70 as the case may be) and the U.S. wife has not applied for her benefit, then the "Single Person" benefits would apply.

Question 9: If it had been made for Chart 1, would not the percentage for the married couples in Canada be reduced because the wife would not be eligible for Old Age Security?

Answer: See the answer to Question 8.

Question 10: Considering the fact that benefits for wives are available in the United States at age 62, would it not be correct to say that the percentages for married couples in the United States as shown in Chart 1 would be lowered if a more realistic assumption were made as to the age of wives compared to husbands?

Note: We are not sure that we have correctly recorded the wording of this question from Mr. Cashin's list. We shall check it against the transcript when it becomes available and if the substance of the question is wrongly set out above, we shall supplement or modify the following answer.

Answer: The benefit available to the U.S. wife at age 62 is three-quarters of the benefit she would get at age 65. It follows that where the wife took the reduced benefit the percentages for each person in a U.S. couple would be lower as Question 10 suggests.

As indicated in the answers to Questions 5 and 6, no assumption was made in Chart 1 about the age of wives compared to the age of husbands.

Yours sincerely,

F. Dimock.

APPENDIX A24

SUBMISSION BY SAMUEL ECKLER
OF
ECKLER BROWN & COMPANY LTD.

I. INTRODUCTION

Bill C-136 is a major social document, the implementation of which will profoundly affect the well-being of every Canadian. Since an expert evaluation of the Canada Pension Plan involves the skills of the economist, the social worker, the politician—as well as that of the actuary—I make this submission with some diffidence and yet with the hope that my comments will prove constructive in a small measure toward the development of a sound and adequate system of social security for Canadians. I represent no one but myself and my opinions do not necessarily reflect those of any of my clients nor of the actuarial profession.

The contents of this submission can be classified into three parts: first, an alternative to the earnings-related Canada Pension Plan; secondly, the difficulties attendant upon a federalized earnings-related plan; and thirdly, an examination of some aspects of Bill C-136.

II. AN ALTERNATIVE TO EARNINGS-RELATED PLAN

If the Canadian and provincial governments could be persuaded to reverse gears and start afresh, a major modification in the OAS flat rate type of program should be made and the earnings-related supplement omitted entirely. The provinces should limit themselves to the regulation of private pension plans and the establishment thereof of rules for minimum portability, disclosure and solvency. The experience of the last twelve years has only reinforced the arguments set forth by the joint parliamentary committee chaired by Senator King and then Member of Parliament Jean Lesage in favour of a flat rate old age security benefit and opposed to an earnings-related pension. The OAS type has many advantages over a complex earnings-related plan but these impress me as the most important of them: it is very economic to administer and easily understood by everyone and it provides universal coverage and potentially clear-cut fiscal arrangements. Perhaps we have lost our daring and become unduly impressed with the conventional earnings-related type of state pension plan. We pioneered twelve years ago in devising a plan that is now relatively generous on a flat basis and have not given it a chance to work. It seems to me that with the following major changes it could be made to work.

1. The level of benefits should be adjusted by some formula relating to the basic general wage level throughout the country. Some consideration might be given to the idea of William M. Anderson that the OAS payments should vary by age in relation to the economic needs and resources of the various elderly age groups.

2. The main argument against the flat rate benefit is that it does not take account of the different earnings levels in various provinces and areas in the country. If one is sufficiently concerned about this objection—I am not since I would be inclined to favour a redundant OAS payment in small segments of the Canadian community as a modest price to pay for the universality and administrative economy of the OAS type of plan—the level of benefits could be varied in relation to the periods of residence in any specific province during the five or ten years preceding the attainment of minimum age for entitlement to the OAS benefit. This would be a far easier administrative arrangement than

the intricate record-keeping and expensive supervision of an earnings-related plan.

3. Under the present OAS plan, a married couple with a five year age differential—e.g. husband age 70 and wife age 65—receives \$75 a month for five years and \$150 a month after they both reach age 70. This sharp increase in benefits after five years will only infrequently coincide with the resources and needs of the aged couple. Instead of the \$150 payable monthly to a married couple after both attain age 70, a formula could be devised to provide something less—e.g. \$125 per month—to a couple when the older spouse reaches age 70. Again this would not be a serious administrative problem and would certainly not require the type of record-keeping necessary for an earnings-related plan.

4. Actuarially reduced OAS benefits could be provided any Canadian over age 65 who has completed the residence requirements. Although such an option might require larger cash disbursements immediately, it would not necessarily involve an additional real cost.

5. Disability pensions could be granted to all Canadians who have completed the residence requirements, initially perhaps for disabilities commencing after age 55. The disability benefit under the OASDI in the United States has worked out better than many people expected. If a flat rate approach is used, there is again no need for earnings records but only for an examination of the status of the applicant at the date of possible entitlement to benefit. Similarly, flat-rate widows' and other dependents' pensions could be provided subject to certain age and residence requirements.

6. Projections of benefit payments for reasonably long periods of time should be made regularly and disclosed to parliament.

7. Specific income for the OAS fund in the form of taxes or contributions should be prescribed by statute on the basis of such long-range projections.

8. No major amendments should be made without prior actuarial and economic studies.

III. FEDERALIZED EARNINGS-RELATED PLANS

The idea of starting afresh—I fear—is now an exercise in nostalgia. If the Canadian consensus is that an earnings-related supplement is essential and that the OAS type of plan is not sufficient by itself to resolve the basic old age and other security needs of Canadians, then I like to think that it is still possible to work out a national plan and not a fragmented series of provincial-federal supplemental plans.

The difficulties of fragmented provincial-federal pension plans are not sufficiently appreciated. There is a fundamental difference between a pension plan and other social security measures, such as hospital insurance and workmen's compensation. Under a pension plan, a Canadian will accrue benefits during his working lifetime; and although the benefit payments will start at a definite date, they will be related to his work period spent often in more than one province. He does not build up the same accrued benefits under workmen's compensation or hospital insurance. In these cases the benefits and the liabilities are allocated to the province where the accident or sickness occurs. The same analogy cannot therefore be applied, as some have done, to accrued pension benefits. A state pension plan is a social security program and should be on a national and not a regional basis.

I am sympathetic with the desire of Quebec to run its own show and the similar desire perhaps of other provinces. But surely these objectives could be reached by developing a national earnings-related supplemental plan administered by a state agency representing the federal and provincial governments. There is no reason as well why an accounting could not be maintained so that

each province invests as it wishes the funds accumulated in that province. Such a plan would be enacted not by the Canadian parliament alone but by some joint measure of the provincial legislatures and the Canadian parliament. Changes would then require unanimity among the provincial legislatures and parliament. The fact that it is difficult to amend the plan might be attractive to the representatives of the provinces and the country at large but only if the initial plan is devised with sufficient foresight and flexibility to provide for adequate old age security for a long period of time.

Is it too late now to persuade all the provinces to join a national plan and avoid the separate plans now being contemplated?

IV. COMMENTS ON SPECIFIC PROVISIONS OF BILL C-136

1. *Costs and funding.*

(i) The size of the CPP fund is uniquely determined by the relationship in each future year between the total income of the plan (contributions and interest) and total outgo (benefits and expenses). A change in any of these components in any future year will change the amount of the fund. Accordingly, the size of the fund will be affected by many factors including the benefit and contribution formulae, levels of contributory earnings, the period over which benefits reach full maturity (which is now ten years), various actuarial, economic and demographic factors such as family composition, rates of mortality, fertility, disability, retirement, interest, unemployment, participation, etc.

(ii) The difficulty of estimating many of these factors for even a relatively short period of time leads me to prefer a projection for a period of about 25 years. A projection beyond that period is speculative and perhaps even deceptive.

(iii) I favour neither pay-as-you-go nor full reserve financing for the CPP and the OAS plan. Pay-as-you-go financing would involve too frequent changes in contribution levels which might be administratively and politically awkward and would necessarily lead to fiscal irresponsibility. Full reserve financing would probably require an unnecessarily long period for the benefits under the plan to reach full maturity and a gigantic fund which might be entirely impractical.

A projection of income and outgo of both the CPP and the OAS plan, using a single set of the most realistic assumptions, should be made for about 25 years. An average contribution level for the CPP and an average set of tax rates for the OAS plan should be determined on the basis of such projections. This method would necessarily involve the accumulation of a fund of moderate size.

The financing method suggested here is the same for all practical purposes as that used for the CPP except that, with some modification, it should be extended as well to the OAS component.

2. *Self-employed.* One of the reasons given in the Lesage-King report on old age security in 1950 for favouring a universal flat-rate plan over an earnings-related plan was the difficulty of covering the self-employed under an earnings-related plan. I think the CPP is right in making the coverage of self-employed compulsory but perhaps too optimistic that coverage and contributions will really be effective for this entire group.

3. *The 12% floor.* No contributions are to be made on annual earnings below the floor which is defined as 12% of the ceiling—i.e. \$600 at the outset. On the other hand, the benefits are to be based on all earnings up to the ceiling including earnings below the floor. There is much to be said for this idea. In effect, it produces a graduated rate of contributions and exempts entirely the contributions for employees earning under the floor. In practice, however, I am fearful

that it may become an administrative headache because of the large number of refund cheques that will undoubtedly have to be processed and mailed each year to contributors who have made overpayments. The same advantage could be obtained by eliminating the floor from contributions and changing the benefit from a uniform 25% of the adjusted wage to something higher than 25% of the adjusted wage below the floor. Administratively, this latter method seems preferable because the adjustment or calculation would be made only once in the determination of the benefit and not literally hundreds of times as at present in the determination of contributions.

4. *Uncovered groups.* The very nature of the Canada Pension Plan omits large groups of the Canadian population from its full benefits. These groups include the present retired population, Canadians who will be retiring before 1976 when the Canada Pension Plan reaches full maturity, those self-employed who should but may not contribute to the Canada Pension Plan—and there may be a large number of these—and those Canadians who for some reason or another are not in the labour market, such as the disabled and the unemployable. This major defect can be diminished by shortening the maturity period and by enlarging the scope of the OAS plan.

Respectfully submitted,

SAMUEL ECKLER, F.S.A.

APPENDIX A25

SUBMISSION BY THE CANADIAN MANUFACTURERS' ASSOCIATION
67 Yonge Street, Toronto 1, Ontario

December 21st, 1964.

PREAMBLE AND PHILOSOPHY

1. The Canadian Manufacturers' Association welcomes the opportunity of presenting its views concerning the Canada Pension Plan as set out in Bill C-136.

2. The Association is a non-profit, non-political organization of manufacturers who, in 1871, first joined together to take concerted action on their common problems and interests. The Association's membership of over 6,000 is located in over 600 cities, towns and villages from coast to coast and produces about 75 per cent of Canada's total manufacturing output. It may be interesting to note that more than three-quarters of the Association's member firms employ less than 100 persons.

3. The Association is aware that in our modern economy various types of protection are necessary to ensure continuance of some income when the breadwinner's earnings are cut off through unemployment, disability, retirement or death. Much of this protection can be and is provided through private welfare plans either on an individual basis or through group arrangements.

4. There are and will continue to be differences of opinion concerning the type and extent of such protection. This is also true in the matter of the share of protection costs to be borne by the individual, his employer and different levels of government.

5. The Association has long recognized there is a social cost of doing business and its members are prepared to meet their fair share of this cost. They do feel, however, that they should not be expected either now or in the future to meet a disproportionate share. The Association strongly urges that this be fully taken into account in any and all social legislation including the very important question of timing, priorities and aggregate effects of a total program.

6. The social costs of doing business are not likely to remain static but these should not grow at a rate faster than the economy can effectively absorb. In fact, they cannot grow faster without having a significant impact on the overall well being of the nation and ultimately on the people they are intended to help.

7. The Association holds the view that any government pension plan requiring compulsory participation of employees must be on a shared cost or contributory basis. This is a very important principle which has been advocated by numerous representatives of government including the Right Honourable The Prime Minister. The Association is pleased to see this is one of the elements or characteristics of the proposed Government Plan as set out in Bill C-136. To preserve the contributory nature of the Plan it, of course, would be necessary for employees to pay on their own behalf their full contributory share. In any case, where this is not done the Plan would cease to be a contributory plan because the contributory principle would itself have been abandoned.

8. The Association fully realizes there is need for some level of retirement income for the people of Canada. Its view therefore is not a question of whether or not there should be pensions available but rather what kind, how much,

when and on what basis as well as from what source or sources. It is within this framework the Association presents its views.

9. At the very outset it should be made abundantly clear that the Association declares itself as supporting the principle of uniform pension legislation for the people of Canada. It does, however, feel compelled to register its disappointment that negotiations between and among the federal government and provincial governments has failed to produce a single plan in which all provinces would participate. The Association is so concerned with this unsatisfactory result that it strongly urges further negotiation in which all provinces would participate and hopefully arrive at a common understanding and a single plan.

10. It is the firm position of the Association that differences should not exist between and among provinces in the type, extent of coverage, administrative interpretation and application. In these circumstances and having regard for economy of operation, facility of administration and anticipated public acceptance the objective must surely be a single plan centrally administered.

11. It must be recognized that it is both appropriate and desirable for pensions to be provided through private sources as well as government sources. On this basis governments should not pre-empt the field either by legislative action or by providing a level of benefits that would have a similar effect.

12. It is suggested the function of government in this field is to provide basic pensions and the function of private plans thereafter is to provide such variable supplements as equity for all employee groups may suggest and as the means of employers and employees will permit.

13. The benefits of the proposed Canada Pension Plan stretches the concept of a "basic pension" to its full limit and when added to the Old Age Security benefit goes somewhat beyond what the Association regards as basic.

14. The Association is very concerned that the Canada Pension Plan function efficiently. Its concern is reflected in the suggestions it offers, some of which are to relieve anticipated administrative difficulties and others represent changes in substance and concept.

FUNDING

15. To some extent funding is an expression that lacks precise definition. It is loosely used in connection with pensions but for purposes of the Association's submission is intended to mean the accumulation of funds at calculated rates to ensure solvency. It is, of course, recognized that there can be and are various degrees or levels of funding both with respect to amount and timing.

16. The Association takes the position that the Canada Pension Plan as presently proposed provides for too high a level of advance funding. This will result in accumulation of an unusually large pool of funds which apparently will be diverted for use in provincial and municipal works projects of one kind or another.

17. The Association supports advance funding of private plans because there is no guarantee the employer will continue in business and always earn enough money to pay private pensions out of current earnings. This view does not extend to a pension plan which is underwritten by taxing authorities such as provincial or federal governments. In such cases the need for a high level of advance funding is virtually eliminated or substantially reduced. In this respect the need is limited to a modest stabilization fund for emergencies and contingencies. For these reasons the Association suggests what is sometimes referred to as pay-as-you-go basis. On this basis the proposed wage rate tax or input should be reduced to reflect this change for both the employee and the employer at least during the early years of the Plan.

18. The Association draws attention to the fact that the flat rate Old Age Security benefit is a non-funded plan which is frequently referred to as pay-as-you-go. While the method of financing is different from that proposed in the wage related benefit, the principle of being unfunded is recognized.

19. In earlier public statements the Minister of Health and Welfare has declared in favour of a pay-as-you-go plan although manufacturers have not yet been made aware of the reasons for scrapping this so-called pay-as-you-go approach.

ENTRY AGE

20. For a number of reasons including the benefit formula the entry age of 18 is important. This matter has been the subject of much serious discussion by the Association because of the effect it will have on participation and benefits.

21. While a good case might be made to raise the entry age to 21, this is not being urged at this time. The Association would not object, however, to the entry age being raised to 21.

22. The Association believes young people should be encouraged to continue their schooling, at least up to their natural capacity for learning. For this reason it is suggested that provision be made to exempt persons who are 18 or more years of age but less than 25 years of age who are in full time attendance at a school or university as may be defined by regulation, having been in such attendance substantially without interruption as defined by regulation since they attained 18 years of age.

23. This suggestion will provide some relief to the student who otherwise will have used up most if not all of his 10 per cent exemption for low earning years before he can enter the work force on a regular basis.

YEAR'S BASIC EXEMPTION

24. The Association is aware that the purpose of the exemption is to vary the cost for an individual in relation to earnings. Initially this exemption would be \$600 based on 12 per cent of \$5,000. This is of real concern to manufacturers for a number of reasons including administrative difficulties it will create. It may also be a source of administrative difficulty for the government.

25. The Association does not have data to identify or support projections, nevertheless it believes that refunds over a period of time will be counted in the millions. In its view the clerical and administrative work involved will be out of proportion to the benefit involved.

26. Section 39 of the Bill appears to contemplate refunds to employers and employees. It certainly is not clear which employer would be credited where an employee changed jobs a number of times during a year.

27. Many people whose earnings are below \$600 annually are the very people who need the benefit most.

28. The Association strongly urges the elimination of this \$600 exemption. In doing so it requests that the wage rate tax be adjusted downward to reflect fully this change, since the tax would apply against a wider range of earnings. The Association recommends further that for those persons who earn less than \$600 in any one year a standard benefit unrelated to contributions be incorporated into the Plan. Specifically, we suggest that such persons should not be exempt from the status of contributors but should contribute on the basis of their actual earnings matched by equal contributions by their employers. We would regard all contributors earning less than \$600 per year as belonging to one category which should be entitled to 25 per cent of \$600, that is, \$150 per year by way of benefits on the present Maximum Pensionable Earnings of \$5,000.

ESCALATION

29. The Association recognizes that pension benefits cannot remain at the same level forever, but it does not support precommitted increases based on an index as proposed in Bill C-136. Even with the intended safeguards it will feed on itself since the increased costs will in most cases have to be passed on to the consumer. Furthermore this is bound to raise questions of equity in all other types of pensions including disability, workmen's compensation and private plans. It will impact also on civil servants' pensions and perhaps members of parliament.

30. Experience during the war years with the War Time Cost of Living bonus demonstrated clearly the pressure such automatic increases generate. In that case it was necessary to abandon the principle because of the pressure against prices.

31. The Association believes review periods would be necessary but these might be spaced at reasonable intervals of not less than five years. They should not be dealt with by the government as a matter of political expediency but on the basis of equity consistent with the ability of the economy to cope with the extra costs.

RETIREMENT BEFORE AGE 65

32. While age 65 is generally accepted as the normal retirement age for employed persons there are many instances of retirement prior to age 65. Such early retirements may be prompted by an employee's desire to leave the work force at an earlier age, or a physical inability to meet the demands of his job as he grows older, or in some cases, by what might be termed technical obsolescence.

33. The Canada Pension Plan as presently proposed, occasions a substantial loss of pension benefits to those who retire early. For example, a participant age 45 at the effective date of the Canada Pension Plan has a primary contribution of 20 years. If he leaves the work force at age 60, his productive earnings stop at that point, but his benefits will nevertheless be based on his earnings from age 45 to age 65. The years from age 60 to age 65 when he is no longer working or earning, are included in the calculations which determine his pension benefit. As a result of averaging his actual contributory earnings over an 18 year period (20 years less the 10 per cent provision), rather than a 15 year period, the participant would receive a pension benefit substantially less than would have been the case had he worked until age 65. In addition, of course, the benefit would not commence until five years after his actual retirement, that is age 65.

34. The Association strongly recommends that in addition to the present permissible exclusion of 10 per cent of contribution years, Bill C-136 be amended to provide that a participant who withdraws from the work force prior to age 65, will have his pension computed on the basis of average earnings to the date of such withdrawal.

35. It is further recommended that in the case of early retirement, between age 60 and 65 as defined, the participant be given the option of receiving, immediately upon retirement, the actuarial equivalent of his age 65 pension entitlement including the Old Age Security benefit reduced on a like basis.

POST RETIREMENT EARNINGS

36. The amount of annual earnings permitted without penalty in the benefit at retirement before age 70 is inadequate. It should be remembered all employees will not qualify for the maximum benefit under the Plan. Many such people will need to supplement their pension by earnings from employment.

37. Presumably the main purpose of this limit is to determine at what income level a person is retired for purposes of the Plan.

In the view of the Association this limit should be increased to a more realistic amount. For this purpose it is suggested 25 per cent of the Year's Maximum Pensionable Earnings would be more in line which initially would be \$1,250 annually. The same rate of penalty could be applied up to \$1,500 and beyond. That is, calculated on the same basis.

INCOME TAXES

38. A number of public statements have been made by representatives of government to the effect that all contributions to the Canada Pension Plan would be exempt from income taxes. This is important and provisions should be made to accommodate this in appropriate acts. The employers' contributions to the Canada Pension Plan should be an allowable business expense over and above present allowable limits.

39. The Association is pleased to see some provision is made to include benefits for widows, orphans, disability and widower's disability. It is suggested that disability benefits should be exempt from income tax as is done in the case of workmen's compensation and insured disability benefits.

CONCLUSION

40. It is not the purpose of the Association to indulge in or present a discourse on economic theory. The Association is, however, aware that honest differences of opinion exist among economists and others concerning the effect of such an important transfer of funds from the private to the public sector of the economy. Differences of opinion also exist with respect to the effect of the large pool of funds to be accumulated if the Plan remains in its present form. These opinions vary from serious consequences to virtually no significant effect. At the one end of the scale there are those who contend it would inhibit capital formation because of diversion of funds. There are those who foresee lowered interest rates which would attract capital expansion and, of course, those who believe the lower interest rates would be less attractive to foreign money which is very much needed for full expansion.

41. The position of the Association is that many of the apparent risks are identified with the rate of accumulating the pool of funds. These risks could be eliminated or at least reduced by a course of action that avoids such a high level of accumulation. In other words "pay-as-you-go".

42. There are more than 2,000,000 people in Canada covered by private pension plans. Many of these are employees of manufacturers. It is natural then, for manufacturers to be concerned with integration of the proposed Canada Pension Plan with existing private plans. This is a complex situation requiring considerable thought and in many cases actuarial advice. Most manufacturers cannot afford to pyramid Canada Pension Plan benefits on top of existing private plan benefits. Indeed there is considerable doubt the economy could at this time stand such a course of action if generally practiced.

43. The White Paper concerning the Canada Pension Plan indicates clearly there will be problems of integration. The government wisely has provided for freedom of action in this respect. This freedom is essential and must be retained in whatever form the Canada Pension Plan is finally enacted.

44. The Canada Pension Plan, whatever its final form, will have an important effect on the lives of individual citizens, of employees, employers and the economy as a whole. It is complex. It involves substantial sums of money. It will take quite some time for it to be absorbed into a way of life. For these and related reasons the Association strongly urges that consideration of other social welfare schemes be delayed to a more appropriate time.

SUMMARY

45. The main suggestions and recommendations of the Association's submission are set out below.

- (1) Further consideration and negotiations be undertaken to achieve a single plan for all provinces, such plan to be centrally administered. (vide paras. 9, 10; page 3)
- (2) The high level of advance funding of the Plan be substantially reduced to provide only such funds as will meet the requirements of current pension benefits, together with a modest stabilization fund for emergencies and contingencies. (vide paras. 12, 13, 15, 16, 17, 18, 19, 41; pages 3-5, 11)
- (3) Exempt students as defined. (vide paras. 20, 21, 22, 23; pages 5, 6)
- (4) Eliminate the Year's Basic Exemption which initially would be \$600 and have first dollar coverage relying on the minimum entry age to take care of young workers. (vide paras. 24, 25, 26, 27, 28; pages 6, 7)
- (5) Eliminate escalation on pre-committed increases and substitute a review period of five or more years. (vide paras. 29, 30, 31; page 8)
- (6) Change the benefit formula to avoid penalizing early retirement which results from years of zero or low earnings. (vide paras. 32, 33, 34; pages 8, 9)
- (7) Permit optional retirement from age 60 with actuarial modifications in benefits. (vide para. 35; page 9)
- (8) Raise the level of permitted post-retirement earnings without penalty of reducing benefit entitlement. (vide paras. 36, 37; page 10)
- (9) Provide for both employee and employer contributions being exempt from income tax over and above present exemptions. (vide para. 38; page 10)
- (10) Provide for disability benefits being exempt from income tax. (vide para. 39; page 11)

APPENDIX A26

SUBMISSION OF ALEXANDER & ALEXANDER SERVICES LIMITED
INDEPENDENT CONSULTING ACTUARIES

(January, 1965)

Alexander & Alexander Services Limited, which is one of Canada's leading firms of independent consulting actuaries, does not represent the interest of insurance companies, trust companies nor any financial institution. Our clients include the largest industrial concerns in Canada, together with authorities representing different levels of government, universities, school boards, etc. The following Brief is submitted to assist the Joint Committee in its efforts to discern and eliminate, or minimize, problems that may be created by the form of Canada Pension Plan established under Bill C-136. We hope thereby to provide material that will ultimately act to the benefit of our clients and their employees.

We also recognize that, as professional actuaries, we have a duty to the community as a whole to protect the future against the possible ravages of the present. We recognize that the C.P.P., once established, will most probably represent a permanent feature in our economy and therefore we feel it merits very critical examination at this stage.

Perhaps this Brief can be most helpful to the Joint Committee if we start by setting out certain difficulties that the C.P.P. could cause and follow this with suggestions of a practical and constructive nature as to possible means of avoiding these difficulties. It is fully appreciated that any proposed solution should not detrimentally affect the ultimate purpose of the plan.

As the Joint Committee may be aware, a very able Inter-Departmental Study of the Quebec Pension Plan was published in April, 1964. The Study was conducted by members of the Quebec Government Departments of Labour, Industry and Commerce, Finance and National Resources. The Quebec Government's Consulting Actuaries also assisted in the preparation of the Study. It related to the plan before it was modified later that month in agreement with the Federal Government. Re-reading this Study reminds one of the fact that the present C.P.P. and the present Quebec Plan, are very similar indeed to that proposed by Quebec prior to April, 1964. However certain changes were made and we respectfully suggest that at least one of these changes has created or magnified the difficulties we are about to draw to your attention. We shall refer to this Study again.

We first set out a very brief description of each of the eleven difficulties we wish to draw to your attention. This is followed by a reasonably full explanation of each difficulty together with a solution, partial or otherwise, that we respectfully submit for your consideration.

Description of Difficulties

1. Inherent instabilities associated with funding system.
2. Rising ultimate pay-as-you-go cost plus the continuing cost of Old Age Security Pensions.
3. Too great an advantage to participants in the higher income brackets by reason of the redistribution of income effected in their favour.
4. Difficulty of preventing a certain number of individuals who have contributed to private retirement plans receiving a total retirement income higher than their terminal salary.
5. Certain difficulties in connection with integration with private plans.

6. Contributions by self-employed a problem when the pay-as-you-go rates increase in the future.
7. Further integration difficulties when contributions are on a pay-as-you-go basis.
8. Overall government benefits payable in Canada effectively in excess of those payable in the United States in 10 years' time.
9. Plan out of line with certain features that have been tested and proved by other countries.
10. Features of Plan that were the subject of unfavourable comment in the Report of the Royal Commission on Banking and Finance published in 1964.
11. Difficulties in the area of Union-Management negotiations likely to be caused by Plan.

We should point out that it is reasonably certain that most of the above difficulties will arise although there are some that are a matter of opinion and, at this stage, it is not possible to make a categorial statement as to whether or not they will have full effect. However, since each and every one of these difficulties *could* arise, we feel they should be drawn to your attention.

The first of the above difficulties relates to a somewhat technical matter. In order to explain this as clearly as possible the description covers several sheets. Later descriptions are very much shorter, but we would recommend that the first description be given special attention. It contains certain elements that have a bearing on later parts of the Brief.

1. *Inherent instabilities associated with funding system.*

Lest it be thought from this description that we are in any way critical of the Report submitted to you by the Chief Actuary of the Department of Insurance, Mr. E. E. Clarke, we would take this opportunity to record that we consider this Report to be representative of the highest standards of professional actuarial work. It compares extremely favourably with the best Reports made in connection with Social Security plans in other countries.

Mr. Clarke's Report does not deal with difficulties that might arise out of the Plan. However he covers fully the area assigned to him and provides valuable figures relating to the actuarial operation of the C.P.P. in future. His valuation was designed mainly to develop pay-as-you-go contribution rates and not to draw conclusions from the results. For our part, the conclusions we have reached are partly derived from the Report so that, in effect, we have endeavoured to take the matter a stage farther forward.

We would first explain briefly the meaning of certain funding (or financing) systems.

(i) *Pay-as-you-go system*

Contributions collected during a comparatively short period are used for payment of benefits becoming due during that same period. Any reserve is small and its only purpose is to avoid fluctuations in the expected contribution rates.

Under this system the contribution rate increases gradually due to the rising percentage of retired persons who become entitled to the full pension. This increase will also be continued if there should prove to be a gradual long-term increase in the proportion that the number of persons over retirement age bears to the working population.

(ii) *Full reserve system*

This system involves the accumulation of large reserves sufficient to guarantee continued payment of current pensions together with de-

ferred pensions earned to date by those still contributing. It is employed in the case of private plans where continuing membership is not guaranteed. Typically a level rate of contribution, expressed as a percentage of earnings, is required together with extra initial contributions where the original members are granted pensions for prior services. No government (not even Sweden) uses the full reserve system.

(iii) *Mixed system*

Any system between the pay-as-you-go and the full reserve systems is a mixed system. Generally, the mixed system may be considered to be composed of a pay-as-you-go system to which is added a reserve created by the balance of contributions which have not been used for payment of benefits.

(a) *Mixed system designed for early conversion to pay-as-you-go*

The second edition of the C.P.P. (as announced March 17, 1964) was an example of this. The plan would have been over-financed as compared with a pay-as-you-go plan for some 10 years and thereafter would have reverted to the pay-as-you-go system.

(b) *Mixed system designed for later conversion to pay-as-you-go*

The present (third) edition of the C.P.P. adopts this form of mixed system. The conversion to pay-as-you-go would seem to be likely after some 15 to 25 years depending upon government action in the meantime.

(c) *Mixed system designed to produce level contribution rate*

In the case of a community with a stable age distribution where prices and wage levels and interest rates are also stable, this system would call for a contribution rate equal to the sum of the level contribution for a new entrant into the plan at the youngest age plus interest on an item we may describe as "initial unfunded liability". (This effectively means the liability for those who are in the plan at its inception to the extent that the new entrant's level contribution rate is insufficient for this group).

These conditions are not likely to apply in Canada. The population is growing, the age distribution is changing, prices are unfortunately rising—but so, to a greater extent, are wages. Nevertheless it is still possible to determine a contribution rate that will take these factors into account and will enable a Mixed System to be adopted that has been designed to produce a level contribution rate for 30, 40 or more years into the future.

The Quebec plan, prior to the April, 1964 change, was essentially based on such a system and the validity of the basis and actuarial calculations was tested to ensure the contribution rate would remain level, on reasonable forecast assumptions, for at least 50 years.

Let us now compare (iii)(b) with (iii)(c). We wish to draw to your attention that the "Mixed System designed for later conversion to pay-as-you-go" places great responsibility on future governments. And here we refer not only to future federal governments but also to each and every future provincial government. As has already been explained to the Joint Committee by Mr. Thorson, a province setting up its own plan initially is required to provide comparable benefits *but not necessarily comparable contributions nor investment administration*. Furthermore it has also been made clear that such a province could thereafter deviate from the federal plan even as regards benefits; it could do this at the expense only of the possible withdrawal from certain agreements with the federal government relating to the refunding of

overpayment of contributions, the sharing of costs of benefits in certain cases and items of a similar nature.

However the main point is that provinces who set up their own plans may change contribution rates, and, of course, the federal government may change contribution rates subject to the required period of notice and required provincial agreement. Indeed this is to be expected in the very nature of the funding system adopted. Unfortunately this form of Mixed System in itself sets no guide lines and imposes no discipline on the authorities. Under the pay-as-you-go system the contribution rate is fixed by the system. Under the Mixed System designed to produce level contribution rates (the original Quebec system) the very nature of the system will tend to compel future governments to adhere to the guide lines initially established. But under the present C.P.P.'s form of Mixed Funding it is not possible to define what contribution rates apply after, say, 10 or 15 years nor when the system will be converted to the rising pay-as-you-go system. The Chief Actuary in his report has wisely avoided making recommendations in this respect. The matter is essentially a political question.

Perhaps we should look to other countries to find out how this problem has been faced. Unfortunately no other country has, so far as we have been able to determine, ever adopted this particular form of mixed funding (i.e. designed for later conversion to pay-as-you-go). The U.S. system was of the type designed for early conversion to pay-as-you-go and the Swedish system is, according to Professor Lundberg¹ funded as to "an arbitrary part of it. It has no actuarial thinking behind it at all. It is just (funded as to) the part we thought sufficient for compensating potential loss of savings."

In any event one would suppose that a *socialist* government as is found in Sweden would be willing to keep pensions and contributions more in the hands of future politicians than the Canadian government—especially when it is remembered that both federal and provincial governments are concerned in Canada.

Accordingly we present as a difficulty, the fact that there are inherent instabilities associated with the funding system. The operations of the plan will be very dependent on future actions of future governments. The matter could be a recurring election issue both at the Federal and Provincial government levels. To take the matter further, we could consider the case of one of the provinces whose needs for investment in government projects do not require the fund created by the C.P.P. Such a province might consider establishing its own plan with comparable benefits but funded *throughout on a pay-as-you-go* basis. For many years into the future—and probably indefinitely—the members of that province would have made lower contributions to the provincial plan than other Canadians had made to the C.P.P.

Perhaps we should also point out that the very existence of the arbitrary fund under the proposed form of Mixed System, the existence of which is not essential to the working of the plan nor to the continuation of the loosely defined progress of future contributions, may in itself represent a danger. Consider the temptation to future election candidates to promise immediate benefit improvements "at no additional cost" once it is realized that the effect on contribution rates would be felt only after several years.

Recommended Solution

(i) Tests indicated that the restoration of the original transition period of 20 years, which was a vital part of the original Quebec plan, will effectively alter the funding system of the C.P.P. to the "Mixed System designed to produce a level contribution rate". The danger of

⁽¹⁾ Professor Erik Lundberg, who assisted in the establishment of the Swedish plan, made this statement in evidence before the Porter Commission.

the above mentioned difficulties arising would then be much less. The plan would be known to be one requiring a level contribution and action by future governments would have to be along well defined lines if this important feature of the plan was to be preserved.

(ii) To make the matter of the future operation of the plan even more secure, a system could then be developed that will permit contracting out by Employers providing equivalent or better benefits. This would provide a further stabilizing effect on the plan.

Both these solutions will be discussed in greater detail later in this Brief.

2. Rising ultimate pay-as-you-go cost plus the continuing cost of Old Age Security pensions

The Quebec Study mentioned above examines the effect of reducing their original 20 year transition period to a 10 year period. They came to the conclusion that a 10 year transition period "burdens future generations with a disproportionate portion of the cost of this project".

An examination of the Actuarial Report dated November 6, 1964 of the Chief Actuary provides what we consider to be a very reasonable estimate of the range within which the ultimate pay-as-you-go costs may lie. In the absence of any ground rules being laid down as to when the conversion to pay-as-you-go will take place, at this stage it is not possible to do more than observe that the pay-as-you-go rates are likely to have to apply at some future date, and that when they do we are likely to be faced with a period of rising pension plan costs.

The extra costs will fall on future generations and one wonders whether the difference in pensions payable under the C.P.P. to those now between ages 45 and 65 justifies this extra burden on future generations.

Recommended Solution

Again it would appear that a reversion to the original 20 year maturity period as proposed under the Quebec plan would help considerably in removing this difficulty. The far greater likelihood that contributions under the C.P.P. will remain constant into the future would bring about, in our opinion, a better compromise between some degree of supplementation for those close to retirement on the one hand and fair treatment for future generations on the other.

Note: We have carried out some approximate calculations to determine the percentage of earnings represented by payments of the *Old Age Security pension*. We have expressed the cost of the O.A.S. pension as a percentage of contributory earnings as defined under the C.P.P. We find that this cost represents approximately 7% of contributory earnings rising ultimately to possibly 10% of contributory earnings. These costs are *in addition* to the contributions required under the C.P.P. and are based on the assumption that the O.A.S. pension will not be increased in future apart from increases due to the effect of the pension index. These approximate percentages become 5½% and 7½% respectively when related to *all* earnings up to the contributory earnings' upper limit (but excluding persons earning under the contributory earnings' lower limit).

3. Too great an advantage to participants in the higher income brackets by reason of the redistribution of income effected in their favour

Let us assume that two participants, A & B both aged 55 on January 1, 1966, contribute continuously to the C.P.P. from that date to the commencement of their retirement pension on their 65th birthday. The income of contributor

A is \$2,000 per annum and that of contributor B is \$5,000. We have assumed that both are single men, although, in fact, the redistribution effect is greater in the case of married men.

The following table shows the effective redistribution of resources as between the lower paid and higher paid examples.

Contributor	Yearly income	Contributory income	Yearly contribution	Amount of yearly pension	Value at age 65		Redistribution of resources
					Contribution	Benefit	
	\$	\$	\$	\$	\$	\$	\$
A	2,000	1,400	25.20	500	308	5,045	4,737
B	5,000	4,400	79.20	1,250	970	12,612	11,642

The table shows that in the case of contributor A the value at age 65 of the retirement pension exceeds the value of his contributions by \$4,737. In the case of the higher paid contributor B, the redistribution is no less than \$11,642.

This feature was strongly criticized by the Committee responsible for the above mentioned Study and we must agree that it would seem desirable to avoid, if possible, any feature of the plan that appears to provide most where it is least needed.

Recommended Solution

The solution to this difficulty proposed by the Committee mentioned above was that the transition period under the plan should be at least 20 years. We have examined this and find that, in terms of dollars, the longer transition period does reduce the difference between these two cases considerably. The results of our calculations for a single man are shown below.

Contributor	Yearly income	Contributory income	Yearly contribution	Amount of yearly pension	Value at age 65		Redistribution of resources
					Contribution	Benefit	
	\$	\$	\$	\$	\$	\$	\$
A	2,000	1,400	25.20	250	308	2,522	2,214
B	5,000	4,400	79.20	625	970	6,306	5,336

4. Difficulty of preventing a certain number of individuals who have contributed to private retirement plans receiving a total income higher than their terminal salary

In order to illustrate this difficulty perhaps we may take as an example the case of the Public Service Superannuation Act pensions. Pension plans of this design are found not only in the case of both federal and provincial civil servants but also schoolteachers, certain universities and, to a lesser extent, in industry.

Whatever form integration may take in the case of these plans, we understand that it will almost universally be provided that pension credits already earned on service up to the commencement of the C.P.P. would not be affected. The example we give below is based on an example contained in the Quebec Study mentioned earlier.

Let us assume the employee in question has completed 35 years of service and is 55 years of age on the effective date of the C.P.P. Let us assume his salary at that time is \$5,000 per annum and let us assume that both his salary and the contributory earnings upper limit of the C.P.P. remain constant for 10 years.

Let us also assume that the Old Age Security pension remains unchanged during that period except that he will be able to receive it in the form of \$51 per month (or \$612 per annum) commencing at age 65.

The employee in question will receive, at age 65, a total retirement income of \$5,362 per annum, i.e.

- (a) The anticipated Old Age Security pension of \$612 per annum: and
- (b) a pension of \$3,500 per annum from the P.S.S. account: and
- (c) a pension of \$1,250 per annum from the C.P.P. (25% of his adjusted income).

The Committee carrying out the Quebec study expressed the opinion that such situations should be avoided, especially since the amount of contributions paid by and on behalf of such a worker to the government plan would be much less than his benefits. We agree with this opinion.

Recommended Solution

If the transition period is restored to 20 years, as provided under the original Quebec plan, then the above employee's total retirement income becomes \$4,737. Although this is still at a very high level in relation to the employee's earnings, it is less than in the case where a 10 year transition period applies.

5. Certain difficulties in connection with integration with private plans

It is recognized that the federal government has no jurisdiction over private plans and that government control of these is in the hands of the provincial governments. It has been maintained that private plans represent contractual obligations and are therefore purely matters to be settled between employers and employees. Nevertheless we would be surprised if the provincial government's legislative powers in this respect were not fully as effective as the corresponding powers of the United States federal authorities over pension plans in that country.

We feel we should point out that in the United States the question of integrating private plans with the government plan receives a great deal of direction from the government and we believe members of the Joint Committee will be surprised to learn that it is an extremely complicated matter in the case of some private plans in the United States to comply with the regulations of the government of that country. A very involved set of formulae have been devised by which the federal authorities test whether or not they will accept any particular form of integration and this takes into account even such apparently unrelated items as the exact form of early retirement benefit granted and the percentage that disability pensions bear to regular pensions.

We mention the above in order to draw attention to the fact that, whatever attitude the government may at present take in the question of integration, future governments may formulate their directive policy along similar lines to that now applying in the United States. Before many years we may find that in Canada either the federal or provincial governments are directing the form of integration as applies today in the United States.

Nevertheless, at the present time, the federal government disclaims any responsibility for providing guidance or direction in the field of integration. We accept this fact but we urge the government to recognize that integration of private plans with the C.P.P. is necessary in most cases, and to consider ways in which the problems of integration may be eased.

Our firms was represented on the Special Committee established by the Canadian Association of Actuaries to study the question of integrating private plans with the C.P.P. and it was the consensus of opinion of the members of that committee that one of the main problems of achieving satisfactory integration centred around the 10 year transition period contained in the C.P.P.

The difficulty created by the 10 year transition period caused not only problems demonstrated above in connection with the Public Service Superannuation plan, but also in connection with the integration for pensions earned in the future.

Let us consider the case of an employee now aged 55 earning \$5,000 per annum or less, who in 10 years would be granted a pension under the C.P.P. of 25% of earnings. The benefit he would earn for each year in the future under the C.P.P. amounts to an annual rate of no less than 2½% for each year of future service. There are relatively few, if any, private pension plans that provide so high a level of pension for each year of service so that, in many cases, these employees may be taken out of the private plan as regards future pension credits.

Recommended Solution

Again, the restoration of the original 20 year transition period as applied under the former Quebec plan would avoid this difficulty. Other difficulties of integration will remain but a change to a 20 year transition period would represent a constructive modification of the C.P.P. that would ease the difficulties of integration considerably.

6. Contributions by self-employed a problem when the pay-as-you-go rates increase in the future

Under the C.P.P. self-employed persons will be required to pay the combined contribution normally paid by the employee and employer. This would seem to represent a reasonable arrangement while the contribution rate remains at its initial level, but difficulties may result if this principle continues to apply when contributions revert to the pay-as-you-go basis.

Under an earlier form of the C.P.P. this difficulty was realised and provision was made for self-employed persons ultimately to pay at a lower rate than the combined employer and employee rate. So far as we are aware no reference to this feature has been made with regard to the present edition of the C.P.P. In any event we would point out that it may not prove satisfactory to meet this difficulty by lowering the rate of total contributions to be received in respect of self-employed persons as compared with employed persons. The latter would effectively be subsidizing the former and this may cause objections to be raised.

Recommended Solution

Again, the restoration of the original 20 year transition period as contained in the original Quebec plan would effectively remove this difficulty. For a very long time into the future the combined employer and employee contribution would remain level and would represent a fair contribution to be required from the self-employed.

7. Further integration difficulties when contributions are on a pay-as-you-go basis

Under the Public Service Superannuation Act we understand that the contributions will be reduced by the amount of the contributions diverted to be paid under the C.P.P. it has therefore quite rightly been claimed that contributions have been effectively integrated.

Bearing in mind that under the present form of C.P.P., contributions will be altered, at a later date, to those calculated on the pay-as-you-go basis, we suggest that some difficulty may arise thereafter in the effective integration of contributions.

The need for the most complete integration between the C.P.P. and private plans is increased by reason of the great difficulties that now exist when an at-

tempt is made to integrate the Old Age Security pension and contributions with private plans. We would advise the Joint Committee that this is rarely done in private plans in Canada although, with the increasing size of the benefits payable under O.A.S., it is perhaps becoming urgent that means of integration be found.

The difficulty in the case of the O.A.S. pension contributions (when considered in relation to a private plan requiring employee contributions) is centred around the manner in which employees are required to contribute to the O.A.S. pension. The rate of contribution is at the present time 4% of the first \$3,000 of taxable income. In other words contributions are made on a different basis from that applicable under either private plans or the C.P.P.

So far as we have been able to determine, there is at present no intention to endeavour to integrate the O.A.S. pension and contributions with the Public Service Superannuation plan. We can certainly sympathize with those who may have considered such an integration but abandoned it. Furthermore we agree with the views expressed by the Committee preparing the Study mentioned earlier in relation to the Quebec plan, when they state in relation to the O.A.S. pension that "the existence of this measure hampers the drawing up of a completely unified general plan in Quebec".

Recommended Solution

The satisfactory integration of contributions, so far as the C.P.P. is concerned along the lines suggested in relation to the P.S.S. plan, will be possible if the original 20 year transition period, as applied under the former Quebec plan, is restored. The far greater likelihood that contributions will remain constant into the future would largely avoid the difficulty in this connection.

8. Overall government benefits payable in Canada effectively in excess of those payable in the United States in 10 years' time

We can best explain this point if we take into account the possible increase that may shortly occur in payments under the American programme. We may then reasonably make comparisons of the position in Canada and the United States in 10 years time on the assumption that wages and costs will remain stable in the meantime. If in fact these do increase they will tend to affect the plans in both countries to a similar extent. Thus the comparisons made below will still be valid.

We have recognized the fact that the average retirement age in the United States has varied between 68.0 and 69.5 and have made our comparison assuming retirement at age 68. We have assumed that the wife will be 2 years younger than the husband.

The following table shows the maximum rate of monthly government pension payable under these conditions to a single man and to a man and his wife in both countries. (A single woman receives lower benefits in U.S.A. but not in Canada.)

		Single	Husband	
U.S.A.	Increased Social Security now im-	Man	& Wife	
	pending	\$ 143.40	\$ 215.10	
		<hr/>	<hr/>	
Canada	C.P.P. pension in 10 years (assuming	104.17	104.17	
	10 year transition period)			
	O.A.S. pension (man age 68, wife	65.40	Husband 65.40	
	age 66)		Wife 55.80	
		<hr/>	<hr/>	
	Total government pension:	\$ 169.57	\$ 225.37	
		<hr/>	<hr/>	

Recommended Solution

Again, the restoration of the original 20 year transition period would correct the above as the following figures show:

	Single Man	Husband & Wife
Canada C.P.P. benefits in 10 years (20 year transition)	\$52.08	\$52.08
O.A.S. pension (man age 68, wife age 66)	65.40	Husband 65.40 Wife 55.80
Total government pension:	<u>\$117.48</u>	<u>\$173.28</u>

The above amounts payable under the Canadian government plans amount to 82% (single man) and 81% (husband and wife) of the corresponding pensions payable in U.S.A. It is understood that average wages in Canada are not as high as 81% of average wages in U.S.A. The relationship would seem to be satisfactory and pensions payable in Canada for some time could not be held to be exceedingly high in comparison with corresponding pensions in U.S.A., provided a 20 year transition period is adopted.

It should be noted that the U.S. Social Security pensions in course of payment are not automatically increased by a pension index as applies under the C.P.P. This feature of the C.P.P. adds 10% or 15% to the value of the pensions it provides.

9. *Plan out of line with certain features that have been tested and proved by other countries.*

In the time available we have endeavoured to carry out a reliable study of plans in certain European countries with particular reference to the transition period adopted.

We believe it is correct to say that full benefits under the state wage-related plan is granted only after the years shown below.

Country	Transition period
France	30 years
Great Britain	45 years
Italy	40 years
Luxemburg	40 years
Netherlands	50 years
Sweden	20 years
West Germany	45 years

It should be remembered that many of the above countries were relatively poorly served by private pension plans as compared with Canada. Some had no universal old age pension in force when the state plan was introduced and yet the shortest transition period is 20 years.

We should remember that it has been stated on good authority that "average benefits under private pension plans in Canada exceed those of any other country."¹ Taking all the circumstances of Canada into account it would certainly seem that the C.P.P. is out of line with the plans of many other countries in regard to the proposed transition period of 10 years, and on these grounds alone the matter may require further thought.

⁽¹⁾ "Pension Plans in Canada" (Laurence E. Coward) page 91. The author of this particular article was Mr. A. R. Hicks, Vice-President & Secretary of the Sun Life Assurance Co. of Canada.

As regards the United States social security plan, it must be admitted that it is possible for full transition to take place in 10 years. However, when the United States plan was introduced there did not exist anything comparable to our O.A.S. plan in that country. Furthermore private plans were then relatively uncommon in the United States.

Recommended Solution

The adoption of a 20 year transition period in the case of the C.P.P. would be completely reasonable in the light of the policy adopted by other countries.

10. Features of Plan that were the subject of unfavourable comment in the Report of the Royal Commission on Banking and Finance published in 1964

In this Report it is stated "it is in fact almost certain that the financing of a national pension scheme with relatively high benefit levels would result in a substantial reduction in the funds available for investment in the mortgages, bonds and equities which the savings institutions acquire. A change of this type in resource allocation in the economy and our financial arrangements, might well take us into a new situation in which the experience of past market developments would have only limited relevance... It might well lead to increased reliance on investment by non-residents... An adequate level of investment might place too heavy a demand on the economy's physical resources and intensify the difficulties of combatting inflation".

Elsewhere in the report it is stated "there is also a limit to the amount of supplementary private saving that one can expect if contributions to a national scheme, whatever form it takes, absorb a substantial part of the current income people are willing or able to devote to providing for the future: in such circumstances there is every reason to expect a sharp decline in other forms of saving." It should be remembered that the above remarks were written in relation to the second edition of the Canada Pension Plan, so that the report does not deal with the economic implications resulting from provincial governments having a captive source of finance, possibly at favourable rates, which we understand some economists feel may incline them to spend very much more freely than in actual fact they have in the past. It is felt by some that the availability of funds is an open invitation to their expenditure.

Suffice it to say that some doubts have been raised by economists as to the wisdom of government having control of such a large fund.

Recommended Solution

The only solution we can propose to possible difficulties in this connection is along the following lines.

In spite of the apparently contradictory effect we would again urge that the transition period be extended from 10 to 20 years. Without this the effective part of the proposed solution could not be applied.

Having now established a plan operating effectively on a level contribution for a very long period of years, it would be practical to adopt the same approach as that employed by the British government in 1960.

As is well known to the Joint Committee the British government decided to permit employees to contract out of the wage-related part of their national pension plan. It is interesting to note that the British Labour Party supported the Conservatives in this view.

It is fully realized that contracting out by employers might not be permitted in some provinces but it is felt that provincial governments should be free to make up their own minds in this respect. It is believed that there are certain provinces where the raising of additional capital is of lesser importance than in others, and that these provinces might wish to extend the privilege of contracting out, at any rate, to certain of the larger employers in their area.

Plans for provincial civil servants, schoolteachers and universities immediately come to mind. However the matter could be extended further to include large corporations.

Further points in connection with contracting out are included in Appendix III.

11. *Difficulties in the area of Union-Management negotiations likely to be caused by Plan.*

The additional costs to be borne by industry may be considerable when the government plan is considered alongside the form of private plan now being demanded by union. This situation is aggravated by the extra costs imposed by the regulations of the Ontario government. Coupling all this with the potential costs that may arise through a Medicare programme makes it a most regrettable fact that there seems to be so little acceptance amongst the trade union movement of a need to integrate the government plan with any private plan achieved through negotiations.

Recommended Solution

As has been suggested earlier, if the transition period under the C.P.P. reverts to 20 years as under the original Quebec plan, it would seem to be possible to make provision for employers to contract out of the C.P.P. in the same manner as was permitted recently in Great Britain. It is suggested that whether or not an employer does contract out of the C.P.P., the mere fact that he has the right to do so should be sufficient to avoid the C.P.P. causing management costly and far-reaching disadvantages in union bargaining. The C.P.P. benefits would then be regarded, in a sense, as a substitution for a part of the employer's plan and unnecessary duplication of benefits would thereby be prevented.

CONCLUSION

It will be seen that the eleven difficulties mentioned by us can be eliminated or, at least, reduced to more reasonable proportions if

(i) *The transition period is extended to at least 20 years, and if possible,*

(ii) *provision is made for contracting out by individual employers where this does not conflict with the policy of the province concerned.*

(i) *A transition period of at least 20 years will remove or reduce the following difficulties:*

1. *Inherent instabilities associated with funding system.*
2. *Rising ultimate pas-as-you-go cost plus the continuing cost of Old Age Security pensions.*
3. *Too great an advantage to participants in the higher income brackets by reason of the redistribution of income effected in their favour.*
4. *Difficulty of preventing a certain number of individuals who have contributed to private retirement plans receiving a total retirement income higher than their terminal salary.*
5. *Certain difficulties in connection with integration with private plans.*
6. *Contributions by self-employed a problem when the pay-as-you-go rates increase in the future.*
7. *Further integration difficulties when contributions are on a pay-as-you-go basis.*
8. *Overall governments benefits payable in Canada effectively in excess of those payable in the United States in 10 years' time.*
9. *Plan out of line with certain features that have been tested and proved by other countries.*

11. Difficulties in the area of Union-Management negotiations likely to be caused by Plan.
 - (ii) *Provision made by contracting out by individual employers* will remove or reduce the following difficulties:
 1. Inherent instabilities associated with funding system.
 4. Difficulty of preventing a certain number of individuals who have contributed to private retirement plans receiving a total retirement income higher than their terminal salary.
 5. Certain difficulties in connection with integration with private plans.
10. Features of Plan that were the subject of unfavourable comment in the Report of the Royal Commission on Banking and Finance published in 1964.
11. Difficulties in the area of Union-Management negotiations likely to be caused by Plan.

It should be noted that it will be necessary to extend the transition period to at least 20 years if contracting out is to be permitted.

APPENDIX I

PRIVATE PLAN COVERAGE IN CANADA

With reference to the statement that we hear so often that "only 30% of the Canadian population is covered by private pension plans" we feel that Canada is being all too modest in describing its achievements in the field of private plans in this manner.

In 1960 the 9,600 pension plans then in operation in Canada had a total membership of 1,815,000, representing 34% of the non-agricultural labour force. However a further 16% of the labour force worked for companies who had set up pension plans but had not attained plan membership. Many of these had not completed the necessary years of service nor attained the necessary minimum age in order to join their employer's plan.

Since 1960 the number of pension plans in Canada has increased from 9,600 to a 1963 figure of 12,000 (the present figure is no doubt higher again). It therefore seems probable that, at the present time, approximately 60% of the non-agricultural labour force are employed by employers who have set up pension plans for their employees. It must be stressed that not all are, as yet, members of their employer's plan, but most of those at present excluded will be able to join and derive a pension eventually.

Portability of pensions in private plans has, in the past, left something to be desired but provincial legislation is being introduced that will correct this. The Ontario Government's recent Pension Benefits Act represents a start in this direction and other provinces may follow their lead.

We feel that it will be most helpful to the Joint Committee if they were able to determine the proportion of the labour force covered by pensions plans in different age groups. They might well find that a relatively high proportion of those covered are no wage 35 to 55. This would indicate that employees who will benefit mainly from the Canada Pension Plan are those who are most adequately covered by private plans.

In order to provide some further indication of the statistics relating to private plans we have taken the liberty of reproducing below a statement provided by the Pension Commission of Ontario as at September, 1963. When reading the following figures (or the figures given above for that matter) it should be noted that cases providing for pensions through the medium of individual Registered Retirement Savings Plan have *not* been included. Nor have figures relating to other individual pension contracts with insurance companies and the Government Annuities Branch been included.

Pension Plan Coverage in Ontario

The Pension Commission of Ontario reports that 44% of the paid workers in the Ontario labour force are members of pension plans.

A preliminary survey of 7,518 pension plans covering workers in Ontario shows that there are 925,000 pension plan members and that 1,333,000 employees are working for employers who have a pension plan or plans in effect.

This survey is based on Information Returns filed by employers under The Pension Benefits Act which relate to the pension plan coverage on September 1, 1963. Membership of the pension plans of the federal government and its agencies is included through the courtesy of federal officials in supplying similar information. Care has been taken to remove duplication where an employer operates more than one pension plan for his employees.

The above figures should be related to the number of paid workers in the Ontario labour force plus the number in the Armed Forces in Ontario, that is, to 2,104,000.

In Ontario, therefore, 63% of paid workers were employed by employers who had a pension plan in operation and 44% were members of these pension plans. The latter figure compares with 34% coverage for all Canada in the year 1960 as shown in the Dominion Bureau of Statistics survey of "Pension Plans Non-Financial Statistics".

Considering male employees only, it is found that almost half are members of private pension plans.

Pension plan coverage in Ontario—September 1963
(number of persons in thousands)

	Males	Females	Total
(1) Working for employers with pension plans in effect	958	375	1,333
(2) Members of pension plans	713	212	925
(3) Labour force September 21, 1963 (including unemployed, self-employed, etc.)	1,738	731	2,469
(4) Paid workers in labour force plus Armed Forces	1,456	648	2,104
Ratio (1) to (4)	66%	58%	63%
Ratio (2) to (4)	49%	33%	44%

APPENDIX II

FURTHER POINTS RELATING TO THE EXTENSION OF THE TRANSITION PERIOD OF THE CANADA PENSION PLAN TO AT LEAST 20 YEARS

(a) The Governments of both Ontario and Quebec have, on past occasions expressed their preference for transition periods of at least 20 years. (In the case of Ontario, Premier Robarts has stated this preference. In the case of Quebec, a 20 year transition period was an important feature in their original plan, essential to the sound actuarial design incorporated into it.)

(b) Without wishing to appear disrespectful and based only on a sincere desire to make this Brief as practically constructive as possible, we quote below a part of the statement made to the Joint Committee on November 25 by the Minister of Health and Welfare, the Honourable Judy LaMarsh.

The original Quebec pension plan was to take 20 years to mature. You may well hear briefs from interested individuals who suggest that 10 years is too fast to bring in full benefit. However, this is the original transition period in the Canada pension plan which is retained. The obvious philosophy is that it should be made available to as many people as quickly as possible, and we should not forget, I think, that extending this to 20 years or longer would mean that we would deprive our veterans of any opportunity to contribute and to fully benefit from the plan.

As the Minister says the transition period of the Quebec plan was 20 years, originally providing proportionate benefits for those who contributed for a shorter period. Even had it been a longer period, as applies to so many overseas plans, all would have been assured of full benefits at least in proportion to their contributions. This applies under the plan in Great Britain, for example, even though it can be said of that plan that "it takes 45 years to mature".

We would point out that the adoption of a 20 year transition period will still make benefits available to as many people as possible, as quickly as possible—at least in the case of persons under age 65 (as the Joint Committee is no doubt aware the plan makes no provision for persons over age 65 at the present time).

We submit that the example appearing on page 23 of this Brief provides sufficient evidence that the 20 year maturity period will still provide, in 10 years, a combined pension from the C.P.P. and the O.A.S. that is relatively at as high a level as in the U.S.A. taking wage differences into account.

In point of fact, while many will agree that the level of benefits to persons now aged 55 is of importance, nevertheless there may be a feeling that this represents a section of the population where private plans and registered retirement savings plans are granting benefits of a substantial order. In contrast, the provision of pensions from private plans to veterans now aged 75, 80 or older is very much less adequate.

We submit that the adoption of a 20 year transition period will still enable as many as possible to contribute to the plan and all to receive a benefit from the plan that is reasonable by any standard in relation to their contributions.

APPENDIX III

NOTES REGARDING CONTRACTING OUT

With reference to the suggestion that provision be made for individual employers to contract out, we must admit to the Joint Committee that this may create certain problems. At the same time considerable advantages will result that merit a very close study of the matter being made.

The establishment of a 20 year transition period would, in our opinion, be an essential prerequisite in order to make contracting out feasible.

It is interesting to note that the proportion of private plans in Britain is approximately the same as that now applicable in Canada. Furthermore in both Canada and Britain there is a basic Old Age Pension serving as a foundation for the wage-related plan, a feature which makes Canada's situation very similar to that of Britain. It was not possible to contract out of the basic plan in Britain, nor is it proposed that employers should be permitted to contract out of Canada's basic O.A.S. plan.

The following is a quotation from a British Government White Paper of October, 1958:

The Government are concerned that changes in the field of National Insurance should be so framed as not to prevent the vigorous development of independent provision for old age, whether through occupational schemes or otherwise. Here the Government have in mind not only the rights of members of existing schemes, but the future possibilities of development in this field. Moreover, such schemes constitute an important channel of the nation's savings and so provide the most valuable source of funds for investment. For these reasons the Government attach the greatest importance to the continued development of occupational pension schemes, whose social and economic value to the community is so considerable.

The British Government, with the complete agreement of the Labour Party opposition of that day, decided to permit contracting out of the wage-related plan. We understand that about 50% of the employers in that country have in fact elected to do so. We have not had an opportunity to verify this figure from official sources.

It is one of the peculiarities of Canada's constitution that not one government but both federal and provincial governments will, through the years in future, take a part in the continuing operation of the C.P.P. For this reason we are particularly disturbed by the basic instability of the form of plan now being considered, as explained earlier in this Brief. Changing the transition period to 20 years would, we feel, assist in "taking pensions out of politics" and would provide some more definite guidelines regarding the future operation of the plan.

To the above we would add a word of caution. Whilst the adoption of a 20 year transition period would assist in stabilizing future operations of the plan, we must admit that actions of future government could nevertheless undo the good that this change might otherwise accomplish. For this reason, as well as others, we urge the Joint Committee to consider the advantages of permitting contracting out by individual employers in conjunction with the recommended change in transition period. The responsibility that governments of the future would have to employers who have contracted out would serve as a powerful brake on the pension plan becoming a continuing political issue.

We understand that many of the extravagant claims made prior to British elections in the past, relating to the national pension plan, have been dropped since contracting out was permitted. The same forces would operate in Canada since the whole system of contracting out would be upset if future governments attempt to make politically motivated changes in the pension plan.

We are not surprised to learn that there are some people in Britain who are against the principle of contracting out. We can well imagine that the discipline this feature imposes on the state pension and its operation from year to year may well frustrate some of those close to the British government who would like to bring pensions back into politics again.

We should not overlook the part played by private pension plans in the development of industry and formation of capital in Canada. The increasing dependence on this source of invested capital, especially in relation to common stock investments, represents a further reason for permitting contracting out by individual employers. In the absence of contracting out, a large part of Canada's savings will be forced into provincial investments. This portion would otherwise be available for development of Canada's industry and resources, thus making Canada less dependent on foreign capital.

In the case of the Quebec plan we believe that consideration has been given to investment of part of the fund in industry. Accordingly this province is unlikely to permit contracting out by individual employers. However a different attitude may be adopted by other provinces.

We have already pointed out the advantages in the case of union-management relations if contracting out is permitted from the C.P.P. Many thousands of leading employers have already established and funded pension plans designed to give adequate retirement income, in conjunction with the Old Age Pension. In the absence of permission to contract out employers may be forced by unions into pyramiding three layers of benefits and costs, one upon the other. Contracting out will help in avoiding an unhealthy combination of benefits and costs more burdensome than was ever intended by those who drafted either the Old Age Pension, private plans or the C.P.P.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

SPECIAL JOINT COMMITTEE OF THE SENATE
AND OF THE HOUSE OF COMMONS

Appointed to Consider and Report upon Bill C-136, An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors.

Joint Chairmen: Senator Muriel McQ. Fergusson and Mr. A. J. P. Cameron (*High Park*).

MINUTES OF PROCEEDINGS AND EVIDENCE

(Meetings held during the adjournment of the Senate and of the House of Commons, as of January 12, 1965.)

No. 19

THURSDAY, JANUARY 21, 1965

WITNESSES:

Mr. J. E. E. Osborne, Technical Adviser to this Committee. *From: Federal Superannuates National Association*, Messrs. Fred W. Whitehouse, National Secretary, and Walter R. McLaren, 2nd Vice-President. *From: the C.N.R. General Chairmen's Association*, Messrs. Paul Raymond and J. H. Clarke, both Chairmen, and J. A. Huneault, Chairman of The National Legislative Committee International Railway Brotherhoods. *From: C.P.R. General Chairmen's Association*, Mr. S. Wells, Director of the Research Bureau. *From: University of British Columbia*, Dr. Robert M. Clark, Professor.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

MEMBERS OF THE COMMITTEE FOR THE SENATE
Honourable Senator Muriel McQ. Fergusson, *Chairman*,
and Honourable Senators:

Blois	Lefrancois
Boucher	McCutcheon
Croll	Smith (<i>Queens-Shelburne</i>)
Denis	Smith (<i>Kamloops</i>)
Flynn	Stambaugh
Lang	Thorvaldson

MEMBERS OF THE COMMITTEE FOR THE HOUSE OF COMMONS
Mr. A. J. P. Cameron, M.P., (*High Park*), *Chairman*

and Messrs.

Aiken	Laverdière
Basford	Leboe
Cantelon	Lloyd
Cashin	Macaluso
Chatterton	Monteith
Côté (<i>Longueuil</i>)	Morison
Enns	Munro
Francis	Perron
Gray	Prittie
Gundlock	Rhéaume
Howe (<i>Wellington-Huron</i>)	(Mrs.) Rideout
Knowles	

(Quorum 10)

Maxime Guitard,
Clerk of the Special Joint Committee.

(Meetings held during adjournment of the House)

MINUTES OF PROCEEDINGS

THURSDAY, January 21, 1965

(38)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:08 o'clock a.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Croll, Denis, Fergusson, Lefrançois, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson (9).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Cameron (*High Park*), Cantelon, Côté (*Longueuil*), Francis, Gray, Gundlock, Knowles, Laverdière, Leboe, Lloyd, Monteith, Munro, Prittie, Rhéaume (16).

In attendance: Mr. Fred W. Whitehouse, National Secretary, and Mr. Walter R. McLaren, 2nd Vice-President, Federal Superannuates National Association.

Also in attendance: Mr. J. E. E. Osborne, Technical Adivser to this Committee.

On motion of Mr. Knowles, seconded by Mr. Francis,

Resolved,—That reasonable travelling and living expenses be paid to Messrs. Fred W. Whitehouse and Walter R. McLaren, respectively Secretary-Treasurer and 2nd Vice-President of the Federal Superannuates National Association.

The Committee agreed that the brief previously submitted for distribution by the Federal Superannuates National Association be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix A27*)

The Joint Chairman, Mr. Cameron (*High Park*), introduced the witnesses, Messrs. Whitehouse and McLaren, each of whom made brief statements concerning their brief.

The witnesses were then questioned, and the questioning having been concluded, the Joint Chairman thanked them for their brief and for appearing before the Committee. Mr. Whitehouse, in turn, thanked the Committee for their reception of the brief.

At 11:45 o'clock a.m., the Committee adjourned until 2:30 o'clock p.m. this day.

Dorothy F. Ballantine,
Clerk of the Committee, pro tem.

AFTERNOON SITTING

(39)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reconvened at 2:35 o'clock p.m. this day. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Denis, Fergusson, Lefrançois, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson (7).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Côté (*Longueuil*), Francis, Gray, Gundlock, Knowles, Laverdière, Leboe, Lloyd, Monteith, Morison, Munro, Prittie, Rhéaume (18).

In attendance: From the C.N.R. General Chairmen's Association; Messrs. Paul Raymond and J. H. Clarke, both Chairmen, C. Beckerton and D. O. Spicer, members and J. A. Huneault, Chairman of The National Legislative Committee International Railway Brotherhoods. From the C.P.R. General Chairmen's Association, Messrs. H. A. Stockdale, E. Streeting. Mr. S. Wells, Director of the Research Bureau.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Joint Chairman opened the meeting.

The Committee agreed to have printed as an appendix to this day's Minutes of Proceedings and Evidence a document intituled "Answers to Questions Raised by Senator Croll and Mr. Knowles, on Wednesday, January 20, 1965, at the afternoon's Session." (*See appendix A28*).

In accordance with a motion passed at a previous meeting, the brief, previously submitted for distribution by the National Legislative Committee International Railway Brotherhoods, is appendix to this day's Minutes of Proceedings and Evidence. (*See appendix A29*)

On motion of Mr. Munro, seconded by both Messrs. Francis and Cantelon,

Resolved unanimously: That an amount of \$250.00 be paid to the Clerk of this Special Joint Committee; namely, Mr. Maxime Guitard, for 85½ hours of overtime worked to look after the functioning of this said Special Joint Committee during the period extending from December 21, 1964, to January 22, 1965, both inclusive.

Then the Joint Chairman introduced Mr. Raymond who, in turn, introduced his delegations.

Mr. Huneault, made a preliminary statement and was questioned thereon assisted by the other members of the delegations.

It was agreed unanimously that the following documents be filed with the Clerk of the Committee.

- (1) The C.N.R. Pension Board 1963 Annual Report to C.N. employees and pensioners.
- (2) The C.N. Pension Plan.
- (3) The C.P.R. Pension Plan.
- (4) The C.P.R. Pension Board 1963 Annual Report to C.P. employees and pensioners.

The examination of the delegations being completed, the Joint Chairman thanked the witnesses and they retired.

On motion of Mrs. Rideout, seconded by Mr. Francis,

Resolved unanimously: That a vote of thanks and appreciation be extended to the members of the delegations for their contributions.

At 5:07 o'clock p.m. the Committee adjourned until 8:00 o'clock this evening.

Maxime Guitard,
Clerk of the Committee.

EVENING SITTING

(40)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reassembled at 8:08 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Fergusson, Smith (*Kamloops*), Stambaugh, Thorvaldson—4.

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Côté (*Longueuil*), Francis, Gray, Gundlock, Knowles, Lloyd, Monteith, Munro, Prittie—14.

In attendance: Dr. Robert M. Clark, Professor, University of British Columbia.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Joint Chairman asked the Clerk of the Committee to read the Sixth Report of the Subcommittee on Agenda and Procedure:

"SUBCOMMITTEE ON AGENDA AND PROCEDURE

WEDNESDAY, January 20, 1965.

SIXTH REPORT

The Subcommittee on Agenda and Procedure of the Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 4:40 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Senators, Fergusson, Croll, McCutcheon.

Representing the House of Commons: Messrs. Cameron (*High Park*), Francis, Knowles, Monteith, Munro.

Your Committee agreed to the following decisions and recommends:

1. That when this Committee adjourns on Friday, January 22, 1965, it stands adjourned until 10:00 o'clock a.m. on Monday, February

- 1, 1965 on which date this Committee will hear a delegation from the Government of the Province of Ontario which has expressed the desire to appear before this said Committee.
2. That the Clerk of the Committee be instructed to write to the proper Officials of the Government of the Province of Ontario informing them that this Committee is most desirous of hearing their representations.
3. That the Clerk of the Committee be also instructed to write to Mr. Robert J. Myers, Chief Actuary, Social Security Administration of U.S.A. informing him that this Committee would appreciate receiving his expense statement of account for his appearance before this said Committee, on Thursday, January 14, 1965.
4. That a letter be sent, by the Clerk of the Committee, to both the Canadian Construction Association and the Canadian Teachers' Federation, inviting them to appear before this Committee, on Monday, February 1, 1965.

Respectfully submitted,

(S) A. J. P. Cameron (*High Park*)
Chairman"

On motion of Mr. Monteith, seconded by Mr. Munro,

Resolved: That the Sixth Report of the Subcommittee on Agenda and Procedure be adopted as amended by adding the following paragraph:

That all other prospective witnesses be informed by the Clerk of the Committee that they are under no obligation to appear before this Committee but that nevertheless, their briefs already submitted or intended to be submitted will be carefully studied and appended to this Committee's Minutes of Proceedings and Evidence.

Then the Committee agreed unanimously to have appended to this day's Minutes of Proceedings and Evidence a document intituled "Estimates relating to Old Age Security Programme". (*See appendix A30.*)

In accordance with a motion passed at a previous sitting, the brief submitted by Dr. Robert M. Clark is printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See appendix A31*)

The Joint Chairman then introduced Dr. Clark who was asked to give his qualifications before he made a statement and was questioned thereon.

And the examination of the witness continuing, at 10:20 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m. on Friday, January 22, 1965.

Maxime Guitard,
Clerk of the Special Joint Committee.

Note—The evidence, adduced in French and translated into English, printed in this issue, was recorded by an electronic recording apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.

EVIDENCE

THURSDAY, January 21, 1965.

The CHAIRMAN (*Mr. Cameron*): Mrs. Rideout and gentlemen, I see a quorum, so I think we may as well get down to business.

I would like someone, if they see fit, to make the following motion and then have it seconded:

That reasonable travelling and living expenses be paid to Messrs. Fred W. Whitehouse and Walter McLaren, respectively Secretary-Treasurer and Vice-President of the Federal Superannuates National Association.

Mr. KNOWLES: I so move.

Mr. FRANCIS: I second that motion.

The CHAIRMAN (*Mr. Cameron*): It is moved by Mr. Knowles and seconded by Mr. Francis that this motion be adopted.

Carried.

The CHAIRMAN (*Mr. Cameron*): Our brief this morning, of course, is from the Federal Superannuates National Association. Mr. Whitehouse is here, accompanied by Mr. McLaren. I would ask them if they would mind coming forward.

Mr. Whitehouse, we have all received a copy of your brief and we have studied it. We would ask you to make such presentation as you see fit now, and we will probably ask both yourself and Mr. McLaren certain questions concerning it.

Mr. FRED W. WHITEHOUSE (*Secretary-Treasurer of the Federal Superannuates National Association*): Mr. Chairman, ladies and gentlemen: First of all, I would like to express the appreciation of the organization we represent, the Federal Superannuates National Association, which is what its title implies, with a membership comprising retired federal civil servants of Canada. I would like also to express the appreciation, I am sure, of our membership and certainly of Mr. McLaren and myself for the motion which you have just passed, because I can assure you, sir, that we have not too much in the way of finances at the present time, Mr. McLaren and myself having volunteered to come here to speak for the people we represent, to the best of our ability.

I would be less than honest if I did not say that I am in a bit of a dilemma, the first time I think I have ever been in that position appearing before a joint parliamentary committee of the House of Commons and the Senate, in that we are aware that what we have to present is not included in your terms of reference. That is why we doubly appreciate having the opportunity of coming here, because we would like to present to this committee some of the things that are bothering retired civil servants, concerning which, up to the present time, we have not been able to convince our Government that something should be done, despite the fact that many countries of the world have recognized this over the past decade, including Great Britain and the United States of America.

The CHAIRMAN (*Mr. Cameron*): I do not think you need to feel any embarrassment. I feel that while it may not be strictly within our terms of reference,

this matter is something that has been brought up by many witnesses before, and that is the situation in which people presently retired find themselves vis-à-vis the Canada Pension bill. To that extent I think your presentation is quite relevant. Certainly, we are not going to take any exception to it, at any rate.

Mr. WHITEHOUSE: Thank you very much, Mr. Chairman. With that encouragement, I will proceed.

Mr. KNOWLES: This is one of the groups of people not covered by our bill, and there have been many references to people not covered.

The CHAIRMAN (*Mr. Cameron*): That is what I intended to indicate.

Mr. WHITEHOUSE: I would add a few observations on the bill you are presently studying on the Canada Pension Plan, and we do this as citizens of Canada as well as retired civil servants of Canada. We have always hoped that such a plan would be forthcoming, and there has to be a beginning for all things, we know. And like all things that have come to us in the past they are not perfect.

There are things in this bill that we would like to see changed. The bill makes no provision for people who are retired now, though it is true that, when they reach the age of 70, they receive the old age security.

We think that despite the fact this bill, if it is passed, will provide for the people of the future when they retire—and that will be a wonderful thing—it is not enough. It is something very nice to know that your old age is going to be taken care of, but we like the part of the bill which provides for an escalator, in other words which keeps pensions on a par with the cost of living. We have advocated this in our representations to the Government for retired civil servants but have been told that it could not be done.

We would like to think that perhaps this committee, and I am sure they have had similar representations before them before, could make some kind of recommendation concerning, or at least give some study to, the people who will not benefit by this bill, namely, all retired federal civil servants.

We would like to think, too, that the widows will be given better provision in the future than they receive at present, and that this bill would contain a clause benefiting widows of retired civil servants so that they would receive at least 75 per cent of what their husbands would have received, instead of 50 per cent, and that they would be paid the full pension for at least one year to enable them to get straightened away in their financial situation.

I don't think we have to stress the fact that when a woman becomes a widow, perhaps with several children to take care of, it is quite a chore for her to become accustomed to this, and she certainly cannot do it in a few weeks or a month. We advocate that they receive the full pension for at least one year.

There are other things in the bill which we just cannot reconcile, and I repeat that the bill has nothing whatever to do with the people we represent because we are not going to benefit one iota from it. However, we do note that after 10 years of contributing, if you happen to reach the retiring age at the end of the 10-year period, you will receive the full pension of \$104. Another person can contribute for 25, 30, up to 50 years, and still only receive the \$104.

We would like to think that perhaps in the wisdom of this committee it could recommend that there be a limit on the years of contribution to the plan, similar to what we have in the federal plan. In other words, after 35 years of contributing service you do not contribute any longer but you do receive the full pension on retirement.

It does not seem equitable for a person to have to contribute for 40 or 50 years and still receive only the same pension which a person who has only

contributed for 10 years receives. We are also fully cognizant of the fact that it perhaps is these people who contribute 35 or 50 years who make it possible to keep the plan or the fund solvent.

However, there is a limit to all things, and I am sure that this Government will be laying itself open to a lot of criticism if this plan goes through with that particular clause in it.

There are many things that we would like to present to the committee on the plan, but we did not come here for that purpose. We have a selfish motive, shall I say, Mr. Chairman. We want to try to convey to you people the situation which federal civil servants who are retired find themselves in today.

Now, to obtain any amendment to the Canada Pension Plan we understand that you must obtain agreement of at least two-thirds of the provinces or two-thirds of the population of the provinces. I don't know whether I have that correct, but it is something along that line.

Having had experience with quite a few governments I know how difficult it is to obtain that kind of amendment which you require to this plan if you have to get two-thirds of the provinces to agree. We would suggest that if it is possible at all you recommend making it, shall we say, easier to obtain amendments to this plan so that the plan can conform to the economy of our country which changes constantly, as you all know. If that is not done you are going to find yourselves with a plan which, perhaps despite all your efforts, will be almost impossible to amend once it is in effect.

We would like to think, finally, too, that some thought will be given to Canadian citizens who are now retired, and I am not speaking of federal civil servants. They should be given some measure of assistance other than the old age security pension which they now receive at the age of 70. There are thousands of these people across the country and they are in exactly the same position as the people we represent. I speak now for the thousands—38,000-odd—of federal civil servants, with their widows, who are retired and who, after serving the country faithfully as civil servants, do not get enough.

I emphasize the word "faithfully". You have heard the expression that civil servants are the backbone of any country's government. A government is no good unless it has a good civil service and, thank God, we have had a good civil service and still have one.

These people have made civil service their life's work. Thousands of them could have left the service to go into more productive employment outside, but they have been faithful and have stayed in the civil service. The dollars they have contributed to the plan have each been worth 100 cents or more, and in many cases the dollars they contributed are now worth only 32 cents in purchasing power. We would like to think that the Canadian Government in its wisdom—and to date it has not shown this wisdom—would provide for adjustments in the pensions of their retired people so that the purchasing power of the dollar in their respective pensions would be worth 100 cents instead of only 32, 40 or 50 cents, as it is today.

This is not a unique request we have made. This has been recognized in Great Britain, the United States of America, New Zealand, and countries of the continent. Some of our own employers in Canada have recognized this and some insurance companies have already made upward adjustments in the pensions of their former employees.

We ask that this committee, despite the fact that we are not included in your terms of reference, make some reference to this in your report. We would be particularly happy if you could make a recommendation to Parliament that more serious and favourable consideration be given to the super-annuated civil servants of this country for an upward adjustment in their

pensions. Furthermore, if this adjustment in pensions is made, then the federal Government will be providing something it has refused our people—an escalating clause.

Governments of countries greater than ours in population have recognized this principle. In Great Britain they have agreed to make a cyclical review of the pensions of all their retired people. This review is to take place every two years so that the pensions of former employees will be kept on a par with the cost of living in Great Britain. Last year the United States Congress passed legislation containing this same clause.

I am sure, ladies and gentlemen, you are aware that this is going on in many countries; and Canada is one of the foremost countries of the world, a country we are very proud of and which we have served in the federal civil service and in the two wars as good Canadian citizens. Canada should do as much.

We would like to think that our employer will measure up to his former employee just as well as the employers of other countries have measured up to their former employees. We have tried to cover all this in our brief, Mr. Chairman, and you have told me that our brief has been read.

The CHAIRMAN (*Mr. Cameron*): Yes, it has been distributed.

Mr. WHITEHOUSE: And read, I hope. Mr. McLaren who is with me, is a former employee of Income Tax, and he is quite familiar with statistics. With your permission, Mr. Chairman, I would ask Mr. McLaren to put to this committee what we would hope the committee might consider, and include in its recommendations. Is that permissible, Mr. Chairman?

The CHAIRMAN (*Mr. Cameron*): Yes. I take it that there are no objections. Mr. McLaren?

Mr. WALTER McLAREN (*Vice-President, Federal Superannuates National Association*): Mr. Chairman and ladies and gentlemen, we were fortunate in having some of the minutes of the meetings that you have held, and we were particularly interested in the actuarial projections and submissions that you have been laboriously studying.

First of all, as Mr. Whitehouse has stated, we realize that your terms of reference do not cover our situation. Since the superannuation fund is involved in the integration of active civil servants under the Canada Pension Plan, and we understand from the Association's press media that this has been agreed to by the Superannuation Advisory Committee—I do not know whether you have that before you—I should like to ask the Chair a question. It hinges on what I have to say. I presume, sir, that a recommendation will have to go from this committee for the amending of the Superannuation Act of 1954, which gives civil servants vested rights in the superannuation fund as it is presently constituted. In order to integrate those active civil servants under the plan on the arrangements that have already been agreed to, by making a diversion from their 6½ per cent contribution with a portion going into the Canada Pension Plan and the balance into the superannuation fund. I am not an actuary, sir, but I presume that that is going to have some bearing on the actuarial value of the fund as it will be set up after that takes place.

If it is correct that you propose to make an amendment we should like to know now because, as far as we, in our thinking, are concerned, we have vested rights in the fund—both the active and retired superannuates. Do you not think that any amendment that did not take into consideration the actuarial values that are going to be affected by that integration is somewhat of an infringement on our legal rights?

Mr. FRANCIS: Mr. Chairman, is this within the terms of the committee's deliberations?

The CHAIRMAN (*Mr. Cameron*): I am thinking in the same way as you are, Mr. Francis. I related it to the situation in which old age security beneficiaries are finding themselves, and on that basis I thought that the brief could be reasonably said to be relevant because we have had many witnesses before us who have called the same situation to our attention, but when you start talking about a particular act and so on I think you are going a bit beyond what I had in mind. Do you understand, Mr. McLaren? If you can relate it more specifically to the Canada Pension Plan then I think it would be that much more in order.

Mr. KNOWLES: Before you rule too firmly on that, Mr. Chairman, I wonder if you would look a little more closely at what Mr. McLaren is talking about. As I see it, he is asking questions as to what flows from things we have been told in this committee of the integration of the federal civil service superannuation plan and the Canada Pension Plan. That whole question is before us.

The CHAIRMAN (*Mr. Cameron*): I am trying to keep him within reasonable limits.

Mr. KNOWLES: It strikes me, Mr. Chairman, that he is more relevant when he asks these questions than he is in the main body of his brief. Their concern is that the integration which is forecast, and about which we have been told, does not affect adversely their position.

The CHAIRMAN (*Mr. Cameron*): In that aspect, it is relevant, yes.

Mr. AIKEN: I would like to support Mr. Knowles' contention. I think we are in a very broad examination, and I think the people who are left out should be heard just as much as those who are in.

The CHAIRMAN (*Mr. Cameron*): I am not trying to restrict the witness. I am asking him to keep as closely as he can to the Canada Pension Plan bill, and how it affects those he represents. As you said, Mr. Knowles, this is one way in which it may affect them.

Mr. FRANCIS: I think this is an important question, as to what will be done with that old superannuation act. That is obviously of great interest and concern to all of us. We have had indicated to us that discussions have been taking place informally with the various staff associations, but the committee has been asked to consider the Canada Pension Plan. I think it would be a very important assignment for a committee to look at the federal Civil Service Superannuation Act itself, which is a major topic and a very important one, but I have some concern, Mr. Chairman, about how far we should go on this point. I do not know whether any member of this committee can answer the specific question Mr. McLaren has put forward. I think the Government would have to speak on this matter.

I have some questions related to a number of the principles in the brief and the principles of integration, and I think it is perfectly in order for the committee to indicate the general principles which should guide integration. I think they can give us their views, but I do not think any member of this committee is in a position to answer the specific question put forward by Mr. McLaren.

Mr. KNOWLES: One of the questions asked is a question we have already dealt with in this committee. As a matter of fact, I asked it of one of the officials and I got a categorical answer. The question was: Will any of the money in the present public service superannuation fund be taken over by the Canada Pension Fund? We got from an official a categorical answer on that, that that would not take place.

Mr. FRANCIS: Mr. Chairman, I think this is a perfectly proper question, but I do not think it was Mr. McLaren's question.

Mr. KNOWLES: I am sorry, Mr. Francis, but let me go on for just a moment. I interpreted the brief as indicating that the Association accepts that answer; that it is satisfied on that point, but it is now wondering whether the contribution rates that will be altered by the proposed integration will have another kind of effect on the Public Service Superannuation fund. I agree with Mr. Francis that we cannot answer the question, but it seems to me that it is legitimate for this type of question to be put before us so that we can get the answer later from our officials.

Mr. FRANCIS: I think if Mr. McLaren wants to express a view as to the type of policy that should guide the committee and the Government it is proper for this to be in the record, but Mr. McLaren has asked for information which I do not think any member of this committee can give.

Mr. KNOWLES: I think we are agreed that he can ask it.

Mr. FRANCIS: I should like to hear his views.

Mr. McLAREN: Mr. Chairman—

The CHAIRMAN (*Mr. Cameron*): Just a moment, Mr. McLaren, if you do not mind. There are two things which Mr. Osborne has called to my attention and which should appear on the record. At page 2 of the Government's White Paper on The Canada Pension Plan dated August, 1964, this paragraph appears:

The Canada Pension Plan will NOT take over or absorb reserves that have been built up by private pension plans. The Canada Pension Plan will NOT remove any rights to benefits already acquired under private plans. The integration of private plans with the public plan will NOT be compulsory.

Mr. Osborne also calls my attention to a sentence which appears in the Minutes of the Proceedings of this committee at page 577, the last sentence in the second to last paragraph—this is Mr. Bryce speaking as a witness at this particular time—which reads:

I should emphasize that pension credits already earned on service up to the commencement of the Canada Pension Plan (Jan. '66) would not be affected.

Does that help answer your question, Mr. McLaren?

Mr. AIKEN: I wonder if in addition I might read from the first paragraph, which is as follows:

The Canada Pension Plan is designed to extend social insurance protection to people in retirement, to widows, orphans and the disabled.

The CHAIRMAN (*Mr. Cameron*): I am not ruling this is irrelevant at the present time, but I am suggesting to you, Mr. McLaren, that you try to tie your remarks in as closely as you can to the Canada Pension Plan; to state what you believe the Canada Pension Plan fails to accomplish, and what you think it should accomplish.

Mr. McLAREN: Well, Mr. Chairman, I do not know whether you consider my opinions of any consequence along these lines. I have not had the advantage or the privilege of discussing the Canada Pension Plan in such detail as you and the members of this committee have over the past weeks. I was only making an observation from a perusal of the Minutes of your deliberations, and we were not quite sure where this was going. I do not think that the federal Civil Service Superannuates are people with suspicious minds, but we are all civil servants of long standing, and we have seen things during our service that we have come to suspect, and which eventually, because we have kept

quiet because of the regulations, we found were enacted. We thought that this committee, dealing in such detail with the Canada Pension Plan would find beneficial a comparison between the two plans.

On your actuarial assumptions and projections that you have there, there is a short-range estimate from 1966 to 1975, which is the transitional period; and then there is a long-range estimate for the years 1982 to 2050. I can assure you we are not concerned with that long period, because we will not be here; we will be under Higher Authority, as the brief shows.

Mr. KNOWLES: You both look pretty well, to me.

Mr. McLAREN: That period compares with the present superannuation plan as it exists today. After 40 years of operation, we are most disturbed at reactions when we communicate with the Government at various levels from the Prime Minister down, and at replies from some members of Parliament who have taken it upon themselves to try to find out the answers on the floor of the House. They have been told, and we have been told repeatedly, that the superannuation fund is actuarially in the deficit position. To our way of thinking, and according to the research we have been able to do by using the public library and other sources of information such as the Auditor General's Report, that is something we cannot understand.

The CHAIRMAN (*Mr. Cameron*): This is where you are beginning to stray.

Mr. McLAREN: I do not know how to keep in line.

Mr. AIKEN: I do not think we should try to prevent these witnesses from straying a little bit. There is a comparison with another plan. They are concerned with how they are going to get along. I take it that the trend of this particular remark is a concern about what may also happen to the Canada Pension Plan.

Mr. LLOYD: I agree with Mr. Aiken and think we could be a little tolerant for a few minutes. I think the gentleman will get to his point. This subject of integration generally is a proper one for us to be concerned with. I know that on many occasions in this committee I come up with questions which clearly indicate that I could have done a better job. There is room for improvement among all of us and I think we should show some tolerance to the witness for a few minutes. I am sure he is concerned about the matter of integration and in his own way he will eventually get to the point.

The CHAIRMAN (*Mr. Cameron*): Proceed, Mr. McLaren.

Mr. McLAREN: Thank you very much. I may be wandering, but I will get to the point. I do not know whether your committee will accede to our request or whether you will even give it serious consideration.

Mr. AIKEN: We will hear it.

Mr. McLAREN: Thank you very much. If you notice, on page 7 of the brief we have placed before you a life expectancy of the civil servants concerned, that is, retired civil servants. We review the superannuation fund with the actuarial short-range, long-range, projections. I am referring now to the short-range projections and estimates which you have before you under the Canada Pension Plan. If you look at that along with this schedule showing the age limits of the civil servants involved, you will find that 15 years is the most reasonable expectancy of life. That is in accordance with the insurance mortality rates which are usually submitted.

That brings me to this particular point and I would like to get to this point immediately. I do not know what the committee can do about it. These are the people we are concerned with. On the schedule that is their age basis. I understand that the schedule Mr. Knowles very kindly obtained for us is supposed to be tabled within the first 15 days of every session, and should

appear in *Hansard*. However, that is not the recent one, that is 1962; but I am positively sure the most recent one will not deviate statistically from the one you have in front of you.

You will see that when you are dealing with annuities of pension paid under the Canada Pension Plan, your civil servants of this age from 1924 to 1964 are receiving very much less. In fact, the great majority are receiving less than they could possibly receive under the Canada Pension Plan. That is what faces these people—I should say “us”. However, I should be honest about it; I have been able to take care of the inflationary barriers myself by continuing to work. I am 72 at the moment, and I propose to work as long as the Lord gives me breath and strength.

I have met people in every walk of life across Canada who are in dire circumstances by receiving this inadequate pension. I notice that one lady from the Council of Women was telling you that our aged people cannot live with dignity. I can assure you that your former civil servants cannot live with dignity on that type of pension.

Therefore, sir, ladies and gentlemen, what we are concerned with now is the 15 years. If this committee wishes to do anything for the former civil servants, they have the statistical data there and they could suggest that a diversion be made at the cut-off date of January 1, 1966, in the inception, whenever the Canada Pension Plan comes into operation, that is the crucial period as far as we are concerned. If there is any anticipated amendment going from this committee to be discussed on the floor of the House, you could make some recommendation to aid people who now require some assistance, your former civil servants. I think this should be reviewed with an integrity which looks beyond immediate political partisan advantage, because we are your civil servants regardless of political affiliations. We hope you will see your way, when you are making an amendment to the Superannuation Act, to include a recommendation which would be discussed on the floor of the House, to take care of these people, to do what is required. I am now at the point. You can take the cut-off date as far as superannuates are concerned, in dealing with the 15-year projection, which is quite comparable to your short-range projection here. If you do that, your Canada Pension Plan, if it passes, will have public support. If you do not do anything for the retired civil servants, I do not see how you are ever going to get the support of the people of Canada, when anyone can look around and say: “What are they trying to do now; what did they do for their former civil servants, living under those conditions?”

There is one other point before I conclude. I want to keep within your terms of reference, if I can. On your actuarial projections there is an anticipated increase in the cost of living, which will increase as the plan proceeds. It is given as possibly 3 per cent, if I can remember correctly, up to 1985. That is a very conservative estimate, and a very conservative assumption, because last year the cost of living went up 1.9 per cent from November to December. This is going to have an impact on the economy of the country, which you discussed, as I know from the minutes of your meetings. I do not know who the gentleman was, but he asked a question, I believe, of Mr. Bryce, as to how wages chase prices and the levels come together. I think the actuary told you that he had looked at that position as given over 100 years. From having spent all my working life in the Income Tax Department, I can assure you that I can agree with what he had to say, because wages chasing prices creates an inflationary situation. Here we are, a bunch of your former employees, subject to the frustration of these inflationary values. Nothing has been done up to now. If this bill passes and comes into operation, we can look forward to further encroachment on the fixed income of the pension dollar, reducing down to the

point where you will have widows—and I appeal for the widows particularly—living practically in penury and going hat in hand to their respective provincial governments, as the Prime Minister suggested, so that they may receive assistance from them on a charitable basis.

That is my submission. Thank you.

Mr. FRANCIS: I was interested in the table on page 2 of the brief, which is the breakdown of the number of civil servants by the amount of the pension. The Canada Pension Plan has been criticized because its benefits are earnings related. As I understand the request of the association, through their brief, they want adjustments which are related to previous earnings. They have asked for parity with those retiring in comparable brackets.

Mr. McLAREN: That is correct.

Mr. FRANCIS: Because it seems to me that this is the same principle which is under attack in the Canada Pension Plan itself, and if I read your brief, you are supporting the principle that the adjustments should be related to earnings. The income range does not include \$75 a month at age 70 for old age security; this would be in addition?

Mr. McLAREN: That is quite true, but then we have no pension which is equated under the Canada Pension Plan at age 65.

Mr. FRANCIS: Have you made a specific request that this should be one of the provisions?

Mr. McLAREN: No, we have not.

Mr. FRANCIS: My question, Mr. Chairman is this: Does the association which you represent have any views on an upper limit of relation of earnings—pardon me, of the Canada Pension Plan or federal civil service superannuation, plus old age security as a percentage of some sort of current earnings? Have you any views of what the upper limit should be? We were given instances where civil servants will retire, and I am very happy to learn about this. Have you any views of what the upper limit should be? Are you asking for adjustments at the top of the scale in the same percentage as at the bottom of the scale? Should there be an upper limit of say 80 per cent of earnings in a current bracket, or an adjustment which is weighted more in favour of those at the bottom.

Mr. WHITEHOUSE: As I tried to point out in my remarks, what we have asked for is that the pension dollar be kept on a par with the cost of living as indicated by our Bureau of Statistics. The pension dollar should be worth 100 cents instead of, in the worst cases we have, 32 cents today. They contributed a dollar, 100 cents, when they were working. The pension dollar today in some cases is worth 32 cents. We are asking that the purchasing power of the pension dollar be brought up to its full value. As you are aware, a great majority of the people we represent, when they received their superannuation it was based on the ten year average. Since then there has been an amendment to the Superannuation Act which makes it that your superannuation is based on the best six years of service. That in itself creates quite a margin—the person receiving a pension on a ten-year average, and the person on the best six years of service which is the case today. So our people feel that their pension should be based on the best six years. That is one adjustment that should be made automatically, we think. But also adjustments should be made to bring the pension dollar up to 100 cents; and we have asked that the same amount of pension be given or considered when this adjustment is made, that if you are receiving \$50 a month it still be \$50 a month when this consideration is given to bringing it up to \$50 full dollars, but also to add to that an upper adjustment to make it possible for that person to live in decency.

You mentioned the old age security pension, and it is true that we have not included that in the earnings or the income of our people. The Prime Minister

has brought this to our attention, too, that our people receive the old age security. But so do all other citizens of the country, because they contribute in their working days, and we do not think we should be singled out that this is an extra thing we receive at 70, because all citizens throughout the country receive it.

Mr. FRANCIS: One last question. Of course, I am in favour of the principle of doing something for people who retired a few years ago, and I realize that the pension dollars do not mean the same thing any more. I think the principle is right; but is your delegation recommending the same pension adjustment for those receiving \$300 and over and those receiving less than \$20 a month.

Mr. WHITEHOUSE: Well, as you know, there has been one adjustment made, which was passed by Parliament in 1958 affecting those who retired before December 31, 1952, made by the previous government. The table will show that they awarded these upper adjustments on a graded scale, which seemed fair and equitable, and we would assume that if we were successful in getting an adjustment in the present pensions it would be on the same basis. Of course, we are particularly interested in the lower bracket.

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles?

Mr. KNOWLES: Mr. Chairman, I do not think it is necessary to take any of the committee's time or space in the record to indicate my sympathy with the delegation, so I will come straight to my question.

My first question, one might say, has just been answered. However, there is a facet of it I might develop slightly. You do refer in your brief to the Public Service Pension Adjustments Act, and you suggest it will be better for increases in the pension to be charged against the superannuation account fund rather than as a budgetary expense. I take it that despite that criticism of the use of the Public Service Pension Adjustments Act of 1958 you do agree that the principle in that act, namely, that any increases or improvements should be awarded in favour of those at the lower end of the pension scale?

Mr. WHITEHOUSE: Correct, Mr. Knowles.

Mr. KNOWLES: You made a reference in your brief to widows and their need for a higher rate of pension than 50 per cent which is now the case, and you spoke particularly of widows who have children. Obviously in this case you are referring not to the widow of a civil servant on pension who had retired. We had statistics the other day to set that aside. But you refer mainly to the widow of the civil servant who dies in service?

Mr. WHITEHOUSE: That is right.

Mr. KNOWLES: Would you think that there should be any special kind of provision, that there should be a percentage added on where there are children; or do you feel rather that there should be a flat increase in the pension paid to widows?

Mr. WHITEHOUSE: This was our understanding, that if we were successful in obtaining an increase in the widow's allowance to 75 per cent, there be an added clause that she receive the full pension, which her husband would have been entitled to, for at least one year, to get her financially settled, particularly where children are concerned. We have not requested any further adjustment in the case of children under 18 now receiving a percentage of the widow's allowance.

Mr. KNOWLES: We who are sitting as members of Parliament can hardly quarrel that the widow's percentage could be a little higher, because although they were not covered in our pension act for a number of years they are now covered for 60 per cent.

You have made a number of references to what the jargon of this committee has called "indexing." This is the process of raising pensions according to various indices based on the cost of living or wage. You have referred to the desire to keep the pension dollar at the value that obtained to those dollars we put in.

Mr. WHITEHOUSE: That is right.

Mr. KNOWLES: I think that this is not your only interest, that you feel that there should be other adjustments to enable retired people to keep up with the standard of living of the society in which they are living?

Mr. WHITEHOUSE: Correct.

Mr. KNOWLES: Have you noticed in your persual of the minutes, although some have only come to us this morning, a submission made by two or three delegates—I think Mr. William Anderson was the first one—that any general old age pension plan should have in it provisions for increasing the amount as pensioners grow older, that is, that a 75 year old person should get more than a person of 70 and that a person of 80 should get more than one of 75? Have you any comments on this?

Mr. WHITEHOUSE: Yes, we have views on that, and we are quite aware of some of the representations to this committee from insurance companies and other people representing large groups of citizens. While we did not make any representation on this particular point, we do agree that as people grow older their expenses tend to increase, and this can be brought about by many factors—ill health, for one thing, and until we have a medicare plan, which we understand might be forthcoming in the not too distant future.

Mr. KNOWLES: I hope you are right.

Mr. WHITEHOUSE: And these people find themselves in very straitened circumstances, more so than earlier in life; so that we could agree with what has been submitted to this committee in that respect.

Mr. MONTEITH: May I ask a supplementary, Mr. Chairman. Does your experience indicate that the members of your association have any views on this, that any income, or any capital, small savings that might be laid aside at the time of retirement, are apt to reduce as years go by. Are people inclined to use up savings other than the pension?

Mr. McLAREN: Definitely. I would say from the people we represent, that we find that civil servants who are in retirement today came through the hungry thirties. When you talk about savings, they had no money to invest as a hedge against any future inflationary period. It is only as they came to the years from 1930 to 1940 that they had any money to spend. Most civil servants, and we must remember this, were on a low salary scale, very much lower than they are today, they were buying houses and equipment, household equipment, and they had not the money and they paid for it on deferred payment plans. It is only in the later years of life they found the house paid for, after struggling along for some time, and some of these people have had to sell their houses and move into apartment living because of the fact that they could not do ordinary household chores in the garden; and that situation applies to all elderly people. They are using their whole resources immediately they do that, and some have been forced to sell their house at a very much depreciated value, unless they happened to be living in an area where real estate skyrocketed during the expansion, in large cities like Edmonton and even Victoria. They are digging into their savings, such savings as they have.

Mr. MONTEITH: Generally speaking, the more elderly one becomes the lesser are the savings left on hand?

Mr. McLAREN: Yes, they are, definitely.

Mr. WHITEHOUSE: I would like to add to that, and Mr. McLaren has brought out the point. The great majority of people we represent are people superannuated in the past 15 or 20 years. The salaries at that time—I know from first-hand experience, and had a lot to do with bringing salaries up to what they are today in the civil service—the salaries of 15 or 20 years ago, in many cases, were less than half they are today, but—and this is where the burden our plan comes into full play—they were always able to provide for their old age, and a great majority of people could go to bed quite content and happy that their future was taken care of. They were not receiving enough pay to accumulate riches of any kind, but those fortunate enough to save two or three thousand dollars found it was dissipated by the low pension they were receiving and the expenses they were having to pay between the age of 65 and 70. To answer the question: Does money saved during a lifetime stay with you, or is it used or dissipated after you retire? Definitely. I know in my own case, when I retired two years ago I thought I had a nice little nestegg, but more than half of that has gone already, and I wonder what is going to happen in the next five years. Like Mr. McLaren, I thank God that we are fortunate enough to have enough to get by on; but it is these people we are representing we want more done for. People in every city of this country need help, former civil servants who have given faithful service for 45 to 50 years, living in the hope that when they retire they would have enough money in the form of a pension to keep them going. Then they come to the stage when they find the purchasing power of the dollar is decreasing every day, and nothing has been done yet to bring that purchasing power back up to where it should be.

Mr. KNOWLES: An accent like that of Mr. McLaren's tells us it was not possible at certain times to effect savings. It is too bad our *Hansard* record is only bilingual, French and English.

One or two other questions. You have made it very clear today, and through the piece, that you do not think what you get under Old Age Security should be thrown at you as a reason for not having your position as superannuated civil servants improve. This is the position I thoroughly agree with. But I still would like to ask you a question regarding Old Age Security. There have been a good many suggestions to this committee, even though our terms of reference are the Canada Pension Plan, to the effect that Old Age Security should be increased. I take it we would have the support of your association for any such recommendation?

Mr. WHITEHOUSE: Not only an increase but we would like to see it paid sooner, at age 65 instead of age 70.

Mr. KNOWLES: One final question. Perhaps this is where we started when we began the meeting. You are, of course, aware of the fact that our terms of reference specifically are Bill C-136, but you are also aware of the fact that committees sometimes include in their reports recommendations on other related matters. Basically, you are hoping this committee will issue a recommendation along the lines of your brief?

Mr. WHITEHOUSE: Quite correct, Mr. Knowles. And, Mr. Chairman, that was one of the main reasons we wanted to get before your committee, and why we appreciated so much that you gave us that privilege, because, as I have stated, from past experience of parliamentary committees I know that while their terms of reference covered something very specific, they have listened to other things perhaps closely related to what the terms of reference covered, and in their recommendations to Parliament they have included certain recommendations despite the fact their terms of reference did not include these things.

More than anything else, we would like to get our case on the floor of the House of Commons, if it is at all possible, because we are so confident that if every member of Parliament knew of the plight of retired civil servants he could

not fail to agree to the modest thing we are asking. This is not unique; other countries of the world have recognized this and are practising it today.

Mr. AIKEN: Mr. Chairman, I wonder if I might ask Mr. Whitehouse about the association that he represents?

I assume this is a continuing association, one which will represent the retired superannuates as they become superannuates from the federal civil service. Is that correct?

Mr. WHITEHOUSE: That is correct, and with your indulgence, Mr. Chairman, if I could just enlarge on this picture: It is what the title of the organization states, superannuated federal civil servants. We are national in scope, from Halifax to Victoria. We have membership in several countries overseas, Canadian civil servants retired abroad, and we definitely intend to continue in operation. When we pass out of the picture there will be others, we are sure, ready to take our place.

I may say we are comparatively new in so far as a national association is concerned. When I retired as president of the Civil Service Federation in the fall of 1962, instead of sitting down and taking life easy, which I had been looking forward to doing, I decided to organize the retired civil servants of this country, which I knew had been necessary for some 20-odd years. Our target is not simply to get a better deal in the way of pensions. We are in a position to counsel our superannuates as to how they can do this, that and the other thing, and most of my mail is from retired civil servants across the country who are asking for that counsel. We envisage establishing something they have in Great Britain and Germany: we are going to establish what we call holiday homes across the country, so retired civil servants can get a holiday or convalesce at about half the price they have to pay today.

Mr. AIKEN: Thank you, Mr. Whitehouse.

Mr. PRITTE: I should think Mr. Whitehouse is never really going to retire, Mr. Aiken.

Mr. AIKEN: The point of my question really was that your association, while primarily presenting a brief concerning present-day retired civil servants, is also concerned with the plight and conditions of future retired civil servants and, therefore, your view is as to them as well as to yourselves?

Mr. WHITEHOUSE: Yes, but I would be less than honest if I did not also state this, that while we are naturally concerned with the future of retired civil servants, with the coming into being of the Canada Pension Plan, we understand from what the parliamentary secretary to the Minister of Finance said last November on the floor of the house, a partial integration of our fund will be made with the Canada Pension Plan. Therefore, apart from the Canada Pension Plan and our superannuation fund, they will receive adequate pensions.

We may have suspicious minds, but when we look into the future and project ourselves 15 years from now we suspect that there may not be a superannuation fund; it may be all Canada Pension Plan. But, if things are as they should be, these people will be taken care of by automatic adjustments through an escalator fund.

Mr. AIKEN: In the meantime—

Mr. FRANCIS: Just to put something on the record—

Mr. AIKEN: I don't want to lose the trend of thought here. In the meantime what you are concerned about is that the people now retired or who are going to retire in a few years, during this interim period are going to be in an eminently worse position than people retiring after the plan goes into effect.

Mr. WHITEHOUSE: That is correct. In 15 years we'll all be dead and we won't have any reason to worry any further.

The CHAIRMAN (Mr. Cameron): You are being a little pessimistic.

Mr. FRANCIS: Just to put something on record with regard to Mr. Whitehouse's remark about his concern as to what will happen to the existing fund, the existing private plans are not going to be compulsorily affected, nor is the Government's plan, but in respect of future contributions to the plan there will be integration. However, benefits that have been earned and built up under the superannuation act itself will not be impaired in any way as such. In other words, existing funds relating to past service are not going to be applied to any other service or integrated with the Canada Pension Plan, but integration will take place with respect to service commencing from the date the Canada Pension Plan becomes effective. This is important for the record. I think Mr. Whitehouse is aware of this, but I did not want to have any misunderstanding.

Mr. WHITEHOUSE: I have had communications from the Prime Minister himself assuring me of this. We are quite aware of it, but some of us have lived long enough to see a lot of things done, and I don't suppose the future is going to change too much in that respect. I know that we have been told definitely that this fund will not be impaired and that the same benefits will prevail, but we also know that a prominent Member of Parliament stated a week ago in Nova Scotia that in the next 15 years our \$2 billion will be gobbled up.

Mr. LLOYD: Who made that statement?

Mr. WHITEHOUSE: I don't care to name him.

Mr. FRANCIS: It is not anyone present, I hope.

Mr. WHITEHOUSE: No, but I am just saying what is going on, and you have had enough experience, Mr. Francis, to know what is going on too.

Mr. AIKEN: Mr. Whitehouse, you are particularly concerned that there shall not be a great differential, then, in the next few years between those now retired and those who will retire in the future.

Mr. WHITEHOUSE: We want the assurance, and we hope that this committee can make such a recommendation, that the people we now represent, who comprise our membership of approximately 37,000, including some 12,000 widows, will be protected in this 15-year interim, despite what might happen in the Canada Pension Plan. We also think that it will require amendments to the Superannuation Act, and we feel that we should participate in any discussion, certainly any agreement, which culminates in this amendment being made.

In our brief we have specifically requested that we be given representation on the Superannuation Advisory Committee, which is appointed by the Government. Who should be more entitled to be on that committee than the superannuates themselves? We ask for that further protection.

Mr. AIKEN: As part of the integration of the Canada Pension Plan with the superannuation plan, I take it you would suggest that the existing funds in the superannuation fund might be adjusted to give presently retired people an increase from those funds to bring it into line with the cost of living at the present time?

Mr. WHITEHOUSE: That is right. And the adjustment act—and Mr. Knowles referred to that—is quite in order. We don't object to that, but we do object to the statements that have been made that there should be adjustments to the present superannuation coming out of the fund. We have \$2 billion in this fund and we cannot accept that. After paying all pensions for one year there was still \$14 million—odd floating about, in interest, which more than covered the pension fund.

Mr. AIKEN: You say that such an adjustment can be done without being unfair to those coming along because they will have the Canada Pension Plan.

Mr. McLAREN: It is not any more unfair than the Canada Pension Plan. If I may make this statement, and it may be relevant or not. Their government

accounting and actuarial values are a bit of a mystery to civil servants. We appreciate the detail that you have now in front of you, and you have been studying the actuarial detail and the projections of the Canada Pension Plan, but we think they are a lot clearer and more understandable than anything we have heard from any actuary or government source regarding the superannuation fund.

What gives concern to, and is a source of worry for, a lot of our members who occupied positions of some seniority in government centres is the very fact that when you get the Glassco report, as well as some governmental reports, you find that the Government's contribution was in default \$2,021 million in the beginning of 1963. This, I understand, has been adjusted since.

That same Glassco report says that \$602 million is left. This is the Government's contribution, dollar for dollar, \$602 million. This has been charged to a special reserve to be charged against some future budgetary expense. Then they come along and they tell us that immediately we get into communication with them, the fund is actuarially unsound.

Any common-sense individual will say, "If it is unsound, why do you not put in the \$602 million in the reserve and see what actuarial valuation you can produce then?" With regard—

The CHAIRMAN (*Mr. Cameron*): I don't want to interrupt you, Mr. McLaren, but what you are doing is arguing what you might argue before another body. It does not seem to me that it is too relevant here. You are embarrassing me. I do not want to prevent you from making these statements, but I do feel that you are really trespassing on the situation when you start to present arguments which would be more appropriate before another body.

You have had the opportunity of making your statement before this committee, and you have supplied a lot of information which, no doubt, in due course will be used in some other place. I would just suggest that instead of arguing what should or should not be done in connection with the superannuation fund, or whether it is being properly administered and so on, that you try to keep your presentation, what you want to say, more directly related to the Canada Pension Plan.

Mr. AIKEN: Mr. Chairman, we spent the biggest part of one meeting with members of the federal Government explaining how they were going to integrate the superannuation fund with the Canada Pension Plan. I think we surely can do no less for the association directly concerned.

The CHAIRMAN (*Mr. Cameron*): All I am suggesting is that this is not the appropriate forum for an argument with regard to the use or misuse of superannuation funds, or how they were handled, and so on.

Mr. FRANCIS: I am sure, Mr. Chairman, that integration is in order.

The CHAIRMAN (*Mr. Cameron*): The situation of people who have retired and for whom nothing has been done under the Canada Pension Plan has been called to our attention. On that basis I allowed the statements to be made and proceeded with, but when we start going beyond that I think we are getting out pretty far towards the end of a limb.

Mr. AIKEN: Mr. Chairman, I am not going to pursue it further—

The CHAIRMAN (*Mr. Cameron*): I have not stopped Mr. McLaren, but I suggest to him that he consider the appropriateness of his remarks.

Mr. AIKEN: My understanding is that to carry out the intention of the Canada Pension Plan, which is to permit all Canadians to retire with security and dignity, we should hear anything that relates to that intention.

The CHAIRMAN (*Mr. Cameron*): Mr. Munro wants to speak on the question—

Mr. KNOWLES: I think Mr. McLaren was pretty close to the end of this, and while the connection is perhaps a bit tenuous we are still in the general area of the integration of these two plans. We did hear from the Government side. May we not hear from the pensioners' side? You are doing a good job, but—

The CHAIRMAN (*Mr. Cameron*): I am just suggesting that the remarks be kept more appropriate to the deliberations of this committee.

Mr. McLAREN: I think we can sum it up by stating that partial integration of our superannuation fund with the Canada Pension Plan fund, when it comes into being, is what we are certainly disturbed about in so far as the present retired civil servants of this country are concerned. We want to make sure that retired civil servants of this country, who will not participate in the Canada Pension Plan in any way, shape or form, are protected. In asking for that protection we would like to think also that the Government will see its way clear to see to it that the pensions these people will be receiving until they die—within, say, the next 15 years or so—are brought into line with the purchasing power of the dollar today. That, in a nutshell, is what we are asking. We do think that the federal retirees of this country, despite the fact that the Canada Pension Plan shuts them out completely, should receive the same kind of protection that this plan is going to provide for the people in the future.

The CHAIRMAN (*Mr. Cameron*): Is there anything else, Mr. Aiken?

Mr. AIKEN: No. I think Mr. McLaren has made his point very clearly.

Mr. LLOYD: I do not have the reputation of being a diplomat, but I must say, Mr. Chairman, that I think you and the witness are both right. In your case you have made reference to the form in which their observations were being expressed. On the other hand, I have no quarrel whatsoever with the points they were trying to make.

They said that the superannuation funds of the civil service are veiled in mystery. There, I think, the distinction is a matter of terminology. All you have to do is to look at this book entitled *The National Finances—1962-63* where at page 180 in the table headed: "Summary of Assets and Liabilities of Federal Government as at March 31, 1958 to 1962" and against the item "Deferred charges—Unamortized portions of actuarial deficiencies in pension accounts," you will see them set forth for five years. In 1958 it was \$139 million. Then, in 1959 it bumped up to \$465.3 million. In 1960 the figure is the same, and I suspect that they recalculated the actuarial amount of the liability and said that there was a deficiency—

Mr. KNOWLES: Or they got another actuary.

Mr. LLOYD: However, in 1960 there was no change, so I can only assume that at that time the Government's budget took care of the liability for the one year. Then, in the next year it bumped up to \$603 million, and in 1962 it was \$606.5 million. Where it is in 1963 and 1964, I do not know.

The message I get from Mr. Whitehouse and his colleague is this, that whatever may be necessary in changing financial matters—because it is a fact today that for the first time a Canadian government is going to fund the liability for a wage-related pension scheme for Canadians, and it is going to rely on the general resources of the Government to meet the liability in the long run. What you are saying, Mr. Whitehouse, is: In doing all this, be sure that you do not forget in any way, shape or form, or weaken in any way, your existing liability on the implied contracts with respect to the pensions of civil servants.

In the second place, you are quite happy to see escalation being introduced, or indexing, in some way to upgrade pension benefits in relation to the cost

of living, and that this is fine; that you are all for it in the future, but you make your case very forcibly and say: While you are doing this please take a look at those who are on superannuation, and make sure that those Canadians, in common with all other persons who will not enjoy the benefits of the Canada Pension Plan, in some way get a measure of relief from the imbalance that will be created. That is what you are saying, and I think everybody gets your message very well.

It is not so much as former civil servants that you make this plea, but you are speaking for all other people who are now on superannuation, although you say that within this body there is a large number of civil servants.

Mr. WHITEHOUSE: That is right.

Mr. LLOYD: I should like also to make this observation, that I think the witnesses have done us a great service. In contrast to the many representations that have been made by others to the effect that there should be no indexing they have placed on the record a very significant point, that with two-thirds of the provinces having two-thirds of the population it might be very difficult to get agreement as to what levels may be raised, and that by introducing indexing you provide at least for a measure of upgrading by a rule and by prior agreement of all those involved in the Canada Pension Plan.

That is really what you are saying?

Mr. WHITEHOUSE: Yes.

Mr. LLOYD: But what you are saying is that if the Government of the day recognizes this in the future can they not in some way, when they are finalizing the Canada Pension Plan, apply the same principle to those presently on pension. Is not that the essence of your remarks?

Mr. McLAREN: That is right. It is a matter of principle. If the principle is good and sound it should apply to everybody.

Mr. LLOYD: Whatever the accountants and others may do, you come to us right from the field with experience of the problems of living on superannuation, and you say to us: "These are the things that we know from our experience". I welcome your evidence.

The CHAIRMAN (*Mr. Cameron*): Mr. Cantelon?

Mr. CANTELON: Mr. Chairman, I am very much interested in the argument advanced by the Federal Superannuates National Association, and I suppose that is because I was a type of civil servant myself. I was a teacher, and I have had some experience in fighting governments over pensions. I know of the difficulties that exist in getting anything done for those who are superannuated. In fact, in Saskatchewan the teachers themselves had to finally assess themselves one per cent of salary in order to supplement the pensions of those who were superannuated. I am not suggesting that you do that. In fact, I think your argument suggests that this should not be done; that it is up to the pension plan to provide this extra money, and I agree with you.

I want to point out, however, that in this battle you are engaged in you are fighting not only for civil servants but for all others who are superannuated and who will be on inadequate pensions in the future. I just want to know if you have any idea of how many there are in Canada in other organizations who would be similarly affected as your people will be.

Mr. WHITEHOUSE: Not offhand. We have not that kind of statistics in so far as the retired citizens of Canada are concerned in the general walks of life. We have statistics for the retired members of the armed forces and the R.C.M.P. and the federal civil servants.

Mr. CANTELON: They will undoubtedly be similarly influenced as yourself?

Mr. WHITEHOUSE: Yes.

Mr. CANTELON: I suggest that there are a million or more Canadians who are superannuated, and who will also be similarly affected.

Mr. WHITEHOUSE: Yes.

Mr. CANTELON: That is the point I want to make.

The CHAIRMAN: Mr. Munro?

Mr. MUNRO: Mr. Chairman, my only comment is that technically speaking, in so far as the brief of the Federal Superannuates is concerned, it relates to the Canada Pension Plan and their experience, and in so far as they are recommending that the present retired be taken care of across the board in Canada, and not just the retired civil servants, then their representations are very pertinent and important. But, when they are referring to retired civil servants in relation to the civil servants now employed and just ready to retire, and relate what they say to the superannuation fund, and so on, then I think it can be said that they are—and I do not wish to be technical—outside the ambit of this particular committee, and really outside our terms of reference.

I know that the gentlemen here recognize this fact to a certain degree inasmuch as they have made representations to the Government of Canada with respect to this situation, rather than to committees such as this.

I would point out, too, that Mr. Knowles, as we all know, has made many representations on this matter in the House. I also point out to Mr. Whitehouse that Mr. Francis elsewhere in the House is making strenuous representations to have this situation, as far as retired civil servants are concerned, corrected, and also as far as the superannuation fund is concerned and their position relative to those presently in the civil service. I do think that that aspect of the brief is, strictly speaking, outside the area of this particular committee's deliberations.

Mr. KNOWLES: Mr. Chairman, I do not think this point of order should be pressed—

Mr. MUNRO: I am not pressing it, other than to say—

Mr. KNOWLES: I still come back to the point that at the request of the Government we had before us people who talked about the integration of the federal superannuation fund with the Canada Pension Plan. It seems to me that if we hear from the people on the paying side then we should hear from the people on the receiving side. We have demonstrated that right, so why modify it?

Hon. Mr. SMITH (*Queens-Shelburne*): I have a very short question to ask, Mr. Chairman. I should like to ask the witness, with respect to the former Member of Parliament from Nova Scotia, whether he would reconsider his decision not to name him for the record. Would you name the former Member of Parliament who made that statement about what would happen to the superannuation fund?

Mr. FRANCIS: It was a totally fallacious statement.

Hon. Mr. SMITH (*Queens-Shelburne*): My understanding is that it is completely wrong.

Mr. WHITEHOUSE: No, I have no desire to have this in the record at all. I merely brought it up to show what is going on across the country.

Hon. Mr. SMITH (*Queens-Shelburne*): That is all right. I accept that. The only public statement to that general effect has been made by Mr. Buckler of Annapolis Royal, with whom I am sure you are acquainted.

Mr. CÔTÉ (*Longueuil*): I wish to congratulate the association on having taken the opportunity to bring the problem of the retired civil servants before this committee. I can give a good example of what has happened to many retired civil servants. I am indirectly a victim of this, because my father was working all his life in the Post Office as a civil servant. Having entered the First World

War in 1914 at 16 years of age, he came back from it in 1919. Then he was hired in the Post Office and worked there for 27 years. His highest salary was \$1,800 a year. At the age of 47 he had a stroke and had to take his pension. The pension he had was \$84 a month, with eight children still in school. It threw me a little early in life on the labour market. Ever since then, the pension has been the same. He is still living, he is much better, his health is good, but he still has to work to earn a living, because his pension is not big enough.

I do not blame the Superannuation Act completely, but, as you mention, there should be an increase in the pension of retired people, that could be indexed to the cost of living or something like that. The retired civil servants contributed to the fund and, seeing that the fund is over \$2 billion now, I think it would be fair to give benefits to those people who had to contribute, even if the salaries when they were working were much smaller than those which civil servants are earning now. I wish to congratulate you for having taken this opportunity to bring this up in front of the committee, even if you might think that it is not quite relevant to the case.

Mr. GRAY: I certainly could not agree with those, if there are any, who would make a special point of criticizing this brief. The witnesses have helped to bring before us again a problem which has been raised before this committee since it began its hearings, that is to say, the problem of those, including the superannuates, who are now retired. I, and most of the people in this committee, recognize that the passage of this bill will not end the obligation of Parliament and of the working population to those who have retired. In fact, the witnesses before us have helped to show us a possible source of increased assistance to those who are now in the position of being federal superannuates, assuming their arguments about the fund are accepted.

In that light, they have added further evidence to the evidence coming before us in the past several weeks. As has been pointed out, there are a number of members, including some on this committee, who have made representations on this point, either in the House or, like myself and other members, directly to appropriate members of the Cabinet. The presence of these witnesses before us has been very useful, illustrating a problem and reminding us of an obligation that I and most of us accept, not to forget those now retired, whether from private employment or from employment in the federal Civil Service.

Mr. KNOWLES: I wonder if the witnesses realize that they seem to have unanimous support of this committee. No one is against them. We are all for you.

The CHAIRMAN (*Mr. Cameron*): Interpreting what Mr. Knowles has said, we all believe in the principle which these witnesses have advocated, that there should be an adjustment. It is not always possible to do some of the things one believes in, but still one believes, one fights for it and eventually gets it.

Mr. Whitehouse and Mr. McLaren, on behalf of the committee, I wish to express our thanks to you for appearing here today. We have listened to your presentation and, as Mr. Knowles has indicated, it has been very favourably received and no doubt in due course it will bear fruit.

We thank you very sincerely for your appearance today. I should also tell you that your brief will be printed as a part of today's proceedings; so that, in addition to what you have said, the brief also will be on the record to be read by those who may wish to read it.

Mr. WHITEHOUSE: Mr. Chairman, may I add a word. I would like to try to express our thanks to yourself and to the members of this committee. I am sure I am speaking for the thousands of retired civil servants and widows when I say we deeply appreciate the reception you have given us here today. We came

here under no illusions that we were entitled to be given a hearing. We knew it was not in the terms of reference that you had. The reception we have received we shall take home with us and pass out to all our members across the country.

I know that personally I feel a lot happier that we have Members of Parliament who take a kindly interest in the former employees of this country. Some of you I know personally, some of you I knew before you became Members of Parliament. I am particularly happy that the things which you said and did when you were private citizens you are still doing and saying on the floor of the House. Those are the kind of people that the people of the country want representing them. Thank you for your reception.

AFTERNOON SITTING

THURSDAY, January 21, 1965.

(Text)

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mrs. Rideout and gentlemen, we have a quorum. Before we start to interview witnesses, may I say that Senator Croll and Mr. Knowles yesterday asked questions and requested that answers be prepared. Mr. Osborne, our consultant, has handed me the answers to these questions. Is it the wish of this committee that these answers be placed on the record and considered as part of today's proceedings?

—Agreed.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It has been moved by Mr. Francis, seconded by Mr. Munro, that the replies to these questions be placed on the record and form part of today's proceedings.

—Carried.

Mr. MUNRO: Madam Chairman, there are a couple of matters I wish to mention. The Minister would like—and it is mainly Senator Thorvaldson who started this hospitality—to extend to all members of this committee an invitation to the La Touraine, on February 3 at 6.30 p.m. The invitations will be going out, and this of course includes members of the press who are covering the meeting, and staff.

The second thing I wish to mention, Madam Chairman, is with respect to the Clerk of the Committee (Mr. Maxime Guitard). I inquired from him, and he advises me that he has worked approximately 85½ hours overtime from December 21 to January 22 as well as being available at his home and at all other times to facilitate the work of the committee.

In view of this unselfish activity on his part, I wonder if it would be in order that an extra gratuity be paid to him? He indicates that his salary works out at approximately \$25 a day, less income tax, and on the basis of the 85½ hours overtime up to today it works out to approximately \$250. That is assuming the same amount of overtime for tomorrow, and this brings him right up until tomorrow.

I would like to make a motion to the effect that he be given the extra gratuity in view of his overtime.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You have heard the motion of Mr. Munro, seconded by Mr. Francis that—

The CHAIRMAN (*Mr. Cameron*): There were two seconders, Madam Chairman. Mr. Cantelon also seconded it.

Mr. KNOWLES: Madam Chairman, is that straight time or time and a half?

Mr. MUNRO: If you wish to you can amend it, to make it time and a half. I believe it is straight time. That will be perfectly all right. This is the result of inquiries by myself.

Mr. KNOWLES: Was this collective bargaining between Mr. Guitard and yourself?

Mr. MUNRO: No. I know he worked a great deal of overtime but has received nothing, and the same applied during the flag committee sittings. I did not argue with him one way or the other.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Do you wish to amend your motion?

The CHAIRMAN (*Mr. Cameron*): Madam Chairman, I should like to say a word. As one of the chief beneficiaries, as co-chairman, I am very pleased to hear this motion made by Mr. Munro, and seconded by both Mr. Francis and Mr. Cantelon. I can assure the committee that Mr. Guitard has been the right arm of both my co-chairman and myself in carrying on the activities of this committee and I think it is a well deserved tribute to him for his devotion to his duty.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you.

Mr. MONTEITH: May I say a word, Madam Chairman? As a member of the flag committee, I can agree completely as to the devotion to duty which Mr. Guitard shows.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I am sure we all realize this, and that Mr. Guitard has been attending most regularly and been very helpful to all of the committee, and I think particularly to the co-chairmen.

You have heard the motion. All those in favour please say "aye". Contrary minded? The motion is carried.

The presentation this afternoon is one from the National Legislative Committee of the International Railway Brotherhoods, and it is to be presented by Mr. Huneault, the Chairman. He has some other members associated with him, whom I will ask him to introduce to the committee.

Mr. J. A. HUNEAULT (*Chairman, National Legislative Committee, International Railway Brotherhoods*): Thank you, Madam Chairman. Madam Chairman and members of the committee, we appreciate the opportunity and privilege afforded to us to further explain the brief. Having made a note of the procedure to be employed, and as Madam Chairman has indicated, I would like to introduce, on my left, Mr. Paul Raymond, Chairman of the Canadian National Railways General Chairmen's Association. On my right is Mr. J. H. Clark, Chairman of the Canadian Pacific Railway General Chairmen's Association.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you. I think you probably know, from reading our minutes, that the members have had the brief in their hands, so we do not need to have the brief read again, unless you desire to do so. However, yours is short, and if you prefer to read it, all right. If not, a summary will be sufficient. You can bring out the points you want to consider, and after that questions may be asked.

Mr. KNOWLES: Madam Chairman, I was wondering if Mr. Huneault would like to introduce the other gentlemen who are here so that we could have their names in the record, too.

Mr. HUNEAULT: Mr. H. A. Stockdale, member of the Canadian Pacific General Chairmen's Association; Mr. C. Beckerton, of the Canadian National Railways Pension Committee; Mr. W. Gordon McGregor, Vice-Chairman of the Canadian National Legislative Committee; Mr. E. Streeting, member of the Pension Committee, and a member of the Canadian Pacific Railway; Mr. D. O. Spicer, member of the Canadian National Railways, Pension Committee;

Mr. F. A. Armstrong, member of the National Legislative Committee; Mr. J. S. Wells, a Director of Research of the Non-Operating Organizations, and his assistant Mr. P. L. Miles. That is our complete delegation.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you.

Mr. HUNEAULT: Madam Chairman, I am completely in your hands as to the reading of the brief. As you have mentioned it is, I am sure, very short in comparison to some of the briefs that have been presented to your committee. If it is your desire that I read it I will do so. If not, I will continue with the preliminary stage.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It is immaterial to me. Would the committee like to have the brief read or just a summary given? Apparently the feeling of the committee is that we have a summary.

Mr. HUNEAULT: Thank you, Madam Chairman. As the pension plans of each railway vary to some degree and the application of each is somewhat different, as I have indicated, Mr. Clark and Mr. Raymond will answer any specific questions relative to the different plans.

Our brief contains two basic points, and these are: (a) The need for federal legislation relating to private pension plans covering employees in areas under federal jurisdiction; and, (b) requirements that adjustments to private pension plans following the introduction of the Canada Pension Plan be subject to mutual agreement through the unions and the railway companies. By that, the unions are not by any means suggesting that there should be full management of the private plans by legislation, but we believe that there are three elements of the private plans that do require governmental regulation. These are: portability; solvency; and proper investment of pension funds.

Subsequent to the preparation of this brief, which the committee has at hand, we are pleased to note that the Minister of Finance, the Honourable Walter Gordon, as appears on page 11310 of *Hansard* of December 18, 1964, committed the Government to legislation relating to the portability and solvency of private pension plans as soon as a wide measure of agreement with the provinces is reached in regard to this situation. We accept this in good faith, and we feel nothing more need be said by us on these two matters.

In regard to the proper investment of pension funds held in trust for employees, we can do no better than quote from the report of the Royal Commission on Banking and Finance, at page 261, which reads:

We therefore think it desirable that the provincial and federal authorities co-operate in establishing broad investment rules, the first of which should prohibit investment in the employers' own securities or other investments raising the possibility of conflict between the pensioners' interests and those of the fund managers.

In requesting a provision in the Canada Pension Plan legislation that there be no change in existing private plans without the approval of the employees participating in such plans, we have been motivated by the knowledge that at present the respective board of directors of the railway companies hold absolute veto power over the form the pension plan will take. There are separate plans for the Canadian National and the Canadian Pacific railways, each with its own set of rules. Each plan is administered by a committee or board of seven members, four of whom are appointed by the company and three of whom are elected from among the general chairmen of the organized classes of employees of the respective companies. The committee or board has the power to deal with and make recommendations in regard to rules and regulations of the pension plan, subject to their ratification by the board of directors of the company involved.

Under the respective pension plans as we have described them, the employees do not have an equal right to ensure their desires be implemented. Railway employees are not wholly satisfied with the present level of pensions now available to them under their respective plans, and they would welcome the Canada Pension Plan as a supplement to the present pension plan.

At the time that the pension plan was first being discussed by Parliament, our employees became quite anxious as to what effect the Canada Pension Plan would have on their respective pension plans. The Canadian National did issue a certain circular letter to, I believe, all its employees, and, if I am permitted, I would like at this time to read it into the record. It is a very short circular, and it is headed:

Information of Importance to All C.N. Pension Contributors
C.N. plans not to be replaced by Canada Pension Plan. Combined benefits to be at least equal to C.N. benefits. The legislation to implement the Canada Pension Plan was introduced in Parliament on March 17th and the Government announced that after the Easter recess it will be referred for study to a joint committee of the Senate and House of Commons.

Mr. LLOYD: Which Easter?

Mr. KNOWLES: Easter is a movable feast!

Mr. HUNEALTY: I would assume it was last Easter.

Since full details of the proposed Plan only became available with the introduction of the legislation, the Pension Board has not had an opportunity to study these details and it will be some time before announcements can be made as to the precise manner in which the C.N. Pension Plans and the Canada Pension Plan will be co-ordinated.

Reports reaching the Pension and Welfare Plans office indicate that some employees are becoming unnecessarily concerned as to the possible effects of the Canada Pension Plan on the C.N. Pension Plans. In the hope that it will relieve the main concerns which have been expressed, Mr. G. P. Hamilton, Manager, Pension and Welfare Plans, has been authorized on behalf of C.N. Management to assure employees that:

1. The CN Pension Plans will not be replaced by the Canada Pension Plan.
2. Any co-ordination between the Canada Pension Plan and CN Plans will relate only to contributions and benefits in respect of earnings and service after the Canada Pension Plan comes into force. It will not affect pension benefits which have accrued to employees under a CN Plan up to that time.
3. The combined benefits which an employee will receive under the Canada Pension Plan and a CN Pension Plan will be at least as large as the benefits provided at present under the CN Pension Plan.
4. The CN Pension Trust Funds will continue to be held and administered by Canadian National Railway Company in trust for CN employees and pensioners for the purpose of providing present and future pension benefits in accordance with the Rules of the CN Pension Plans.

Further information will be furnished to employees as soon as it is possible to do so.

Relative to the Canadian Pacific pension plan, at its Eighty-Third Annual General Meeting of shareholders held on May 6, 1964, it was stated—and I quote from this report:

To the existing burden of taxation it now seems likely that there will be added payroll taxes to cover the costs of proposed Government pension plans.

Your company established a pension plan for its employees more than 60 years ago—

Your company established a pension plan for its employees more than 60 years ago—in 1902. In 1937 the plan was elaborated to provide for larger pension allowances and for contributions by employees. At the end of last year, 19,500 people were on the pension payroll and the company's share of pension costs, including provisions for future pensions, exceeded \$26 million. The entry of the federal and provincial governments into this field will make it necessary to revise substantially the company's longstanding plan to avoid duplication of costs and benefits.

Mr. KNOWLES: May I interrupt, Mr. Huneault, to ask whether the C.P.R. puts out for its employees any leaflets comparable to the one you read from by the C.N.R.?

Mr. HUNEAULT: Not to my knowledge. Perhaps Mr. Clark can elaborate on that.

Mr. J. H. CLARK (*Chairman, Canadian Pacific Railway General Chairmen's Association*): None whatsoever.

Mr. HUNEAULT: As we stated in our brief, we feel that the setup of the different pension plans of the Canadian Pacific and Canadian National could be bettered. The plan is a condition of employment and yet it is not a part of the working contract, and the pension committee, as far as the Canadian Pacific is concerned, and the pension board, as far as the Canadian National is concerned, in any beneficial rules they might introduce, can be vetoed by the board of directors of either railway.

This is why we appear before you today. If it was a matter of negotiations we just would not be here.

This will conclude my initial statement at this time, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much, Mr. Huneault. Some of the members have indicated that they would like to ask you questions. Yes, Mr. Prittie.

Mr. PRITTIE: It is obvious that your great fear is unilateral action by the employers concerning the scale of pension benefits. Is it too long a story to say how it is that your pension plans are the way they are? That they are not a question of negotiation? Can this be summarized briefly or is it too long to go into?

Mr. HUNEAULT: I don't believe so. I believe Mr. Clark for the Canadian Pacific and Mr. Raymond on the part of the Canadian National could give us a very good resume of the reason why.

Mr. CLARK: Well, the reason why we don't have it in the collective agreement is that if we were to use our economic strength on it would have a bill passed for the continuance of railway operation. It is as simple as that.

Mr. FRANCIS: I am sorry, Madam Chairman, but I did not hear that.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Would you speak a bit louder, please?

Mr. CLARK: One of the reasons why it is not in there is that if we put it into the agreement it would be negotiated and we would have to use our

economic strength to bring it about and then we would be faced with a continuance of railway action such as has been done in the past years. I am talking about the Railway Continuation Act.

Mr. BASFORD: I am afraid Mr. Clark has lost the committee on that one.

Mr. KNOWLES: That was put in in 1950 before you came here.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Does that answer your question?

Mr. PRITTIE: I can see that the Railway Continuation Act is not understood by various members of the committee, but I don't know much about it myself, but I would like to ask another question. Are the contributions of employers and employees equal in your pension plans, generally?

Mr. CLARK: The contributions at the present time are 6 per cent by the employees and the Canadian Pacific Railway pays its portion of the pension out of the current revenue.

Mr. PAUL RAYMOND (*Chairman, Canadian National Railways General Chairmen's Association*): The Canadian National pension plan booklet dealing with the rules of the pension plan scheme does not specify the percentage to match the employee's contribution. As of January 1, 1959, all employees hired on Canadian National must, under the pension rules, contribute the equivalent of $5\frac{1}{2}$ per cent of wages towards pension benefits. However, in the Canadian National pension plan there are no provisions whatsoever for the Canadian National to match that percentage required to be paid by the employees hired as of the date that I mentioned before.

Mr. PRITTIE: I realize that there is probably a large number of plans because you represent a great number of trades and levels of income. Is there any general percentage that a railway worker receives going on retirement now? That is, a percentage of former income?

Mr. CLARK: I will explain that to you, if you like.

Mr. PRITTIE: Thank you.

Mr. CLARK: Ours is a compulsory plan; it is a condition of work for those entering the service after 1937. The calculation for all services prior to January 1, 1937 is on the basis of $1\frac{1}{8}$ per cent. For all services subsequent to 1937 the calculation is on the basis of $1\frac{1}{4}$ per cent.

Mr. MONTEITH: Of annual income?

Mr. CLARK: No. In order to calculate the pension you take your last five years that you have worked under Rule 17. Rule 17 says that you must work one day in that month in order to have that month qualify for your pension. So, therefore, it would be the same as taking the last 60 months of work. You take the average salary for your last 60 months and multiply it by your percentage of service.

Mr. CANTELON: This is a percentage of years of service?

Mr. CLARK: It is a percentage of your years of service because if you take your service prior to 1937 and take your percentage on that, let us assume it was a 10-year period, well you would take $1\frac{1}{8}$ per cent on that and then your service subsequent to 1937 would be $1\frac{1}{4}$ of it.

Mr. PRITTIE: Is the C.N. somewhat similar?

Mr. RAYMOND: On the C.N. we have in addition to the present plan what we call the 1959 plan, which covers at the present time approximately 65,000 employees out of a possible total of 90,000. This 1959 plan provides for one-quarter per cent for the first 30 years of accumulative service, and one-half per cent for each following year.

The pension benefits are broken down on this basis, and I will read you Rule 7, paragraph (1), which explains clearly how the pension is determined:

7. (1) Every contributor who reaches normal retirement date shall be granted a pension, the monthly amount of which shall be a percentage of his average monthly compensation for his last sixty months of allowable service or for any five consecutive calendar years, whichever is the larger, computed as follows:

1% for each year of allowable service up to twenty years

1¼% for each year of allowable service during the next ten years

1½% for each year of allowable service over thirty years.

Then we have what we call the 1935 plan. This is a different arrangement. The employees may contribute 5, 10 or 20 per cent of their wages, but the railways will only match it to 5 per cent. Then, under this pension plan of 1935, you buy equities based on five years, 10 years or 15 years of guaranteed equities. Then you have in the east also what is called the old I.C.R. plan, for which the employees pay, I believe, 1 per cent of their salary, or a given percentage of their salary, and are entitled to 1 per cent for each year of allowable service to reach the calculation of determining their benefits. This pension dies with the pensioner.

Mr. PRITTE: Well, what I was trying to work out in the latter case is where an employee has been working for the C.N., for instance, since 1935 or thereabouts, and is going on retirement this year, or was going on retirement last year. Now, my arithmetic is rather poor. What percentage does he get from this five-year period?

Mr. RAYMOND: You mean the percentage which is his or the money?

Mr. PRITTE: No, the percentage of his earnings when he was a railway worker.

Mr. RAYMOND: Presuming that the employee at the age of retirement has had 45 years of allowable service, he will have under the percentage that I have mentioned before an equivalent of 60 per cent of his salary. If the employee has 40 years of service he will have the equivalent of 52.5 per cent of his wages as mentioned before under article 7.

An employee having 35 years will have the equivalent of 45 per cent of his wages based on the last 60 months or consecutive five years, whichever is greater. An employee with 30 years will receive 37.5 per cent; an employee with 25 years will receive 31.25 per cent, and an employee with 20 years' service will have the equivalent of 25 per cent of his wages. Now, this gives you quite a good look at what would be the rates of pension that will be applicable to people within those groups.

Mr. PRITTE: Yes. I wanted to try to get the general percentage level that they were drawing. Obviously, your contention is that the benefits from the Canada Pension Plan added to the existing pensions would not be too great in view of the unilateral action of the railways.

Mr. CANTELON: I have a supplementary question, Madam Chairman. Your members would be happy to pay what I calculate to be 8 per cent of their wages, if they want to add on top of the Canada Pension Plan what they have now?

Mr. HUNEAULT: That is correct. The people we represent are quite anxious that the two plans—the railway plan and the Canada Pension Plan—be kept separate and apart, or be divorced one from the other, in order that the Canada Pension Plan would supplement their present pension plan.

Mr. PRITTE: I have one further question, Madam Chairman. Is there any element of portability. If you leave one railway and go to another do you take the pension with you?

Mr. CLARK: None whatsoever.

Mr. RAYMOND: On the Canadian National we have a certain clause in our 1959 pension plan. It is Rule 21 which deals with the reciprocal transfer agreement, and it reads:

(1) Every contributor who may be eligible for benefits under a reciprocal transfer agreement may request the Company to make a remittance in respect of him in accordance with such agreement, in lieu of the refund to which he may be entitled under these rules.

This agreement is subject to certain negotiation with the other party involved, with the Canadian National, and as you are probably aware we do not have this agreement applicable with other industries. It is only with specific Crown corporations.

Mr. CANTELON: Thank you.

Mr. MONTEITH: I have a supplementary question. I think Mr. Raymond mentioned those figures down to 20 years. Would you give me the figure for 20 years again?

Mr. RAYMOND: Yes, 20 years would be 25 per cent.

Mr. MONTEITH: Anybody leaving the employ of the railway prior to that—what happens to their interest in the pension fund?

Mr. RAYMOND: It all depends. I have to be careful in my answer because I would like you to have a full picture of the problem. We also have within our 1959 pension rules of the Canadian National a section that deals with a deferred pension. Under this clause an employee with 15 years' allowable service, and whose age and years of service add up to 60 or more—that is, an employee who has 15 years' service and is 45 years old—on leaving the railway either by resignation or dismissal can request to have his moneys invested in the plan left in the plan, and to receive whatever benefits this will accrue to him at the time he would normally reach retirement age, which is 65. If he does not have a total of 60 years or more then the employee must withdraw it.

Mr. MONTEITH: And he withdraws his own share only?

Mr. RAYMOND: Yes, plus—

Mr. MONTEITH: Does he get the company's contribution also?

Mr. RAYMOND: No. Under this plan he does not get anything from the Canadian National. He gets only his money plus the interest that has accrued to his funds, and which is controlled and specified in the booklet.

Mr. MONTEITH: But if he has 60 years then does the amount that goes into the future plan have included in it the company's contribution?

Mr. RAYMOND: For all employees who have entered the service prior to January 1, 1959 it is acknowledged that the railways will have definitely to pay something towards it. However, we on the Canadian National Pension Board are of the opinion that subsequent to January, 1959 all employees paying into the fund, and projecting ourselves into the long term approach—50 to 60 years from now—we feel that employees solely will be contributing to the plan.

Mr. HUNEALD: I believe, Madam Chairman, there is one point here that should be clarified as far as the Canadian Pacific pension is concerned. With respect to anyone who had service prior to 1937 and who is not a contributor at the present time, that portion of the pension plan will be paid entirely by the railways.

Mr. CLARK: Even if he is a contributor, that portion of the service prior to 1937 is paid solely by the railways.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Munro?

Mr. MUNRO: Madam Chairman, I wanted to ask the gentleman here something about this aspect that Mr. Prittie was pursuing, namely, the Railway Operation Continuation Act, as I believe it is called. I acknowledge that I should have considerably more knowledge about it than I have, but perhaps the gentleman can tell me in a very summary fashion the effect of that legislation so far as the railways are concerned.

Mr. HUNEAULT: Madam Chairman, at the time that the negotiations broke down we had gone through conciliation, and we were preparing to withdraw our services from the railways. The Government passed legislation which is known as the Railway Operation Continuation Act which forced us back to our jobs, and a settlement was reached—I do not know whether I am correct in saying this—with the help of the Government.

Mr. RAYMOND: With the intervention of the Government.

Mr. MUNRO: I understand that you can strike, but then certain provisions of the act are implemented which would force you to go back to work?

Mr. HUNEAULT: That was done under this act passed by Parliament—the Railway Operation Continuation Act.

Mr. MONTEITH: Was it not only to apply during a certain period?

Mr. KNOWLES: I think the gentleman can confirm what I am saying, but the act itself applied to only that one strike. When that strike was settled that act was finished. What I think they are saying is that they know that if another strike was called it is likely that there will be a similar act passed by Parliament. This took place in september 1950.

Mr. MUNRO: This would be irrespective of what government was in office?

Mr. KNOWLES: Well, there was a Liberal Government in office in 1950. Senator Croll was in the House at that time, and I think he and I voted against the legislation.

Mr. MUNRO: Then, your feeling is that one of the reasons why pensions have never been a subject matter of negotiation as far as the railway unions are concerned is that you feel if you could not come to any agreement with your employers with respect to pensions—and that might be the only contentious point in your negotiations—and you decided to go out on strike, there might be further legislation of this kind implemented? Is that your position?

Mr. HUNEAULT: Yes, having had that experience back in 1950 we are living under the shadow that a similar act could again be passed, and if, as you say, the only subject was pensions then it would be useless for us to negotiate.

Mr. MUNRO: The reasoning then seems to me that you want to cut down the ambit of the subject matters of negotiation in order to prevent this possible type of governmental action?

Mr. HUNEAULT: No, I do not think that is a correct statement. On numerous occasions—and I can be corrected by my colleagues here on the pension committee—we have attempted to negotiate a pension plan, and the railways have refused.

Mr. CLARK: We have been seeking the benefits in there, but to no avail. If there are things that cost anything then when you appear before the board of directors you do not stand a chance of getting them.

Mr. RAYMOND: There is another important fact that should be drawn to the committee's attention. On the Canadian National our association represents at least 70,000 scheduled employees, but the pension plan is not restricted only to the scheduled employees. It is also applicable to the supervisory force, the

members of which are not a part of the bargaining agent. They total 20,000-odd at least on the Canadian National, and make up a part of the management which must be represented, I realize, by another party than this organization. But, when we deal with any given matter with respect to our pension plan we do not look at it only on behalf of the employees we represent. We look at it in the perspective that all employees of the Canadian National should receive the greatest benefit that can be obtained. Now, if we were going to negotiate an agreement—and we would like to negotiate an agreement that would control pensions—we would also have to take cognizance, I presume, of the fact that those people who are not actually represented in a collective agreement would also have to be incorporated in the general scheme of that pension plan. I would suppose that the same requirements would have to be made by the C.P.R. General Association if ever we can negotiate our pension plan.

Mr. MUNRO: In other words, the people who would be directly affected in this case in successful negotiations would benefit from the work you have done in order to improve the situation?

Mr. RAYMOND: Yes.

Mr. MUNRO: I do not think this is unusual in many other cases. The effort that you have put forth to improve the situation would benefit others who are not members of your union?

Mr. RAYMOND: We certainly have no objection to looking after the benefit of other workers who are not under our certification. I would be glad to emphasize that. We would acknowledge it as part of our responsibility.

Mr. MUNRO: Given the very worst possible situation—termination of your agreement and a series of negotiations taking place between yourselves and your employers that resulted in no settlement, and a strike being called, and the Government subsequently forcing you back to work—what happens then, after you are forced back to work? Do you not go to some further type of negotiation, resulting in some type of arbitration process?

Mr. HUNEALT: In reply to that, we have only one occasion on the railways where we did have legislation which forced us back to work, and any subsequent negotiations between the parties and the Government resulted in an agreement.

Mr. RAYMOND: In 1960 we had a recurrence. A bill was passed to force us to go back—or, rather, to prevent us going on strike.

Mr. MUNRO: Before you had actually gone on strike?

Mr. RAYMOND: Yes.

Mr. MUNRO: And what followed was a meeting between the company and yourselves and you eventually arrived at some agreement or some negotiations must have been carried out?

Mr. RAYMOND: Arbitration.

Mr. KNOWLES: In 1960 Mr. Justice Kellogg was appointed to arbitrate, but the legislation specified a maximum and a minimum. In other words, he had an area in which to arbitrate. As I recall, he gave you all he could.

Mr. CLARK: That was 1950.

Mr. RAYMOND: But in 1960 it was a different problem?

Mr. KNOWLES: You were stopped?

Mr. RAYMOND: Yes.

Mr. CLARK: And it was postponed for about six months?

Mr. MUNRO: Madam Chairman, probably I am pursuing this point too far, but I am wondering why pensions are not included as a negotiable item, even if it does result in a process of which one does not approve, even if it should

result in some type of compulsory arbitration. In a sense, it would be just one of many items that would be settled by arbitration, is that not so?

Mr. RAYMOND: No, it is much more complicated than this. First of all, under the requirements of the Canadian laws, when our general conference, at least non-ops, serves notice, it has to be agreed on a certain platform as to what we will be seeking. The other group, the operating group of employees, are under their individual contract and until such time as all the non-ops and the operating groups contracts expire on the same day, we cannot join together to serve a similar notice to the railways to the extent that we wish to have negotiations in respect to the implementation of pension plans. Under the Canadian law we cannot do a thing about it. I presume the railways are taking advantage of this.

Mr. MUNRO: In essence, you are following the theme of industry wide bargaining as far as the railways are concerned.

Mr. RAYMOND: Actually at the present time our hands are tied. We cannot negotiate our pension plan because of the requirement of the Canadian laws.

Mr. MUNRO: This business of different sets of employees belonging to different unions within a railway industry, and these different categories of employees with different agreements and different termination dates, is that what you are referring to?

Mr. RAYMOND: That is one.

Mr. MUNRO: The correction of this situation, certainly to a degree, would lie in the area of interior co-operation between the unions involved? I emphasize to a degree, and suggest to a considerable degree.

Mr. RAYMOND: I would suggest that if the Canadian laws would allow us to do so and if the railways would be agreeable to meet with us, we would surely sit down and try to negotiate something with them. We are prepared to put aside the requirements, the rigidity of the law in this respect, by mutual consent. However, the railways have not responded to our desire to meet with them and they say they feel we must remain within the context of the law.

Mr. MUNRO: I am seeking this by way of information. There is no law preventing combined co-operative effort between all the railway unions in an endeavour to negotiate future collective agreements, so that they have the same termination.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you making a statement?

Mr. RAYMOND: Under the law, to my knowledge you cannot negotiate anything out of the master agreement that has been reached, without the mutual consent of both parties. Let us say that our present agreement expires on December 31, 1965. If we would wish to negotiate something else not provided for in the agreement that was agreed to, say, on December 31, 1963 for a period of time 1964 and 1965, and if the railway did not want to do it, they would say "Under the law we have the right to force you to remain within the scope of the agreement we have reached, and therefore we do not want to meet with you to discuss this." Do you follow me? This is the law that gives them that right, and of course the law gives us the same right. We are prepared to meet with the railway whenever they wish it, but they are not prepared to meet us.

Mr. KNOWLES: It comes under the Industrial Relations and Disputes Investigation Act.

Mr. MUNRO: In railway unions desiring some type of federal activity in the area of private pension plans, in those industries that fall within federal jurisdiction, especially the railways—I take it you want the federal Government to intervene in this area, to ensure that the pension plan rights of your employees are fully protected and that these pension plans are fully portable. Is that a fair statement generally of your desire?

Mr. HUNEAULT: Yes, it is. It is our desire that the Canada Pension Plan be made a supplement to the existing plans, that is, those plans coming under federal jurisdiction. We have no objection to other plans, if they wish to integrate, but in our case we do not want—or our employees, whom we represent, do not want—integration of the Canada Pension Plan with the existing private railways plans.

Mr. MUNRO: One of your recommendations seems to be quite distinct from another. In one area you are recommending that the Canada Pension Plan benefits and contributions and so on be supplemental to your own private pension plan. I understand that recommendation. I take it, in another recommendation here distinct from that, you are asking for regulation of private pension plans coming under federal jurisdiction—presumably to be sure that all those plans have uniform features, so that there is portability between them. Am I correct in that?

Mr. HUNEAULT: You are. That is the statement we are making.

Mr. MONTEITH: Does solvency come in there at all?

Mr. HUNEAULT: Yes, we have mentioned solvency in our agreement.

Mr. MONTEITH: In this particular category?

Mr. HUNEAULT: Yes.

Mr. MUNRO: In view of the fact that a huge area of the whole private pension plan does fall under provincial jurisdiction, granted with the exception of those industries that fall within federal jurisdiction, all other pension plans and private employers' plans and so on fall within provincial jurisdiction—the railway unions feel that full portability and uniformity is a desired end in the private pension field? They would want their private pension plans to be uniform with other private pension plans in the private area of economy also? Would that be correct?

Mr. HUNEAULT: What we are asking for in this particular case is that the private pension plans now in existence in the Canadian railways be made subject, under regulations, to the mutual agreement between unions and companies.

Mr. MUNRO: Yes, but are you not concerned also that they be uniform and portable with other pension plans in areas completely outside the railway, presumably with the end that your employees could have freedom of mobility in regard to where they take jobs?

Mr. HUNEAULT: Yes, in view of the fact that the regulations in private pension plans, the portability and solvency, is a matter for some private pension plans under provincial jurisdiction, we are asking that similar application be made to private pension plans coming under federal jurisdiction.

Mr. MUNRO: In other words, it is the desired end to have all pension plans, irrespective of whether they fall within the provincial jurisdiction or the federal jurisdiction, be uniform?

Mr. HUNEAULT: That is right.

Mr. MUNRO: Along that line, Madam Chairman, from the suggestion in the brief, I wonder if I would be in order to ask Mr. Osborne, the research director advising the committee, if he could inform the committee up to date of the activities which have been taken on behalf of provincial and federal governments to accomplish this end, because I think the railway workers—unions, should be advised of it, and I would appreciate comments with respect to this activity.

Mr. OSBORNE: Is it your wish, Madam Chairman?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes.

Mr. OSBORNE: Madam Chairman, as honourable members know, the Ontario Pensions Benefit Act, the most recent version, provides for the portability of pension benefits, and solvency of pension plans in the province. It does not provide for uniformity of benefits, but does provide, within certain limitations, that pension benefits will be portable. That is, the employer contribution will be vested and the employee contribution locked in.

The province of Quebec introduced a resolution into the Quebec legislature that not only would provide a contributory public pension plan for the residents of the province, but also provide for portability and solvency of private pension plans within the province.

The Manitoba government also expressed interest in this field and had draft legislation on the books, which was later withdrawn.

At Ontario's request, representatives of all the provinces, and observers from the federal government, met in Toronto on October 16 to discuss the question of achieving uniformity of pension plan portability and solvency requirements across Canada. It was agreed that draft legislation would be prepared by a subcommittee, with the hope that such legislation might be acceptable in all provinces. The subcommittee completed the draft legislation, and earlier this week a group representing the provinces, with observers from the federal government, attended a second meeting in Toronto to discuss this draft legislation.

I think that brings the members of the committee up to date, as far as I am aware of the developments.

Mr. CANTELON: Madam Chairman, would that mean that if a diesel engine fireman did not like his job and wanted to transfer, perhaps to Ontario he could go to work for Massey Ferguson in the shop and his pension be transferred from the railway to Massey Ferguson, and it would continue?

Mr. OSBORNE: Madam Chairman, the actual arrangements whereby portability would be achieved would not necessarily require that his pension rights be transferred from a former employer to a new employer; but he would not lose the rights that he had acquired. It may be that on retirement he would receive two or three or four pension cheques from different plans. He would not lose those rights.

Mr. MUNRO: It would be a question of jurisdiction.

Mr. OSBORNE: In further answer to Mr. Cantelon, he referred to a diesel fireman, I believe, who is a railway employee. The additional problem here is what jurisdiction the railway employees are under. If they are under federal jurisdiction, naturally the provincial legislation would not be effective for them, and this I understand is why the Brotherhood are looking for federal legislation, presumably legislation which would parallel any legislation adopted by the provinces, for employees of companies under federal jurisdiction, if such there be.

Mr. KNOWLES: And presumably this is what Mr. Gordon forecast in his statement to the house, to which the delegation has already referred.

Mr. LLOYD: Madam Chairman, may I ask a supplementary question?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes.

Mr. LLOYD: Madam Chairman, at these conferences did discussions take place on the question of providing employees with the right to be consulted on proposed legislation for pension plans?

Mr. OSBORNE: I do not feel at liberty, as a federal observer at one of the conferences, to go into details on what was discussed or not discussed. To the best of my recollection the question of how portability—well, I am not sure I understand the question completely.

Mr. LLOYD: I sympathize with you. As I understand it, at these conferences, I understand premiers and officers have all discussed the wisdom of establishing uniform private pension plans across Canada?

Mr. OSBORNE: Not premiers.

Mr. LLOYD: Well, officials. For my purposes, all I want to know is, those that are considering legislation to standardize private plans, have they at any time discussed this question of providing for employees a right to be consulted in any of the matters that would be the subject matter of legislation by provinces?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Perhaps Mr. Osborne is not prepared to make a statement on this.

Mr. OSBORNE: I would like to add one point. The proposal was that the Ontario Pension Benefits Act would be roughly the model for provincial legislation, with possible changes. In the development of the Ontario Pension Benefits Act a great many people were consulted. There was a commission which sat for two or three years studying this question and hearing briefs. They heard briefs from representatives of labour organizations as well as from management and other interested parties. To that extent the general opinions of employees, through their representatives, were obtained by the commission that made the recommendation to the Ontario government that led to the establishment of the Ontario Pension Benefits Act.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you going further along this line, Mr. Munro? Because it seems to me definitely that we have a recommendation on page 1, article 5, from the delegation that is before us, and we can hear what they have to say, and then we can go over the act again, deciding what we will recommend. So it seems to me that is the time we should make that investigation about what has happened up until now. Do you not think so?

Mr. MUNRO: I agree, Madam Chairman. However, just from the point of view of gaining information, I wanted to find out this difficulty as outlined in the brief with respect to private pension plans and how the railway workers have related that to the Canada Pension Plan.

My only other question in this area that I wanted to speak, just to make it clear, and it does affect the pension field, is that if my understanding is correct, you regard the Industrial Relations and Disputes Investigation Act provisions as obstacles to your desired end of obtaining industry-wide bargaining in the railway industry.

Mr. HUNEAULT: Yes, Madam Chairman. The Canadian Pacific plan and the Canadian National pension plan cover all their employees under the different contracts; and, as Mr. Raymond indicated, the expiry date of the agreements do not permit us to negotiate or serve notice under the Industrial Relations and Disputes Investigation Act, which does not permit us the right, when one group, the non-operating group, as was referred to, to serve notice jointly; but the running trades so serve their notices at different times on separate notices. This is the one barrier. It prevents the serving of notices to include the pension provisions as a bargaining matter.

Mr. MUNRO: I am very interested to obtain the information that the railway unions have informed us of today, and I think the difficulties we are experiencing, so far as the private pension plans are concerned, are certainly enlightening and bear looking into. I am glad that they brought it up in their brief for this purpose.

The only remaining question I have—but I am sorry for continuing so long—is that I take it that aside from your particular problems in the area of private pension plans and your understandable desire to have the Canada

Pension Plan supplemental to your private pension plans, you are very much in favour of the provisions of the Canada Pension Plan and it has your whole-hearted backing?

Mr. HUNEAULT: I believe, Madam Chairman, we did make that statement in our brief. However, I would want again to come to the point where in my opening remarks I stated that the Minister of the Crown had made this statement that, as we understand it, there is provincial legislation affecting private pension plans, and we took it for granted that the minister's statement was in good faith, and we did not make any comment on that particular feature, because we assumed the minister made the statement in good faith, and we felt that there was nothing more to be said on that particular point, and that as soon as the major agreement was reached with the provinces, the federal government would have legislation comparable to the provinces, which would solve that problem for us.

Mr. MUNRO: I think you have heard today from Mr. Osborne, the efforts that the federal Government is now undertaking to accomplish this end?

Mr. HUNEAULT: Yes, I have.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Raymond has pointed out to me that section 3 on page 1 of the brief definitely sets out that our witnesses think there is a need in Canada for this type of plan, such as outlined in Bill C-136, and that they favour the principle of contributory wage-related plans under Government auspices.

Mr. HUNEAULT: Yes, that is our statement.

The CHAIRMAN (*Hon. Mrs. Fergusson*): This is definitely your statement?

Mr. HUNEAULT: Yes, that is our statement.

Mr. RAYMOND: This is the answer to your question: It is *Hansard* and paragraph 3, as stated by you, Madam Chairman.

Mr. KNOWLES: Madam Chairman, may I put two questions to Mr. Huneault and his colleagues? First of all, when you ask for legislation of the kind the Minister of Finance has now promised—and we both accept his word on that—legislation protecting pension plans of workers who come under federal labour jurisdiction, do you do so in light of any experiences you have had that make you feel this kind of legislation is necessary?

Mr. HUNEAULT: Yes, we feel our pension plans—and I think we have indicated that in our brief—are not wholly satisfactory. We are not wholly satisfied with the benefits from them, and we would welcome the Canada Pension Plan as a supplement.

Mr. KNOWLES: I am sorry, but I am not speaking about that part, the supplement. I will come to that in a moment. I am talking about the legislation you are asking for to protect the solvency and portability of federal pension plans. Have you had any experience which has led you to fear that any of your pension plans or pension funds might not be as fully protected as you would like them to be?

Mr. HUNEAULT: Yes, and I would like to refer that question to Mr. Clark, who could possibly make a statement relative to Canadian Pacific Railway.

Mr. CLARK: Under the Canadian Pacific's plan, if an individual leaves the company prior to securing a pension, all he gets in return are the contributions that he made, without any interest or anything else. There is no part of the company money in there whatever.

Mr. MONTEITH: This is where it differs a little from the C.N.?

Mr. CLARK: Yes, it does differ a little bit in that respect. If you are looking at the solvency of the fund, you know there have been some things appearing

lately in some of our papers across the country, where there have been a number of eyebrows raised, if you want to put it that way, as to the trustee manipulation of the fund. There was a fair statement made in the paper that in the case of central Del Rio there were some 400,000-odd shares changed hands directly from the Canadian Pacific Pension Trust Fund to the Canadian Pacific investments. There is one research bureau that works for the two factions, if you want to put it that way, and I guess it is easy to make the transfer.

Mr. KNOWLES: It is this kind of thing, the facts of which we do not really have, that you want to prevent—

Mr. CLARK: Yes, we want to stop it.

Mr. KNOWLES:—by the kind of legislation you are asking for—and I need not pursue it?

Mr. CLARK: Yes.

Mr. KNOWLES: You said that Mr. Gordon said the federal Government is going to bring in this kind of legislation, and you are prepared to wait?

Mr. CLARK: Yes.

Mr. KNOWLES: Not too long, we hope.

Mr. CLARK: Yes, not too long, we hope.

Mr. KNOWLES: I would like to ask some questions about the other part of your recommendation, namely the suggestion that the railway workers really want the Canada Pension Plan on top of and not as a substitution for part of your present plans. I think you have made it clear that you want it. You made it clear in your answers to Mr. Cantelon that you are prepared to pay the extra costs, but perhaps on that point I might ask a question on detail. You now pay 5½ per cent?

Mr. HUNEAULT: On the Canadian National, and 6 per cent on the Canadian Pacific.

Mr. KNOWLES: That is on gross income?

Mr. HUNEAULT: Yes, that is right.

Mr. KNOWLES: So that if the Canada Pension Plan is added, without any diminishing of the railway plan, you would pay another 1.8 per cent, but not on the whole of your income?

Mr. HUNEAULT: Under the Canada Pension Plan, as I understand it, Mr. Knowles, we would be paying 1 per cent on the maximum of \$5,000.

Mr. KNOWLES: 1.8 per cent above \$600.

Mr. HUNEAULT: Yes, 1.8 per cent above \$600.

Mr. KNOWLES: So it would not bring your effective rate from 5½ per cent to 7.3, or from 6 per cent up to 7.8 per cent, but to something less than that?

Mr. HUNEAULT: Yes.

Mr. KNOWLES: But whatever it is, the employees for whom you speak are prepared to pay the extra in order to get the extra pension?

Mr. HUNEAULT: Yes, that is a correct statement.

Mr. LEBOE: A good many of the railway employees I am acquainted with, that are new on the job, feel even the 5½ per cent and the 6 per cent is quite a heavy drag. Have you anything in your experience that would bear that out? This is what they tell me, and I have travelled many miles up in my country in a caboose or on the engines. I am talking particularly of the running trades.

Mr. HUNEAULT: Mr. Leboe, as far as I am concerned, I have heard no complaints, and I am sure my two confrères here would state similarly. You have had no complaints about the 5½ per cent on Canadian National or the 6 per cent on Canadian Pacific?

Mr. CLARK: One thing would bear that out, is that prior to 1937 we did not have the plan, and then for those entering the service after 1937 it was a condition of employment. Then, from time to time we had various numbers of requests from those individuals who did not see fit to sign up in the plan, and they continually kept making this request. In 1949 they did open the plan up again, and quite a number of employees did come in under the plan again. We are still having that same request being made. So to say, then, Mr. Leboe, that anybody bears out the fact of your statement, they must be way in the minority.

Mr. BASFORD: The problem is Mr. Leboe travels on the provincially owned P.G.E.

Mr. LEBOE: No, it is the Canadian National I travel on.

Mr. BASFORD: The employees there are very concerned about the way the premier and Mr. Gunderson are managing the pension plan.

Mr. LEBOE: Let us keep politics out of this. I travel on Canadian National, and I think the witness is for it. It has been a personal experience of mine that while they feel they are paying enough they wouldn't want it to go any higher. This is with the younger people. I notice from your statement, after a few years when they get a few years on the railway and they get their house half paid for, their car paid for and other things, I think they change their minds a bit.

Mr. RAYMOND: I think I would be very well qualified, with Mr. Huneault, to truthfully answer your question, because I suspect you have been travelling on the C.N. caboose.

Mr. LEBOE: That is right, and the engine.

Mr. RAYMOND: By virtue of my position I am in receipt of correspondence from all affiliated unions, in fact all unions, operating and non-operating, working on the Canadian National. The statement you made is true, but it has to be qualified. The Canadian National employees, from the file at my disposal, are paying too much at present, the 5½ per cent, if you consider the benefits available to them under the present plan. This is their position. They feel this, and we have a whole lot of resolutions pending. It has been submitted to our association by those organizations to the effect the present rate of 1¼ per cent for the first 30 years and 1½ per cent for the subsequent years should be increased to a flat 1½ per cent for all years, and, if possible, at 2 per cent per year. If you take it in this context, yes, the Canadian National employees are not satisfied, and they feel they are paying too much at the present rate, because they feel they should have more benefits for the percentage of wages they pay towards their pension plan. Is that clear?

Mr. LEBOE: Yes, thank you.

Mr. KNOWLES: I take it we have at least got the other point clear, and that is that the employees do want the Canada Pension Plan added to what they are now obtaining for themselves by way of pension. Perhaps you have said it already, but I think it would be useful for me to put this question to you: Do you ask that the Canada Pension Plan legislation absolutely prohibit railway employers from cutting back their own pension plans when the Canada Pension Plan comes into effect, or are you asking that the legislation require that there be consultation between employers and employees on this point?

Mr. CLARK: I believe that the statement that I did make was to the effect that any changes that would be made subsequent to the Canada Pension Plan coming into effect would be a matter of consultation between the unions and the railways. That is the statement that I made.

Mr. KNOWLES: You are prepared to recognize that some other employees in other industries might be quite happy to have integration, but speaking for the railway employees, you want what we call decking?

Mr. CLARK: That is right. I believe I also made the statement, Mr. Knowles, that I understood the superannuation of the civil service group was being worked out, and I said we had no objection to any other private pension plan coming under federal jurisdiction to be integrated if they so desired. What the railways are actually asking, though, is that if there is going to be integration we should be consulted first on it. There should be mutual agreement on it.

Mr. KNOWLES: Despite the fact that you have been effective in collective bargaining, this is an area where you would like to have it, that is, bargaining on the Canada Pension Plan. There is a great temptation to ask questions concerning the depression of a great number of years ago, 1910 or 1920, about pensions that were designed because of strikes and so on, but I think we might have an interesting visit with John Munro some day and tell him about this and how much this question means to people now. However, I will not ask any questions about that, but will confine myself to this question. Are all the employees of the two railways—and I ask it first of Mr. Clark and then Mr. Raymond—now in the pension plans? Are people who are now in the railways included in the companies' pension plans?

Mr. CLARK: No, we have a number on the Canadian Pacific who are still not.

Mr. KNOWLES: Tell us how many, and relate that to the total.

Mr. CLARK: I'll just have to look up those figures.

Mr. RAYMOND: While Mr. Clark is looking for his fact, I can give you the Canadian National figures. Generally speaking, pensions which we have cover approximately 90,000-odd employees in the Canadian National—somewhere over 90,000. Over 65,000 of these employees are covered by what we call the 1959 plan. There are about 6,300 employees who are covered under the old 1935 plan, that is, those that have guaranteed equities, and then there are about 1,000 of them who are under the old I.C.R. plan in the east, and then there are approximately at least 18,000 employees who are under the old 1935 plan but who were non-contributors and therefore are only allowed a basic pension of \$25 a month now. So the question you are asking me, Mr. Knowles, is answered this way: You can see very accurately that there are over 65,000—between 65,100 and 65,200 employees—who are contributors to the 1959 plan, and there are about 6,200 or 6,300 employees contributing to the old 1935 plan, that is the guaranteed equity, and there are about 700 employees under the old I.C.R. plan, and there are over 18,000 employees whom we term non-contributors of the 1935 plan which allows them a basic pension of \$25 a month. This pension dies when the pensioner dies.

Mr. MONTEITH: Was this their choice?

Mr. RAYMOND: Yes, for various reasons they had determined, deemed it necessary not to contribute because at the time these Canadian National employees, specified within this 18,000, were required to commit themselves to pay back their deficiencies, which amounted to several thousands of dollars in several cases. In most cases it was at least \$3,000, and most of them, I would say, were part of those 1918 or 1922 men, or 1930 employees who were laid off through the depression time.

Mr. CLARK: In October of 1964 we were trying to see what the effect of the question that you have just raised might be on some of the individuals and the number of employees not eligible and presently in service, and I took it from only the age of 50, but I took the male and female, and from 50 to 64 it is 4,086 males, and for females from 50 to 64 it is 680, bringing a total of 4,766.

Now, I have them year by year, but I just gave you the totals there.

Mr. KNOWLES: In other words, the total picture we are getting from representatives of both railways suggests that the common notion that people have that rail workers are sort of the elite in terms of pensions is a notion which needs to be modified.

There is room for improving your pension scheme and this is one of the reasons you are so keen to have the Canada Pension Plan in addition.

Mr. CLARK: Yes, there is also another reason too. Some three or four years ago we were then seeking improvements on the Canadian Pacific plan, and the wind, if I might say it, came along and there was this possibility of a Canada pension, and up until that time there was the possibility of us receiving some of the benefits for which we asked, and one was, namely, an increase from $1\frac{1}{4}$ to $1\frac{1}{2}$ per cent. Since the wind of the Canada pension plan came in they don't want to make the move now until they find out exactly what the cost is going to be of the Canada Pension Plan. If they are going to integrate them, then from where I am sitting at least it would be tantamount to our paying the railway portion, or at least the greater portion of it by integration.

If we don't get the benefits because they have that added burden of the Canada pension, then we are not going to get the benefits in there.

Mr. KNOWLES: I gather you would like to get this question settled as soon as you can.

Mr. CLARK: I certainly would.

Mr. KNOWLES: So you would know where you are. I have just one question. Mr. Huneault, I have seen you around a number of the sessions of this committee and I noticed you were here this morning when representatives of retired civil servants pledged the case of former civil servants already retired.

Would there be something parallel to this on the part of railway workers? Would they find themselves spoken for by these civil servant representatives?

Mr. HUNEAULT: I was quite impressed by the evidence given by the witnesses this morning, and I was also impressed by the fact of the members of the committee in the manner in which they were received. I do say that they were speaking not only on behalf of their own organization; they were speaking for Canadians as a whole, which includes the railway people.

Mr. RAYMOND: Could I add one comment following the question of Mr. Knowles?

I would like to direct your attention, Mr. Knowles, and the committee's, to the Canadian National—and I think it is the same thing for the C.P.R., and Mr. Clark can vouch for that—that one of the main things that we must not lose sight of is this: Canadian National employees contributing to any given plan cannot under the requirements of the rules withdraw their contributions now. It is on a compulsory basis to all contributors. At the time these people chose, say those 65,00 employees to whom I have referred before—at the time these people committed themselves to specific regulations based on certain benefits and the hope to further improve those benefits. Now, with the introduction of a Canada Pension Plan, if those benefits are going to be reduced as compared to what will be available to the general Canadian citizen, then we say that the compulsory part of our pension plan should be cancelled. Do you follow what I mean?

This is another one that we are keenly concerned with. If a contributor of the 1959 plan or the 1935 plan, which is now by the introduction of this bill to withdraw whatever he has put into the Canadian national plan, and be the recipient of only what the Canadian Government will make available to the citizens, he must resign from the Canadian National Railway plan. This

is certainly a drawback. Employers are faced with this, if the railways are going to take the unilateral position that the plans will be consolidated or integrated.

You must realize yourself when you have contributed to these plans for several years that you have quite a lot of money invested in them, based on specific benefits you were promised because, and that in effect it is a contract, but then you find in the course of the life of the contract the conditions are changed and you have nothing to say about it. If you compare the present benefits that are available to the Canadian National employees versus the benefits that will be available to the Canadian citizens under this act, you will find that the Canadian National employees will be actually deprived of certain benefits and certain rights which are allowed to other Canadians. This is mentioned in Articles 15 and 16 on pages 4 and 5 of our brief.

Mr. KNOWLES: Thank you very much.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Monteith?

Mr. MONTEITH: I think my questions have been answered, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Gray?

Mr. GRAY: Madam Chairman, Mr. Knowles covered part of the area about which I wanted to ask questions, namely, that with respect to the number of employees who were not covered at all by the plans on the railways or who do not have these benefits. I just wanted to remark that it is very interesting to hear that with respect to the railway industry in Canada, which has been a pioneer in the field of private pensions, there are so many people at this date who do not have a pension at all, or who have only very modest benefits under original plans. This is an interesting reply to other witnesses who have come before us and endeavoured to indicate that industry will be providing private plans with relative swiftness, thus lessening the need for the Canada Pension Plan. I do not know whether the witnesses would care to comment on that at all.

Mr. CLARK: If an employee on the Canadian Pacific cannot enter the plan if when he enters the service he is above the age of 40—that is, if he has passed his 40th birthday when he enters the service—then there is no opportunity for him to get into a plan at all.

Mr. GRAY: And pension plans first came into existence on the Canadian Pacific in what year?

Mr. CLARK: Well, they did start a plan in 1902 on the Canadian Pacific, but it was a non-contributory plan. On January 1 of 1937 a contributory plan was started. The employees then had the chance, regardless of their age, to enter the plan.

Mr. GRAY: The point I am trying to make is that this is not very encouraging when we are told that private industry will take care of this problem with great swiftness, and that we do not have to act.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is that all, Mr. Gray?

Mr. GRAY: Yes, thank you very much.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mrs. Rideout?

Mrs. RIDEOUT: Madam Chairman, I feel very much at home here today with the gentlemen from the railway brotherhoods. Moncton is in my constituency, and it is known as a railway town. Also, the new C.N.R. hump yard is there. I might also mention that I started my career in life working for the railway, and I want to compliment you gentlemen on your brief, and to say that I sympathize with your problems. I know that there are problems with the different pension schemes in the railways, and I shall take advantage of

this opportunity to ask you a question which is asked of me whenever I am at home in my riding. I might add that it refers in many cases to widows. My husband was an employee of the railway. He was under the new pension plan, so I am also a pensioner.

This is the question I should like to ask you. In the old Provident Fund, as you explained it today, the employee contributes so much and the employer matches his contribution, but when he dies his widow receives no benefit. She does not receive a pension. Am I correct in that?

Mr. RAYMOND: To my knowledge, under the old plan—I am not talking about the 1935 plan. The old Provident Plan, to my knowledge, provided that the pension dies with the employee or the pensioner.

Mrs. RIDEOUT: Yes, and also these employees are not permitted to join the new railway pension plan. There are only certain times at which they are allowed to join—certain periods.

Mr. RAYMOND: That is right.

Mrs. RIDEOUT: And at that time they have to make a substantial cash payment to the railway; is that correct?

Mr. RAYMOND: There were two occasions when the employees governed by the previous pension plans were given the opportunity to join the recent plan. First of all, in 1954 there was a big campaign made as a result of the introduction of the first revised pension plan in 1952. The campaign was held in 1954 and all non-contributors were approached.

Again, the same opportunity was given to all employees when the plan was further revised in 1959. The plan was revised in 1959, but the canvas actually took place in 1958.

It is a rule of practice that any employee who was not on the payroll as at December 31, 1958, and who is recalled back into the Canadian National service, will be given the opportunity of making up his mind or coming to a decision. On coming to that decision to now become subject to the new plan they do not necessarily have to pay whatever deficiency they may owe to the railways. They only acknowledge the commitment that they will have to pay it in order to be the recipient of the full benefits of the plan. If they do not pay this deficiency then this is taken away from the total benefits, and there is a special formula that is used for the breaking down of the amount of money that will now be paid to the pensioner or to his estate depending on the cost based on the actual deficiency or lack of contribution.

Mrs. RIDEOUT: But there have been some employees who were not able to take advantage of the opportunity of joining the new plan simply because they could not find the money that was needed. There were some employees who were not able to join the new plan for that reason?

Mr. RAYMOND: Yes. I replied to this partially before, and I should like to further enlarge on that. In addition to the vast sum of money that these people would have actually committed themselves to pay in order to be the recipient of full benefits, you must also consider those employees who are veterans—those who have served in the armed forces and who are by virtue of that service in the armed forces subject to certain benefits under Government regulation. If you tie up everything together I presume there is a vast majority of these 18,000 non-contributors who, considering the commitment they would have to make in order to be the recipient of the full benefits of the 1959 plan and all other aspects, came to the conclusion that they would be better off as a non-contributor under the 1935 plan receiving a pension of \$25 as long as the Canadian National will continue to pay it, and also being the recipient of whatever benefits are allowable to them under any regulation or legislation passed by the Government.

Mrs. RIDEOUT: I feel—and I wonder what your feeling is—that these people will particularly welcome the opportunity to have the Canada Pension Plan because it will protect their wives.

Mr. RAYMOND: I spoke to many of them, and as far as they are concerned they told me bluntly: "Mr. Raymond, we do not wish to participate under the 1959 plan, and we are looking forward to the implementation of this bill C-136 because we will then be the recipients of something that we feel will allow us to go on pension with a certain amount of dignity".

To further compound the problems, in order to facilitate the task of reaching a decision under the proposed legislation—if you will allow me, Madam Chairman—an employee who would earn an average adjusted monthly wage of \$300 under the proposed legislation will be entitled to receive a pension of \$75 a month. Under the Canadian National 1959 plan an employee earning an average of \$300 a month, in order to qualify for a pension of \$75 must have at least 20 year's service, and he must pay 5½ per cent of his wages. Under the federal proposal the employee will be required to work for only ten years, and to pay 1.8 per cent of his wages in order to receive a pension of the same amount. The non-contributors, as far as we are concerned, are better off with the proposed legislation, being part of the 1959 plan. If this 1959 plan is further reduced by the integration of the plan, then we say it is a further injustice towards those contributors.

Mrs. RIDEOUT: As you know, I am sure, you have many people writing to you as they write to me; and I think the answer is in our pension plan some allowance for widows, which was not under cover. So really you are going to solve one problem. You may be taking out many, many more but at least one will be solved.

Mr. RAYMOND: We have to look after the widows and the estate.

Mr. BASFORD: My older brother is employed in the C.N. pump yard in Winnipeg and I would like to pay a special welcome to the Railway Brotherhood, from the committee. I would like to highlight the preliminary submission. A letter from the C.N.R. was read out, a letter to the C.N. contributors, which had four points in it. I wonder which of those points you disagree with, as to the way the C.N. handled their plan?

Mr. RAYMOND: What we are objecting to is basically contained under two and three of that circular letter that the railways sent out, and if you care, I will read it. It says:

1. C. N. pension plans will not be replaced by the Canada Pension Plan.

We know that the railways have definitely stated they have no intention to scrap the plan as a whole, so this is not in question at the present time. They say:

2. Any co-ordination between the Canada Pension Plan and the C.N.R. pension plan will relate only to contributions and earnings in respect to earnings and service after the Canada Pension Plan comes into force.

You will see now where they are planning to do something. They say:

It will not affect pension benefits which would have accrued to employees under the C.N. pension plan up to that time.

We say that, on the implementation of this Canada Pension Plan across the country, we should obtain what we are paying under our present pension plan,

and whatever is required under the law our employees would pay it in order to be recipients of that extra benefit. They say:

3. The combined benefits which the employee will receive under the C.N. and the Canada Pension Plan will be at least as much as are at present provided under the C.N.R. pension plan.

We object to this, because we feel that the Canadian National, instead of paying to the Government the same as any other employee will be required to pay, 1.8 of the equivalent wages of their employees, towards the Canada Pension Plan, the C.N.R. will recoup some of the investment or the obligations that they are now facing towards the employees who are not subject to the compulsory clauses of 1959.

Eventually, if we project ourselves on a period of time of possibly 50 to 100 years, the railways will not be paying anything towards the plan, because the C.P.P. will eventually be increased, with the projected improvement of the plan and whatever is projected by the actuaries. We feel—in the Canadian National, and possibly the Canadian Pacific have the same opinion—that, in the far analysis, the employees will be paying the entire shot, while the railways will be recouping their obligation to their own private plan by paying it to the federal Government.

Mr. BASFORD: Was that letter dated February of last year?

Mr. RAYMOND: There is no date on this, but to my knowledge it was sent out early last year.

Mr. BASFORD: Has there been no further communication?

Mr. RAYMOND: I say this because, to my knowledge, resulting from the issuance of this bulletin, several of the organizations have taken the trouble to write to the Canadian National, supplying copies to me, and also have written to me objecting to this. At one of our annual meetings last year this matter came up for discussion, because it had been distributed to the employees. So I would say it is shortly after January of last year.

Mr. BASFORD: Do I understand your position clearly then? I take it you have studied the evidence of the committee, when it was outlined as to the system of integration which was going to apply to the Civil Service Superannuation Act?

Mr. HUNEULT: We have studied it, yes, to some extent.

Mr. BASFORD: I understand you do not want to follow that same procedure in the case of C.N. pensions?

Mr. HUNEULT: That is correct.

Mr. BASFORD: This is because you feel your existing pension plans are not quite adequate.

Mr. HUNEULT: That is a correct statement.

Mr. BASFORD: With the addition of the Canada Pension Plan, which you approve entirely, it would be more adequate?

Mr. HUNEULT: It would increase the benefits to the pensioners.

Mr. RAYMOND: This circular letter apparently came out of sequence to March 17, because it is mentioned in it that legislation introducing the Canada Pension Plan was introduced in Parliament on March 17. So this came subsequent to that date.

Mr. BASFORD: There is no circular relevant to this Bill C-136?

Mr. HUNEULT: In addition to this?

Mr. BASFORD: Bill C-75?

Mr. HUNEULT: There have been no recent circulars that we know of.

Mr. RAYMOND: May I point out, though, that this matter was brought to the attention of the Canadian National, and I presume also to the attention of the C.P.R. As I stated, we have a number of resolutions that we would like to present to the railways. At the time this came off, we were in the midst of preparing a brief containing recommendations to be presented to the Board of Pensions. Because of this, it was deemed necessary to delay the presentation of our brief, because we did not know the full contents of the proposed legislation. This policy has also been followed by our railway, to wait until the full thing has been agreed to by the Government and then sit down. They have always said that they wished to do a certain amount of integration.

Mr. BASFORD: As I understand your brief, you are not entirely opposed to integration, if it is done on a bilateral basis, that is, done with your agreement?

Mr. RAYMOND: Yes. Then we have a chance to express the views of our employees with those who studied the case and so on. We have to take this responsibility. We are agreeing to meet that responsibility, but we want to be given a chance, at least, to sit across the table with the railways and discuss these things and come to some conclusion that we feel will adequately represent the interest of the people concerned. We do not have this, technically speaking, we may present our brief but the board of directors can block it.

(Translation)

Mr. CÔTÉ (*Longueuil*): I think I can tell by your accent, Mr. Raymond, that you are French-speaking and I presume also that you are from the Province of Quebec. First of all I would like to congratulate you on the ease with which you express yourself in the language of Shakespeare and also on your wide knowledge of pension plans. Do Canadian-National employees who live and work in the Province of Quebec entertain any fears or apprehensions as a result of the fact that Quebec is setting up its own system just like Canada?

Mr. RAYMOND: If such fears exist, they have never been brought to my notice.

Mr. CÔTÉ (*Longueuil*): Are your employees aware that the Province of Quebec's pension plan allows for transfer to all the other provinces of the country?

Mr. RAYMOND: I fully believe that most Canadian-National employees—and I can refer only to Canadian-National—follow events very closely and should know that the government of the Province of Quebec intends to adopt the necessary measures to make pension plan benefits portable.

Mr. CÔTÉ (*Longueuil*): Do you, personally, as an expert in pension plans, see any disadvantages in the fact that Quebec is setting up its own plan?

Mr. RAYMOND: No, none.

Mr. CÔTÉ (*Longueuil*): Do you see any advantage in Quebec's having its own plan?

Mr. RAYMOND: The Province of Quebec itself? I don't know. I am not in politics.

Mr. CÔTÉ (*Longueuil*): May I add one little comment, Mr. Raymond? I believe the very large number of railway employees in the Province of Quebec has had some effect on negotiations between the Province of Quebec and the federal government so far as the implementation of identical plans by the federal government and the Province of Quebec is concerned. I also believe that this factor may be a guarantee for the future, in the event of certain changes in the pension plans. The same changes will be effected by the Province of Quebec and by the federal government.

Mr. FRANCIS: This is a matter of federal jurisdiction.

Mr. RAYMOND: I shall answer like this. To the best of my knowledge, Canadian-National or Canadian-Pacific employees have at their disposal a pension fund while most of the other industries do not have one and that has certainly had some bearing on the decision taken by the government of Quebec in meeting its obligations toward the population. But it is not up to me to say more than that.

Mr. CÔTÉ (*Longueuil*): But I, myself, believe that the fact that there are many railway employees in the Province of Quebec has had some influence—

Mr. RAYMOND: Definitely.

Mr. CÔTÉ (*Longueuil*): Are you yourself, as well as your association, in favour of the provision in Bill C-136 which ties benefits to the cost of living index in such a way that benefits will increase if the cost of living goes up?

Mr. RAYMOND: We are in favour of this principle.

(Text)

Mr. HUNEAULT: I will tell you why I said that. At one convention, when I used the English term, someone said, "Since when, Paul, have you changed your ethnic group?"

Mr. LLOYD: Madam Chairman, the Canadian Pacific Railway and the Canadian National Railways, I take it, provide pension funds for their employees on roughly a comparable basis, or are they of a differing nature? I gather they are unit systems and that the benefits are based on the best five consecutive years or the last 60 months, as the case may be.

Mr. CLARK: In the Canadian Pacific you have the choice of the best five years or any calendar five years that you care to mention, but in no case would they be less than the last five years.

Mr. LLOYD: And the percentage of contributions are the same?

Mr. CLARK: Well, half a per cent difference.

Mr. LLOYD: And in both cases, that is, the CPR, and the CNR, there are no bargaining rights with respect to pensions?

Mr. HUNEAULT: None whatsoever.

Mr. LLOYD: It appears to me that the system which you both have is known as the unit pension plan. In other words, your moneys and those of the railways are not put into a trust fund and attached to it. It is a little different from that. I think you go on the basis of the guarantee that if you achieve certain factors, qualifications, then you are entitled to certain benefits, and in the one case the company is responsible for the liability of a private plan, and in the other case, the government is responsible; but generally speaking both the CPR and the CNR tend to keep the pension benefits, because it has to do with compensation pretty well on the same level. Now, if this is so, I believe you quoted, Mr. Raymond, from a pamphlet of the CNR earlier in your evidence, and did you give some illustrations to Mr. Prittie, I believe it was, of benefits being derived under certain conditions? Were you quoting from this particular pamphlet when you gave those illustrations, or were you quoting from something else?

Mr. RAYMOND: You mean the percentage credited to so many years service?

Mr. LLOYD: Yes. You took an example here in the supplement to your Canadian National Railway Pension Plan Rules, effective January 1st, 1959, and it shows, for example, employee retirement at December 31, 1958, in this particular illustration. At age 65, with 35 years service, six months allowable service, and for a rate of \$350 a month, which would be the last 60 months average earnings, it turns out he retires on a pension of 40 per cent of that amount.

Now you give another illustration where at age 55, 40 years of allowable service and presumably he would have to start at age 15 to accomplish this, he would achieve a pension equivalent to 47 per cent for his best number of years, or last 60 months.

Mr. RAYMOND: I did not quote those figures. So apparently we are not using the same document.

Mr. LLOYD: Well, I got this from one of your members. Are these typical cases today of the pension level for railway employees on retirement, or do you have any figures which would indicate what would be the percentage of the average monthly compensation that is achieved by those retiring from the railway service today, other than the ones we are quoting?

Mr. MONTEITH: I think Mr. Raymond did give those figures.

Mr. RAYMOND: I have used this information from a circular letter dated April 16, 1962, from the Honourable Mr. Gordon, Minister of Finance, as a result of an amendment of our rule 7 which deleted or cancelled the previous percentage rates applicable to the first 20 years, and then $1\frac{1}{4}$ per cent for the next 10, and so on. As of April 1, 1962 these percentages have been amended, and now instead of having 1 per cent for the first 20 years and $1\frac{1}{4}$ for the next 10 years, and $1\frac{1}{2}$ per cent for each year after 30 years, this amendment is calling for $1\frac{1}{4}$ per cent for each of the first 30 years of service, and of course the $1\frac{1}{2}$ per cent subsequent to the 30 years remains as is. As a result of this amendment I have quoted, surprisingly it works out under the old percentage, and the new percentage has an exact difference of 5 per cent, irrespective of whether you have 20 years or 45 years of service—when you go out on pension you only have 5 per cent. You would believe that by going on pension with the new percentage rate with 45 years service your percentage of pension would be increased proportionately as compared to an employee of 20 years; but I have the figures here, 45 years allowable service, allowable under the old rule at 55 per cent, now 60 per cent; and everyone of them is exactly 5 per cent less—5 per cent difference. This has been the cause of a great many complaints.

Mr. LLOYD: As a result of the latest method, the percentage of allowable service, the percentage of benefits based on five years, average monthly income, do you tell me that in effect you get a reduction of the percentage?

Mr. RAYMOND: No, we have an increase of 5 per cent, but this 5 per cent applicable to the increase of $1\frac{1}{4}$ per cent for the first 30 years in effect has given a flat increase of pension to all employees at the rate of 5 per cent, regardless whether you have 50 years or 20 years of service.

Mr. LLOYD: Well, in your final conclusions you favour tacking on to the Canada Pension Plan your present benefits, and this presupposes that you assume present benefit levels are not adequate for what you might call a pension adequate to enjoy retirement in dignity—those were the words you used. Do you have any figures to back up this conclusion or any statement other than what you have already supplied to the committee? Would you are to enlarge on it?

Mr. RAYMOND: As I have said before, when our employees committed themselves to pay towards this pension plan they did it on certain basic fundamental benefits that we specified, and they were therefore agreeable to take this obligation.

Now, if these benefits are going to be reduced because of the introduction of this federal plan, we say that the contract that has been signed between the employer and employee should be revised. At the present time there is no indication whatsoever that the employees will be allowed that preference. As I stated in the course of my statement before, at the present time, because of this lack of possibility, if an employee now wished to withdraw his investment

in the Canadian National pension plan because of the introduction of this, he must resign from the railways.

To give you a rough estimate—and this comprised supervisors, some of whom are in very high rated wage brackets, and of course, the lowest one, under the 1959 plan, in 1963—the exact figure as of today, I do not have it—the average pension of those under the 1959 plan would amount to \$130.20. The contributors to the 1935 plan, which is the guaranteed equity, rate an average of \$45 a month. With regard to the 1935 plan, of course, non-contributors, because of a certain clause applicable to employees in service prior to January 1st, 1935 which allows them a certain amount of money in excess of a basic \$25, amounts to \$30.16 per month. You can see that even at \$130.20, on an average for the 1959 pension plan contributors who must pay 5½ per cent, when you actually break it down to an average it comes to \$130 a month, as compared to what the federal Government wished to introduce. There is a vast difference.

Mr. LLOYD: This is the figure I wanted to get at. We had extreme difficulty in this committee in obtaining from other witnesses some idea of the relationship of benefits, on the average, to levels of earnings at retirement. One actuary estimated overall between 30 to 40 per cent. Your average figures would indicate his judgment is certainly a valid one.

This is, I suppose on a superficial examination, why you want to deck on the Canada Pension Plan to your existing pensions, until and unless you can be shown otherwise there is some justification not to.

Mr. RAYMOND: For the purposes of the record, in order that there is no misconstruing or attempt to deny those figures, these figures are quoted from the annual report of the Pension Board for 1963, so it is an accurate report.

Mr. LLOYD: Then these figures were available. I am glad we have them on the record now.

Mr. RAYMOND: This average of \$130.20, Madam Chairman, on the 1959 plan is applicable to the total of 13,265 employees.

Mr. KNOWLES: I wonder if we could ask the witness to file a copy of this report? I am not asking that it be put in the record; it is too voluminous for that; but I am asking that it be filed for the use of the committee. I think it would be a useful document. If the witness does not have it with him, he could send it in.

Mr. LLOYD: I was going to ask the same thing with regard to these figures, but the figures you have are probably different.

Mr. RAYMOND: For the sake of the record, I would like to quote the figures I mentioned were for 1959, under the old plan. Under the revised plan instead of \$130.20 it is \$150.78; and instead of \$45 contributed for 1939 it is \$46.21; while the 1935 non-contributors have been reduced from \$30.16 to \$29.18.

Mr. LLOYD: I am sure you want to be completely fair about it. Do you have the average wages at retirement per month related to these figures—is it in the \$300, \$400 range? You have the average benefits, but you do not have the average wages at retirement applicable to these cases?

Mr. RAYMOND: No.

Mr. LLOYD: Would it be too difficult a job to get that information?

Mr. RAYMOND: Yes, it would be most difficult. Madam Chairman, for the information of Mrs. Rideout, the benefits to the widows and other dependents under the 1963 report are these: Under the 1959 plan there are 5,097 widows or dependents, and they have an average of \$64 a month. Under the 1935 plan contributors, the widows and the other beneficiaries, the estate, have \$43.20, and the non-contributors, because they have service prior to 1935, have an

average of \$18.31 a month. There are 549 such persons who were contributors under the 1935 plan, and 512 persons known as non-contributors under the 1935 plan.

You do not have to go too far to compare the benefits available under this proposed legislation.

Mr. LLOYD: Pursuing this same line with the gentleman speaking on behalf of the C.P.R. employees, I believe—

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Clark.

Mr. LLOYD: Yes, Mr. Clark: Have you any figures that would still further enlighten us on this?

Mr. CLARK: The only figures I could give you would be the averages we have from year to year. I could give you the one that was released on March 3rd, 1964. The average age of employee that went on retirement was 53-8/12ths. The period of service, on the average overall, was 37-11/12ths. The average monthly earnings for these individuals was \$426.52.

Mr. LLOYD: That is on retirement?

Mr. CLARK: Yes, that is right. The average pension was \$194.41, and I could give you the survivor in there, if you like.

Mr. LLOYD: Yes, I would like that.

Mr. CLARK: While I am on that \$194.41, the reason it is possibly a little higher than what Mr. Raymond quoted is that those individuals who did not see fit to join the plan prior to 1937 are not calculated, so it does not reduce this here. They get a pension that is solely contributed by the Canadian Pacific Railway and has no effect in these statistics.

The survivor, the average age of the survivor was 62-10/12ths, and the average survivor allowance paid was \$74.18.

Mr. LLOYD: I made a quick calculation this is an average which approximates to 45 to 46 per cent, that average.

Mr. KNOWLES: Yes.

Mr. CLARK: I would say that.

Mr. LLOYD: It is an average, so there would be many below that figure?

Mr. CLARK: Yes.

Mr. LLOYD: And I suppose an equating number above. This is really what draws attention to the urgency of holding to your argument you want the Canada Pension Plan decked on; or if they do anything you want to know all the details because of this average position of pensions in relation to earnings.

Finally, Mr. Raymond, on the subject of the province's pension benefits acts that are being talked about, under these acts it is proposed to ensure liquidity—"solvency" is the term used—to try gradually to reduce the periods of vesting and the like. In your studies of this, have you concluded that with the advent of this legislation there might be some upward trend for the costs of private pension plans in the future if you introduced all these measures, or have you considered that aspect of the matter?

Mr. RAYMOND: We are studying the matter at the present time, and we have not, as yet, reached a conclusion because we do not know what the future will hold. But we feel that based on our present experience with the Canadian National it will have the same relative effect, for it will be kept separate and apart if they are allowed to do so, and the pension plans will be subject to whatever considerations they will make.

Mr. LLOYD: I think what you implied as you went along with the evidence that was given here, or at least I get the impression that what you implied

is that you are a little fearful that if you start to build in a compulsory requirement on private pension plans that the railway pension fund will be related to these developments.

Mr. RAYMOND: Yes.

Mr. LLOYD: This could force either the employer or rather the employer to absorb new costs or attempt to pass them on, and he might in some way subtract from the present position you now occupy. Is that a fair statement?

Mr. RAYMOND: That is a very fair statement.

Mr. KNOWLES: Would both these gentlemen, Mr. Raymond and Mr. Clark, file copies of the documents from which they have been giving these figures?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Raymond has already given me this document, and I was going to ask if the committee would like to have it filed. This is the C.N.R. Pension Board Annual Report for 1963. Is it your wish to have this put on file?

Mr. KNOWLES: Agreed.

Mr. MONTEITH: Agreed.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Has Mr. Clark a similar document?

Mr. KNOWLES: Has Mr. Clark a similar document or a document giving this kind of information?

Mr. RAYMOND: We can also supply you with a copy of our pension plan, if you care for it. It is the 1959 pension plan.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Would the committee like to have a copy of the 1959 pension plan?

Mr. KNOWLES: Yes, and the C.P.R. pension plan too.

Mr. RAYMOND: I will make sure that Mr. Huneault gives this to you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You said that you wanted the C.N.R. pension plan on record. Now, we have the C.N.R. pension plan as well as the report and we also have the report of the C.P.R. for the year 1963 for their pension trust fund, and the C.P.R. pension plan. Do you wish to have all these placed on record with the Clerk of the Committee?

Mr. MONTEITH: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much. Mr. Francis?

Mr. FRANCIS: Madam Chairman, I am going to keep this short in view of the time. I think the delegation has done a very good job of bringing to our attention the problem that exists on integration in an area where provincial jurisdiction does not cover it. They made a point that they are very much concerned, and from what they have said this afternoon they have established a very good case for being able to bargain it out, because there are so many ramifications to this system that the only logical way would be to allow parties to negotiate to their satisfaction and to reach some settlement.

The federal Government tried to set an example dealing with its own employees, as you pointed out, but there is one difference in that we do have an advisory committee which advises on administrative problems, and on this committee the staff associations are represented and there has been an effective method of consultation to this device. Quite frankly, I don't think the federal Government could undertake to spell out the difficulties of the kind of problems you have laid before us. I think that our responsibility should go to say that this should be an area appropriate for bargaining and you should be permitted to bargain it and have the opportunity to do so, and it seems to me this is about as far I feel, as a member of the committee, that I can comment at this stage.

The CHAIRMAN (*Hon. Mrs. Fergusson*): That is all you want?

Mr. FRANCIS: Yes.

Mr. MONTEITH: Very briefly, Madam Chairman, I don't think that it has seemed particular unpopular to identify oneself with a railway town today and I would like to mention that the City of Stratford is in my constituency, but I am asking a question as a result of that. I was very well aware of pension problems following the bad years of the 1930s and the fact that many employees were laid off for periods of time, and while still more or less on call they might have other jobs temporarily, but they would be still on call to the railroad, but these months were not allowed for pension purposes. Am I right, Mr. Raymond, so far?

Mr. RAYMOND: You are quite correct.

Mr. MONTEITH: Now, do you know whether some of these inequities still exist?

Mr. RAYMOND: When you refer to inequities I presume you mean do we still have employees in the service who were laid off in the 1930s?

Mr. MONTEITH: And who suffered as a consequence of that.

Mr. RAYMOND: Who suffered as a consequence of the depression, yes.

Mr. MONTEITH: Pensionwise?

Mr. RAYMOND: Those people laid off in those years and not as yet pensioned off cannot have those years, of course, while they were out of service attributed to their service for pension benefits, because they are not considered as allowable years of service because they have not worked at least a day a month during those months.

Mr. MONTEITH: As I seem to recall this was a very serious complaint at that time. But this has never been rectified. There has never been any adjustment made for these employees who were laid off although still on call to the railway.

Mr. RAYMOND: To be fair to the Canadian National, after all, you have got to get up and meet yourself whenever you shave in the morning. This matter was brought up by our association and we had a discussion about it with the Canadian National and it was referred back to the general chairman of the association who has not yet deemed it necessary to further process the case, because of the various ramifications of the problems. We must acknowledge that a pension plan is based on actual contribution, and this matter is still under the study of the association.

Mr. MONTEITH: Thank you very much. If I might just say that I was representing a railroad town, Stratford, I might point out that the steam locomotive shops have disappeared since the time I was there.

Mr. CAMERON: In view of Mr. Monteith's remarks, may I be extended the privilege of remarking that I also belong to a railway town.

Mr. PRITIE: May I say that I don't come from a railway constituency.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Sydney Smith.

Hon. Mr. SMITH (*Kamloops*): I will be very brief, but I will add that I come from Kamloops, which is also a railway town, where we have both railroads.

Madam Chairman, as a benefit to the record I am wondering if it would not be interesting if the two spokesmen for the two groups could tell us the number of employees in their groups, whether or not they are within the company plans.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you able to do that, Mr. Raymond and Mr. Clark?

Mr. CLARK: I would say on the Canadian Pacific that there are around 54,000 making contributions under the plan. How many that are not, I would not be able to say.

Hon. Mr. SMITH (*Kamloops*): Could you estimate it at all, Mr. Clark?

Mr. CLARK: I would say that an estimated guess, is that there are probably between 4,000 and 6,000.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Raymond?

Mr. RAYMOND: On the Canadian National, the 1963 financial report shows the number under the new method of counting employees to be about 99,000 employees.

Hon. Mr. SMITH (*Kamloops*): Altogether? Is that in or out of the plan?

Mr. RAYMOND: All employees. Somewhere along the line all employees are subject to some pension rules, either in the I.C.R. or in the 1935 plan or in the 1959 plan.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any other questions?

Mr. BASFORD: We have had Mr. David Kilgour before us. Mr. Kilgour is an opponent of Bill C-136, and I recited a long list of organizations supporting the passage of this bill. His reply implied that these groups were being carried away with headlines, and that they did not really know what they were talking about.

I notice that you have with you a research assistant, and an assistant to the assistant. I assume you are enthusiastically in support of Bill C-136, and that your enthusiastic support is based on a careful study of the legislation and social implications.

Mr. HUNEULT: Mr. Wells is our research director.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Do you wish him to speak?

Mr. BASFORD: I want to get on the record that you know what you are talking about.

Mr. HUNEULT: I would like to have Mr. Wells reply to that.

Mr. J. S. WELLS (*Research Director, International Railways Unions*): Yes, I have studied the bill in some detail. I hope I understand a large part of it.

Mr. MUNRO: You are certainly more humble than most people who come here.

Mr. WELLS: In fact, you like the bill so much that you want its benefits in addition to what you have. That is the main reason why you have come here?

Mr. CLARK: Yes, and we are speaking only for the employees we represent on the two major railways.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any other questions? If not, Mr. Huneault, Mr. Raymond and Mr. Clark, on behalf of the committees I thank you for preparing and presenting this brief. The answers you have given to the questions asked by the members of the committee have been both interesting and illuminating to us. You have commanded the respect and, I am sure, the sympathy of this committee, and no doubt this will affect the final decisions of the committee.

Mr. HUNEULT: Thank you, Madam Chairman.

Mrs. RIDEOUT: Madam Chairman, may I be permitted to move a vote of thanks to these gentlemen, and to tell them how much we enjoyed reading their brief. As one former railway employee speaking to other railway men, I congratulate you.

Mr. FRANCIS: I second the motion.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It is moved by Mrs. Rideout, seconded by Mr. Francis, that there be a vote of thanks to the delegation. Will you respond in the usual manner?

Mr. HUNEAULT: Madam Chairman, we have come here in a very frank and truthful manner to place the problem of the railway employees in connection with their private plans and the effects of the Canada Pension Plan before you. We appreciate very much the opportunity of appearing here, and we thank you very much.

The CHAIRMAN (*Mr. Cameron*): Before we adjourn, I call the attention of the committee to the fact that our witness tonight is Dr. Clarke. Also, tomorrow at the conclusion of the afternoon's session, we shall meet in my room where the caterer will serve light refreshments. This invitation is extended to everybody.

Mr. MUNRO: Mr. Chairman, the Steering Committee will meet at this time for just a minute or two.

The CHAIRMAN (*Mr. Cameron*): Yes, it will be a very short meeting.

The CHAIRMAN (*Hon. Mrs. Fergusson*): The clerk has received a letter from Mr. Marchand who was to present a brief to us on Wednesday, January 13, and who was not able to come. He has written a letter expressing his regrets. As it is in French I shall ask the clerk to read it, because I think it should be on the record.

(*Translation*)

CONFEDERATION OF NATIONAL TRADE UNIONS

Quebec, 18th January 1965.

Mr. Maxime Guitard,
Secretary of the Special Joint Committee,
Committees and Private Legislation Branch,
House of Commons,
OTTAWA.

Dear sir:

I deeply regret the incident which took place on the 13th of January last. When you spoke to me on the telephone, as when your secretary spoke to me, I was under the impression that we would be able to have our brief ready for the 13th of January. The editor's illness prevented us from carrying out this intent.

I am somewhat embarrassed by this situation and we would ask you to convey our excuses to the committee.

Yours truly,

Jean Marchand,
President.

(*Text*)

The CHAIRMAN (*Hon. Mrs. Fergusson*): The committee will now adjourn to meet again at 8 o'clock this evening.

EVENING SITTING

THURSDAY, January 21, 1965.

The CHAIRMAN (*Mr. Cameron*): Senator Fergusson and gentlemen, we have a quorum.

Mr. BASFORD: Mr. Chairman, before we commence the evidence, for the information of the committee, and particularly of Mr. Cantelon, who raised very properly the question of what the Canada Pension Plan does do to those with forced retirement at age 60, I would like to ask Mr. Osborne to prepare some material, as other members of the committee have done. To preface my remarks, I would like to read into the record a very short letter from the Vancouver Fire Fighters Union.

Mr. MONTEITH: May I inquire what this is all about?

The CHAIRMAN (*Mr. Cameron*): I gather that Mr. Basford is seeking some information and is going to ask Mr. Osborne to prepare it.

Mr. BASFORD: It is a letter addressed to me and I guess this group would have come before the committee only they did not want to stand the expense of coming from Vancouver. The letter reads:

Dear Sir:

Fire Fighters in the province of B.C. number approximately 1300 and we are all organized and affiliated with the International Association of Fire Fighters and the B.C. Provincial Association of Professional Fire Fighters.

All of these members are covered by the B.C. Municipal Superannuation Act.

It is our expressed opinion that the Canada Pension Plan be considered as a supplementary pension to our present plan. We have expressed this opinion at a joint meeting of representatives of all B.C. Municipal Employees, and they unanimously endorsed this opinion.

The CHAIRMAN (*Mr. Cameron*): Is that a copy of the brief that we have received from the Fire Fighters?

Mr. BASFORD: No, Mr. Chairman, this is a letter.

The CHAIRMAN (*Mr. Cameron*): We have a brief from them also.

Mr. BASFORD: This is just a letter and I would like it to be on record.

Mr. MONTEITH: The brief would probably be filed anyhow and put on the record.

Mr. BASFORD: I would like you to put the letter on the record because I think these are introductory remarks to what I want to ask Mr. Osborne to prepare.

Mr. MONTEITH: I have some letters also which I would like to put on the record.

Mr. BASFORD: The letter continues:

I would like also to express our very deep concern with the proposed C.P.P. in its attitude and complete discrimination to all of our membership who are obliged to retire at the age of 60, thereby not allowing them full vesting no matter how many years they may pay into the plan. Some means must be found to give full vesting to those people in the country who are compelled to retire at age 60. This is the maximum age to which a fire fighter is allowed to work and even though he may be in the position of paying into the C.P.P. for periods of 10-20-30 years he still would

be unable to draw maximum benefits owing to the fact that he didn't work between the ages of 60-65 a period he is unable to do so according to law...

I would like this to be part of the record and would like Mr. Osborne to prepare a memorandum for members of the committee, to become part of our record, to answer questions raised, that Mr. Cantelon has raised very properly on behalf of school teachers, many of whom are forced to retire at age 60. I would like Mr. Osborne to say what are the ramifications and implications of the Canada Pension Plan and of the bill, both as far as contributions are concerned and as regards those who are forced to retire at age 60.

The CHAIRMAN (*Mr. Cameron*): Has the reporter the complete question? I understand he has.

Mr. OSBORNE: I have not got the complete scope of the question. There are two questions I would like to ask. Is it to be assumed that these people who have retired at age 60 are not permitted to get other jobs, not permitted to take on self-employment until 65? Do we assume they do no more work after age 60?

Mr. BASFORD: It is assumed that according to law they are not prevented from taking jobs.

Mr. OSBORNE: But in the calculation you want me to make, do you want me to assume they are performing no more work of any kind after 60?

Mr. BASFORD: Yes.

Mr. OSBORNE: Secondly, how do I regard the 10 per cent drop out which allows them to drop out the years from 60 to 65.

Mr. BASFORD: I would like you to regard it either way.

Mr. MONTEITH: You just think it over.

Mr. BASFORD: I would like you to regard it in either way in which they could handle the problem open to them.

Mr. OSBORNE: Could you give me the amount of earnings on which I am to calculate these figures?

Mr. BASFORD: I cannot do so right now.

Mr. CANTELON: With respect to school teachers, particularly those who take university work, their allowable years of drop out will be used up if their work time during university vacations were held to be earning years. I do not think then, they will have much drop out left when they get to 60. Also, I should point out that the majority who reach age 60 have no training in anything else. Besides, many of them are living in small communities, where it is impossible to get anything else to do. I would hope that the information would be so arranged that it would be assumed that these people have used their drop out and have not any work from age 60 onwards—so that we know the worst, in other words.

Mr. OSBORNE: I still need to know an earnings figure, in order to calculate the benefit, because it is an earnings-related benefit.

Mr. BASFORD: No, I do not think you do, Mr. Osborne, to give us the ramifications of the bill.

Mr. OSBORNE: It is not a calculation you wish, Mr. Basford?

Mr. BASFORD: I think members of the committee would want to know in general principle.

Mr. CANTELON: In my case, I would be happy if you put that figure at \$5,000, because I am sure we could resolve that figure pretty quickly, to resolve what they have to do.

The CHAIRMAN (*Mr. Cameron*): Perhaps we can accept your figure, and Mr. Basford can put in another figure also if he wishes to do so. Is that satisfactory?

Mr. BASFORD: I mean, just the general principles of the bill, but I will accept Mr. Cantelon's suggestion.

The CHAIRMAN (*Mr. Cameron*): It is much easier to get the general principle if you have something specific. Does everyone agree that we ask Mr. Osborne to obtain the information on the basis of the letter? It is agreed.

You are all aware that the Premier of Ontario has made an announcement in regard to the Canada Pension Plan. I am not stating that what I have in my hand is a complete summary of what he said. It is something that I obtained from my wife over the telephone a few minutes ago.

Mr. MONTEITH: Then it is reliable information.

The CHAIRMAN (*Mr. Cameron*): I think it is pretty reliable. At any rate I take this as a conclusion of Premier Robarts' remarks:

I have come to the conclusion, when we consider the safeguards built into the plan—

and obviously he is referring to the Canada Pension Plan—
that it is the best plan for the people of Ontario.

I feel we are all very pleased with this announcement. I know, speaking for myself, that I am very pleased.

Mr. MUNRO: Perhaps that makes all future meetings academic.

The CHAIRMAN (*Mr. Cameron*): I have here the report of the Steering Committee, which is entitled The Report of the Subcommittee on Agenda and Procedure. It met yesterday and the report of that meeting was delayed because we were waiting to hear definitely from the Province of Ontario about a matter which the report will deal with. The clerk will read it.

Report read by the clerk.

Mr. MONTEITH: I do not know if this should be included, but it was mentioned that any other briefs that had been received from several people I could name—there were three or four extra ones, I believe—would be included in the record of proceedings. They were told that. However, the report is that it is too late now; is that correct?

The CHAIRMAN (*Mr. Cameron*): That is right.

Mr. KNOWLES: I think we of the steering committee agreed that we should have done that.

The CHAIRMAN (*Mr. Cameron*): I had proposed to communicate with the various corporations or persons who put these briefs in and say that we would be meeting on Monday, February 1, at 10 a.m., at which time we will be hearing from the Ontario Pension Federation, I presume it is, when Mr. Coward will speak on behalf of the Government of Ontario; and setting aside the morning and afternoon session for that purpose, and probably in the evening hear these two organizations, or other organizations, although I do not think we tied ourselves down actually to Monday. The other people who had sent in briefs, and so on, would be advised that if they wished to appear, they could come down here, at which time we shall try to fit them in, probably at the Monday evening session, or on Tuesday; but we were not intending, I think, to plan our schedule beyond Wednesday.

Mr. MONTEITH: My interpretation, Mr. Chairman, was that we made no plans to hear any briefs or to hear representations beyond the Canadian Teachers Association and the Construction Association.

The CHAIRMAN (*Mr. Cameron*): We were definitely prepared to hear the Canadian Teachers Association.

Mr. MONTEITH: And the Construction Association.

Mr. MUNRO: That is right.

Mr. FRANCIS: That is correct.

Mr. MONTEITH: And the others were told that their briefs would be part of the proceedings.

The CHAIRMAN (*Mr. Cameron*): If they insisted—

Mr. MONTEITH: Do not be too lenient.

The CHAIRMAN (*Mr. Cameron*): If they insisted on coming down, which they do not need to do, they could come on Tuesday.

Mr. MUNRO: The proceedings which took place in the steering committee agreed with Mr. Monteith that we would hear these two but not the others, and just receive their briefs, and that they would be on record.

Mr. CANTELON: Are the teachers presenting four briefs?

The CHAIRMAN (*Mr. Cameron*): Four and one, whatever that means.

Mr. CANTELON: But none of them is in yet.

The CHAIRMAN (*Mr. Cameron*): No; they are to be in by the end of this month.

Mr. CANTELON: I understand there are three of them.

Mr. BASFORD: I suggest that we report these minutes, and that the steering committee meet—

Mr. MONTEITH: Oh, no, be reasonable!

The CHAIRMAN (*Mr. Cameron*): Probably, Mr. Basford, if you suggested Mr. Monteith's motion, seconded by Mr. Munro, be that this report be read with their amendment added as part of it.

Mr. MUNRO: With the amendment as suggested by Mr. Monteith.

The CHAIRMAN (*Mr. Cameron*): Is that agreed?

Mr. MONTEITH: Agreed.

The CHAIRMAN (*Mr. Cameron*): I would like to have a motion that there be printed as part of the minutes of today's proceedings this document relating to Old Age Security programs, supplied in answer to a question asked by Mr. Morrow on December 14 and repeated by Senator McCutcheon on December 15, and I understand also referred to by one or two of the witnesses or the members of the committee. Are you agreed this be placed on the record for today?

Mr. MUNRO: I so move.

The CHAIRMAN (*Mr. Cameron*): And the motion is seconded. All those in favour? Contrary?

I declare the motion carried.

Mr. LLOYD: Well—

The CHAIRMAN (*Mr. Cameron*): The motion is carried.

Mr. LLOYD: I am not objecting to the matter being put in the minutes, but surely I am allowed to ask a question concerning the document.

The CHAIRMAN (*Mr. Cameron*): Oh, yes. Go ahead and ask your question.

Mr. LLOYD: I wonder if Mr. Osborne could just briefly explain the schedules, because you will notice, Mr. Chairman, that the question was put this way: Could you tell us approximately what payroll contributions would be required to raise the equivalent of some of the money that we are collecting under the present means of financing the O.A.S. plan? Do you think it would be 5 or 6 per cent? Then I notice they start with schedules of benefit claims, is that right, Mr. Osborne. Schedule 1. I notice (a) and (b)—projections. I can understand that.

Mr. OSBORNE: As you will note from the bottom of page 3 this answer was prepared by the Department of Insurance. If you would like Mr. Clark to give you a further explanation—

Mr. LLOYD: I am quite satisfied to let the matter go ahead, and to take a look at it tomorrow, and if I have any questions to ask at that time I can do so.

The CHAIRMAN (*Mr. Cameron*): Senator Fergusson, Mrs. Rideout and gentlemen, we have a very distinguished witness with us tonight. He has come all the way from that fair city of Vancouver, which we hear about from time to time from Mr. Basford. I refer, of course, to Dr. Robert Clark. He is one of the outstanding authorities on the subject matter which he intends to discuss with us this evening, and I know that we are all looking forward with a great deal of anticipation and pleasure to hearing from Dr. Clark.

I do not want to take up unnecessary time, as we shall have a full evening, so without further ado, Dr. Clark, the meeting is in your hands to carry on. We ask you to remain in your seat and to be as comfortable as you can. In due course you will probably be subjected to questions by members of the committee and will be only too glad to reply, I have no doubt.

Dr. ROBERT M. CLARK (*University of British Columbia*): Thank you, Mr. Chairman, for your gracious introduction. Like most university people having to lecture to large classes, I am accustomed to stand, and I tend to unwind as soon as I sit down. Therefore, I shall start, if you do not mind, on my feet.

I would like to suggest for your consideration, sir, that since in my brief there is a table of contents, the most appropriate way of dealing with this is not for me to give an opening lecture of the usual university variety of 53 minutes, but dispense entirely with the preliminary statement. Instead I should take up each of the items in the table of contents. If I feel it appropriate, I should make a number of remarks about each, and then as I finish each one of these, I should welcome questions.

This is not done to suggest that I am only prepared to answer questions in relation to the topics here, but to suggest what I believe to be a logical and businesslike order for getting through the material. If this is acceptable, then I will turn to part I.

The CHAIRMAN (*Mr. Cameron*): Thank you.

Dr. CLARK: In part I, I have set out reasons for preferring a flat rate benefit structure to the benefit structure in the Canada Pension Plan, which is graduated in a relation to contributions. My essential ground for doing this is on the basis of equity.

Now, equity is a very subjective subject, and of course there is room for differences of opinion. Having opposed earnings-related benefits, I then go on to advocate what seems to me to be a logical alternative, for I feel that someone who criticizes the Canada Pension Plan, and this applies in other respects, has an onus to suggest some possible alternative.

I have suggested that the considerations of equity as well as of simplicity and of economy of administration could be served by having pensions for the aged graduated according to the age of the deceased, increasing from year to year, and taking our flat old age security and modifying this accordingly. And also I have in mind including survivor and disability benefits, which are particularly welcome, of course, in the Canada Pension Plan.

Hon. Mr. THORVALDSON: Mr. Chairman, I do not want to embarrass our friend, Dr. Clark, but I wonder if it would be useful if he gave us some of his qualifications to begin with, or is everyone acquainted with them in the committee? I do not know. If they are not, I am. However, I wonder if it would be useful to put this on the record.

The CHAIRMAN (*Mr. Cameron*): Well, I know him as the author of the Clark report.

Mr. BASFORD: Of course, to come from the University of British Columbia is qualification enough!

The CHAIRMAN (*Mr. Cameron*): Would you mind, Dr. Clark, telling us some of the things you have done during your lifetime which you think would be of interest to the committee and would be valuable to them if they were placed on the record?

Dr. CLARK: Mr. Chairman, I can think of almost nothing that would be of value to put on the record.

The CHAIRMAN (*Mr. Cameron*): We will have to be the judges of that.

Dr. CLARK: Please feel free to delete as much as you like in that case. I have a Bachelor of Arts degree, honours economics, and a Bachelor of Commerce from the University of British Columbia, and a Master's Degree, Ph.D. in Economics from Harvard. Since joining the University of British Columbia in the fall of 1946 I have specialized in government finance. Virtually all my publishing has been in that field.

The CHAIRMAN: You have made a special study of these matters such as wage-related pensions and old age security?

Dr. CLARK: Yes, a thorough study.

The CHAIRMAN (*Mr. Cameron*): And social security problems?

Dr. CLARK: In being commissioned to write the report on economic security for the aged in the United States and Canada, I was asked to state arguments on both sides of the case. Almost as soon as that was done I was asked to be a member of the Ontario Portable Pensions Committee, and I was with that committee from its inception. We were charged with the task, and given a lawyer to help us—without whom, of course, we would have been helpless—of drafting the legislation which was adopted by the Ontario Government without change. That legislation was subsequently modified.

I have been writing articles for the last several years in this field, in addition to the report. I teach a graduate course in the University of British Columbia on the economic aspects of welfare legislation, using that term broadly. I think that is sufficient information.

The CHAIRMAN (*Mr. Cameron*): I am going to rule, Dr. Clark, you are qualified as an expert on the subject you are going to discuss.

Hon. Mr. THORVALDSON: I hope Dr. Clark understands the reason I made the suggestion was that although I think everybody here is well aware of his qualifications, nevertheless all this goes in the record and 10 or 20 years from now, when his presentation is read, there is nothing to convey what his qualifications are, so will you excuse me, Mr. Chairman, if I made the suggestion?

The CHAIRMAN (*Mr. Cameron*): Yes, in fact, I was remiss in not making it myself.

Mr. KNOWLES: We want his reward 20 years from now to be related to his earnings!

Mr. MONTEITH: By the way of a pension plan.

Dr. CLARK: I believe I have said enough in relation to the first part of this report. I have explained the alternative that I have in mind. I have referred in this to evidence which shows the resources of the aged in the United States seem to decline with age, as they get older. I refer to the lesser amount of evidence that is available in Canada. More will come out of the 1961 census.

Since I wrote this I have received some census of Canada population bulletins, and there was a limited amount of information there about that. But we have appreciably less data than there are in the United States, but they do support the general conclusion that resources, on the whole, tend to decline for people as they get progressively older, as you would expect.

So, Mr. Chairman, I am now ready to attempt to answer questions in relation to the first part of this brief.

Mr. MONTEITH: Mr. Chairman, if we are going to follow this procedure, with which I am not quarelling at all, may I say this has been an interest of mine ever since the first day the committee sat to hear representations. I am wondering if Dr. Clark could give us some evidence that actual resources do decline as one ages and after retiring from active work and business. Is there any evidence to support a possible theory that there should be or might well be—and I am not advocating this for one moment—that there might well be some increase in the welfare scheme coming to these people as they become more aged and as their resources do decline? What evidence might Dr. Clark have to indicate this is so?

The CHAIRMAN (*Mr. Cameron*): Would you care to supplement your statement, Dr. Clark?

Dr. CLARK: The evidence might, I think, be summarized under four headings statistically, and anyone can look at the sort of logical arguments why one could expect such a sort of thing to be true.

In terms of statistical evidence, I refer this committee first of all, to information about the American regard to the Old Age Assistance program. This program assists persons age 65 and over, and there is no upper age limit at age 69, as in our comparable Canadian program. Mr. Myers has written that the proportion of people requiring assistance under this program increases with the age of recipients.

“About 17 per cent of all women age 65 and over are assistance recipients, but the proportion moves steadily upward as age advances from a low of 9 per cent for women aged 65 to 69 to a high of 35 per cent for women aged 85 and over. The same general trend is also present for men, with the proportion receiving assistance rising from 4 per cent at ages 65 to 69 to 30 per cent at ages 85 and over.”

Mr. Myers goes on to say that he expects this state of affairs will continue on into the future.

The second piece of evidence is from a detailed survey made by the Social Security Administration in the United States in 1963 of the resources of the aged. This is described in articles in the Social Security Bulletin. I have referred to them in my evidence, and the material is in greater detail than I have included here. I refer you also to the table at the top of page 4 of my brief comparing the median incomes of persons in the United States between the age of 65 and 72 and individuals age 73 and over. The retirement test stops at age 72, which is the reason for choosing age 72 as the boundary line and the table shows this fairly significant difference in income for the two age groups. Although the picture is less marked here, the same pattern tends to be true with respect to assets.

The Canadian data were referred to in part in the evidence of the Canadian Life Insurance Officers Association, who have had some statistical work done from material made available by the Dominion Bureau of Statistics. That is contained in their evidence somewhere.

The CHAIRMAN (*Mr. Cameron*): Yes, page 33, showing the average income from all sources for males and females separately.

That is useful because it is broken down from the ages of 71 to 74, 75 to 79, and 80 to 85, and so on, in five-year periods, whereas in the census data the categories already published only refer to persons 65 to 69, and 70 and over. Broadly speaking, the census data in the bulletins on population samples series 4.1-1, bulletins 4.1-3, and 4.1-4, support that, though the picture is not totally consistent.

Mr. FRANCIS: Could I ask a question relating to this?

The CHAIRMAN (*Mr. Cameron*): Mr. Cantelon was going to ask a question.

Mr. CANTELON: The question I was going to ask, Mr. Chairman, Mr. Monteith has already asked.

The CHAIRMAN (*Mr. Cameron*): Have you completed your statement on Part I, Dr. Clark?

Dr. CLARK: Yes.

Mr. FRANCIS: I was going to ask Dr. Clark if this evidence is really conclusive, because bearing in mind that the people who are retiring have had their early years of earning impaired by the depression and their ceilings enforced by the war years, we have had a period since the war of rapid and constant increase in wages, and is this status not consistent with a reflection of the pattern of the period? Concerning people going on retirement and sick people, the question is, is the United States data not strictly comparable to Canadian data because of the impact of hospital insurance in Canada and the greater advantage it would give to older persons with their sickness experience?

Mr. CLARK: You have really asked me two questions, Mr. Francis. Let me look at both of them. The second one, I think, can be dealt with more quickly. It is perfectly true that a comparison of assets is more difficult than a comparison of income. The fact that you mentioned about hospital insurance, is, I think, a minor factor really, in affecting the comparison. I think the essential comparison rests on income rather than on the basis of assets, and I think the conclusion does stand.

Now, as for the first point, it is perfectly true, as you point out, that people who worked during the depression years had substantially smaller incomes, if they were able to keep working at all. But this pattern of rising earnings in the future, I think, will continue as far into the future as we can see.

The actuary makes assumptions about increasing earnings as a 3 per cent assumption and as a 4 per cent assumption, and I should be prepared to say that as far into the future as we can look it will be true that the people who have been retired longest will tend to have the lowest resources as compared with those who have recently retired.

This is on the average, of course, and provides, I think, in principle, a sort of justification for the type of gradation of benefits by age that I have proposed.

Mr. PRITTIE: I think that this is the same point Mr. Anderson made. No matter what time it is in the future it will be the same.

Mr. FRANCIS: I am not convinced of that.

Mr. GRAY: May I ask a supplementary question relating to this topic? It was almost partially stated by Lloyd Francis that, while assets might decrease, the statistics pointed out that there was evidence that income might decrease too.

As a matter of fact, don't you provide a little bit of evidence, Dr. Clark, in your own paper when you say, I believe on the very first page of the text that:

This is not to say that the retired, on the average, should have spending power equal to that of the whole population, because, on the average, the aged do not need quite as much as the rest of the population. They are more likely to have their home and other durables paid for than the rest of the population.

In addition there is the point made by Lloyd Francis; that is, the reference made to the type of need for older persons for medical and institutional care.

Dr. CLARK: I think, Mr. Gray, your citing of my remarks offers no support for the argument that you are advancing at all, because the statement I made was a statement referring to all of the aged, making no differentiation between them on the basis of age.

Mr. GRAY: If your statement refers to all the ages, then some of the ages must be included in them.

Dr. CLARK: That is a mathematically impeccable statement, but I suggest that it is somewhat irrelevant.

Mr. BASFORD: Dr. Clark, as a graduate of the University of British Columbia myself, I want to welcome you. I think your introduction is most welcome. We have always regarded you as rather an ornament to the department of economics in the University of British Columbia.

Now, this point is interesting to the committee since it was raised two weeks ago. We had, as you probably know, Mr. Myers in front of the committee the other day and I asked him a question on this point as other members did. I would like to refer to page 927 of the proceedings, which proceedings possibly have not come to your hands yet, sir—I don't know.

Dr. CLARK: I spent the afternoon reading his evidence.

Mr. BASFORD: I asked Mr. Myers if he felt that as a citizen grows older he should receive more social security by reason of his age and Mr. Myers' reply, as on page 928, was—

Mr. CANTELON: Dr. Clark would like to know the page.

Mr. BASFORD: Page 928.

Dr. CLARK: Thank you very much.

Mr. GRAY: I have not made any studies of this nor do I know of any studies made for such a proposal to be put into effect, and I am curious because you appear in your brief to have cited Mr. Myers as an authority for this proposition and yet when I tried in the committee to get him to support this proposition he seemed to demur from that position.

Dr. CLARK: Mr. Myers has an admirable sense of the delicacy of his position before a committee like this.

Mr. BASFORD: He has testified before many congressional committees, I suppose, however.

Dr. CLARK: I am not arguing, you will observe, that the needs of the aged progressively go up with age. All I am saying is that the resources decrease if you compare the people who are aged 65 to 69 and the people who are 70 to 74 and 75 to 79, and so on. This was the sort of statement I was making.

Mr. GRAY: Dr. Clark, is not your statement something which might be considered irrelevant unless needs do not decrease at the same rate as the assets. Let me put it perhaps a little more explicitly. You say you are making the point that assets decrease, but what is the point of making that statement unless you can show that needs do not decrease at the level of the assets?

Dr. CLARK: What I am saying is that as a general proposition the resources, the incomes in particular, that people have to meet needs tend to decrease from the years age 65 and onward. I cited to you in the brief the statistics in support of that statement. I think this raises a sufficient presumption of the validity of this case.

I agree that more statistical work could profitably be done to see precisely in what way and to what extent, pensions for the aged, if one were following this pattern, ought to be increased—say, \$2 a month for each year of age after age 70, or \$3 a month, or something of the sort. But, I think the general validity of the proposition stands firmly on the evidence I have stated.

Mr. BASFORD: Surely, if Mr. Myers felt their need increased then the benefits should also?

Dr. CLARK: But he was not asked that particular question.

Mr. LLOYD: May I ask a supplementary question to help clarify this? As a simple observation of fact from the statistics I point out that there is no

premium. I think that is all Dr. Clark has concluded at this stage in response to the questioning by Mr. Francis. I think he should go on and answer the rest of the question.

Dr. CLARK: If I have omitted answering any part of your question I have done so inadvertently. Would you please go on and state it again?

The CHAIRMAN (*Mr. Cameron*): I think it was Mr. Basford's question.

Hon. Mr. THORVALDSON: Might I ask a supplementary question of Dr. Clark in that regard?

Mr. LLOYD: Just to finish it off, Dr. Clark thought he had answered. May I say that as a layman member of this committee, and one who is not in your most enviable position of past experience and knowledge of this subject—and you will forgive me if I am a little slow, but I thought Mr. Francis asked you if there was not a difference between the statistics that you drew from the United States and those from Canada, which showed that in Canada we did provide for the aged, on the providing side, through medical and hospital care. Is there an analogy between the two countries? Do both countries do the same thing?

Dr. CLARK: I did refer to that actually, Mr. Lloyd, at the very outset of my answer. I agreed with the point that when you look at the resources that are needed one has to take such facts into consideration, and that they do constitute a difference between Canada and the United States.

Mr. LLOYD: I am sorry.

Hon. Mr. THORVALDSON: I just want to ask this because I am not clear on it, and it may be that my ignorance of the point may result from the fact that I was not here last week. Several times I have heard a suggestion that Mr. Anderson—and my colleagues will correct me if I am wrong—indicated that needs increase with age, and I wonder if that is part of the problem we are discussing now. I would like to get your reaction as to whether Mr. Anderson is right or wrong in that regard. I believe that is what he indicated.

Mr. MONTEITH: I should like to interject and say: As long as we do not have medicare.

Hon. Mr. THORVALDSON: Well, I was not here, and I may not be exact in my thinking.

The CHAIRMAN (*Mr. Cameron*): I believe Dr. Clark has read Mr. Anderson's evidence, and I have no doubt that he can comment on it.

Hon. Mr. THORVALDSON: Yes, that is what I was hoping he would do.

Dr. CLARK: Mr. Anderson is a man of many wise words. I went through his evidence with great speed this morning, and I am not sure that I precisely recall what he said on this. I thought he said—and I would like anybody to correct me if I am wrong—that there was certainly in the substantial proportion of cases an indication of need increasing. This is a practical question of where people who are involved in social work and in dealing with aged would be in a better position to answer than I am. This is really a question of fact. I do not think that I have any useful statistical evidence that I could offer on that at the moment. One has impressions, but I do not feel sufficiently confident in those impressions to give a firm generalization that this is the way it is.

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles?

Mr. KNOWLES: Mr. Chairman, I am wondering just when one should ask questions of the type of some of mine. So far we have been on Dr. Clark's Part I which deals mainly with his preference for a flat rate benefit structure.

The CHAIRMAN (*Mr. Cameron*): I think anything related to that would be appropriate now.

Mr. KNOWLES: Yes, but I would like to ask some questions that would compare the flat rate benefit structure with the combination envisaged in Bill C-136. Do I ask such questions now, or do I wait until Dr. Clark has given us his comments on Bill C-136?

The CHAIRMAN (*Mr. Cameron*): I will leave that to Dr. Clark, but I think it would be appropriate to answer both now.

Dr. CLARK: If you feel they will not be answered in reference to the table of contents I will answer it.

Mr. KNOWLES: Relating specifically to what you say, Dr. Clark, in Part I—and I have read with interest paragraphs 3 and 4 which refer to the needs of the aged population—in paragraph 4 you say:

Can the Canadian people afford such a standard for the aged? Like many others, I believe we can afford and should adopt such a standard.

Would you care to indicate, Dr. Clark, at what rate you think a flat rate old age benefit should be set at the present time?

Dr. CLARK: Is this on the assumption that it will not increase with age, and that it will be uniform for all individuals aged 70 and over?

Mr. KNOWLES: With all due respect, I think it applies that way, or I do not mind your taking it either way. As Mr. Monteith says, let us say it is 70. In other words, would you change the present figure of \$75, and if so to what other figure?

Dr. CLARK: It is tempting in these circumstances to grasp a figure, coming down like a microphone out of the ceiling and say: "This is an appropriate one". But, I do not want to answer it in that way. I would rather think that the appropriate thing to do is to try to decide what is a reasonable fraction of spending power that is to be made available to the retired population, and then to look at it in relation to consumer spending as a whole. I would then say to myself: "What is this consumer spending power as a whole?", and I would apply that fraction and see where it came to.

Now, because consumer spending power rises from year to year the pension would need to rise also. I am not sure precisely what standard I would use. There was an attempt to deal with this by Mr. Anderson who appeared before you, in an article published by the International Congress of Actuaries and presented in London in 1964, in which he gives a comparison. This gives an approach to that. I would rather not mention a specific sum, because I would not have enough confidence that in the time available to think about it I could suggest the most appropriate figure. I have indicated the principle in which I would deal with this, and that principle implies that we would be spending, certainly over the years ahead, more than we have spent in past decades for the aged, and I have also said that I would increase it with age for the population.

Mr. KNOWLES: Dr. Clark, we do have before us Bill C-136 which is relatively precise in this area. It proposes pension benefits which, in the course of the next 10 years, be it a function of old age security or the Canada Pension Plan, will run from \$125 to above \$250 for a married couple. If you in this well-put-together brief tell us that you think there is a better way than a combination of the Canada Pension Plan and Old Age Security, do you not think you should be more precise and tell us whether the figure should be a figure of the kind that this bill will produce, or something between \$75 and that? Pardon me if I seem to be putting the pressure on this, but there has been a parade of people before us who have told us that we should do something under old age security but do not tell us what to do, and that parade is getting rather long.

Mr. MONTEITH: May I interject for a moment, Mr. Chairman? I do not think Mr. Knowles is correct at all in putting forth this question. I do not think that Dr. Clark has had a proper opportunity to consider this, although it was his own choosing—and I am not denying that—that he suggested he go down this list of points, and that he answer questions as they arise. The remaining parts and sections of his brief are segregated, and they deal with certain clauses. I am just throwing this out to Dr. Clark, could he possibly, without dealing with each section individually, give us a résumé of his feelings and what is in his brief concerning the whole plan.

Mr. KNOWLES: That was why I asked my question before I started, as to whether this kind of question should not wait until Dr. Clark had given us both parts 1 and 2. I would be quite happy, because I would like to hear Dr. Clark not only give an answer to the questions I would put but I would like to hear him tell more about his views with respect to the flat rate benefit on the one hand and the combination on the other. I think Dr. Clark will realize I am not asking for a comparison between the flat rate and the earnings-related only, because no one is proposing it. I am prepared to wait for an answer to my questions until Dr. Clark has finished if that would be convenient for you and for Dr. Clark.

The CHAIRMAN (*Mr. Cameron*): I leave the decision to Dr. Clark as to how he would prefer to continue.

Dr. CLARK: I think you are certainly justified in saying "How can we make a comparison between a precise bill on the one hand and a concept which is not put down in strict dollar terms?" Now, no matter how long I should stay here tonight, I could not give you the sort of precise answer that you would need. My time in working on this brief was very restricted. I am Economics Research Director for the Ontario Government's commission of inquiry on provincial and local finance; I have a limited load of work at the university. I could not get enough time to devote, as I would have needed, and would have preferred to give to this subject.

When I consider the importance of making dollar commitments, knowing that once a system is based on it, that it builds up from there, I would want to think about that for a few days before I could come back and say: "Yes, these are the figures we want to have to make a comparison." This may seem to be excessively cautious.

Mr. KNOWLES: I would like you to give something out of your experience in the last six or seven years when you have been studying this very intensively.

Dr. CLARK: I do not think that I could give you the sort of dollar figures that you are looking for here without substantial research. They can certainly be developed. A system like that can be developed with considerable less strain on the brain than was involved in preparing Bill C-136. I am not prepared to do it tonight.

Hon. Mr. THORVALDSON: I think it would help me if you told me are you still advisor to the Ontario Government in regard to their thinking concerning Bill C-136 and the pension problem?

Dr. CLARK: No. Since I turned my attention to their taxation problems, I have just left the pension field alone entirely as far as giving advice is concerned. I have tried to follow as closely as I could what was going on, but I have not done anything more for several months.

Mr. MUNRO: May I ask a supplementary to what Mr. Knowles was pursuing. You indicated, in answering Mr. Knowles, that you would not be prepared to say in dollar terms what you would recommend in so far as any

increase is concerned. I think I understood you alright there. Would you be prepared to say that you are recommending some increase but you are not prepared to be specific as to the amount it should be?

Dr. CLARK: Yes, as an alternative, certainly. The viable alternatives available are not on the one hand the present Old Age Security, and, on the other hand, the Canada Pension Plan. Any workable alternative has to be more than the present Old Age Security.

Mr. GRAY: May I ask a supplementary question? Do I understand you to say a little while ago that you were a member of the Ontario Pension Committee that recommended what became the terms of the original Ontario Benefit Pensions Act?

Dr. CLARK: Yes, Mr. Gray.

Mr. GRAY: Did not that act call for providing to private insurance carriers minimum benefits for all those employed in firms employing 15 people or more and did it not give specific earnings and other terms?

Dr. CLARK: Yes, Mr. Gray.

Mr. GRAY: Did you consider them adequate?

Dr. CLARK: I always considered—

Mr. GRAY: What were they? \$80 a month after 40 years service?

Dr. CLARK: I always considered this as only part of the provision for the aged, and I had in mind that they would be supplemented by changes at the federal level at the same time.

Mr. GRAY: How could you take that into proper perspective unless you had some particular changes at the federal level in mind?

Dr. CLARK: I did have.

Mr. GRAY: What were they?

Mr. LLOYD: He is trying to explain.

Dr. CLARK: The type of proposals I have been talking about in relation to old age security, relating it to age, provision for survivor benefits, and a number of other things. Mr. Chairman, I suggest that if I am to go even close to getting through part of this, I would like to step onto the next part.

The CHAIRMAN (*Mr. Cameron*): Mr. Basford has a question.

Mr. MUNRO: On the supplementary question I asked, I think it is important to consider what Mr. Knowles was pursuing there. I should like to ask if you would be prepared to recommend any increase in O.A.S. without getting down to dollar terms as an alternative to the Canada Pension Plan. I wonder what your answer would be in simple layman's terms.

Dr. CLARK: I have tried to put all my answers in simple layman's terms, Mr. Munro.

Mr. MUNRO: I was contemplating your last answer and I did not understand it.

Dr. CLARK: I have stated that I do not think that simply adding from time to time an additional number of dollars to old age security is the best alternative to the Canada Pension Plan.

Mr. MUNRO: Could I just follow that up with one more question? What do you feel would be a reasonable alternative to the Canada Pension Plan?

Dr. CLARK: I think that perhaps for the third time we are entering the same circle, Mr. Munro, and I have nothing to add to what I have said on this point, because it would take substantially more research for me to come up with some dollar figures that you could put side by side with those and say "Well, now, here are two things that we can develop."

Mr. MUNRO: In terms of very general principles, could I ask you are you in favour of a universal flat rate type of pension, somewhat similar to the O.A.S.; or would you recommend an earnings-related approach such as that of the Canada Pension Plan; or is there some other type or basis?

The CHAIRMAN (*Mr. Cameron*): Mr. Munro, I may call to your attention that part I is "A Statement of Preference for a Flat Rate Benefit Structure" that Dr. Clark is advocating. He gives a number of paragraphs dealing with portion of his brief. I think he sums it up on page 5, as to why he thinks the old age security or the universal plan is in his opinion the preferable plan, but he is not getting down into details. It is my opinion that is the preferable way of dealing with the problem.

Mr. MUNRO: Yes, Mr. Chairman, I was looking at page 5. In the first paragraph on that page, he says:

Because the Canada Pension Plan provides earnings-related benefits, it cannot provide universal coverage. Many who are excluded from coverage on administrative grounds are among the poorest in the country.

I feel that is like saying it has missed the end, and it is almost somewhat of an indictment of the earnings-related Canada Pension Plan, since that is one of the essential features of the plan. Since it does not in Dr. Clark's opinion cover some of those people in the poorest category amongst our citizens, I simply wanted to ask, in his opinion, what alternative he would recommend in order to accomplish the end that apparently has been missed by the Canada Pension Plan.

Dr. CLARK: Mr. Munro, I have very little time with you people, and I feel frankly that we are wasting it. I have already answered that. I have answered it three times. I have said I would modify old age security by making the benefits increase with age. I would also provide flat survivor benefits and disability benefits.

Mr. Chairman, with your permission, I would like to go on to part II.

Mr. LLOYD: I am going to suggest a change of procedure. Perhaps for those of us slower in apprehending, it might be better if Dr. Clark put the skeleton of his total proposal before us and in this way we would save time, as we would see all the bones of the skeleton in better perspective.

The CHAIRMAN (*Mr. Cameron*): I do not know if we should change course in the middle of the stream. If Dr. Clark thinks he should adopt that suggestion and if it meets with the approval of the committee, that is certainly all right; but if he prefers to carry on the way he is, I think we will have to deal with him in that way.

Dr. CLARK: In part II of this, what I am doing is accepting the assumption that the Government will want to proceed with a pension proposal in which the benefits are related to contributions. For the whole of part II I am assuming this. Now, I am saying, having made that assumption, are there significant changes that are worth making. I think there is a substantial number. These are essentially unrelated points and that is why I would like to deal with them separately.

The CHAIRMAN (*Mr. Cameron*): I think we had better proceed in that way.

Dr. CLARK: These are points of substantial difference in importance. Some of them are relatively minor and some are more significant. I have followed this through in terms of the sections of the bill and not in order of their importance. I begin with a comment that what we are dealing with here is social insurance. This is at page 6, gentlemen. I have tried to include the consequences of having this social insurance legislation, in comparison with our

Old Age Security Act, which is not social insurance. Later on, I shall refer to some consequences of that distinction.

Having done that, I go on to make the comment that inequities which are relatively small when the contribution rates are low become of increasing importance as the rates of contribution ultimately rise. Therefore, where it is possible, it is better to eliminate these from the outset, if it can be done.

The first clauses 8 and 9, refer to employers and employees contributions. This is not a point of major importance. It relates to refunds, on the one hand, to employers, and, secondly, to the problem for employees and employers having to pay in some cases most or all of their contributions in the first part of the year, and not make a contribution in the latter part, because the full contribution has already been made.

I suggest that unless there are questions, I pass on to clause 10. Clause 10 deals with the contributory earnings lower limit for the self-employed, which is some 20 per cent higher than the figure for employees. Now, they will be charged at the combined rate, which I think is reasonable, but there does seem to me to be some inherent discrimination against the self-employed in this procedure. This arises because part of their earnings are really, in many cases, a return on their capital. I have suggested that a way to deal with this would be to allow the self-employed to make a deduction in computing their income, which would be credited to them, contributions of 6 per cent would be my preference, on the capital or net worth of their business.

Now, the self-employed who have no capital would not be affected by this. For those who would be affected, you are aware of the fact that for income tax purposes the self-employed in Canada, though not in the United States, are required to furnish a balance sheet. Therefore, this is not asking for something in the way of information which they have not provided, generally speaking, in the past.

I notice in Mr. Myers' evidence an alternative way of dealing with this. He was not referring to the Canadian situation, only suggesting that the self-employed might be charged a double rate, but making the flat assumption that half of their income constitutes business expenses and therefore should be deducted. That is a simpler idea, simpler to administer, but not as equitable, because as among different self-employed persons some use virtually no capital, and some, such as farmers and others, have to use a great deal.

Are there any questions in relation to this?

Mr. CANTOLON: I think this is the first time this suggestion has been made, and I notice that you say frankly you do not know if it is administratively feasible. It is certainly an interesting suggestion, and one that I think has merit in it. I can see where the farmers in the prairie provinces would be very much concerned with such a clause if incorporated into the act. I was wondering if we could find out if this is administratively feasible. I will not ask you that, Dr. Clark, but perhaps the departmental officials could review the problem and see whether something could be done to work out a scheme for doing this.

The CHAIRMAN (*Mr. Cameron*): I do not know if Mr. Osborne is prepared to give a short answer.

Mr. LLOYD: At the risk of incurring someone's displeasure, Mr. Chairman, I would like, before Mr. Osborne is asked the question, Dr. Clark to repeat his observation with respect to deductions of a certain percentage when computing capital or net worth. I think this is an interesting subject, but I think we should make clear before we put to Mr. Osborne the question, that we understand Dr. Clark's recommendation.

Dr. CLARK: This is a proposal that, supposing a self-employed individual reports an income, let us say \$4,000, say on the operation of his store, that

he will have certain assets and certain liabilities. The difference represents his net worth. We would allow him to deduct 6 per cent on that net worth, to arrive at what his earnings would be, and he would contribute on that basis and receive benefits on that basis.

Mr. LLOYD: Why deduct 6 per cent?

Dr. CLARK: I suggested that for two reasons. I may say that the whole idea for this proposal did not originate with me. Like so many new ideas, this one came from Mr. Anderson. I heard him give this in an address to the Canadian Tax Foundation in Montreal, about two months ago. The reason for the 6 per cent is, first of all, that this is a rate for business borrowing from banks. It is also the rate of return made by corporations as a whole—the profit and the loss corporations, as reported in the green book, on their investment capital. So you might say that this is providing for the unincorporated business the sort of reasonable comparison for the rate of return of all corporate enterprise, taken as a whole.

Mr. MONTEITH: May I ask a question? I am assuming when you suggest he has reported net income of \$4,000, he has already deducted full depreciation on his fixed assets, and so on.

Dr. CLARK: Yes.

Mr. LLOYD: And you are suggesting, Dr. Clark, the rate of 6 per cent of the net worth at the end of each year?

Dr. CLARK: Yes.

Mr. LLOYD: And even though that net worth figure might be the resulting figure from earnings made, less withdrawals for personal consumption, which may have no relationship whatsoever. I suggest to you, and I know I can defend this, that 99 per cent, almost 100 per cent of the cases bear relationship to each other. You are suggesting that we provide a contribution at the rate of 6 per cent on the net worth of self-employed people at the end of each fiscal year. Am I correct in this, or wrong?

Dr. CLARK: What I am suggesting, Mr. Lloyd is, that if we fail to make any deduction and just charge on the net income the 3.6 per cent, we are discriminating against the self-employed as compared with the employees; and the purpose of this proposal was to put them, in so far as possible, on an equal footing.

Mr. LLOYD: And therefore you have chosen as the answer 6 per cent of the net worth—5 or 6 per cent?

Dr. CLARK: Yes.

Mr. LLOYD: You have chosen a percentage of net worth to do it?

Dr. CLARK: Here is a man who has a net income, a self-employed man, running a store or a farm. Part of that is a return on his assets; part of it is equivalent to what he would have obtained if working for somebody else. It is just the second part we are concerned with, I believe, so that we are treating the two employees and the self-employed comparably.

The CHAIRMAN (*Mr. Cameron*): Did you get your answer, Mr. Cantelon?

Mr. CANTELON: Yes, it seems to me reasonable enough.

The CHAIRMAN (*Mr. Cameron*): Thank you. Mr. Knowles?

Mr. KNOWLES: I have one question on paragraph 23. Maybe my arithmetic is correct, but you used the figure of 20 per cent. Is it not $33\frac{1}{3}$ per cent? I mean, \$800 is $33\frac{1}{3}$ per cent more than \$600, and according to clause 10 of the bill the calculation is stated as $1\frac{1}{3}$.

Dr. CLARK: Mr. Knowles, with your background, you will appreciate the quotation from Proverbs:

Whoso loveth instruction, loveth knowledge: But he that hateth reproof is brutish.

I hasten to accept your correction.

Mr. KNOWLES: What can a poor minister say!

Mr. LLOYD: Mr. Chairman, I may be wrong, but Dr. Clark, are you not trying to establish a position of equity as between employee and the self-employed?

Dr. CLARK: Yes.

Mr. LLOYD: Many of the small concerns which operate an enterprise with varying amounts of capital, some with none, and some with a great deal, such as Mr. Monteith and I who have an office and a desk, and some clients. On the other hand, we can point to the drug store, the pharmacist, operating his own drug store, with \$15,000 or \$20,000 tied up in liabilities. Are you trying to make a distinction from what he might have paid a manager to operate his shop?

Dr. CLARK: Yes.

Mr. LLOYD: And you are suggesting that in the case of this kind of earnings we need to examine the kind of earnings to make sure there is no inequity?

Dr. CLARK: I am really going beyond that.

Mr. AIKEN: You are like Mr. Munro, you have to listen three times before you believe.

Mr. LLOYD: I am certainly not convinced yet.

Dr. CLARK: Mr. Chairman, what simply is involved here is that the whole philosophy of this bill which the Government is putting forward relates to obtaining contributions on the basis of earnings from individual effort and not earnings from capital. This is why it seemed to me this was a possible change that might be considered an improvement.

Mr. LLOYD: I understand that.

Dr. CLARK: I turn to clause 17, the contributory earnings upper limit. This is a very difficult matter to set, and it raises quite a number of problems. I was certainly very taken with the idea for setting the upper limit put forward by Mr. Myers in a paper which you asked should be included in your evidence, and I shall not, therefore, take the time of the committee to elaborate on it. He suggests it should be based on the first earnings in quarter of the year, as reported to the Social Security Administration. He was not advocating this specifically for Canada, but the idea did appeal to me. If you take the bill as it stands, having used the pension index for several years, into the seventies, it will come out fairly close to Mr. Myers' proposal anyway. The question arises: is it useful to have an index to raise the earnings upper limit? You will recognize the distinction he made in his mind was that he thought it better not to have benefits related to an index, but thought it reasonable to use the equivalent of an index, which is really what he is doing, for the contributory earnings upper limit. I simply want to say I like the idea of using such an index. If you follow his proposal literally you do not need an index for that purpose. The only disadvantage of it I see is that it does increase the extent to which the program gives larger dollar subsidies to those with earnings at or above the upper limit as compared with contributors with much lower earnings. You have heard that many times, and I do not need to dwell on that.

I would like to go on to clause 20 dealing with the pensions index. I would like to modify the evidence I have given here in this respect. This is, again, a very complicated matter, and I have great difficulty in making up my mind on this point. I am altering the position taken in the brief, again, after reading Mr. Anderson's evidence and thinking about it.

There are difficulties with the use of any pension index. These do not stem from the fact we want to protect pensioners against inflation. I think that is a fairly general objective everyone would have. It is a question, really, of what is the best means of achieving that objective. The arguments against the use of an index really are few in number. There is Mr. Myers' argument that it puts an element of inflexibility into the system because all the benefits ride up in the same proportion. But there are other objections. There is also the fact it is very hard to get the most appropriate index. We do not have any index that does relate to the spending of the aged which, in principle, I think you would say, if there were such a one, would be the most appropriate one to use. There have also been a number of arguments among economists as to how effective the index really is, whether over long periods, we can adequately incorporate changes in the quality of products as distinct from changes in the quantity of products.

Mr. Anderson presented an idea in his evidence which appealed to me considerably. It avoided the difficulties I can see, including the arbitrary restriction which is put in the bill that the pension cannot rise more than 2 per cent. I have attempted to comment on the reasons why that was put in. His proposal, as you will recall, was to say: Let us not relate benefits, once they are in payment, to a price index. Let us relate it to a fraction of the earnings index. Earnings will go up partly because of increased productivity and partly because of inflation. This being the case, he said, we should have our benefits rise as a fraction of the earnings index. We would be improving the position of the aged without having to go fully as far as having them share 100 per cent with the increase in earnings after they have retired. The proposal that he made was, if you like, to take the square root of changes in an earnings index. I do not suppose anybody ever got elected to office on the basis of a square root. This is a difficult concept to explain at the best of times. But one, I think, can take the argument, without necessarily having to use the square root. You might decide, for example, instead of using the price index at all, that what you would do would be to increase benefits on the basis of, say, half of the increase in the earnings index, or some other fraction. If you do this you avoid having to bring in a price index at all. I do think that offers considerable advantages over the proposal in my brief.

Mr. MUNRO: Mr. Chairman, could I ask a question on clause 20 that Dr. Clark has been discussing? As I recall Mr. Anderson's evidence that you have referred to, he was not at all worried about the fact of even using the consumer price index. He was not worried about any inflationary effects from using such a price index, though he would have preferred another type of indexing system. Would you agree with that conclusion of Mr. Anderson?

Dr. CLARK: I am not really sure, Mr. Munro, whether you are asking me one or two questions. Would you allow me to state them both, since I would be unhappy to be putting unwanted words into your mouth?

One is: Would I be concerned about the possibility of inflation developing in the future in the Canadian economy? The other is: Do I think the Canada Pension Plan, in the form in which it is in the bill, would be likely to be a factor causing a significant amount of inflation in the long run? Is it the second question you had in mind?

Mr. MUNRO: That is quite right.

Dr. CLARK: In answer to that, the Department of Finance has suggested that the impact of the bill would be to raise the level of prices, broadly speaking, on an average of about 1 per cent. That would be the initial impact of it. Then the question of what is going to happen after, I think, depends on two types of consideration. In the first instance, I think the Canada Pension Plan will tend to lead to an increase in savings, because I do not think employee pension plan contributions from employers and employees will drop as much as contributions go up for the Canada Pension Plan. In the long run, however, if we take the bill as it currently stands, I think there will tend to be a slight decrease in savings from what there otherwise would be. This depends whether you change the contribution schedule, but if you make it on a strictly pay-as-you go basis, what you are doing, in effect, is putting out more money into the hands of people who have retired. They on the whole have, I think, a slightly higher tendency to spend than the rest of the population. Therefore, that would tend, I would think, probably, in the long run, to have a slight inflationary pressure beyond the original impact. Then, of course, when contributions are raised again, as they will ultimately need to be, or further benefits are introduced from time to time, there could be such an impact again. I do not really see a major degree of inflation arising as a result of the plan, however, now or, say, in the next 20 or 30 years.

Mr. MUNRO: Now, just following along this line, Dr. Clark, you have indicated—and I imagine this was subsequent to your brief—that after reading Mr. Anderson's evidence you rather like his suggestion of plans instead of price indexes as far as the present old age benefits are concerned, that it would be better to index them according to, I think you said, the square root.

Dr. CLARK: That was his proposal to bring in the square root of the changes in earnings, yes.

Mr. MUNRO: I see.

Dr. CLARK: I said a fraction. I would not use the square root because I think it is too difficult to explain and you can get a reasonably good fraction without doing that.

Mr. MUNRO: His evidence was that he advocated earnings index rather than a price index. Now, you term the square root—

Dr. CLARK: This was what he proposed to use.

Mr. MUNRO: Would you agree that attaching it to that type of index would result probably in a larger amount of money coming to the old age pensioner in terms of dollars rather than attaching it to the consumer price index.

Again, I suppose the answer to that would depend on what fraction you would be prepared to recommend or what fraction was adopted by this committee, and I am wondering if you have anything to suggest in the way of what fraction might be advisable to overcome the deficiencies of attaching it to the price index that you have mentioned?

Dr. CLARK: I would not like, again, just having the question put up to me like that, to say that it should be 50 per cent. This is the sort of thing that requires some thought. This is the sort of thing where I think I might be able to, if the committee wished, write a subsequent letter on this after I had thought about it, if you wanted me to.

Mr. MUNRO: Thank you, Dr. Clark. You have recommended in your brief that you feel that getting back to the consumer price index that you felt it should go down as well as up if it were adopted. I understand that from your

brief, on pages 10, 11 and 12 and further, that as far as limiting any increase to 2 per cent you don't feel that that is advisable, and, in fact, I think you say on page 12, paragraph 34:

If a ceiling on annual percentage increases in the Consumer Price Index is to be used, I should prefer to see 3 per cent rather than 2 per cent. Obviously this is a compromise proposal. This would reduce the lag of pensions behind the Consumer Price Index if inflation in any year exceeded 2 per cent.

Dr. CLARK: These were the views I stated before I had gone through Mr. Anderson's evidence, and, if I had read the evidence first and thought about it, I would have put them in in place of this. On the question of having the pension index go down as well as up, the logic I think of it is that if the aged are going to be protected against a loss of purchasing power they should not be in a preferred position to the rest of society as prices go down. But as I said I recognize that in the realm in which you gentlemen richly earn your daily bread, the idea of reducing a Government pension may be as untouchable as the cows in a Hindu village.

Mr. KNOWLES: Mr. Chairman, does Dr. Clark think that that is the only reason that this committee entertains the idea of not providing for a downward change?

Dr. CLARK: No, I did not mean to imply that, Mr. Knowles.

Mr. KNOWLES: Thank you.

Mr. AIKEN: I don't think the committee has anything to do with it, if I may be so bold as to say so. It is a Government proposal and if the Government does not propose to go down that is perfectly valid political comment.

Mr. MUNRO: I don't think it is fair either, but I don't want to go into that aspect. If somebody wishes to pursue that line of questioning, then fine. My own question is that, leaving Mr. Anderson's evidence aside and just referring to your own brief, Dr. Clark, I take it from your remarks that you are not as enamoured now with the recommendation of 3 per cent after having read Mr. Anderson's evidence, and you also indicated—and if I am being unfair to you you will indicate it—you are not too concerned about the inflationary effects of this index system that has been proposed.

Dr. CLARK: Let me just say one or two things here. If the consumer price index is to be used I would prefer a ceiling of 3 per cent to one of 2 per cent. If you recall the time of the Korean incident, the consumer price index went up in the one year from 103 to 113.7. Now, on your 2 per cent limit it would have taken in practice, if that had been in effect at that time, approximately a decade for the pensioners to catch up, whereas if you had three years at that 3 per cent limit they would have caught up within four years.

Now, of course, it is perfectly true that there can always be legislative action taken in a case like this, and when one sees that the old age security pension has been raised substantially more than the consumer price index has gone up in the past decade, 87½ per cent as compared with 14 per cent, one realizes that the members of Parliament are fully aware of this problem.

Mr. MUNRO: I am referring to page 10, paragraph 30, of your brief, where it says:

I regret the growing acceptance of the opinion that inflation of 1 or 2 per cent a year is acceptable as well as inevitable. The view that such inflation makes a significant contribution to minimizing unemployment is unconvincing to me.

Now, again, I would think that you are obviously referring to the fact that the Government is recommending a maximum of 2 per cent on the price index. How do you reconcile that with your suggestion that we increase it to 3 per cent?

Dr. CLARK: We are really talking about two different propositions here. When I am saying that I regret the growing acceptance of the opinion that inflation of 1 or 2 per cent a year is acceptable as well as inevitable, I am not talking about the Canada Pension Plan at all.

However, this is the opinion one increasingly encounters—and you may ask what is the reason for this, and the answer is this: This is the only way we can hope to deal with the problem of employment satisfactorily, and I have said that I do not find this a particularly convincing answer. A simple correlation study over the past 12 years, comparing changes in the consumer index to changes in the unemployment, shows a correlation of .007 and even if you do it with lags of changes in unemployment behind changes in the price level, it does not significantly change the conclusion.

Mr. MUNRO: But, Dr. Clark, in paragraph 30 in the first sentence you are in fact relating these observations to us:

I am concerned that the use of a price index to protect the real value of pensions will cause the present and future federal governments in Canada to weaken their efforts to maintain the value of the dollar.

And then you carry on with the other sentences which I quoted earlier. So it would certainly seem from that paragraph that you are relating your conclusions as to the pension.

Mr. PRITTE: That sentence could almost be in brackets. This is a difference in point of view of economists about the point of view of the economy and that is almost an interjection.

Mr. LLOYD: At best, Mr. Prittie, as you observe, the economists are prophets of possibilities, and you work from year to year and shoot for targets and cannot be too precise. You hope you can hold the line and there can be variations of judgments made.

Dr. CLARK: There are variations of opinion among economists.

Mr. LLOYD: He just does not agree with that and that is all.

Dr. CLARK: Now, clause 22 is again a minor point.

Mr. AIKEN: Dr. Clark, before you go on to that I did not realize that you were going to leave the point. Shortly stated, your proposition is that if there is an index of 2 per cent mentioned in this bill the mental approach to the whole economy is one of inflation. Now, I think that we have had witnesses here previously who have said that actually the mental approach to inflation is almost as serious as the real approach.

Dr. CLARK: A number of people, as I have said, with or without justification, will come to believe that the Government no longer is confident that it can keep prices stable.

Now, I went on to say that part of the price, of that fairly widespread belief that a mild degree of inflation will continue is that the Government has been forced to pay higher rates of interest to compensate people who buy its bonds—Canada Savings Bond and the like—and I am concerned about the psychological aspects of inflation.

Mr. AIKEN: In the reverse situation, would the absence of a downward reduction of the price index, when there is not very much expectancy on the part of the Government that there may be such a downward—

Dr. CLARK: The Government does not fear deflation.

The CHAIRMAN (*Mr. Cameron*): Mr. Aiken, if I may suggest it to you, we are going through Parts I and II—Part II contains many clauses of the

bill—and then we have to go through Part III. It is now 10 o'clock. Having read Part II members will be able to make their own deductions. You can make your deductions, and others who read the brief can make their own deductions. I think the brief is very clear and precise. Dr. Clark in paragraph 3 is stating that he is concerned, and members can draw their own deductions from that. I am only suggesting that if we are going to get the benefit of Dr. Clark's knowledge we have not got the time to go into each paragraph. Of course, it is up to the members, but I am only making that suggestion.

Mr. AIKEN: I will be only too glad to accept your advice, Mr. Chairman, if Mr. Lloyd and my other colleagues will desist from asking their questions three times over.

Mr. LLOYD: I think the record will answer this attack on the part of Mr. Aiken. We are endeavouring to get on the record some meaningful observation, but he is too adept at—

The CHAIRMAN (*Mr. Cameron*): Order, gentlemen.

Mr. MONTEITH: Mr. Chairman—

Mr. AIKEN: I have asked only two questions this evening.

Mr. LLOYD: We will give you an opportunity to put some intelligent questions.

Mr. MONTEITH: Mr. Chairman, may I make an observation. We are all a little slap happy. I am trying to be serious when I project this thought. I should not say this because I do not want to raise any ruckus in the committee, but I thought this was going to happen when we started in on these marathon sessions. I think we should call a limit to these sessions in the evening—not necessarily at 10 o'clock, because I am willing to sit after that time, but here we have a rather comprehensive brief, and I am wondering if by any chance the representations to be made tomorrow morning might be somewhat shorter than usual if Dr. Clark could stand in the wings and hold himself available so that we may continue with him if we finish early.

The CHAIRMAN (*Mr. Cameron*): He has indicated he is willing to do that.

Mr. MONTEITH: May I suggest, sir, that we are all victims of fatigue. I am serious, sir, when I say that we are driving ourselves needlessly. We are not able to absorb all this.

Mr. MUNRO: If I have asked too many questions with respect to the recommendations of Dr. Clark, as an alternative to the Canada Pension Plan, then I am sorry, because I seriously did not understand what he was in fact recommending. So far as the questions concerning inflation are concerned, no matter how hard we have worked I am afraid I would still want to ask Dr. Clark the questions I did ask in that respect. I do not see anything improper about them.

This is a very sizeable brief, and Dr. Clark has obviously done a great deal of work on it, and if we are not able to finish it tonight perhaps we can continue tomorrow morning. If that is the feeling of the committee then I am agreeable with it, but I do not like these inferences—

Mr. KNOWLES: May I make a suggestion, Mr. Chairman?

The CHAIRMAN (*Mr. Cameron*): Yes.

Mr. KNOWLES: It may be that there will be no substance in it at all. We are getting slap happy all right; indeed, I am not going to talk about the subject matter of the bill, but I think with all due respect to Dr. Clark I would point out that he deals with a few phrases and then asks for questions, and that causes all these interruptions. My suggestion is that Dr. Clark should finish his remarks tonight without any more questions from me or anyone else, and then let us have the questions in the morning.

Mr. LLOYD: That is, if questions are necessary. At the conclusion we may not think they are necessary.

Mr. KNOWLES: Yes. I suggest that we impose upon ourselves the non-asking of questions tonight.

The CHAIRMAN (*Mr. Cameron*): We want Dr. Clark to go back to Vancouver with a good impression of this committee.

Mr. MONTEITH: It will be very difficult.

Dr. CLARK: I shall be happy to accept your suggestion, Mr. Knowles.

Clause 22 simply deals, it seems to me, with excessively severe penalties in connection with the contributions, having in mind, on the one hand, the many opportunities for genuine misunderstanding on the part of the public, and the contrast with the meagre rate of interest allowed on refunds. Also relating to the same clause there is the suggestion which, I believe, originated with Mr. Knowles, that since the program is properly charged with administrative expenses, both the interest and penalties collected under this clause should be credited to the Canada Pension Plan Account.

Finally, there is the matter of the transition period to full benefits. I—and this is a matter of personal opinion—regard this as excessively short, bearing in mind that the benefits are graduated, because I feel that it involves unjustifiably large subsidies from future generations of contributors to those who will receive benefits in the first decade.

I turn now to clause 43, the basic number of contributory months. If we had a somewhat longer period or larger number of contributory months then it would be feasible to increase the percentage of months of drop-out, and this would be helpful to those who had to retire at age 65. As it is now with the 10 per cent drop-out, for example, an increasing number of university students, especially women who will find it hard to earn much in the summer, will have used up their 10 per cent before they have reached age 24. I am suggesting that if the 10 year period is retained it might be appropriate to increase the percentage to 15 per cent, but this would, of course, only benefit those who did contribute for at least a decade. Of course, for all such changes, which would cost somewhat more, you will have to decide whether they are worth it.

The next is an unrelated clause, as to when a person shall cease to be deemed disabled under the Disabled Persons Act of Canada. This is the means test program. It says:

... the provincial authority will suspend payment of the allowance to any recipient who, in the opinion of the provincial authority, unreasonably neglects or refuses to comply with or avail himself of training, rehabilitation or treatment measures or facilities provided by or available in the province.

I am suggesting that, if there is a need for that in a means test program, there is an even greater need for it in a program that has no means test involved.

I point out that there is a corresponding clause in the American Social Security Act and I recommend such a clause in this bill.

I think it highly desirable that, from the outset, there should be an emphasis on the rehabilitation of disabled persons. Of course, it does involve co-operation with provincial governments who have facilities for this work.

I do not think I need elaborate on the next point, how pleased I am to see the Program include pensions for the disabled and widows, benefits for orphans, and a death benefit. All of these are very much needed.

Next comes clause 58. I regard it as unnecessarily arbitrary to limit the amount of orphans' benefits so that the total benefit does not increase significantly if the number of orphans exceeds four.

Then there is a minor suggestion on recovery, in clause 65, which requires no comment.

I come now to the earnings test. This is one of the most difficult parts of the whole program. I had great difficulty in making up my mind on this particular point, because one's attitude towards it depends so much on what one thinks are the relevant criteria by which to decide. I have given the views of the American Advisory Council. I have referred to the fact that this test is the most unpopular feature of the American program and I have explained why. I have explained the reasons in support of it. There are four criteria which are relevant in balancing these considerations. The first is the principle of adequacy of benefits, which certainly supports having such a test, because after all, as I have said before, we are talking about social insurance and "no loss, no benefit" is an inherent principle involved with social insurance. The second is the principle of individual equity and what that implies. That implies, I think, that the bill does discriminate against a number of people who will decide to work after age 65. This would happen in Canada: it happens in the United States, as Mr. Myers has said.

Then you have got another consideration. Do you think it is socially desirable to encourage people to work after age 65? Are you trying to get them to withdraw from the labour force?

Then you have, finally, the consideration of the costs involved in making the test somewhat less restrictive in its operation.

I have included my own views that the test is excessively restrictive in its present form. As a compromise, I have suggested raising the one dollar for two dollar band of income from an initial maximum figure of \$1,500 to \$2,000.

I would like to make one other comment in relation to the earnings test, and this is not included in my evidence before you. I observe that the definition of income which is going to count for the earnings test is a different and a broader definition of income from what is used for obtaining contributions. This seems to me to be unfortunate. I should have thought it would be better to use the same definition for both. I am thinking partly of administrative considerations here. For example, if a person goes outside the country and works, it would be very hard to find out if he is reporting the income to you so that you can compile this. I think that if you use the same definition it would be easier to handle administratively.

I do not need to comment on clause 85. Clause 107, communication of privileged information, also requires no comment.

I come then to limitation on payment from the consolidated revenue fund. This is a point on which I feel strongly. The idea is put in almost, I will not say in an offhand way, but it is put in in an indirect way. What it says in effect is that the program will require to be self-supporting, so that if revenues run out to pay benefits at some future time, as the actuary predicts, Parliament would have to take action either to provide the revenue instead from the consolidated revenue or from some earmarked tax, or from revenue raising contributions. It is interesting to note that the American Government has insisted that its program of Old-Age, Survivors and Disability Insurance be kept self-supporting.

I think it entirely desirable that that should be done here also. I give the reasons for that.

It is very easy for the public not to understand what is involved in the financing of this, because one major reason is that flat plus graduated pensions will come from at least four sources; partly from personal income tax, partly from corporation income tax, partly from sales tax and in part contributions based on earnings.

It is particularly easy to increase pensions. I am not thinking of this particular Government, I am thinking of decades ahead, regardless of what government will be there. It is particularly easy to raise pensions more than they should be in relation to other government expenditures, simply because the impact of a lot of the burden can be deferred to future generations. They will have to pay more. In contrast, if you want to raise family allowances, you have the immediate cost right there to balance against it. I think this makes a difference. Therefore, I should like to see an emphasis, a declaration by this committee, saying that they are in favour of having this program financially self-supporting.

I hope, too, that they will give their support to the principle of equal employer-employee contributions. This is not necessary, I realize, in order to obtain the money. It could all come by just taxing employers, as is done in Sweden, but psychologically it is a good thing for people to have to contribute. This is one of the reasons why the American program is as popular as it is with the man in the street—because he thinks “I contribute to this, this is something I earn by contributions that I make.” He overstates the extent to which he paid for his benefits, but it certainly adds to the psychological appeal of that program.

As so many people said to me when I was investigating it several years ago, “This is not something that the Government hands to us, this is something that we are doing for ourselves,” so I think it is valuable to have an employee contribution in as well.

I come now to clause 116, the position of the chief actuary. Such an individual is in a critical role in this program, just as Mr. Myers has been in the United States, because actuarial computations are extremely complicated and those who are non-actuaries have to depend to a large extent on the figures that he supplies. I think it very important to enhance the prestige and the position of the chief actuary. That is why I would like to see this individual—and I esteem Mr. Clarke most highly in this position—responsible directly to Parliament and not simply to a cabinet minister. This would mean that he could be dismissed only by Parliament. I do not think it would necessarily mean that he would have to be appointed by Parliament. It also would mean that his reports would be made to Parliament.

In the same clause there is a reference to long-range forecasts and a reference that the actuary must make forecasts for at least 30 years. I want to point out that, since you cannot see the full cost of any proposal for amending on increasing benefits and the like within a range of 30 years, it is important should you have forecasts for a much longer period of time. This does not mean that you will assume conditions will remain unchanged for 50 years or so, but that you will be able to assess the long-range cost implications and benefit indications of what you are doing. It is with this in mind that the Advisory Council in its 1965 report in the United States says that the long-range cost should be projected by the chief actuary for 75 years. Everyone knows perfectly well that there will be many changes in that space of time.

In clause 117 I refer to the advisory committee set up under the bill. I was very happy to see this included, because such committees have been very constructive and have made an immense contribution both in the United States and in Britain.

The man who is in charge of the American program, Mr. Robert Ball, told me several years ago, in conversation, that most of the best ideas for reforming that program that had been put into effect come from the successive advisory councils and not from the members of Congress. Members of Parliament would doubtless contribute more in this country.

Mr. Chairman, that completes the comments I wanted to make in relation to the clauses of the bill.

After the weary day, Mr. Chairman, you might feel that you wish me to desist. I have some statistics that I would like to pass out to you, which you might like to have for light reading—it is a single sheet—between now and tomorrow morning. I can explain in a very brief moment what I have in mind here. I notice that the Economic Report on the Canada Pension Plan, an excellent report prepared by the Department of Finance, tells about the impact of the Canada Pension Plan on business. It speaks of business pretty well as an entity, but it did not speak to a significant extent of the different impact of the plan on different industries. In the very short time at my disposal I endeavoured to deal with this problem.

I wrote this brief in Vancouver, but in Toronto Mr. Anderson asked me if he could take my brief home with him to read it over night, and I said yes. So he called me the next day and said, "I have some statistics for you—yours are incomplete, you give only some industries. So I went home and put in all the industries, and I give it to you as a gift. This I have taken from the Dominion Bureau of Statistics, and it is comparable for all industries. Both this sheet and the tables in my brief are an endeavour to compare the difference of the impact of the Canada Pension Plan from one industry to another. Also I have attempted to show the range of differences within certain industries.

Now, all of this is in no sense a criticism of the bill. Any bill you have for providing income for the aged will have to be paid for, and in whatever way it is financed it will have some different effect on industries, so this is just for factual information, nothing further.

Lastly, on the relations between old security, old age assistance and the Canada Pension Plan, I think I might deal with that tomorrow morning, for weariness enshrouds your faces. Thank you for your patience.

Mr. MONRO: I just wanted to indicate, Mr. Chairman, that we shall have the Social Workers here at 10 o'clock. Presumably we will have finished with them in time to hear Dr. Clark again, but in all fairness to him I think he should be advised that the Social Workers were given an appointment for 10 o'clock.

The CHAIRMAN (*Mr. Cameron*): Yes. Mr. Munro is suggesting we may run out of time; we are not certain.

Dr. CLARK: I am certainly willing to carry on this evening, as long as you gentlemen have the patience and endurance to stay.

Mr. MONTEITH: I am sorry, we are running out of endurance.

Mr. KNOWLES: With respect to tomorrow, Mr. Chairman, the Social Workers brief does not look like one that will take all the morning. It is composed of seven pages. However, the Canadian Congress brief—

The CHAIRMAN (*Dr. Cameron*): That will be heard in the afternoon.

Mr. KNOWLES: I suggest that we adhere to the commitment that we made, for the Social Workers to appear before us at 10, and the Canadian Congress at 2.30. Probably Dr. Clark could be heard between 11.30 and 12.30.

Dr. CLARK: That is agreeable. That would allow an hour.

The CHAIRMAN (*Mr. Cameron*): Senator Fergusson will be in the Chair, and I am sure with the co-operation of the committee good progress will be made.

Mr. MONTEITH: She will keep us in order!

Mr. KNOWLES: She is partial to social workers.

Mr. LLOYD: I am not in a hurry and I am not weary, but I shall go by the majority wish only. I am quite prepared to stay.

Mr. GRAY: I am also prepared to stay, Mr. Chairman.

APPENDIX A27

FEDERAL SUPERANNUATES NATIONAL ASSOCIATION

Office of National Secretary-Treasurer

2696 MacDonald Drive, Victoria, B.C.

SPECIAL BRIEF

Thank you for your request as received from the Clerk of your Committee, dated November 26, 1964.

Further to our National Secretary-Treasurer's letter dated December 7, 1964, addressed to the Clerk of your Committee, we are now pleased to submit the following Special Brief, issued on behalf of, and with the authority and backing of the members of the Federal Superannuates National Association, now organized from coast to coast, and representing, presently, approximately 37,000 Federal Civil Service Superannuates and widows.

This Brief, detailed especially for your Committee's consideration, and report, is issued "without prejudice" to all prior, or subsequent briefs if any, that will be, or have been issued direct to the Prime Minister, or any Government Member, or Official, duly appointed by the Prime Minister to receive and reply to such briefs and submissions.

This Special Brief and all prior briefs above referred to, request parity of pensions to all Superannuates, in order to restore the purchasing value of the dollar, from its now low value of approximately 37 cents to \$1.00. Such parity increase would be governed by the classification, grade, and years of service of the Superannuate, and would be based on parity with Federal Civil Servants currently retiring on pension with the same classification and grade; the only differing and controlling factor being the number of years of service, which, of course, governs the ultimate amount of pension received.

The Government's response to date on all briefs submitted has been disappointing, and bluntly negative. The Prime Minister in replying to our National Secretary-treasurer's letters, dealing with the briefs submitted, has stated various objections, or should we say excuses, to support the Government's refusal of our requests to obtain a better financial deal for all Federal Superannuates who are presently in large numbers suffering from dire financial need, and in some cases virtual poverty, solely due to the shrinking purchasing power of the pension dollar from the date of his, or her, retirement. Surely the Government has to accept some responsibility for this shrinkage in purchasing power, since they, and they alone, are the only ones in a position to counteract or supplement the ever-increasing cost of living, which we are told is due, in part, to the increase of our National Productivity and to the overall increase of our National Standard of Living.

The following statistics taken from the Session Paper No. 63-A placed before Parliament on November 28, 1962, by Mr. Stanley H. Knowles, M.P., is supporting and self-explanatory, showing the range of monthly income of

retired Civil Servants and Widows. The total number of Superannuates has increased from 1962 to date, to approximately 37,000. The statistical position, however, is unchanged.

Income Range (per month)	No. Retired Civil Servants	No. Widows at 50% Pension
(A) Receiving less than \$20.00 per month	348	1,420
(B) Receiving \$20.00 to \$29.99	1,191	1,555
(C) Receiving \$30.00 to \$39.99	1,662	1,493
(D) Receiving \$40.00 to \$49.99	1,576	1,293
(E) Receiving \$50.00 to \$59.99	1,451	1,156
(F) Receiving \$60.00 to \$69.99	1,340	1,008
(G) Receiving \$70.00 to \$79.99	1,240	944
(H) Receiving \$80.00 to \$89.99	1,200	617
(I) Receiving \$90.00 to \$99.99	1,129	483
(J) Receiving \$100.00 to \$149.99	5,105	1,207
(K) Receiving \$150.00 to \$199.99	3,448	254
(L) Receiving \$200.00 to \$249.99	2,155	76
(M) Receiving \$250.00 to \$299.99	1,043	24
(N) Receiving \$300.00 or over	1,240	14
	<hr/>	<hr/>
	24,128	11,544
	<hr/>	<hr/>
Total Retired Civil Servants	24,128	
Total Widows at 50% Pension		11,544
	<hr/>	<hr/>
Grand Total	35,672	

Note: Approximately 33% are Widows who receive only 50% of Male's pension. On behalf of these Widows we are now requesting that the Widow's percentage be raised to 75% and furthermore, that full pension be paid to Widows for one (1) year following the death of Pensioner, in order to give the Widow a little time to reduce her financial overhead and commitments so as to be in a position to live on her reduced income. The Minister of Finance, in his letter to this Association dated April 3, 1964, has promised to earnestly consider raising the Widow's percentage at such time as the Government is reviewing proposed amendments to the Public Service Superannuation Act.

Excuse #1

One of the points that the Prime Minister has put forward to the members of this Association is that to accede to the representations made on behalf of retired Civil Servants would be a form of discrimination against the majority of Pensioners, other than Federal Superannuates. Obviously the Prime Minister was talking with tongue in cheek—politically.

We have difficulty reconciling this statement with the fact that the Government has recently announced an increase in pension to War Veterans. To quote Mr. Claude E. Edwards, President of the Civil Service Federation of Canada, who states "Naturally we were delighted to see this increase being announced, but isn't this the exact situation that the Government is telling us it cannot consider, because if it did it would be discriminating against the majority in favour of a minority group". If this increase can be made to our War Veterans, we the Federal Superannuates feel that the Government, as a good Employer,

could and should do something to help the Federal Superannuates who are also taxpayers and who were its former loyal employees, many of whom also served as Veterans of the First World War.

We must again emphasize that Parity is still our prime request and objective which, when tied in with a periodic Cost of Living review and adjustment such as projected in the Canada Pension Plan, will protect Superannuates against any future rise in the Cost of Living.

Excuse #2

Another excuse put forward by the Prime Minister is that any increase or adjustment made to the present pensions of Superannuates would have to sooner or later be an additional charge to the Canadian Public taxpayer. He cites a 1958 adjustment, the benefits of which were payable under the Public Service Pension Adjustment Act and charged yearly as an additional budgetary expense to the Canadian taxpayer.

Our response to this line of argument is that we are all taxpayers and therefore we are not particularly concerned with the "modus operandi" of just where the Minister of Finance, or Auditor General, elects to place the charge. The Government of Canada does not hesitate to give away \$7,000,000 to underprivileged and undernourished Nations or sell highly subsidized wheat to Russia or China. These transactions *all* greatly effect the capital and revenue account and ultimately the Canadian Taxpayer. Let us *first* exercise our charity and humanity by adjusting underprivileged conditions on our own Home Front—Charity, truly, begins at home.

Re: Superannuation Account

The Members of your Committee are no doubt aware that the balance in the Superannuation Account, as reported by the Auditor General (1963) was \$1,999,000,000 and is now over the Two Billion Dollars, and under the present Superannuation Act is growing and has been steadily growing yearly. If the present growth is maintained, the Superannuation Account with added interest will be approximately Four Billion Dollars in eight years' time.

The 1963 yearly earned interest on the Government's use of these funds (@4% simple interest) as published by the Auditor General's report is \$66,361,514. The total disbursement from the Superannuation Account for the same period (1963) which includes *all* pension payments to Federal Superannuates was \$51,816,113, showing an excess of interest earned and received over total disbursements of \$14,545,401. Note! The capital amount on deposit in the Superannuation Account of \$1,999,000,000 was not impaired.

Under the provisions of the Public Service Superannuation Act, the Government of Canada is required to contribute dollar for dollar paid into the Superannuation Account by the Federal Civil Servant. Perhaps you are also aware of the fact that the Government is approximately \$602 million in arrears in matching contributions. (According to the Glassco Commission Report, Volume 3, Page 291) If the interest on this unpaid contribution has not been paid, the overdue yearly interest (@ 4% simple interest) alone on this unpaid amount should be quite a substantial amount.

Much talk and bally-hoo has and is being circulated that the Superannuation Fund is actuarially unsound. It has even been stated by Government officials, that the Superannuation Account is merely a bookkeeping entry.

A classic example of this double talk is contained in a recent letter written by the present Minister of Finance, dated December 7th, 1964, addressed to Mr. Barry Mather, M.P. for New Westminster, B.C. Mr. Gordon stated in substance that it is erroneous to say that the Superannuation Account contains

sufficient funds to take care of the pension increases requested by the Federal Superannuates. He (Mr. Gordon) offered as proof of this remark that as the result of an actuarial survey conducted as at December 31st, 1962, it was established that there was not sufficient funds in the Superannuation Account to meet the combined obligations to Federal Superannuates and all Federal Civil Servants presently on active duty. In other words, if every active Federal Civil Servant presently operating the affairs of Canada suddenly in one day arrived at the age of 65 years or elected to go on pension together with Federal Superannuates, the Superannuation Fund would be short coverage in amount of \$110 million.

Not only is this premise ridiculous in assuming that the Government of Canada could or would suddenly denude itself of *all* active Employees, but is also factually impossible to assume that all Federal Civil Servants will arrive at the age of 65 years within the same day, month or year.

Gentlemen! The Government of Canada is the Legal Custodian and Administrator of this Superannuation Account since 1924, and of course is responsible for its use and safekeeping. The Government forgets, or overlooks, the fact that a considerable number of our Federal Superannuates were experienced and certified Public Accountants and Auditors in the Government Service, and are fully competent to analyze and assess the real and actual value of the Superannuation Account regardless of Government inuendoes.

We are not presently concerned about the safety or solvency of the Superannuation Account; at least not until the proposed amendment to the Superannuation Act is made known. We will then be *vitaly concerned*. The Prime Minister has definitely stated that *we will be consulted before any amendment is presented to the House*. We shall expect this promise to be honoured. What we and all other Federal Civil Servants—active or superannuated—are greatly disturbed and concerned about is that in view of the partial integration and diversion of Federal Civil Servants' contributions from the Superannuation Fund to the Canada Pension Plan. The big, big question is:—when does the Superannuation Fund receive this \$602 million arrears, *if and when partial integration is effected under the Canada Pension Plan legislation or is it to be buried or quietly expunged*. We, the Federal Superannuates, will be keen and active observers.

Incidentally, the Standard Dictionary defines the word "integration" as "making into one whole". The question arises, regardless of the Prime Minister's recent emphatic statement that the Superannuation Fund *will not be absorbed* into the Canada Pension Plan. If we take integration literally, as defined, it might well be that it is the Treasury Board's present intention to obtain greater legal dominance over *our* Superannuation Fund with a long term view to ultimately absorb or totally integrate same into the Canada Pension Plan.

The Federal Superannuates will be vigilant observers and will not hesitate to take whatever action is necessary, either legal or political or both, to protect our "Legal Rights" and interest in the Superannuation Fund over future months and years. The "Legal Right" of the Federal Civil Servant—active or superannuated—was finally and correctly admitted by the Government and confirmed by the passing of an amended Act dated January 1st, 1954, indicating, quite clearly, that the *equitable, beneficial ownership* of the Superannuation Fund is *vested in the Federal Civil Servant—active or on superannuation*. This "legal right" declaration of January 1st, 1954, is not now contestable under Canadian Law, since it was passed and ratified by the Government of Canada being the Highest Court of Appeal. We have a very definite reason for discussing the Superannuation Account at length and in disclosing the Superannuation Account's actuarially sound and liquid financial condition.

We have persistently pointed out to the Government that the Superannuation Account has more than adequate funds available to take care of our Federal Superannuates requested adjustment without damaging or infringing the "rights" and benefits of either the active Federal Civil Servants or subsequent Superannuates.

By employing the Superannuation Account funds, which is actually a pension fund account, instead of the procedure adopted in the 1958 adjustment (ie, via the Public Service Pension Adjustment Act), where the benefits payable were treated as a yearly budgetary expense, the charge against the Canadian Taxpayer would be unnecessary.

The following tabulation will, we are sure, present a picture of the Life Expectancy of the present group of Federal Superannuates and will indicate approximately how long these requested increases in pension will have to be paid.

Retirement Year @ 65 years	Age to date 1964	Observations
1947	82	Male & Widows (mostly widows
1948	81	" " @ 50% pension)
1949	80	" "
1950	79	" "
1951	78	" "
1952	77	" (about even)
* 1953 New actuarial life expectancy	76	" (about even)
1954	75	" " (about even)
1955	74	Male mostly
1956	73	" "
1957	72	" "
1958	71	" "
1959	70	" "
1960	69	" "
1961	68	" "
1962	67	" "
1963	66	" "
1964	65	" "

From above figures it will be clearly seen that over 50% of present Federal Superannuates will have passed on to what we hope will be a more just reward in approximately five years, and the balance in approximately ten years. This means that before the first five years of operation of the Canada Pension Plan, 50% of the increases awarded to Federal Superannuates will have been liquidated as a liability, and when the Canada Pension Plan comes into full effect, i.e. in ten years, all or most of the remaining presently pensioned Superannuates will have passed on; thereby totally liquidating all pension liability, except in instances where the Widow substantially outlives the Male.

Conclusion:

Gentlemen! At the risk of being rather voluminous, we have endeavoured to present our Brief concisely, emphasizing our claim for Parity of Pensions on a prescribed basis, and also to ask that the percentage for Widows Pensions be

increased from 50% to 75% with a very much needed provision that full pension be granted to Widows for a period of one year in order to give the Widow a little time and funds to rearrange her financial and domestic affairs to cope with a reduced income.

In an endeavour to simplify your rather onerous task we have given you progressively, the Government's reaction to our briefs to date, together with our considered rebuttal.

We are aware that partial integration of the Public Service Superannuation Plan with the Canada Pension Plan has been studied and certain recommendations made by the Superannuation Advisory Committee, which is a body appointed by Government through Order-in-Council, and represents both Official and Staff Side. Federal Superannuates have long felt that they too should have representation on this Advisory Committee as they through contributions made to the Superannuation Fund during their employment have an interest in this Fund and certainly should have a voice in deliberations and decisions as to what is to transpire in the future with regard to this Fund. It is, therefore, urged that immediate steps be taken to provide a seat on this Advisory Committee for a representative of the Federal Superannuates National Association.

In conclusion, may we state frankly we believe Federal Pensions should be discussed with an integrity which looks beyond immediate political partisan advantage, to the lasting welfare of its former employees, as well as those who will follow after.

If there is anything further that we can do to assist you in your deliberations, please do not hesitate to advise.

On behalf of all needy Superannuates, we earnestly solicit your favourable consideration to our Brief.

APPENDIX A28

*Answers to Questions Raised by Senator Croll and Mr. Knowles
on Wednesday, January 20, 1965, at the Afternoon's Session*

1. *Question:* What would it cost to provide a pension of \$75 a month to widowed and single women, and to disabled persons, between the ages of 65 and 70?

Answer: It is estimated that the cost of a \$75 a month pension to 119,167 single women and widows aged 65 to 69 in 1966 would be \$107 million. Of the remaining 402,833 persons in that age group, if the prevalence rate for disability is assumed to be 10 per cent, a \$75 a month pension for such people would cost \$36 million in 1966; if the rate is assumed to be 15 per cent, the cost would be \$54 million. (On page 549 of the Proceedings, the Actuarial Report gives an ultimate prevalence rate of 9.3 per cent for the age group 60-64.)

In 1970, 132,900 single women and widows aged 65 to 69 receiving \$75 a month would cost about \$120 million, and 45,000 to 67,000 disabled persons in the same age group would cost from \$40 to \$60 million.

2. *Question:* What would it cost to increase the old age security pension from \$75 to \$80 for those aged 70 to 74, to \$85 for those aged 75 to 79, to \$90 for those aged 80 to 84, to \$95 for those aged 85 to 89, and to \$100 for those aged 90 and over?

Answer: It is estimated that in 1966 there will be 984,000 people aged 70 or over, and in 1970 there will be 1,048,000; at \$75 a month, pensions for these people will cost \$885.6 million and \$943.2 million respectively.

The total cost of higher pensions for these people is set forth in the following table.

Age Group	Annual Benefit \$	1966		1970	
		Persons '000s	Expenditures \$ million	Persons '000s	Expenditures \$ million
70 to 74 years	960	411	395	434	417
75 to 79 years	1020	304	310	311	317
80 to 84 years	1080	173	187	195	211
85 to 89 years	1140	72	82	81	92
90 and over	1200	24	29	27	32
Total		984	1003	1048	1069

The *extra* cost of providing the proposed age-related pensions would therefore be \$117.4 million in 1966 and \$125.8 million in 1970.

3. *Question:* What would it cost to increase the old age security pension from \$75 to \$85 for those aged 70 to 74, to \$90 for those aged 75 to 79, to \$95 for those aged 80 to 84, to \$100 for those aged 85 to 89, and to \$105 for those aged 90 and over?

Answer: The total cost of the proposed higher pensions for these people is set forth in the following table.

Age Group	Annual Benefit \$	1966		1970	
		Persons '000s	Expenditures \$ million	Persons '000s	Expenditures \$ million
70 to 74 years	1020	411	419	434	443
75 to 79 years	1080	304	328	311	336
80 to 84 years	1140	173	197	195	222
85 to 89 years	1200	72	86	81	97
90 and over	1260	24	30	27	34
Total		984	1060	1048	1132

The *extra* cost of providing the proposed age-related pensions would therefore be \$174.4 million in 1966 and \$188.8 million in 1970.

Research and Statistics Division,
January 1965.

APPENDIX A29

SUBMISSION OF THE NATIONAL LEGISLATIVE COMMITTEE
INTERNATIONAL RAILWAY BROTHERHOODS

1. The National Legislative Committee, International Railway Brotherhoods, is a voluntary association of Railway Unions, established in 1909, representing railway workers in Canada.

2. The representatives of the employees of both the Canadian Pacific Railway and Canadian National Railway Pension Plans, who have been duly selected from and among the General Chairmen of the organized classes of employees, join with us in presenting this brief.

3. We believe that there is a need in Canada for the type of Pension Plan that the Government has outlined in Bill C-136, and we favour the principle of a contributory, wage-related plan under Government auspices.

4. It has been reported that the regulation of Private Pension Plans in such matters as portability and solvency is a matter of Provincial jurisdiction.

5. This obviously leaves a gap in the regulation of private pension plans, when one considers those industries that fall solely under Federal jurisdiction.

In this regard, we respectfully recommend that concurrent with the enactment of a Canada Pension Plan, legislation be enacted for the purpose of regulating Private Pension Plans coming under Federal jurisdiction. Further, it is our understanding that the Provincial Governments have agreed to establish uniform regulations to govern Private Pension Plans and we suggest, that the Federal Legislation contain the same provisions.

6. Such regulations would ensure to employees working in industries under Federal jurisdiction, the right to transfer pension credits and contributions from one private plan to another.

7. The whole problem of the maintenance of pension credits by employees, who move from one job to another, was considered in a report on Pension Plans and the Employment of Older Workers, prepared by the Interdepartmental Committee on Older Workers and published by the Department of Labour and that Committee found there existed a need for portability and vesting provisions in existing Pension Plans in Canada.

8. Other matters in addition to portability and vesting that should be considered in the drafting of regulations are solvency and the proper investment of pension funds.

9. While, as we stated earlier, we favor the principle of a contributory, wage-related pension plan under Government auspices, the employees we represent are deeply concerned as to the effect the introduction of the Canada Pension Plan will have on their existing pension plans unless steps are taken by the Government to protect their rights.

10. Pension plans have been in effect on the Canadian Railways for upwards of thirty years, and they are now a condition of employment for employees entering the service, but in no case is the pension plan a part of the contractual relationship between the employer and the employee.

11. The employees of the Railways desire that the Canada Pension Plan supplement their existing plans, but almost simultaneously with the announcement of the proposed Canada Pension Plan, the Railways indicated that it would be their intention to revise the existing pension plans so that their pension costs would not be increased by reason of the Canada Pension Plan.

12. We suggest that a project that will affect almost all Canadians, such as the Canada Pension Plan, should have the same relative effect on all Canadians. If an employer who now contributes to a pension plan is permitted to recoup his contributions to the Canada Pension Plan by reducing his contributions to the existing plan, he will gain a definite advantage thereby over the employer who does not now contribute to a pension plan.

13. For the Canada Pension Plan to have the same relative effect on Canadian Railway workers as on other Canadian workers, the plan must be supplemental to the existing Railway pension plans, and this is what is desired by the workers we represent.

14. We are disturbed at the attitude of the Government of washing its hands of responsibility in the matter of private pension plans, and on behalf of the workers we represent we earnestly request this Committee to recommend that a provision be added to the Canada Pension Plan Act which would prevent the integration of pension plans on Railways under the jurisdiction of the Federal Government with the Canada Pension Plan without the approval of the employees participating in such plans.

15. We submit that the Government will incur responsibility for protecting the rights of employees presently participating in pension plans when its plan becomes operative because it will be introducing a compulsory pension plan into arrangements which have been reasonably satisfactory to the employees but over which those employees have little or no control insofar as revisions to the pension plans are concerned.

16. If the Railway pension plans were part of the working agreements between the Railways and their employees, we would not be here today, but they are not. For that reason, and because we believe the Government should accept responsibility and protect the interests of the employees, we are requesting this Committee to make recommendations to that end.

APPENDIX A30

ESTIMATES RELATING TO OLD AGE SECURITY PROGRAMME

Request

During the evening session of the Committee on December 14, 1964, Mr. Moreau asked

“Could you tell us approximately what payroll contributions would be required to raise the equivalent of the sum of money that we are collecting under the present means of financing the O.A.S. plan? Do you think it would be five or six per cent?”

During the morning session on December 15, 1964, Senator McCutcheon asked

“Have you made any calculation to show what is the total cost based on covered earnings of the old age security and the proposed pension plan in respect of percentage of covered earnings?”

Similar requests have been made in some of the briefs submitted to the Committee.

Estimates

Two sets of estimates of total outgo in future years for all of Canada under the Old Age Security programme, amended as proposed in Bill C-136, are presented in Schedule 1 below. The set of estimates designated as A was based on the low fertility—low immigration populations described in the actuarial report and on the assumption that OAS benefits would increase from 1967 onwards at an annual rate of $1\frac{1}{2}\%$ to 1975 and 2% thereafter. The set of estimates designated as B was based on the high fertility—high immigration populations and on the assumption that OAS benefits would increase from 1967 onwards at an annual rate of $1\frac{1}{2}\%$. Subject to the availability of reduced pensions at ages under 70 for the years 1966 to 1969, for both sets of estimates it was assumed that

- (a) for males, 51% of the population would elect to take reduced OAS benefits at age 65 and a further 3% would so elect at each age 66 to 69,
- (b) for females, 87% of the population would elect to take reduced OAS benefits at age 65, a further 2% would so elect at each age 66 and 67 and a further 1% would so elect at each age 68 and 69, and
- (c) the remainder of both the male and female populations would receive full benefits at age 70.

Also shown in Schedule 1 is the excess of benefit outgo under each of the A and B sets of estimates over

- (a) estimated benefit outgo if payments were to remain at \$75 per month to persons aged 70 and over, and
- (b) estimated benefit outgo if payments were to be made to persons aged 70 and over at \$75 per month increased from 1967 onwards at the annual increase rates specified for the A and B sets of estimates, as applicable.

Schedule 1

Estimated Benefit Payments under OAS
for all of Canada
(in millions)

Year	Outgo under Proposals in Bill C-136		Excess over outgo of \$75 per month to pop'n aged 70 or over		Excess over outgo of \$75 per month, increased from 1967 onwards, to pop'n aged 70 & over	
	A	B	A Excess	B Excess	A Excess	B Excess
1966	\$ 971.0	\$ 975.3	\$ 64.5	\$ 64.9	\$ 64.5	\$ 64.9
1967	1,044.2	1,050.2	123.7	124.8	123.7	124.8
1968	1,130.0	1,137.8	194.8	196.8	180.7	182.7
1969	1,213.0	1,223.1	262.8	265.6	234.0	236.6
1970	1,293.4	1,306.1	327.5	331.6	283.4	287.1
1971	1,316.2	1,330.6	333.2	337.9	273.0	277.0
1972	1,341.7	1,357.7	340.8	345.7	263.4	267.6
1973	1,370.2	1,388.3	349.9	355.6	254.5	259.1
1974	1,402.3	1,422.6	361.0	367.1	246.7	251.1
1975	1,438.7	1,460.7	374.5	381.0	239.9	244.4
1980	1,717.5	1,710.5	501.7	470.4	205.4	205.6
1985	2,097.4	2,049.8	678.8	595.7	149.5	148.8
1995	3,193.1	3,015.0	1,321.6	1,074.5	60.3	70.6
2005	4,296.4	4,005.4	2,136.1	1,702.4	-111.7	-49.8
2015	6,156.2	5,666.3	3,821.1	3,053.0	348.0	325.9
2025	9,926.6	8,719.0	6,763.9	5,161.1	337.1	281.5

In Schedule 2 is shown the relationship of estimated benefit payments under the OAS programme for Canada excluding Quebec to the contributory earnings amounts estimated for purposes of the actuarial report on the Canada Pension Plan, that is, the estimated total amounts of earnings falling between the contributory earnings lower and upper limits of workers in Canada excluding Quebec who will contribute under the Canada Pension Plan. The assumptions relating to populations, rates of increase in OAS benefits and election for reduced benefits under age 70, where applicable, are those described for purposes of Schedule 1 above. The assumptions as respects the annual rate of increase in average earnings were 3% for the A set of estimates and 4% for the B set of estimates.

Schedule 2

Estimated Benefit Payments under OAS for Canada excluding Quebec expressed as Proportions of Contributory Earnings estimated for purposes of the Actuarial Report on the Canada Pension Plan dated November 6, 1964

Year	Outgo under proposals in Bill C-136		Outgo of \$75 per month to pop'n aged 70 & over		Outgo of \$75 per month, increased from 1967 onwards, to pop'n aged 70 & over	
	A	B	A Pop'n	B Pop'n	A Assump-tions	B Assump-tions
1966	6.21%		5.81%		5.81%	
1967	6.36		5.63		5.63	
1968	6.55		5.46		5.54	
1969	6.70		5.30		5.46	
1970	6.83		5.15		5.39	
1971	6.66		5.02		5.33	
1972	6.49		4.88		5.26	
1973	6.35		4.77		5.21	
1974	6.22		4.65		5.16	
1975	6.13		4.57		5.14	
1980	5.48	4.56%	3.89	3.31%	4.84	4.02%
1985	5.24	3.89	3.55	2.53	4.88	3.30
1995	4.92	3.01	2.90	1.95	4.86	2.96
2005	4.06	2.04	2.05	1.18	4.19	2.08
2015	3.75	1.49	1.42	.69	3.54	1.40
2025	4.27	1.23	1.36	.50	4.11	1.19

(NOTE: The reason that the columns for the B set of estimates and the columns related thereto are blank until the year 1980 is that contributory earnings for the short range (1966 to 1975) were estimated only on the basis of the low fertility—low immigration population assumptions for purposes of the actuarial report. Since there is no financial effect arising from fertility in the early years, little effect from immigration, and all other assumptions except that in respect of the rate of increase in average earnings are the same for the A and B estimates until 1975, the B column figures to 1975 would be close to those shown for column A.)

Department of Insurance
Ottawa
January 21, 1965

APPENDIX A31

BRIEF TO THE SPECIAL JOINT COMMITTEE OF THE SENATE
AND THE HOUSE OF COMMONS ON THE CANADA PENSION PLAN

by Dr. Robert M. Clark, University of British Columbia

January 15, 1965

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BRIEF TO THE SPECIAL JOINT COMMITTEE OF THE SENATE
AND THE HOUSE OF COMMONS ON THE CANADA PENSION PLAN

(1) I appreciate the high honour of being invited to give evidence to you on the Canada Pension Plan.

(2) I divide the brief into three parts. The first is a short statement of preference for a flat rate benefit structure over a graduated or earnings-related benefit structure. Bill C-136 having passed the House of Commons with no opposing vote, I am in the position of a solitary man marooned on a small Arctic iceberg, watching the distant shore-line recede. He can scarcely expect the continent to move in his direction. In the second part I give a series of comments within the framework of accepting the fact that we shall have in Canada a contributory pension program with graduated benefits. Brief comments on the differences in import of the Canada Pension Plan on various major industries are included at the end of this section. Comments on the relation between Old Age Security, Old Age Assistance, and the Canada Pension Plan constitute the last part.

PART I

A Statement of Preference for a Flat Rate Benefit Structure

(3) The case for a system of flat rate pension, survivor and disability benefits is based on one's philosophy of equity, and one's view of the desirable role of government. I begin with the premise that the spending power of the retired population should be at all times a high fraction of the average consumer spending of the whole population. This is not to say that the retired, on the average, should have spending power equal to that of the whole population, because, on the average, the aged do not need quite as much as the rest of the population. They are more likely to have their home and other durables paid for than the rest of the population.

(4) Can the Canadian people afford such a standard for the aged? Like many others, I believe we can afford and should adopt such a standard.

(5) To the extent that retirement spending power results from private savings, its development tends to follow, as it should, the principle of individual equity. For example, in the typical employee pension plan, benefits to different employees are related directly to the contributions made by themselves and their employers.

(6) The vast majority of individuals with family incomes above the subsistence level have a responsibility to save for their old age. In a democratic society, the level of national savings is likely to be greater, and the freedom of the individual more secure, if most of the public do not look to the state for all their income retirement.

(7) It will always be essential to have a means or needs test type of state assistance for the needy, but such a program should not be a major source of income for more than a limited minority of the population.

(8) The residual but massive role of government is to bridge the gaps between the spending levels of the population as a whole and the spending levels which can be provided by the private resources of the retired population. This is by no means a static role, since the gaps in spending power for the retired tend to widen as the years go by and the spending level of the working community continues to rise. Retired workers have little control over this widening gap between their spending power and that of the community. It is here that the state has a particular responsibility.

(9) For most persons born in the same year, the capacity to provide retirement spending resources through private means is limited by the earnings levels which prevailed during their working years. Within this general limit, it will tend to be more difficult for individuals to save any given proportion of their income if their earnings are low. It follows that the differences in spending levels available from private resources after retirement will tend to be relatively greater than the differences which prevailed during the working years of those individuals. I do not believe that the state should widen these differences in income after retirement by relating benefits to prior earnings, as is done in the Canada Pension Plan.

(10) In an economy where the price level has risen and productivity increased over a few decades, the level of private spending resources of the retired population in any year may be expected to vary inversely with age. On the average, the oldest people among the retired will tend to have the lowest level of spending power.

(11) There is significant American data in support of this proposition.

(12) Referring to the American needs-test program, Old-Age Assistance, Robert J. Meyers, Chief Actuary of the U.S. Social Security Administration, wrote in 1963:

About 17 per cent of all women aged 65 and over are assistance recipients, but the proportion moves steadily upward as age advances, from a low of 9 per cent for women aged 65-69 to a high of 35 per cent for women aged 85 and over. The same general trend is also present for men, with the proportion receiving assistance rising from 4 per cent at ages 65-69 to 30 per cent at ages 85 and over.

... it is likely that in future years the ratio of assistance recipients to the total population will have an upward trend as age advances. As the aged use up the assets they have accumulated, the likelihood grows that they will require supplementation of their income through assistance, even though most of them will have income from old-age and survivors insurance.¹

(13) The Social Security Administration in the United States undertook in 1963 a detailed nation-wide survey of the resources of the aged. Interviews were completed with over 11,000 persons aged 62 and over. Data for persons aged 65 and over were divided into two categories: persons 65 to 72, and persons 73 and over. This division was used because the retirement test under Old-Age, Survivors and Disability Insurance operates until age 73 is reached. The following table is taken from this study.

SIZE OF MONEY INCOME BY AGE AND OASDI BENEFICIARY STATUS
FOR UNITS AGED 65 AND OVER

Median Income and age	Married couples		Non-married men		Non-married women		
	OASDI bene- ficiaries	non-bene- ficiaries	OASDI bene- ficiaries	non-bene- ficiaries	OASDI beneficiaries who have been contributors		non-bene- ficiaries
					Retired	Widow	
65-72.....	\$2,900	\$4,750	\$1,610	\$2,000	\$1,455	\$1,285	\$855
73 and over.....	2,430	1,680	1,260	860	1,120	960	720

SOURCE: Lenore A. Epstein, "Income of the Aged in 1962: First Findings of the 1963 Survey of the Aged", *Social Security Bulletin*, vol. 27 (March 1964), p. 17.

¹Robert J. Myers, "Age and Sex of Persons Receiving Both OASI Benefits and OAA Payments", *Social Security Bulletin*, Vol. 26 (October, 1963), p. 17.

(14) Broadly speaking, the decrease in assets with age is less marked than the decrease in income.

. . . In general, the proportion and the median amount of [asset] holdings decline with the age of the head of the survey unit.

There are several reasons why the value of asset holdings might be expected to drop with the age of the unit. First, the employment and earnings of the group aged 62-64 are higher than those of the older group. Second, the older the person, the more likely he is to have had high medical bills that may have reduced the value of his holdings. Furthermore, in a period of relatively high employment, each age cohort of workers may be expected to reach retirement with a larger accumulation of assets than the previous cohort.

The effect of retirement upon the assets of the worker would not be expected to be immediate or dramatic. The survey shows sharp differences in size of holdings, however, between those who had retired and those who continued to work and, for those not working, between those receiving OASDI benefits and those who were not.²

(15) One would expect roughly the same pattern in respect of income and assets among the aged in Canada. The data on incomes of the aged taken from the 1961 census and presented by the Canadian Life Insurance Officers Association on page 33 of their brief to you supports this expectation.

(16) I conclude from this evidence that there is a strong case for having state pensions for the aged graduated according to the pensioners' ages.

(17) There are three further advantages for such a policy as compared with the features of the Canada Pension Plan.

1. The coverage under such a plan, like the coverage under Old-Age Security itself, can be nearly universal, since residence and attainment of a specified age, rather than prior contributions, are the requirements for receiving benefits. These could be the prerequisites for old-age pensions even if the same method of raising revenue were used as is proposed in the Canada Pension Plan. Because the Canada Pension Plan provides earnings-related benefits, it cannot provide universal coverage. Many who are excluded from coverage on administrative grounds are among the poorest in the country.

2. The distribution of the cost of pensions under a government pension program should be as equitable as possible between successive generations. Future generations should not, I believe, be asked to provide huge subsidies to their predecessors unless the needs of the earlier generations cannot be met in any other way. The Canada Pension Plan violates this criterion, and indeed it is of the essence of the ten-year build up to full benefits that it should do so. The contrast is striking—and I believe unjustified—between those who will be age 70 when the program commences in 1966, and those covered persons who will reach age 70 in the decade 1966-1975. The former will receive no graduated benefit. The latter, if they have complied with the contribution requirements, will receive graduated pension benefits for which in a typical case they and their employer will each have paid roughly 5 or 6 per cent of the cost. Future generations of contributors will pay the balance. The extent of the inter-generation subsidy diminishes in relative importance after the first generation, but it can be expected to continue to be a very significant factor indefinitely because of escalation clauses in Bill C-136.

²“Assets of the Aged in 1962: Findings of the 1963 Survey of the Aged”, *Social Security Bulletin*, Vol. 27 (November, 1964), p. 8.

3. The administration of the type of benefits I have in mind is far simpler than the administration of the Canada Pension Plan. Having painstakingly spent a week picking my precarious way through the Bill and the explanations of it to this Committee, I hope that I understand it. I feel unbounded admiration for Mr. D. Thorson of the Department of Justice, whose lofty intellect expressed in terse inedible legal prose the policy intentions behind the Bill. But do Canadians need to have pensions legislation so intricate that most mortals would not be able to understand how their benefits were arrived at? While I admire the exquisite sense of equity that prompted some of the refinements in the Bill, I believe the answer to the question is "no". I realize that there are disadvantages as well as advantages to my proposals, but believe that the advantages outweigh the disadvantages.

PART II

Comments on Selected Clauses of Bill C-136.

(18) Unlike the Old-Age Security program, the Canada Pension Plan is an example of social insurance. It conforms directly to Sir William Beveridge's definition of social insurance as "the providing of cash payments conditional upon compulsory contributions previously made by, or on behalf of, the insured persons, irrespective of the resources of the individual at the time of the claim."³ In contrast, the type of legislation I have advocated, like Old-Age Security itself, is not social insurance.

There are several consequences that flow from the fact that the Canada Pension Plan is social insurance. Since it is social and not private insurance, the prime concern should be with adequacy of benefits rather than with the principle of individual equity, which provides benefits in proportion to contributions. Yet considerations of individual equity are also present, or there would be no justification for setting up such elaborate administrative machinery and keeping lifetime records of contributions credited to each individual contributor. Deciding how much emphasis to give to each of these two principles is always a subjective matter, and usually difficult. For example, it is customary in social insurance programs like Old-Age, Survivors, and Disability Insurance in the United States, and the Canada Pension Plan, to require an internal subsidy from the single to the married contributors. Both pay at the same rate on the same covered earnings, but survivor and orphans benefits are available, which primarily benefit the married contributors. This is contrary to the principle of individual equity, but is accepted very widely because of prime concern with the principle of adequacy. But how generous should the survivor benefits be in relation to the retirement pension for contributors? The difficulty in answering this question is illustrated by the different treatment accorded to widows under the Canada Pension Plan and under the comparable American legislation.

(19) In dollar terms per individual contributor some of what I regard as inequities in the Canada Pension Plan are small, partly because the rate of contributions is 1.8 per cent on contributory earnings. These injustices will become more serious as the rates of contribution under the program are increased in the decades ahead. It may be argued that the rates of contribution will not be increased significantly in, for example, the next half century. But this seems most unrealistic, ignoring the likelihood of future amendments which will increase the costs of the program. American experience in this respect is instructive. While covered earnings have increased from \$3,000 in

³Sir William Beveridge, *Social Insurance and Allied Services*, London, H.M.S.O., 1942, p. 120, para. 302.

1937 to \$4,800, rates of contributions on employees and on employers have been raised from 1 per cent at the start of the program to 4.625 per cent, scheduled in the Social Security Act to take effect in 1968. While the pace of change in contribution rates probably will be considerably different, there is no doubt in my mind that rates ultimately will rise very substantially.

(20) The most appropriate time, I submit, to seek to minimize inequities is at the outset, so to speak before the mold is hardened.

Clause 8-9 Employer and Employee contributions

(21) I do not see in principle any adequate justification for collecting more from employers because a given employee earning in a year more than the ceiling on contributions works for more than one employer. I do not see any simple administrative answer to this problem. As one who has never administered even a peanut stand, I hesitate to make a suggestion. I should have thought, however, that the answer might lie in giving refunds to employers. If refunds can be given to well over 1 million employees a year, as is contemplated, surely refunds can be prorated to employers eligible for them after the end of each year. Evidence prepared for you by your officials indicates that if the Canada Pension Plan had been in effect in 1962, over-payments by employers would have amounted to nearly \$6 million.⁴ The amount can be expected to grow substantially. I believe that considerations of fairness to employers should take precedence over the administrative convenience of not providing such refunds.

(22) Where in any months individuals are paid in excess of the ceiling on contributory income, the appropriate rate of contribution is to be deducted on their entire earnings until at least the full contribution for the year has been collected. As monthly contributions increase, with a mounting ceiling on contributory income, and later with higher contribution rates, there will be a rising volume of complaints from employees and employers about the uneven incidence of contributions from month to month. I see no simple answer to this, because I accept Mr. Sheppard's opinion of the difficulties of collecting contributions from employees who suffer a large reduction of income in the latter part of a year.

Clause 10. The contributory earnings lower limit for the self-employed.

(23) The contributory earnings lower limit for the self-employed is expected to remain at a figure 20 per cent higher than the figure for employees. This is done presumably in part on administrative grounds and in part to allow for a return on capital which produces some of the income of many of the self-employed. Since the whole philosophy of the program relates only to non-investment income, the question arises: is this differential large enough? Obviously the extent to which the net income of the self-employed is attributable to a return on capital varies enormously from person to person. Moreover, conflicting considerations contend here. On the one hand is the desire to cover as many of the self-employed as possible, so they will have the benefits of the program. This points to a low exemption. On the other hand is the natural desire not to discriminate against the self-employed, who, quite rightly, I think, are required to pay at double the rate for employees. In principle, it would be feasible for a deduction to be made from the earnings of the self-employed. This could be calculated by allowing a return of, say, 5 or 6 per cent on the capital or net worth of his business. There would, of

⁴*Minutes of Proceedings and Evidence*, No. 5, December 7, 1964, Appendix 7, pp. 284-285.

course, be many self-employed who have no capital on which a deduction could be computed. Frankly, I am not sure if this suggestion is administratively feasible.

Clause 17. The contributory earnings upper limit.

(24) The choice of the contributory earnings upper limit is difficult, and highly subjective. Broadly speaking, the higher the range of graduated benefits desired, the higher the ceiling should be. In other words, the greater the role one envisages for graduated benefits in comparison with flat benefits, the higher the ceiling one is likely to favour. Because of my preference for emphasis on flat benefits unrelated to prior contributions, I advocate an upper limit equal to the arithmetic mean of wages and salaries to persons in full-time employment. Such a figure, rounded to the nearest \$100, would be an appropriate base for an index of earnings, such as is used in the Canada Pension Plan. From this viewpoint the upper limit of \$4,500 in Bill C-75 was preferable to the initial limit of \$5,000.

(25) Using income tax data on salaries and wages, as described by Dr. Willard, is one useful way of obtaining a basic data on which to construct an earnings index.⁵ Another way is proposed by Robert J. Myers, a leading American actuary quoted earlier. Writing in the context of the American situation, he proposed in 1964 that the contributory earnings upper limit be based on average earnings during the first quarter of the year reported to the Social Security Administration. His proposal has the advantage that an index constructed from such data would be based on the experience of persons covered by the program. He proposed taking the data for the first quarter of the year because he found that wages and salaries subject to contributions decreased as a percentage of total wages and salaries from about 98 per cent in the first quarter to about 65 per cent in the fourth quarter of each year.⁶

(26) I support the use of an index to raise the contributory earnings upper limit. I should point out, however, that its continuing use in the Canada Pension Plan will greatly increase the extent to which the program will give larger dollar subsidies to those with earnings at and above the upper limit, as compared with those contributors with much lower earnings.

Clause 20. The Pensions Index.

(27) Nearly everyone agrees that the real value of pensions should be protected against inflation. It is the choice of means of doing it that is debatable.

(28) The use of a price index to adjust pensions for beneficiaries reduces, but by no means eliminates, the pressures on political parties to grant or to promise pension increases timed for their maximum electoral advantage. I regard this as an advantage.

(29) On the other hand, the use of an index brings in an element of inflexibility in adjusting benefits, since presumably all benefits are affected proportionately by changes in a price index. It is essentially for this reason that Robert J. Myers has advocated in the United States that changes in the level of benefits continue to be made on an ad hoc seasonable basis by the Congress, instead of using a price index.⁷

⁵*Ibid.*, No. 4, December 3, 1964, p. 204.

⁶Robert J. Myers, "An Illustration of a Method of Automatically Adjusting the Maximum Earnings Base Under the Old-Age, Survivors, and Disability Insurance System", Washington, D.C., 1964, Table 3, p. 8.

⁷Robert J. Myers, "The Effect of Dynamic Economic Conditions On A Static-Provision National Pension Scheme", a paper presented to the 17th International Congress of Actuaries, May, 1964, p. 11.

(30) I am concerned that the use of a price index to protect the real value of pensions will cause the present and future federal governments in Canada to weaken their efforts to maintain the value of the dollar. I regret the growing acceptance of the opinion that inflation of 1 or 2 per cent a year is acceptable as well as inevitable. The view that such inflation makes a significant contribution to minimizing unemployment is unconvincing to me. A correlation over the past twelve years of changes in the Canadian consumer price index with changes in the level of unemployment shows that the relation has been negligible.

(31) I am concerned also that the use of a pension index in the Canada Pension Plan will be interpreted widely in investment circles—with or without justification—that the Canadian Government no longer really believes that it can stabilize the value of the dollar. Surely the chief reason governments and corporations in this country are having to pay substantially higher interest rates now than about 15 years ago is the belief that at least a mild degree of inflation is to be expected in the coming years. We may reach the point in Canada where the Canadian Government and provincial governments may feel that it is prudent to offer bonds whose purchasing power is protected by the use of some price index. If pensions, government means-test assistance programs, and government bonds are put on a price index basis, this will affect the sale of private fixed income obligations. The most likely ultimate result is to increase the tempo of inflation.

(32) If there is to be a pensions index in the Canada Pension Plan, is a ceiling of 2 per cent per year justified? Two arguments in defense of this ceiling are used.

(i) Persons are protected against any drop in pensions when the value of the dollar increases. Therefore they should be prepared to accept some reduction in real income if the Consumer Price Index increases by more than 2 per cent in a year. If there is a sharply inflationary situation, as in 1951 when the Index rose about nearly 11 per cent, this is likely to be caused by a deterioration in the international situation. In such circumstances the aged, like others, may be asked to accept some sacrifice of real income.

(ii) In any event, Parliament can always legislate if there is any hardship. And is there any political party which is not devoted to the welfare of the aged? Between its inception in 1952 and 1963, the Old-Age Security pension has been raised 87½ per cent, while the Consumer Price Index went up 14 per cent.

(33) In principle, I believe that the pension index should follow the Consumer Price Index down as well as up, when it changes by more than 1 per cent. I recognize, however, that the idea of reducing a government pension may be as untouchable as the cows in a Hindu village.

(34) If a ceiling on annual percentage increases in the Consumer Price Index is to be used, I should prefer to see 3 per cent rather than 2 per cent. Obviously this is a compromise proposal. This would reduce the lag of pensions behind the Consumer Price Index if inflation in any year exceeded 2 per cent.

Clause 22(6). Penalty for failure to remit.

(35) Especially in view of the many opportunities for misunderstanding regarding contributions to be collected, I regard as too severe the penalty of 10 per cent plus 10 per cent interest. The contrast with the 3 per cent interest allowed on ordinary refunds under clause 39(7) seems excessive. It is the 10 per cent, I submit, which should be changed. Eight per cent would seem more appropriate.

Proceeds from interest and penalties.

(36) In view of the fact that the program is, quite properly, to be charged for administrative expenses of the various government departments, it seems reasonable that both interest and penalties collected under Bill C-136 should be credited to the Canada Pension Plan Account.

(37) I regard the 10-year transition period to full benefits as too short, involving unjustifiably large subsidies from future generations of contributors to those who will receive benefits in the first decade. The 20-year transition period originally proposed by the Quebec Government was more equitable as between successive generations.

Clause 43(1). Basic number of contributory months.

(38) With a longer period for the basic number of contributory months, it would have been appropriate to increase the percentage of months of drop-out in clause 48(3). This would be helpful to contributors who wish to retire at age 65, but who have had several years of minimal earnings. As it now is with a 10 per cent drop-out, an increasing number of university students, especially women, will have used up their 10 per cent before they have reached age 24.

(39) If the 10-year period is retained, it might still be appropriate to increase the 10 per cent in clause 48(3) to 15 per cent. This would, of course, only benefit those who did contribute for at least a decade.

Clause 43(2). When a person shall cease to be deemed disabled.

(40) In the Disabled Persons Act of Canada, there is a clause that reads: . . . the provincial authority will suspend payment of the allowance to any recipient who, in the opinion of the provincial authority, unreasonably neglects or refuses to comply with or avail himself of training, rehabilitation or treatment measures or facilities provided by or available in the province.⁸

Federal legislators presumably included this clause to take care of cases where a person receiving a Disabled Persons Allowance refuses unreasonably to take rehabilitation treatment. If there is a need for such a clause in a means test program, I believe there is even greater need for it in a program where no means test is involved.

(41) I do not expect that there would be many cases annually where such a clause would need to be invoked. As with the present Disabled Persons Allowances Program, presumably the rule would be followed that no person would be required to accept medical treatment unless the prescribed treatment has been demonstrated to be of such a kind that a "reasonably prudent" man would accept it. A medical board would make a decision in such cases, and their verdict would be subject to appeal.

(42) Section 222 of the American Social Security Act contains such a clause as I have recommended. It is as follows:

Deductions, in such amounts and at such time or times as the Secretary shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under sections 202 and 223 for any month in which such individual, if a child who has attained the age of eighteen and is entitled to child's insurance benefits

⁸1953-54, c. 55, s. 7 (d) (xi).

or if an individual entitled to disability insurance benefits, refuses without good cause to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act. Any individual who is a member or adherent of any recognized church or religious sect which teaches its members or adherents to rely solely, in the treatment and cure of any physical or mental impairment upon prayer or spiritual means through the application and use of the tenets or teachings of such church or sect, and who, solely because of his adherence to the teachings or tenets of such church, or sect, refuses to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act, shall, for the purposes of the first sentence of this subsection, be deemed to have done so with good cause.⁹

(43) It is highly desirable that from the outset there should be an emphasis on the rehabilitation of disabled persons. This, of course, involves co-operation with the provincial governments which have facilities for this work.

Clauses 54-58. Benefits other than the retirement pension.

(44) I am particularly pleased to see the Program include pensions for the disabled and widows, benefits for orphans, and a death benefit. Because of my preference for emphasizing need, I should have liked to see the flat portion of the pension for the disabled and the eligible widows under 65 given greater relative importance. One of the many useful functions of the Advisory Committee, I suggest, will be to study the relation between the various types of benefit both in the Canada Pension Plan and in other countries.

Clause 58(2). Orphan's Benefit.

(45) I regard it as unnecessarily arbitrary to limit in effect the total amount of orphan's benefits so that the total benefit does not increase significantly if the number of orphans exceeds four. I realize that the cost of bringing up children after one already has four does not usually increase proportionally. As a compromise between retaining the present limit and removing it altogether, I suggest that the orphan's benefit be increased proportionately until a maximum of six is reached.

Clause 65. Return of benefit where recipient not entitled.

(46) Where a person receives benefits to which he is not entitled, as a result of innocent or wilful misrepresentation, I believe that the Government should be able to recover amounts overpaid, subject perhaps to some overall time limit such as 10 years. In other cases, however, I suggest that the right of recovery should be limited in two respects. First, the Government should not attempt to recover from the estate of the deceased. Second, the Government should collect from beneficiaries by deductions from future monthly benefits, subject to some limit as to the maximum amount to be recovered in any one month. The Government could use some discretion in collecting amounts less than the maximum in appropriate circumstances.

Clauses 68 & 69. The earnings test.

(47) An earnings test is a logical part of a social insurance pension system. The person who continues in full-time employment in most cases will be earning more than the limit in the earnings test. This limit is directly related to the contributory earnings upper limit, being as you know \$1,500 when the

⁹Social Security Act as amended, Title II, s. 222 (b) (1).

upper earnings limit is \$5,000. The purpose in having the earnings test is to provide compensation for loss of earnings below a specified ceiling. No loss: no compensation.

(48) But is this a fully convincing answer to the question: should we have an earnings test, and if so in what form? The earnings test in the American Old-Age Survivors and Disability Insurance Program has been, I believe, the most controversial and least popular feature of that widely popular program. This test, popularly referred to as a retirement test, has been defended by organized labour in the United States in the belief that the payment of benefits without such a test might depress wages. This could happen because beneficiaries might be willing to work for less than typical wages if they also had their retirement pensions. The test also has been defended by representatives of business organizations, who are concerned about the added cost to the program if the test were abolished. The Chief Actuary of the Social Security Administration, Robert J. Myers, has supported the test. So have various Congressional committees. Most recently it has been defended by the Advisory Council on the Social Security Act, whose report was published at the beginning of 1965.

(49) Opposition to the test has not been widely organized, but has come from many members of the public who feel that the test does discourage many people from working during the ages 62 to 72 to which the test applies. It is this public pressure that has led to successive amendments to make the test less severe. That the test does discourage some people from working has been acknowledged by Mr. Myers, and by the recent Advisory Council.¹⁰ Members of this Committee may be interested in views of the latter group of persons, who were selected to represent employees, employers and the public.

If benefits were paid without a test of retirement, the cost of the program would be substantially increased and the combined additional contributions which would have to be paid by employers and employees to support the provision would amount to nearly 1 per cent of covered earnings. In 1964 about \$2 billion in additional benefits would have been paid, and most of this money would have gone to those who are working full-time and generally earning as much as they ever did. The great majority of the older people who are eligible for benefits—those who are unable to work, those who can do some work but cannot earn more than \$1,200 a year, and those who are aged 72 and over and therefore no longer subject to a test—would not be helped by the elimination of the test . . .

. . . The Council recognizes that the present test does discourage some people who are retired from their regular jobs from earning as much as they could, or would like to, in part-time or irregular employment. Because only \$1 in benefits is withdrawn for each \$2 of earnings between \$1,200 and \$1,700, additional earnings always mean more total income from benefits and earnings up to that point, but above \$1,700, a person loses \$1 in tax-exempt benefits for each \$1 of taxable earnings . . .

If the limit on the span of earnings to which the \$1 for \$2 adjustment applies were raised, people would not be faced with a deterrent to earnings somewhat more than \$1,700 a year, and there would be relatively little increase in the cost of the program.

...

¹⁰Robert J. Myers, "Earnings Test Under Old-Age, Survivors and Disability Insurance: Basis, Background, and Experience", *Social Security Bulletin*, Vol. 27 (May, 1964), p. 4.

On balance, while the Council does not recommend any change in the retirement test, it believes that if nevertheless a change were to be made it would be best to go a limited way in the direction of extending the \$1 for \$2 band.¹¹

(50) At least four conflicting factors are involved in trying to decide upon the proper role, if any, for an earnings test.

(51) One is the principle of adequacy of benefits. This tends to support in principle the concept of an earnings test, although it is debatable how far earnings should be permitted without a proportionate or lesser reduction of benefits. The above quotation from the Advisory Council illustrates this point, even though the principle of adequacy is not specifically referred to.

(52) The second is the principle of individual equity. This is the principle invoked, for example, in allowing people to have their Old Age Security pension on an actuarially reduced basis as early as age 65. On this principle it can be argued that if a person works after age 65, the program should neither subsidize nor penalize him in so doing. This might be thought of as a position of neutrality. On this principle any person working after age 64 could be required to contribute if he earned more than the contributory earnings lower limit. In such circumstances his employer also could be expected to contribute. Then on retirement the individual would expect to receive larger benefits, both because he and his employer had contributed longer and because he would not be getting his retirement benefits for so long a period.

(53) The Canada Pension Plan offends against this criterion. Undoubtedly the drop-out provisions in section 48 for persons working after age 65 and the use of the earnings index will benefit thousands of people. But—and your actuaries can give you data on this—in the decades ahead for many these gains in pensions will not compensate for the gains to the program largely due to refusal to allow for the shorter period in which benefits will be payable.

(54) But the issues are even more complex. Taking the entire contributions made by employees and employers into consideration, and considering also the value of the expected benefits, the vast majority of individuals covered by the program in this century will have paid for only a small fraction of the benefits to which they and their dependents will be entitled. This is also true in the United States, as the following statement in 1964 by Mr. Myers indicates.

A worker with the maximum covered earnings for the 27 years 1937-63 has actually contributed only \$1,758. Since for a retired worker without dependents this amount represents at most only one year's benefits, it is obvious that no one has yet "bought and paid for" his own benefits. Actuarial calculations indicate that the proportion of benefits paid for by a worker's contributions is now generally less than 10 per cent (and is less than 1 per cent for many beneficiaries now on the rolls). Later on, of course, the worker's contributions will pay for a large part of his own benefit.¹²

(55) Is it then reasonable to single out the years when a contributor is aged 65 to 69, and to apply the principle of individual equity only to them, when we do not base the benefits for other years primarily on this principle?

(56) I digress for a moment to point out that Mr. Myers' quotation attacks an extremely common illusion among the beneficiaries of the program in the

¹¹Advisory Council on Social Security, *The Status of the Social Security Program and Recommendations for Its Improvement*, Washington, G.P.O., 1965, pp. 72-73.

¹²*Loc. cit.*

United States. This is the belief that they and their employers have essentially paid for their benefits by their own contributions. This opinion is shared commonly among contributors looking forward to retirement. The same illusions will become endemic in Canada, unless extraordinary efforts are made to inform the public of the relations between their contributions and their benefits under the program.

(57) A third consideration in looking at the earnings test is what economists call the opportunity cost of abolishing the test. To abolish the test would require a higher rate of premiums in the long run. Would it be better to raise the rate of contributions or to use that money for other purposes?

(58) The fourth factor raises the social and economic question: should the state encourage or discourage people from working after age 64? Or should the state be neutral, not consciously seeking to influence persons as they try to make up their minds? On the one hand is the natural impatience of many of the young and the middle-aged to advance into positions which they often regard as being held by the mentally obsolete. This opinion is often coupled with fears, frequently exaggerated, of massive unemployment caused by automation. These fears lend force to the idea of applying a little social pressure in the Canada Pension Plan to encourage early retirement.

(59) On the other hand, it is clear that the proportion of the population in reasonably good health and capable of working a few years after age 65 has increased considerably in this century. Is it sensible to discourage such people from contributing to the production of goods and services if they are willing and able to do so?

(60) I find it hard to balance these conflicting factors. I do not believe that the best way to solve part of the unemployment problem is to use the Canada Pension Plan to encourage people to retire at age 65. Again as a compromise I recommend raising the \$1 for \$2 band of income from an initial maximum figure of \$1,500 to \$2,000.

Clause 84. Constitution of Review Committees

(61) I commend the proposals for review committees, and hope they will be effective. This should be an inexpensive method of dealing with the bulk of appeals under the program.

Clause 85. Constitution of Pension Appeals Board

(62) The Legal Adviser to the Department of National Health and Welfare, Mr. Robert Curran, has suggested that there may be over 900 appeals a year to this Board once disability benefits become payable.¹³ The great majority of these appeals will be in connection with disability benefits. Is there a risk that justice will be tardy, since all the members of the Board are judges, each of whom may be hard pressed with other types of cases? Presumably this problem could be met by appointment of more judges.

Clause 107. Communication of privileged information.

(63) I fully accept the idea that contributors and beneficiaries are entitled to assume that confidentiality of records will be maintained scrupulously. However, I am concerned that this clause may go too far in this direction.

(64) The Canada Pension Plan will become one of the most important government programs in Canada. As such it will be a subject of great interest to social scientists in various universities, as well as to other people. Some, like

¹³*Minutes of Proceedings and Evidence*, No. 7, December 9, 1964, p. 351.

myself, will want to make studies of the effects of the legislation. For example, it will be interesting to see, as reliable data become available for the first time, how the average age of retirement changes for men and women, and to attempt to find out the extent to which the program has influenced people in this regard. I should like it to be possible for the Department of National Health and Welfare, if the Minister consents, to provide information about contributors and beneficiaries, as long as it did not divulge the names or permit identification of persons to take place.

Clause 110(4). Limitation on payment from the Consolidated Revenue Fund.

(65) The effect of this sub-clause is to require that the program be financially self-supporting without any contribution from the Consolidated Revenue Fund. I regard this as highly important. In the report of this Committee, I hope that there will be a firm recommendation of all parties that the program should be maintained as self-supporting. Such a view has been emphasized many times in the past 15 years by the American Congress in regard to their Old-Age, Survivors and Disability Insurance Program.¹⁴

(66) Obviously the Canada Pension Plan will be self-supporting for at least 20 years. The critical test of whether or not it can be kept fully self-supporting will not likely come until after that time. I do not think it sufficient to say: "Well, future generations can take care of that."

(67) Why, you may ask, does it matter whether the program is self-sufficient or not? Why not look to the Consolidated Revenue Fund to make up any temporary deficiencies that may occur? After all, the Federal Government does not expect the family allowances program to be self-supporting.

(68) There are a few points commonly made in trying to answer these questions. The first is a positive point. Dean Douglas Brown of Princeton University, a leading American authority on the American Social Security Act, emphasized the psychological advantages of having Old-Age, Survivors and Disability Insurance financed by direct contributions from employers and employees.

. . . the first incidence of any contribution to government or to any other recipient—church, family, or trade union—is of great psychological importance. Out of such incidence political influence arises, loyalty and responsibility are encouraged, and personal satisfaction and dignity are gained.¹⁵

(69) An American Democratic Congressman, Aime J. Forand of Rhode Island, who frequently speaks on social welfare legislation for the American Federation of Labor and Congress of Industrial Organization, commented to me:

I am opposed to contributions [for the Program] from general revenues. This should be a self-supporting system. If we start to dig into the general fund then it amounts to a charity rather than a fund in which the individual has invested and from which he has a right to collect. Also, once you start on contributions from general revenue they can't be stopped. Many people would consider it just a dole if it came directly from the Treasury.¹⁶

¹⁴Advisory Council on Social Security, 1965, *op. cit.*, p. 105.

¹⁵J. Douglas Brown, "The American Philosophy of Social Insurance", *The Social Service Review*, Vol. 30 (March, 1956), p. 6.

¹⁶Robert M. Clark, *Economic Security for the Aged in the United States and Canada*, Ottawa, Queen's Printer, 1960, Vol. I, para. 628, p. 153. Hereafter *Clark Report*.

(70) Organized labour as well as business organizations in the United States have supported the idea that the Old-Age, Survivors and Disability Insurance should be self-supporting.¹⁷

(71) Unless the costs of the Canada Pension Plan to individual families are known to the public as a whole, many people are likely to demand more in pensions than they are prepared to pay for. This is all the more likely in the first few decades of the new program, since individual contributors, generally speaking, and their employers will only be paying for a very small fraction of the benefits they get.

(72) But, you may ask, how can Parliament express its intention—that it wants to—that the Canada Pension Plan be self-supporting? As Mr. Myers recently wrote

... the intent that the system be self-supporting can be expressed in law by utilizing a contribution schedule that, according to the intermediate cost estimate, results in the system being in balance or substantially close thereto.¹⁸

From its inception, the American Social Security Act has included provisions for specific future increases in contribution rates. I should add that the Congress has often subsequently postponed or modified earlier provisions for raising rates.¹⁹ Since 1950, however, this has always been done within the restriction imposed by having a self-sufficient program.

(73) It is, I believe, both feasible and desirable for the Federal Government to consult with the provinces and, with their agreement to provide for necessary future increases in contribution rates to be inserted in the act a few years before they are scheduled to take effect.

Clause 116. Position of the Chief Actuary.

(74) The key role of the Chief Actuary in the American Old-Age, Survivors and Disability Insurance Program is well known to those familiar with the development of that act. For well over 20 years, Robert J. Myers has been the Chief Actuary, and has advised all Congressional committees dealing with this legislation. His influence has been far greater than one might expect from his position. I expect that Mr. E. E. Clarke will give no less distinguished service to future parliamentary committees on the Canada Pension Plan.

(75) Because actuarial studies are a highly complex and specialized field, members of this and future parliamentary committees will have to rely heavily on the advice of the Chief Actuary. In these circumstances it is essential to safeguard the position and prestige of the Chief Actuary.

(76) Not only should the Department of Insurance be made responsible for all professional actuarial work within the Government, as the Glassco Commission recommended²⁰, but also the Chief Actuary, I believe, like the Auditor General, should be responsible directly to Parliament, and not to the Minister of Finance.

¹⁷*Ibid.*, para. 629-630, pp. 154-155.

¹⁸Advisory Council on Social Security 1965, *op. cit.*, p. 97.

¹⁹*Clark Report, op. cit.*, Table 18, pp. 118-119.

²⁰Canada, *The Royal Commission on Government Organization*, Ottawa, Queen's Printer, 1963, Vol. 3, p. 297.

Clause 116 (1) & (2). Length of period for long-range forecasts.

(77) Because the full impact on costs of benefit increases is not usually felt for a few decades, it is necessary that forecasts by the Chief Actuary should extend beyond 20 or 30 years. Members of this Committee will be interested in the recommendation in the 1965 Report of the Advisory Council on Social Security in the United States that long-range costs should be projected by the Chief Actuary for 75 years.²¹ The Council realized, of course, that there would be many changes in the Old-Age, Survivors and Disability Insurance Program in such a long span of years. But the Council members believed that members of the Congress needed forecasts for such a lengthy period in order to appreciate the likely consequences of various changes. The Council added the following comment.

...However, decisions about putting future rate increases into effect, once the rates actually being charged are high enough to cover the long-range cost of the program as shown by a reasonable minimum estimate, should be guided largely by estimates of program costs over a 15- or 20-year period.²²

Clause 117. Canada Pension Plan Advisory Committee.

(78) The work of successive Advisory Councils under the American Social Security Act, and of the corresponding British National Insurance Advisory Committee under the National Insurance Act, has been most impressive. Individuals closely familiar with the work of these organizations agree that they have been responsible for proposing some of the most significant improvements in the acts which they have studied.

(79) Why has this happened? In both countries the government has appointed very competent individuals who were interested keenly in the program. Moreover, from the outset successive governments in both countries consistently have appointed a few persons known to be supporters of a political party opposed to the government of the day. The results have been that the reports of these committees have commanded a much wider range of support than if they had been produced by comparable committees of friends of the government. Another important factor has been the willing and active cooperation of the respective government departments on whom the committees have been dependent for information.

(80) I trust that I shall not be regarded as preaching for a call if I remark that the experience of these two countries suggests a valuable precedent for Canada.

(81) One further comment about the Canada Pension Plan Advisory Committee. I take it for granted that the Government will want to consult fairly widely before making appointments. It is, I believe, highly important that each member of the Committee should feel that he is there as an individual speaking for himself. He should not feel obliged, for example, to regard himself as the committed spokesman for the Canadian Federation of Agriculture because he is an executive of that organization.

Impact of the Canada Pension Plan on Different Industries in Canada

(82) I regret that I have not had the time to make an economic analysis of the impact of the Canada Pension Plan. I am favourably impressed with much

²¹Advisory Council on Social Security, 1965, *op. cit.*, pp. 16-17.

²²*Ibid.*, p. 21.

of the work contained in the document "Economic Implications of the Canada Pension Plan", proposed by the Department of Finance. It should be added, however, that by giving as much emphasis as was done to the first 20 years, the greater long-run effects of the legislation were somewhat muted. To the very limited extent that I am qualified to judge the Chief Actuary's assumptions in his report, I think highly of this study.

(83) There is, however, one economic aspect that I should like to consider briefly. This is the fact that the Canada Pension Plan will have a substantially greater relative impact on direct labour costs in some industries than in others. This is what you would expect. I do not want to make too much of the point, and I am not elaborating on it as a criticism of Bill C-136.

(84) How should we measure the different impact of the Canada Pension Plan on various industries? One valuable approach would be to take contributory earnings as a per cent of value added. Unfortunately, as far as I know, we do not have such data for various industries. As a second best, it is necessary to take total salaries and wages. This leaves much to be desired, since contributory wages and salaries as a percentage of total wages and salaries will be considerably higher in some industries than in others. A further difficulty is that except for manufacturing and mining I do not have statistics for value added. For retailers, wholesalers and the service industries the available data refer to total sales. All the data were published by the Dominion Bureau of Statistics, and are included at the end of this brief.

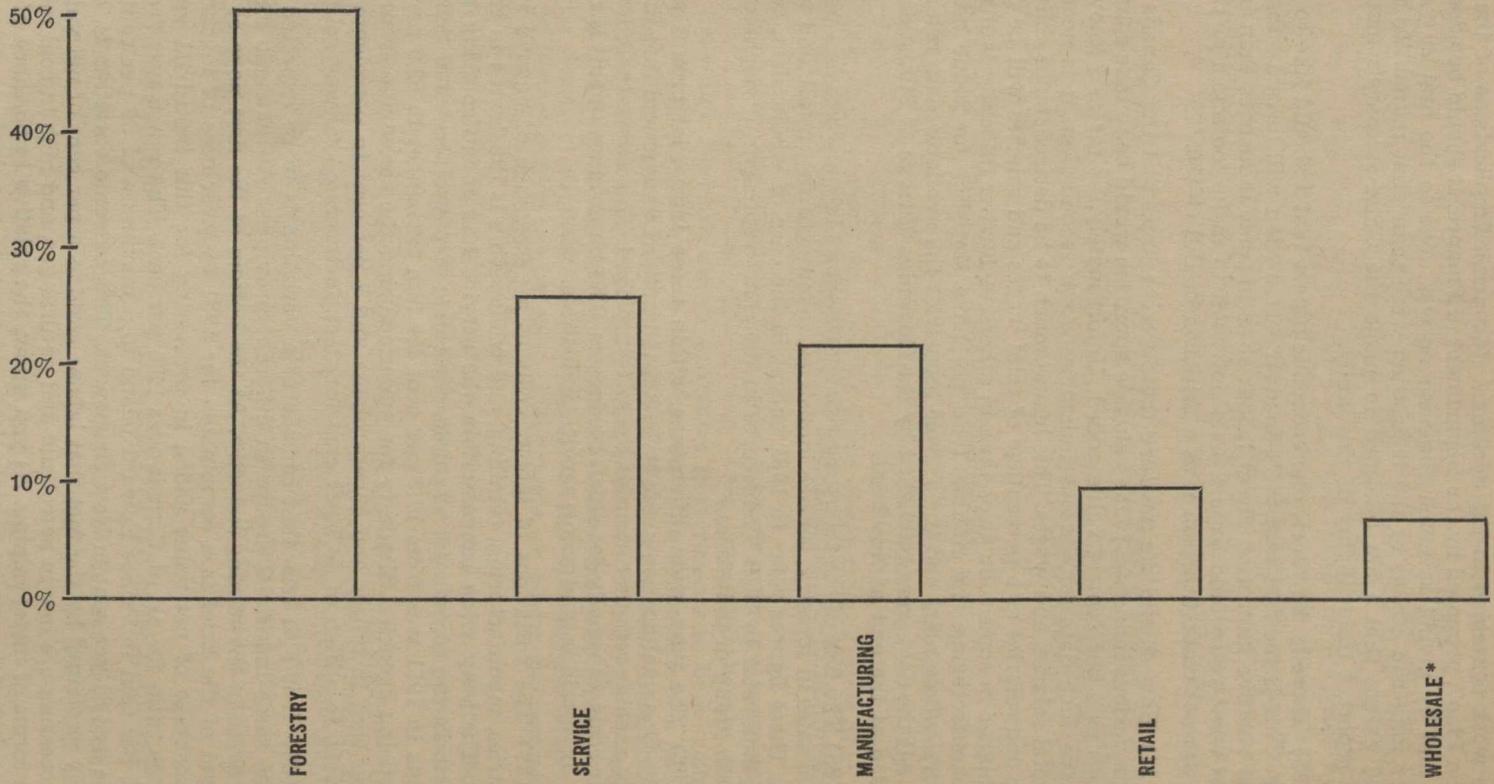
(85) The first of the following two charts shows labour costs as a percentage of total sales in forestry, service industries, manufacturing, retail, and wholesale trade. These figures refer to 1961 except in the case of wholesalers, where the latest data refer to 1958. The figures in the chart represent a weighted average for each group of industries.

(86) The very wide differences within these industrial groups stand out clearly. One qualification needs to be kept in mind. I understand that the payroll figures exclude remuneration for the self-employed. This serves to underestimate labour costs, especially for small businesses. The importance of this is relatively great in retailing and some service industries.

(87) The variations of labour costs as a percentage of payroll in service industries, manufacturing, retailing, and wholesaling is illustrated in the second chart. The very wide range within the service and manufacturing groups is evident. In the former, for example, the range of payroll as a per cent of total receipts in 1961 was from 11.8 per cent for film exchanges to 62.6 per cent for advertising agencies. Similarly for manufacturing the range was from a low of 6.8 per cent in butter and cheese plants and 7 per cent in petroleum and coal products, to a high of 46.7 per cent for manufacturers of railway rolling stock.

(88) It is also true that considerable variation is to be expected in ratios for the same industrial groups in different provinces. An extreme example of this occurs in the mining industry. At the bottom of the first page of tables at the end of the brief is a comparison for 1961 by provinces of labour costs as a percentage of net value added in processing for this industrial group. The average ratio for all of Canada was 28.5 per cent. The range was from a low of 1.5 per cent in Prince Edward Island to a maximum of 60 per cent in Nova Scotia and 61 per cent in New Brunswick. This extreme variation is, of course, largely explained by the fact that labour costs as a per cent of net value added in processing are low in petroleum and natural gas, and high in coal mining and some forms of metal mining. As you know, the relative importance of different mining industries varies greatly from province to province.

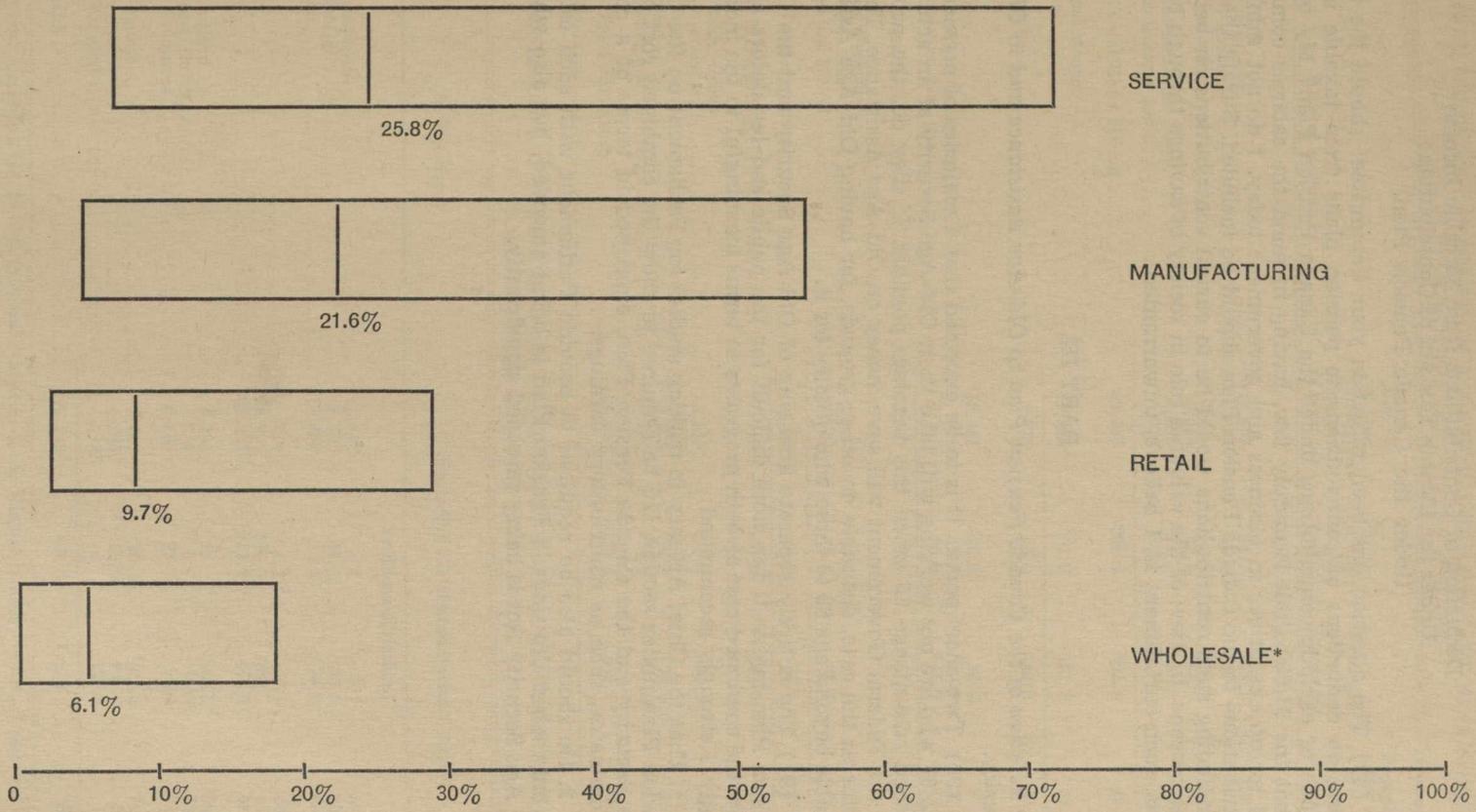
LABOR COSTS AS A PER CENT OF SALES (1961)



* 1958 latest figures available

Source: See Appendix

RANGE OF LABOR COSTS AS A PER CENT OF SALES WITHIN FOUR MAJOR INDUSTRIAL CATEGORIES (1961)



* 1958 latest figures available

Source: See Appendix

Deduction of Contributions from Taxable Income
Under the Income Tax Act of Contributions
Under the Canada Pension Plan.

(89) The question has been raised in your Committee: should the \$1,500 ceiling on deductions of contributions to pension plans from taxable income include or exclude contributions under the Canada Pension Plan? My opinion is that the \$1,500 limit is unduly low, having in mind the salaries commonly paid to top executives in business and government today. I do not think that contributions to the Canada Pension Plan should be included. Surely the effect of including such contributions would be to curtail contributions on behalf of some persons. In view of the valuable role in society of savings through pension plans, such curtailment is, I believe, unwarranted.

PART III.

The Relation of the Canada Pension Plan to Old-Age Assistance and to Old-Age Security.

(90) Two short points. It is to be expected that a majority of persons aged 65 to 69 who are not working will take their Old-Age Security at an actuarially reduced rate at age 65 when this becomes possible. If they do, the provinces and the Federal Government will save money on Old-Age Assistance. This fact reinforces the case, desirable on other grounds, for having Old-Age Assistance payable beyond age 69 to those who qualify for it.

(91) The entirely separate financing of Old Age Security and the Canada Pension Plan makes it far more difficult for the public and legislators alike to know the combined cost of both programs in terms meaningful to the individual family. I strongly recommend:

1. That the Chief Actuary in making studies for Parliament on the Canada Pension Plan under section 116 be required to show the combined cost of Old-Age Security and the Canada Pension Plan, expressed in terms of a common denominator, such as contributory earnings.

2. He should also be required to provide Parliament with such estimates not only when the Canada Pension Plan is being amended, but also when the Old Age Security Act is being amended significantly.

LABOUR COSTS AS A PERCENTAGE OF NET VALUE ADDED BY PROCESSING
IN CANADIAN MINING INDUSTRIES FOR 1961

Kind of business	Number of Paid Employees last week November	Total Payroll for the year	Net value added by processing	Payroll as a Per cent of net value added by processing
(millions of dollars)				
<i>Metal Mining</i>				
Nickel-copper	13,697	74.7	109.3	68.3
Gold quartz	15,876	65.5	107	61.2
Copper-gold-silver	10,901	51.4	84.0	61.2
Iron	8,049	47.1	124.6	37.8
Silver-lead-zinc	4,352	22.1	61.4	35.9
Miscellaneous metal	5,919	34.3	171	20.1
Total Metal Mining	59,597	298.8	662.6	45.0
<i>Non-Metal Mining</i>				
Total	11,282	51.2	151.7	33.7
Asbestos	6,875	35.0	112.0	31.3
<i>Fuels</i>				
Coal	10,461	35.6	58.1	61.3
Natural gas processing	744	4.5	36.6	12.2
Petroleum, Nat. gas	4,157	23.6	547.0	4.3
Total fuels	15,362	63.7	641.8	9.9
<i>Structural Materials</i>				
Stone	3,395	12.6	37.1	33.9
Sand and gravel	2,513	9.9	35.7	27.7
Total structural	5,908	22.5	72.8	30.9
TOTAL MINING INDUSTRIES	92,149	436.2	1,529.0	28.5
<i>Manufacturing Group</i>				
Clay products	3,526	13.4	24.1	55.4
Lime	825	3.6	9	39.8
Cement	3,038	16.1	76.4	21.0
Smelting and Refining	29,290	155.9	521.0	16.5
Total Mfg. group	36,679	189.0	630.6	29.9

LABOUR COSTS AS A PERCENTAGE OF NET VALUE ADDED BY PROCESSING
IN CANADIAN MINING INDUSTRIES IN 1961

By Provinces	Excluding the Manufacturing Group			
(millions of dollars)				
New Brunswick	1,460	4.7	7.7	61.2
Nova Scotia	8,322	27.2	45.5	60.0
Manitoba	3,306	16.9	34.0	49.5
Yukon	719	4.2	9.1	46.6
Quebec	22,795	104.3	232	45.0
Ontario	35,125	172.9	414.0	41.7
Newfoundland	4,293	21	53.7	39.0
Northwest Territories	975	5.7	14.8	38.4
British Columbia	6,560	32.7	95.5	34.2
Saskatchewan	3,667	20.3	162.2	12.5
Alberta	4,985	26.0	460.2	5.6
Prince Edward Island	2	2	124.6	1.5
CANADA	92,149	436.2	1,529	28.5

SOURCE: Catalogue No. 26-204, Principal Statistics of the Mineral Industry—1961. Dominion Bureau of Statistics.

PAYROLL AS A PERCENTAGE OF TOTAL RECEIPTS IN
SELECTED SERVICE INDUSTRIES (1961)

Kind of Business	Number of Paid Employees*	Total Payroll for the Year	Receipts for the Year	Payroll as a Per cent of Total Receipts
(millions of dollars)				
<i>Business Service Group</i>	31,124	118.6	272.6	43.5
Advertising Agencies.....	4,280	29.3	46.8	62.6
Other Business services, n.e.c.....	7,258	27.3	65.0	42.1
Chartered & Certified Accountants.....	7,942	28.2	73.6	38.3
Other Advertising services.....	2,285	9.2	27.0	34.2
<i>Personal Service Group</i>	57,790	140.8	407	34.6
Laundries, Power, with Cleaning.....	6,293	15.6	27.6	56.3
Dry Cleaning & Dyeing Plants with Laundry.....	8,504	22.5	43.5	51.7
Linen Supply Service with Power Laundry Dry Cleaning & Dyeing Plants without Laundry.....	3,003	9.2	21.5	43.1
Beauty Salons.....	6,723	17.8	42.0	42.4
Barber Shops.....	13,736	28.8	86.1	33.4
Shoe Repair Shops.....	4,931	13.4	52.7	25.4
Miscellaneous Repair Shops.....	1,516	3.1	23.2	13.4
<i>Miscellaneous Service Group</i>	19,614	65.0	204.1	32
Misc. Services to Dwellings & Buildings....	6,539	14.0	25.7	54.6
Other Misc. Services.....	7,876	34.8	120.3	28.9
Auto & Truck Rentals.....	1,656	6.1	40.1	15.2
<i>Repair Service Group</i>	4,852	17.7	64.7	27.4
Armature Rewinding & Electric Motor Repair Shops.....	1,086	4.3	12.1	35.8
Miscellaneous Repair Shops.....	2,964	10.9	40	27.4
Blacksmith & General Repair Shops.....	482	1.4	7.6	18.5
TOTAL ALL LOCATIONS	308,465	770.1	2,908	25.8
<i>Photography Group</i>	3,287	10.8	47.4	23
Developing, Printing & Enlarging.....	1,319	4.6	21.2	21.6
Portrait Photographers.....	1,357	3.4	18.4	18.6

* In the last week of November, 1961.

PAYROLL AS A PERCENTAGE OF TOTAL RECEIPTS IN
SELECTED SERVICE INDUSTRIES (1961)

Kind of Business	Number of Paid Employees*	Total Payroll for the Year	Receipts for the Year	Payroll as a Per cent of Total Receipts
(millions of dollars)				
<i>Amusement and Recreation Group</i>	26,813	55.4	253.3	22
Bowling Alleys.....	6,138	8.3	35.2	25.0
Regular Theatres.....	9,479	15.6	74.2	21.1
Race Track Operation.....	1,156	4.3	24.2	17.8
Film Exchanges.....	819	4.1	35	11.8
<i>Hotel, Tourist Camp & Restaurant Group</i>	161,245	347.9	1,660.8	20.9
Eating Places with Alcoholic Bev.....	9,679	22.1	77.7	28.5
Caterers.....	9,144	18.9	70.1	27.0
Full Year Hotels, non-licensed.....	2,939	5.6	21.5	26.1
Full Year Hotels, Licensed.....	52,890	130.3	519.9	25.1
Cocktail Lounges, Bars & Nightclubs.....	2,090	5.1	23.0	22.5
Eating Places.....	51,865	94.0	505.5	18.6
Taverns, Beverage Rooms, Public Houses..	7,142	16.1	96.2	16.7
Motels.....	3,885	8.5	54.9	15.5
Eating Places with other Merchandise.....	16,307	28	190.1	14.7

SOURCE: Canada, Dominion Bureau of Statistics, Census 1961, Labour Series 3.2, Table 28.

SALARIES AND WAGES AS A PERCENTAGE OF VALUE ADDED BY MANUFACTURE, AND SELLING VALUE OF FACTORY SHIPMENTS, CANADIAN MANUFACTURING INDUSTRIES, 1961

Industry	Salaries and Wages as Per Cent of					
	No. Employees	Salaries and Wages	Value Added by Manufactur	Selling Value of Factory Shipments	Value Added by Manufacturers	Selling Value of Factory Shipments
	\$'000	\$'000	\$'000	\$'000	%	%
<i>Wood</i>	60,042	280	431	1,035	65.0	27.1
Sawmills.....	41,134	145	218	535	66.3	27.0
Veneer & Plywood Mills.....	11,109	42	60	144	70.3	29.0
Sash & Door & Planing Mills.....	16,175	55	94	235	58.6	23.0
<i>Leather</i>	31,413	89	140	291	63.8	30.8
<i>Transportation Equipment</i>	107,709	522	829	1,961	63.0	26.6
Aircraft & Parts Manfrs.....	28,386	142	192	348	73.9	40.8
Motor Vehicle Manfs.....	21,673	121	277	871	43.6	13.9
Motor Vehicle Parts & Accessories.....	28,820	103	161	353	64.1	29.2
Railroad Rolling Stock.....	16,529	73	79	182	92.3	39.0
Shipbuilding & Repair.....	14,848	64	87	137	73.6	46.7
<i>Furniture & Fixtures</i>	33,153	112	185	362	60.7	31.1
<i>Machinery (except electrical)</i>	42,083	196	330	640	59.3	30.6
Agricultural Implements.....	10,487	49	60	138	82.4	35.9
Miscellaneous Machinery & Equipment.....	26,610	123	209	391	58.9	31.4
<i>Electrical Products</i>	79,531	353	617	1,205	57.3	29.3
Mfrs. of Major Appliances.....	11,084	47	92	206	50.7	22.7
Communications Equipment.....	24,567	110	163	251	67.2	43.7
Mfrs. of Elec. Indust. Equip.....	16,404	81	129	219	62.6	37.0
<i>Metal Fabricating (except Machinery & Trans. Equipment)</i>	94,611	422	739	1,493	57.1	28.3
Fabricated Struct. Metals.....	13,789	68	96	210	71.2	32.6
Metal Stamping, Pressing & Coating.....	18,584	85	168	374	50.4	22.7
Wire and Wire Products.....	11,995	57	92	220	62.0	25.8
<i>Knitting Mills</i>	21,459	57	101	219	57.1	26.2
<i>Printing, Publishing & Allied</i>	72,779	328	591	872	55.5	37.6
<i>Miscellaneous Mfg.</i>	46,289	172	309	575	55.5	29.9

SALARIES AND WAGES AS A PERCENTAGE OF VALUE ADDED BY MANUFACTURE, AND SELLING VALUE OF FACTORY SHIPMENTS, CANADIAN MANUFACTURING INDUSTRIES, 1961 (Concluded)

1558

Industry	No. Employees	Salaries and Wages	Value Added by Manufactur	Salaries and Wages as Per Cent of		
				Selling Value of Factory Shipments	Value Added by Manufacturers	Selling Value of Factory Shipments
				\$'000	%	%
<i>Textiles</i>	62,544	212	393	875	54.1	24.3
Cotton Yarn & Cloth Mills.....	17,384	56	96	237	58.0	23.6
Synthetic Textile Mills.....	15,849	59	123	249	48.0	23.9
<i>Fish Products Industry</i>	13,542	30	59	170	51.2	17.9
ALL MANUFACTURING INDUSTRIES	1,264,946	5,231	10,682	24,243	49.0	21.6
<i>Rubber</i>	18,860	82	171	331	47.8	24.8
<i>Non-Metallic Mineral Products</i>	40,128	174	381	675	45.6	25.6
<i>Paper & Allied</i>	94,862	471	1,071	2,206	44.0	21.4
Pulp & Paper Mills.....	65,799	335	842	1,634	39.8	20.5
Paper Box & Bag Manfrs.....	17,436	68	127	343	53.0	19.6
<i>Primary Metal</i>	87,238	458	1,130	2,806	40.5	16.3
Iron & Steel Mills.....	65,799	335	842	789	46.9	24.5
Smelting & Refining.....	29,290	156	530	1,471	29.4	10.6
Aluminum Rolling, Casting.....	5,893	28	39	110	83.7	25.8
<i>Food & Beverages</i>	188,855	688	1,705	4,905	40.4	14.0
Slaughtering & Meat Packing.....	25,075	113	183	1,081	61.8	10.4
Butter & Cheese Plants.....	7,493	22	44	324	49.6	6.8
Pasteurizing Plants.....	21,678	84	136	412	61.9	20.5
Fruit & Vegetable Canners.....	16,467	49	131	323	37.7	15.0
Bakeries.....	35,637	116	194	370	59.6	31.3
Miscellaneous Food Mfrs.....	1,922	43	152	408	28.3	10.6
<i>Chemical & Chemical Products</i>	52,167	254	761	1,434	33.4	17.7
<i>Tobacco Products</i>	9,442	39	129	335	30.4	11.7
<i>Petroleum & Coal Products</i>	14,053	85	291	1,220	29.4	7.0

JOINT COMMITTEE

SOURCE: Dominion Bureau of Statistics: *Manufacturing Industries of Canada* (Section A—Summary for Canada) 1961. Catalogue No. 31-203 (Queen's Printer, Ottawa), May 1964.

PAYROLL AS A PERCENTAGE OF TOTAL RECEIPTS IN
SELECTED RETAIL TRADES—1961

Kind of Business	Number of Paid Employees*	Payroll for the Year	Receipts for the Year	Payroll as a Per cent of Total Receipts
		(millions of dollars)		
<i>General Merchandise Group</i>	169,877	382.7	2,716.7	14.1
Department Stores Mail Order Houses operated by Dept. Store firms & other non-dept stores operated by Dept. store firms.....	112,912	268.7	1,551	17.3
Variety Stores.....	30,796	57.8	373.9	15.5
Gen. Mdse. Stores.....	9,241	21.6	184.9	11.7
General Stores (More than $\frac{1}{3}$ food).....	16,923	34.7	607.4	5.7
<i>Hardware & Home Furnishings Group</i>	42,986	137.3	1,115.9	12.3
Floor coverings, curtains, upholstery and interior decoration stores.....	2,839	9.4	62.5	15.0
Television, radio, piano & Music stores....	1,233	4.2	28.5	14.9
TV & Radio Repair shops.....	1,497	4.2	29.1	14.6
Household Appliance Stores.....	6,164	20.9	145.7	14.3
Paint, Glass & Wallpaper Stores.....	1,344	4.0	33.6	12.0
Furniture stores.....	7,605	27.0	231.0	11.7
TV sales & Service.....	1,295	3.5	31.4	12.2
Hardware Stores.....	11,649	33.0	295.2	11.2
Furniture, TV, radio & appliance stores....	5,747	20.2	184.3	10.9
<i>Apparel & Accessories Group</i>	57,197	137.4	1,166.4	11.7
Furriers & Fur stores.....	2,732	7.5	49.6	15.2
Childrens & Infants wear stores.....	2,051	3.5	41.9	15.2
Women's Ready-to-wear.....	16,346	37.2	295.5	12.6
Family shoe stores.....	8,346	20.7	170.2	12.2
Family clothing & furnishing stores.....	13,027	28.6	250.9	11.4
Mens & Boys clothing.....	7,823	24	222.8	10.8
Piece goods stores.....	2,143	4.5	45.0	9.9
TOTAL—ALL STORES	587,378	1,555	16,072.9	9.7

* Last week of November, 1961.

PAYROLL AS A PERCENTAGE OF TOTAL RECEIPTS IN
SELECTED RETAIL TRADES—1961 (Concluded)

Kind of Business	Number of Paid Employees*	Payroll for the Year	Receipts for the Year	Payroll as a
				Per cent of Total Receipts
(millions of dollars)				
<i>Automotive Group</i>	129,593	441.6	4,602.4	9.6
Paint & Body shops.....	4,304	15.3	62.1	24.7
Other specialty repair shops.....	2,767	10	45.9	21.7
Garages.....	13,180	41.3	261	15.8
Accessories, tire & battery shops.....	8,195	28.5	223.0	12.8
Automobile dealers, with wholesale car depts.....	16,555	70.4	777.0	9.1
Automobile dealers.....	40,093	154.2	1,717.1	9.0
Service stations.....	37,396	98.3	1,231.1	7.0
Automobile dealers, with farm implements.	2,337	7.9	104.7	7.6
Used car dealers.....	2,739	10.3	158	6.5
<i>Other Retail stores Group</i>	70,632	201.7	2,173.2	9.3
Florists.....	3,445	8.6	51.8	16.6
Drugstores with meals or lunches.....	1,704	4.4	26.8	16.5
Jewellery stores.....	7,906	20.7	144.9	14.3
Book & Stationery stores.....	2,841	6.8	53.7	12.8
Drugstores without meals or lunches.....	21,598	55.9	440.4	12.7
Fuel dealers (other than oil).....	4,735	17.2	133.1	12.5
Music stores.....	1,004	2.7	21.8	12.4
Cameras & Photographic supply stores....	1,147	3.6	32	11.4
Sporting goods stores.....	1,770	5.2	50.6	10.2
Boats, outboard motors, boating accessories	855	3.2	33.3	9.7
Fuel oil dealers.....	4,988	18.4	208.57	8.8
Gift, novelty & souvenir shops.....	1,654	3.1	36.2	8.5
Brewers' retail stores or agents.....	1,847	6.8	131.9	5.2
Tobacco stores & stands.....	2,762	4.7	104.4	4.6
Government liquor stores.....	5,831	20.7	534.1	3.9
<i>Food Groups</i>	117,093	254.2	4,298.2	5.9
Dairy Products stores.....	1,378	2.8	27.3	14.0
Bakery Products stores.....	6,528	13.3	126.9	10.5
Meat Markets.....	7,036	17.4	250.0	7.0
Combination stores (grocery with meats)..	79,175	184.2	2,915.2	6.3
Fruit & Veg. stores.....	1,016	2.1	38.1	5.6
Grocery stores (without fresh meat).....	16,278	26.9	788.5	3.4
Confectionery stores.....	2,703	3.2	106.8	3.0

SOURCE: Canada Census, 1961, Retail Trade Series 1-6, Table 1.

PAYROLL AS A PERCENTAGE OF TOTAL RECEIPTS IN
SELECTED WHOLESALE INDUSTRIES—1958

Kind of Business	Number of Paid Employees*	Payroll for the Year	Receipts for the Year	Payroll as a Per cent of Total Receipts
<i>Jewellery</i>	1,106	4.1	35.1	11.7
<i>Machinery (New & Used) Equipment & Supplies</i>	25,631	109.0	967.6	11.2
Commercial, Institutional & Service				
Equipmt. & Supplies.....	4,202	16.9	106.5	15.8
Professional Equipt. and Supplies.....	2,926	11.8	75.4	15.6
Construction Equipt. & Supplies.....	5,204	23.2	210	11.0
Industrial & Transportation Mach. Equipt. & Supplies.....	11,690	50.6	496.4	10.1
Farm Machinery & Equipment.....	1,324	5.1	68.0	7.6
<i>Amusement, Sporting Goods, Photographic Equipt. & Supplies</i>	1,841	7.3	70.0	10.5
<i>Hardware</i>	9,288	31.8	307.4	10.3
<i>Furniture & House Furnishings</i>	3,835	15.2	149.4	10.1
China, Glass & Housewares.....	1,908	7.2	52.9	13.6
Household Furniture & House Furnishings.	783	3.1	34.2	9.2
Floor Coverings.....	872	3.6	53.4	6.8
<i>Automotive</i>	12,591	47.5	485.4	9.8
Automotive Parts & Accessories.....	10,972	40.6	352.4	11.5
Motor Vehicles (New and Used).....	1,291	5.7	123.5	4.6
<i>Electrical Goods</i>	6,149	25.7	297	8.6
Radio, TV. & Electrical Parts & Accessories	1,625	6.8	60.7	11.3
Electrical Wiring, Supplies, Cons. Material, Equipt. & Supplies.....	3,117	13.5	131.4	10.2
Household Electrical Appliances & General Line.....	1,407	5.3	105	5.0
<i>Plumbing, Heating, Air Conditioning, Equipt. & Supplies</i>	3,584	15.1	175.4	8.6
<i>Waste Materials (including Scrap Metal)</i>	3,577	11.6	138.3	8.4
<i>General Merchandise</i>	2,675	8.4	102.2	8.2

* September, 1958.

PAYROLL AS A PERCENTAGE OF TOTAL RECEIPTS IN
SELECTED WHOLESALE INDUSTRIES—1958—(Concluded)

Kind of Business	Number of Paid Employees*	Payroll for the Year	Receipts for the Year	Payroll as a Per cent of Total Receipts
(millions of dollars)				
<i>Dry Goods & Apparel</i>	7,191	25.6	328.8	7.7
Dry Goods, Piece goods & Notions.....	3,997	14.4	177.1	8.1
Clothing & Furnishings.....	2,652	9.4	118.6	7.9
Footwear.....	542	1.7	33.0	5.3
<i>Other Kinds of Business</i>	2,712	8.0	109.0	7.3
Books, Periodicals & Newspapers.....	1,064	3.5	30.2	11.7
Other Kinds of Business.....	1,648	4.4	78.8	5.6
<i>Lumber, Construction Materials & Supplies</i> (Other than Metals).....	9,457	36.29	502.6	7.2
<i>Chemicals, Drugs & Allied Products</i>	6,028	21.5	301.2	7.1
Chemicals & Allied Products other than below.....	590	2.6	21.1	12.2
Drugs, Drug Sundries & Toilet Preparations	4,344	14.0	175.5	7.9
Industrial Chems.....	1,094	4.9	104.6	4.6
ALL ESTABLISHMENTS	134,939	504.3	8,259.5	6.11
<i>Metals & Metal Work</i>	2,780	13.1	227.8	5.7
<i>Petroleum and Petroleum Products</i>	2,510	9.3	169.4	5.5
<i>Beer, Wine & Distilled Spirits</i>	797	2.5	48.5	5.1
<i>Paper & Paper Products</i>	3,047	11.6	240.6	4.8
<i>Groceries & Food Specialties (including Produce)</i>	12,737	42.5	1,142.8	3.7
<i>Farm Supplies (Inc. Agric. Chem.)</i>	683	2.4	70.8	3.4
<i>Food Products (except Groceries) & Tobacco</i>	14,014	44.1	1,335.8	3.3
Confectionery & Soft Drinks.....	867	2.7	33.5	8.1
Fresh Fruit & Veg.....	5,431	17.1	360.6	4.7
Cigars, Cigs. & Tob.....	3,494	11.8	638.5	1.8
<i>Coal & Coke</i>	863	3.6	161	2.2
<i>Farm Products (Raw Material)</i>	1,414	5.9	868	.6
Other Farm Products than below.....	415	1.9	42	4.4
Grain.....	870	3.8	807.3	.4

SOURCE: Wholesale Trade Proper. 1958 and 1959 Dominion Bureau of Statistics, Catalogue No. 63-508, occasional, p. 12.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

SPECIAL JOINT COMMITTEE OF THE SENATE
AND OF THE HOUSE OF COMMONS

Appointed to Consider and Report upon Bill C-136, An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors.

Joint Chairmen: Senator Muriel McQ. Fergusson
and Mr. A. J. P. Cameron (*High Park*).

MINUTES OF PROCEEDINGS AND EVIDENCE

(Meetings held during the adjournment of the Senate and of the House of Commons, as of January 12, 1965.)

No. 20

FRIDAY, JANUARY 22, 1965

WITNESSES:

Dr. Robert M. Clark, University of British Columbia. *From the Canadian Association of Social Workers:* Mr. Harry M. Morrow, M.S.W., President; Miss Florence Philpott, Executive Director, and Mr. Walter Lyons, M.S.W. *From the Canadian Labour Congress:* Messrs. Claude Jodoin, President; A. Andras, Director, Legislation Department; Russell Irvine, Associate Director of the Department of Research; and Donald MacDonald, Secretary-Treasurer.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

MEMBERS OF THE COMMITTEE FOR THE SENATE

Honourable Senator Muriel McQ. Fergusson, *Chairman*,
and Honourable Senators:

Blois	McCutcheon
Boucher	Smith (<i>Queens-Shelburne</i>)
Croll	Smith (<i>Kamloops</i>)
Denis	Stambaugh
Flynn	Thorvaldson
Lefrançois	

MEMBERS OF THE COMMITTEE FOR THE HOUSE OF COMMONS

Mr. A. J. P. Cameron M.P. (*High Park*), *Chairman*

and Messrs.:

Aiken	Laverdière
Basford	Leboe
Cantelon	Lloyd
Cashin	Macaluso
Chatterton	Monteith
Côté (<i>Longueuil</i>)	Morison
Enns	Munro
Francis	Perron
Gray	Prittie
Gundlock	Rhéaume
Howe (<i>Wellington-Huron</i>)	(Mrs.) Rideout
Knowles	

(Quorum 10)

Maxime Guitard,
Clerk of the Special Joint Committee.

Corrigendum: In attendance of sitting held at 8:07 o'clock p.m. on Tuesday, January 12, 1965 should include the name of Senator Stambaugh.

(MEETINGS HELD DURING THE ADJOURNMENT OF THE HOUSE)

MINUTES OF PROCEEDINGS

FRIDAY, January 22, 1965
(41)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:00 o'clock a.m. this day. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Denis, Fergusson, Lefrançois, Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson (7).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Côté (*Longueuil*), Francis, Gray, Gundlock, Knowles, Laverdière, Leboe, Lloyd, Monteith, Morison, Munro (16).

In attendance: Dr. Robert M. Clark, University of British Columbia. *From the Canadian Association of Social Workers:* Mr. Harry M. Morrow, M.S.W., President; Miss Florence Philpott, Executive Director, and Mr. Walter Lyons, M.S.W.

In accordance with the resolution of the Committee of January 19, 1965, the brief previously submitted by the Canadian Association of Social Workers for distribution is appended to this day's Minutes of Proceedings and Evidence. (*See Appendix A32*)

The Joint Chairman (Mrs. Fergusson) introduced the members of the delegation from the Canadian Association of Social Workers and invited them to summarize their brief.

Mr. Morrow explained the main points in the brief, following which he and the other members of the delegation were questioned.

The questioning having been concluded, the Joint Chairman expressed the thanks of the Committee to the delegation.

Mr. Munro moved a vote of thanks to the representatives of the Canadian Association of Social Workers, both for their excellent brief and for their manner of presenting it to the Committee. The motion was seconded by Mr. Lloyd and carried unanimously.

Dr. Clark was recalled and, at the request of the Joint Chairman, made a brief statement to complete evidence which he had not had time to deal with at the previous evening's sitting. Following questioning by the members, Dr. Clark was thanked by the Joint Chairman on behalf of the Committee.

Mr. Lloyd moved a vote of thanks to Dr. Clark for the very valuable information he had supplied to the Committee, both in his comprehensive brief and in his answers to questions. The motion was seconded by Mr. Cantelon and carried unanimously.

The witness then withdrew.

On motion of Mr. Knowles, seconded by Mr. Francis,
Resolved,—That information filed with the Committee at the previous evening's sitting be included as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix A33*)

On motion of Mr. Francis, seconded by Mr. Aiken,
Resolved,—That Dr. Clark be reimbursed for his travel expenses Vancouver to Ottawa, and return, and that an allowance also be paid to him to cover secretarial expenses incurred in the preparation of his brief.

At 12:45 p.m. the Committee adjourned until 2:30 o'clock p.m. this day.

Dorothy F. Ballantine,
Clerk of the Committee, pro tem.

AFTERNOON SITTING

(42)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reconvened at 2:37 o'clock this afternoon. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Denis, Fergusson, Lefrançois, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh (7).

Representing the House of Commons: Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Côté (*Longueuil*), Francis, Gray, Knowles, Laverdière, Leboe, Lloyd, Munro (12).

In attendance: From the Canadian Labour Congress: Messrs. Claude Jodoin, President; A. Andras, Director, Legislation Department; Russell Irvine, Associate Director of the Department of Research; Donald MacDonald, Secretary-Treasurer.

The Joint Chairman opened the meeting and invited Mr. Knowles to introduce Mr. Claude Jodoin and his delegation.

Mr. Côté (*Longueuil*) welcomed the delegation in French.

Then Mr. Jodoin asked Mr. Andras to summarize the brief previously submitted by the Canadian Labour Congress and was questioned thereon assisted by the other members of the delegation. The Joint Chairman reassured the delegation that their brief will be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix A34*).

The Committee completed its examination of the delegation.

The Joint Chairman, on behalf of the Committee thanked the witnesses and they retired.

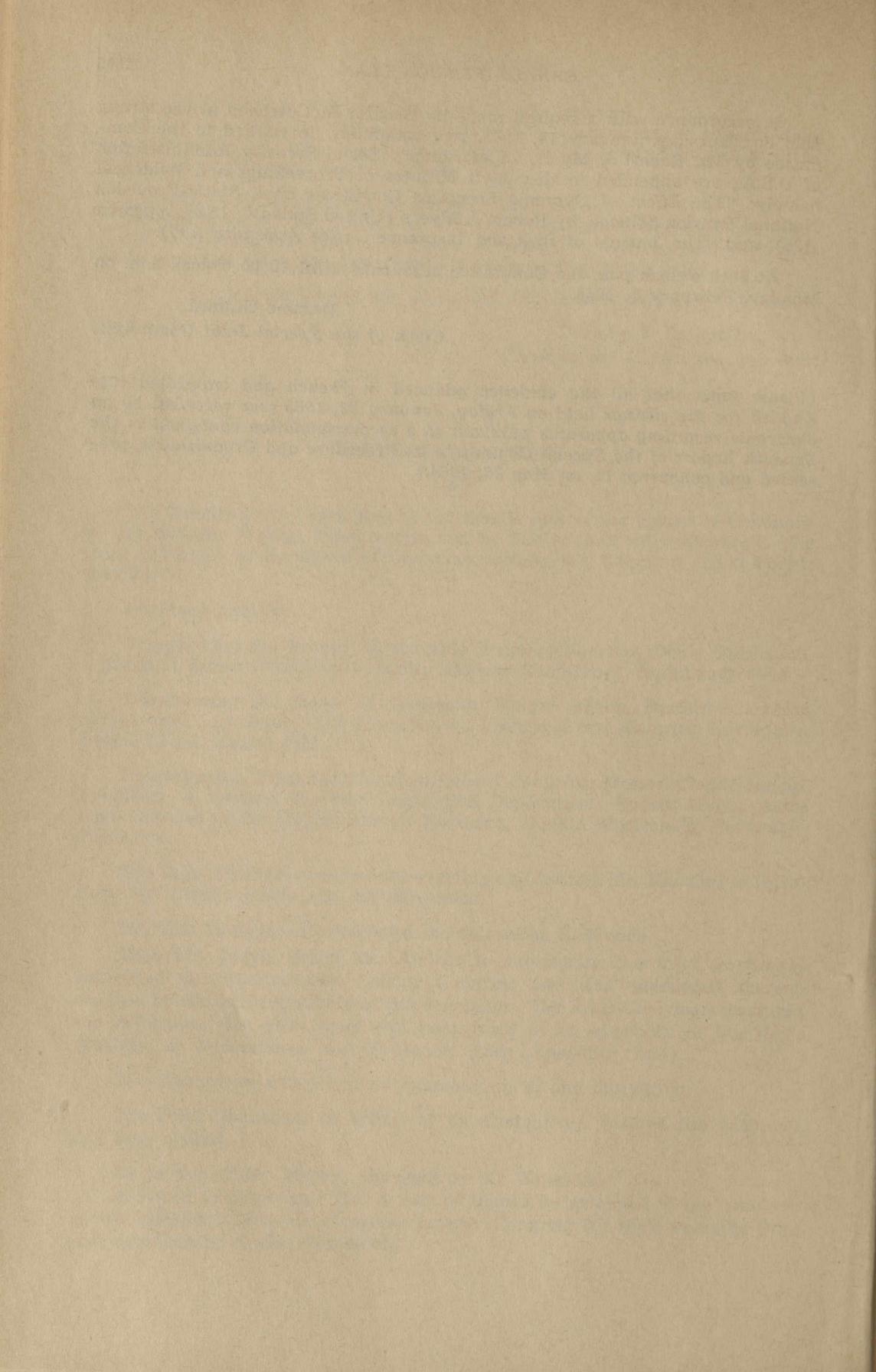
On motion of Mr. Munro, seconded by Mr. Knowles,
Resolved unanimously: That a vote of thanks be extended to the members of the delegation from the Canadian Labour Congress for their valuable brief and contribution to this Committee.

In accordance with a request made by Senator McCutcheon at the sitting held on Thursday, January 14, 1965, two pamphlets, forwarded to the Committee by Mr. Robert J. Myers, Chief Actuary Social Security Administration of U.S.A., are appended to this day's Minutes of Proceedings and Evidence; namely: "The Effect of Dynamic Economic Conditions on a Static-Provision National Pension Scheme, by Robert J. Myers (United States)", (See Appendix A35), and "The Journal of Risk and Insurance". (See Appendix A36).

At 5:18 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m. on Monday, February 1, 1965.

Maxime Guitard,
Clerk of the Special Joint Committee.

(Please note, that all the evidence adduced in French and translated into English for the sittings held on Friday, January 22, 1965 was recorded by an electronic recording apparatus pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.)



EVIDENCE

FRIDAY, January 22, 1965.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Gentlemen, we have a quorum, and I think we had better begin. If we have sufficient time after the hearing of these witnesses scheduled for this morning, Dr. Clark is going to be with us and he will be prepared to finish off his presentation and answer questions from the committee.

This morning's brief has been presented to us and I am sure you have all read it. It is from the Canadian Association of Social Workers, and our first witness is Mr. Harry M. Morrow, Master of Social Work, and President of the Canadian Association of Social Workers. Mr. Morrow is an ordained minister of the United Church, and served as a chaplain in the Canadian Army from 1943 to 1946; for many years Mr. Morrow was executive director of a settlement house in Vancouver, B.C., and since 1955 has been the executive director of University Settlement in Toronto.

The second witness is Miss Florence Philpott who is the executive director of the Canadian Association of Social Workers. She was formerly head of the Social Planning Council of Toronto, and before that she was with the Y.W.C.A. in Winnipeg. I am sure that many members of the committee will be very interested to know that she is a sister of the well-known journalist, the late Elmore Philpott, who, in the 1950s, was for several years a member of the House of Commons.

The third witness we have is Mr. Walter Lyons, who is also a Master of Social Work. He has assisted in preparing this presentation and has had many years of experience as a case worker and supervisor in various family and child service agencies in Winnipeg, Philadelphia and Toronto. Since 1957 he has been a senior executive of the Jewish Home for the Aged in Toronto.

Mr. Morrow, Miss Philpott and Mr. Lyons, I presume you understand how these meetings have been conducted. We have all received your brief, and I assure you we have studied it, because this committee is the best I think I have ever known for coming prepared after having done its homework. We would ask you to summarize what you have put in the brief rather than read it, and we would like you to bring out the points that you particularly want us to know about and then submit yourselves, if you will, to questions by the members of the committee. I would ask the first speaker to speak.

Mr. HARRY MORROW, *President, Canadian Association of Social Workers*: Madam Chairman and Members of the Committee, we wish to express our appreciation for this opportunity of appearing before this joint committee of the Senate and the House of Commons which is considering the Canada Pension Plan bill, and I should like to say one or two things by way of introducing our brief.

In the first place, we were encouraged by the first paragraph of the White Paper which emphasizes that the Canada Pension Plan is designed to extend social service protection to people in retirement, to widows, orphans and the disabled, and that it will be part of the social security system. Further, the White Paper goes on to say that this is to establish a contributory pension plan, ensuring that as soon as possible in a fair and practical way all Canadians will be able to look forward to retiring in security and with dignity. We were encouraged by seeing the word "all" in the wording of this paragraph.

The Canadian Association of Social Workers is an organization of professional people working in the welfare field. Many of our members carry senior responsibility in Government departments and in voluntary associations across Canada from Newfoundland to British Columbia. We see this legislation as an aspect of social security. It is a bit like a pie, and we see this as one slice, or one segment, of a total pie which in our own traditional way we seem to be working towards in Canada.

In regard to the bill itself, we see many advantages to what is being proposed. We support the bill for the reason that, first, it will provide some social security for a large group of Canadians. Wage earners and people of modest incomes will receive more co-operation and more protection through this bill. We are interested in the supplementary proposals that are being made to care for the three groups that are distinct from the retired group.

As I said, this will help the wage earner. We support the contributory aspect, and we support the principle of a variation in payments, because this is one of the realities that is necessary, and the adjustments to cost of living on retirement cannot be too drastic. The variable payments based on premiums that have been paid in the past, we think is a good thing. We also think the portability of this pension plan is good. This will give people some security which otherwise they would not have because of the limiting conditions if employment is changed.

We feel that this plan will reduce but not eliminate the need for social assistance programs for older people and the disabled. We support the idea of the supplementary benefits. We have some question about the way in which the payments have been arrived at, and we have some questions as to the way in which they will be administered.

We feel that one aspect of this proposal is that there will be a shifting of financial responsibility in certain categories of people from the provincial to the federal area, and this should mean a strengthening of services at the provincial level.

Now, while we like these things about the plan we feel that there are certain limitations that have to be born in mind, and we feel that these limitations are very real and that if they are not given serious consideration, either through the way in which the plan is worked out or through complementary legislation, that the overall effectiveness of the plan to meet the retirement needs and special needs of all people will not be met. In the first place, we think, through our study of the plan, that there is inadequate security for the low income groups. The people who are regularly employed, as I said earlier, will do rather well, but we feel that the marginal groups—the low income groups—are not adequately protected, and that some forms of supplementary assistance or some different base of payment for the low income groups must be considered.

We question the ceiling of \$5,000 as the basis of payments, and wonder if this is not regressive, and whether the contributions should be based on a somewhat higher income so as to provide a little more support, particularly in the benefits of the lower group.

We feel that supplementation is going to be needed for many people, and that this form of supplementation must be insured so that everyone is assured of an adequate standard of living. This, you might argue, is not a social insurance need, but nevertheless it is a real need, and it is inherent in this scheme that we recognize this.

We question the matter of the different levels of flat rate payments—the \$25 in the supplementary benefits as against the higher level for retirement—and we wonder about the rationale, although we recognize that this is com-

pletely new legislation in Canada providing the supplementary benefits for a group we had not previously had covered.

We note that there is no security for wives and dependent children of breadwinners, who become incapacitated. If a man dies his widow and dependent children are provided for, but if he is incapacitated and then dies the provision does not appear to be made.

The question of appeals and information, we think, is a matter that needs to be considered and given clarification and provided for in the program. We think that the right to information about the plan should be mandatory. We believe that there should be a provision for appeals that is simple, and that help in preparing an appeal should be provided by the Government because we have had some experience with people setting themselves up as experts to help particularly the less adequate people, and making a living on something out of which a living should not be made.

Finally, we notice that the financial audit is to be presented to Parliament every five years. We feel that it is just as important as having a financial audit to have a social audit prepared and submitted to Parliament along with the financial audit, which deals with the finances.

One of the problems in this plan is that of relating social insurance and health and welfare programs. These are all part of the total social security need and we feel that we must not get caught in saying the income maintenance part of the program is the be all and end all of the services of these particular groups.

One area in which this problem can be illustrated is in the question of disability payments. The matter of definition of the disabled is one question. Another matter is whether people should be required to take training so that their disability period is temporary so that they can return to the employment market. There is also the question of availability of a high level of specialized services so that rehabilitation services can be provided for the disabled, in order that in some cases they will cease to be treated as disabled people and will be able to return to the labour market at least in a partial way.

One might say that this is not the concern of the C.P.P., however it is part of the over-all concern and is implied in the recognition of some provision of pension under the supplementary benefits.

In conclusion, I would like to read the last paragraph in our submission if I may. It says:

The effectiveness of this Pension Plan is directly related to all other programs of service and income maintenance provisions. It is essential that rehabilitation services, personal counselling services, educational services, a housing program and other welfare services be considered as equally important facets of a total social security program in Canada. It is most desirable, therefore, that the entire network of social assistance and social welfare measures in Canada be reviewed with a view to ensuring a broad social security program which will meet the needs of all Canadians, regardless of financial status.

In a word, we support the Canada Pension Plan bill as providing a significant and substantial improvement in the social security program. But we support it only as a part of total security and we feel that the services to people and the needs for supplementation of the low income and marginal income people must be taken care of, either through this bill or through complementary legislation.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much. You have made an excellent summary, and I am sure many members would like to ask questions.

Mr. KNOWLES: Madam Chairman, may I be permitted to say, in the shortest way I can, that I like this brief for what it says and I am delighted in the way in which Mr. Morrow has presented it.

It is pretty clear that the Association supports the Canada Pension Plan for the good that is in it, but feels there are certain gaps to which attention should be paid, and these gaps have been indicated. Assuming that this committee, in view of quite a few representations along the lines you have made does recommend to Parliament that attention be paid to these various gaps, when do you think that attention should be paid?

Mr. MORROW: We feel that the attention should be paid at an early date but that it should not be a delaying kind of move, that this bill should be treated independently and should proceed, but that there should be some assurance that those gaps are recognized and that the next step in social security is to face up to these gaps.

Mr. CANTELON: I notice that you are rather disturbed about the way in which the bill proposes handling appeals. We were given some suggestions by Mr. Myers, the Chief Actuary of the United States, that they use a way of handling appeals which provides four specific ways, one way after the other. I wonder if you are familiar with those at all.

Mr. MORROW: Mr. Lyons will answer that question.

Mr. WALTER LYONS: *Senior Executive of the Jewish Home for the Aged in Toronto*: Our suggestion for handling appeals derives from the knowledge we all have that a study of the plan shows it is complicated. It requires a computer to work out many things, and there are many ifs, ands and buts, and choices. The human being is not always able to master these and understand fully his rights and choices. Not all people are in an equal position to purchase skilled service. We believe it is important that a government-sponsored service for the client should be built into the plan—not for the plan but representing the client.

Mr. BASFORD: You mean a sort of instructional service to make sure he understands the plan?

Mr. LYONS: Not only the service of instruction but a service to help him and represent him.

Mr. BASFORD: You mean an advocate, something like the advocate under the pensions plan?

Mr. LYONS: Yes, so that the protection of the person's interest does not depend upon his varying ability to comprehend, or the resources that he happens to have, but is built in as a matter of right. It should be a person who represents and who is there to protect. This would also protect the public against what could easily happen through private services developing to represent the client in his presentation to the Government and take as a fee a percentage of what is obtained for the client. That could be a pernicious system which could develop.

Mr. CANTELON: However, I gather that you wish the appeals to be handled more directly than is suggested in the bill.

Mr. MORROW: Yes.

Mr. CANTELON: As to the suggestion you make that there be a report every five years, would you elaborate as to the kind of report you have in mind?

Mr. MORROW: For some reason we have always recognized financial needs and financial auditing, but we do not always look at the social purposes of a bill such as this to see how the objectives are being achieved for which the program is set up. Therefore in proposing the social audit we really are proposing that, in addition to a financial audit, a look should be taken at the

purposes of the bill to see how they are being realized through the actual administration of the bill.

Mr. CANTELON: Might I have your suggestions as to who might do that, whether it should be the House of Commons or some body outside the House of Commons? Personally, I would favour someone outside.

Mr. MORROW: This is a debatable point. There are merits for a committee and merits for an outside group. We were not able to come up with a suggestion one way or the other as we saw arguments both ways.

Mr. CANTELON: The Government received suggestions from other witnesses that as people get older their needs of assistance grow greater. The basis for this is that their assets run down as they get older and living standards and cost of living change as they get older. It was suggested that more money should be available to people as they get older. Would you care to comment on that?

Mr. LYONS: At the Senate Committee on Aging the point was raised that as people get older they have many more difficulties. The tendency in the past was to try to solve these difficulties by a home for the aged or by institutional care. Throughout the world in all progressive countries, and in our own country too, thinking people believe that older people should be able to have choices and numbers of ways of meeting their needs. Their expenses may go up, they may require a char service to help them keep an apartment clean, they may have to send laundry out, they may not be able to use public transportation. There are many practical ways in which supplemental service can assist older people and such people should be able to purchase that supplemental service, if it is available, to help them to stay in the community and in the normal pattern of living. It is only when an older person has a sufficient income to purchase this that he is assured of the best kind of living. So we start with this point of view.

Now, this is not true of all older people. However, this is not a plan which is individualized, but it is a plan that is on the basis of what older people can expect, and the older you get and draw your pension the more you are likely to need for these purposes.

Mr. CANTELON: Thank you. That is very interesting.

Mr. CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Lloyd?

Mr. LLOYD: Madam Chairman, I join with the others in expressing appreciation to the association for their contribution to the evidence in support of the Canada Pension Plan, and also for their constructive observations as to how or where our government's attention should be directed in future.

I was particularly interested in your references to the \$600 exemption. We did have representations to the committee that for the sake of administrative considerations and to avoid the possibility of a large volume of refunds that \$600 exemption might be removed. I believe it was the witness who was supporting the fund who had suggested this. Have you given that matter some consideration? Your view goes the other way a bit.

Mr. MORROW: We see two problems. We will be very honest with you—it is a bit of a dilemma. As far as the benefits are concerned, it is good that people become participants in the fund at as low an income base as possible. From the point of view of contributing to the fund, even though it is a very modest contribution, at its lower level it is still in effect a tax, you might say, on this group, many of whom would in the normal part of the event be supported by the stronger and higher earning group in the community. A \$600 income is a very low income, and we had wondered if people could be registered at that point; but payments of any amount start at a higher figure, and it would be more realistic in terms of annual earnings.

Mr. LLOYD: I know, as you say, there is a bit of a dilemma, because I think you have observed academically that it is described as a regressive tax.

Mr. MORROW: Yes.

Mr. LLOYD: On the other hand, the amount of dollars attracted from the economy, from the taxes, divided between employer and employee, that relieves the regressiveness a bit. Like so many things in government measures, you try to ease the shortcomings for the sake of administrative simplicity.

In the case of a man earning \$20 a week, if he is earning that for a very few weeks, perhaps he will not reach \$600 a year. In the case of individuals earning in the low income brackets, and even non-taxable in most cases, if there has been some deduction, they will file tax returns for the sake of getting the refund on the tax payment. We have many, many instances of that happening. So there are qualifications to all assertions that have been made. Would you think it would be a serious matter from the point of contribution should the \$600 exemption be removed?

Mr. LYONS: For clarification, when you say if the \$600 were to be removed, do you mean everybody who earned income would automatically be a member of the plan?

Mr. LLOYD: This has been the suggestion. I think one witness suggested \$150, Madam Chairman.

Mr. KNOWLES: One hundred and fifty dollars would be the automatic exemption. This is what some supported.

Mr. LYONS: Generally, as our Association says in the brief, this plan leaves the lower income people, the marginal wage earner, in effect uncovered, and that anything which improves the situation we would support.

We also draw attention to the fact, that since you mentioned the regressive nature, that this has to do with what appears to be a somewhat arbitrary line of cut-off of \$5,000 for the payment of contributions. There are about 465,600-odd of a labour force of 6,471,000 who are earning over \$6,000.

Mr. LLOYD: Would you repeat that please?

Mr. LYONS: There are about 465,600 people who are earning over \$6,000; and it seemed to us that in the matter of financing the subsidy, consideration should be given to upping this \$5,000 cut-off to a higher figure so that there is a greater amount in the fund for the subsidy of the lower income group.

Mr. LLOYD: You understand, of course, that originally the fund was supposed to be a pay-as-you-go plan, and that as a result of negotiation between provinces and the federal government the people compromised it to a sort of general reserve fund which had the effect of levelling out the contribution for a period of time, and in the long run you pay as you go. So that if the fund is insufficient at some future time, as I see this bill, it is a commitment of government to maintain the dollars it utilized in the general reserves of government, in the long run. I think it is pretty clear to anyone that the fund is not an actuarial fund to produce all the benefits. It is a sort of a substantial reserve at the moment.

Mr. KNOWLES: Madam Chairman, may I ask a supplementary question on that point? I think it is clear, and this is a question I have asked before in this committee, but when you ask for an upping of the \$5,000 level you are asking it for only on the contribution side; is that right?

Mr. LYONS: I do not know how you can ask it for a contribution only on the contribution side, and not get something in return.

Mr. KNOWLES: Then do you not defeat the purpose, in the sense that you ask to raise this so as to mitigate the regressive taxation feature?

Mr. MORROW: In this we are on shaky ground, we admit. We think that there could be a scaling out of the upper level so that there is some increase in the contributions over the \$5,000, maybe a scaling feature which would provide something. Now, I realize that this is very shaky, and that politically it may have many implications on insurance funds as against a welfare program; but what we are struggling with basically is this low-income group being covered adequately, at least, being covered in some measure of security. This need is our concern. I think I stop there.

Mr. KNOWLES: Since reference has been made to political implications, speaking politically, I would like to see contributions collected a bit higher than the \$5,000, to leave the \$5,000 as a cut-off figure for the benefit.

Mr. AIKEN: May I ask a supplementary question? This question is in connection with a lower level of contribution of benefits. Would you believe that it would be better to permit the people in the very low levels if it were reduced, and to contribute even a small amount?

Mr. LYONS: I think we fail to understand the philosophy that unless you contribute in a certain way you are not really contributing. This distinction between something which is a matter of welfare and a matter of right is really an artificial distinction. People do contribute to welfare. People who are on welfare contribute to it through taxes. This has to be looked at much more, not on the basis of a token payment, but much more on the ability to pay, and the people on low incomes are not able to pay as much as those on higher incomes. This is why a person having \$5,000 or more, who is only going to pay a certain proportion of his income towards this fund, is really in a much better position than the one in the lower bracket, because in effect he is paying a much smaller proportion on his income for social security.

Mr. AIKEN: I am referring to just the question of self respect. Do you think this would be a valuable feature, if the people would contribute a small amount, would they feel that they were contributing something towards the plan, even if not in proportion?

Mr. LYONS: I believe that if people are made to feel by public statements that they are being given a handout their self respect will be damaged. If they are made to feel by public statement that they are in the plan because they are contributing in other ways, then their self respect is not damaged. It is not the actual payment, but how it is regarded that is important.

Mr. AIKEN: In other words, if it is regarded purely as a handout it might damage them. On the other hand, if they feel they are part of the working community and they are entitled to this protection, then it would not?

Mr. LYONS: Nobody I have met among the older people has felt damaged at all by old age security pensions.

Mr. LLOYD: This helps me to conclude some of my questions to you. What you have pointed up in your answers really is that you can only solve this problem if you are going to try to supplement obviously inadequate pensions in existence today for our working people—even where funds are in excess of 30 or 40 per cent of the earnings at retirement, has been the evidence before us. However, as you know, in a wage-related scheme there are various philosophical and valid considerations. You cannot take care of the aged unless you have something like the O.A.S. as well. So, if you always bear in mind that the O.A.S. must continue and be refined, and the resources will become improved along with the wage-related plan, then the significance of the 600 lessens, but the point at which you put the wage-related plan has always to be in relation to the O.A.S. payment—but the point is, as long as you keep both going?

Mr. MORROW: May I say two things in relation to your question? The first is that we believe there is a basic income that people need. This is, I think, a legitimate responsibility of government, at the various levels, to see the basic income is provided. The second thing is that I agree that between social insurance and social assistance there are complementary aspects, and we are anxious that no one gets the impression the social insurance program is going to carry the responsibility that must still be carried, and may be in some cases increasingly carried, by the social assistance programs. This is what we are saying, that these are complementary programs that must be seen together.

Mr. LLOYD: And both are essential?

Mr. MORROW: Yes, that is what we are saying, that both are essential.

Mr. LLOYD: To any comprehensive social welfare program in Canada?

Mr. MORROW: Yes.

Mr. LLOYD: On page 3 of your brief you conclude with the observation:

...it provides an opportunity whereby provinces can concentrate on strengthening important social welfare services of non-income nature...

In this respect, are you reflecting the general feeling of your association and, in fact, the community in general—and, as has been observed in the United States, the case loads for the social workers are pretty heavy—are you saying here there is a need in the provincial field to concentrate a great deal of attention to the provision of trained people in doing social case work and to examining the volume of their case loads?

Mr. MORROW: There are a number of aspects of service. The point we are trying to make is that older people have a need for service. At the present time, through the Old Age Assistance program, there is at least an annual visit being made, and it is amazing the kind of things that come out of these. What we are really suggesting is service to people needs to be strengthened in order that they can live more adequately and meet some of their needs. I think Mr. Lyons can support this from his work experience.

Mr. LYONS: There is not any doubt that all of us know that a scheme which has a flat rate of benefits, a computer type of financial support, cannot meet the individual needs of the people in itself. People have health problems; people have housing problems; people's needs vary, and their resources to meet those needs vary; and there must be a full, complementary battery of supporting services to meet these individual needs. The stronger the financial support is the greater chance that the person can purchase these needs and that less will have to be met under welfare. But, as Mr. Morrow says, whether people have money or not, when you are disabled you need the best battery of rehabilitation services to help you to get on your feet, and by taking people and putting them on a disabled persons pension under this scheme, there is no guarantee at all that the person gets the vitally necessary services that are required—actually to see whether he can be rehabilitated, in time, to working status or to a maximum level of health.

Mr. LLOYD: Then, in essence, you are saying—what has always been a concern of those who come from the municipal field of government, where we see its operations from day to day with persons, and it has been the subject of considerable comment throughout the United States, and also in Canada—that the more resources, or some reasoned, sound philosophical way you can find the resources, the more effective is the work in the social welfare field that can be done, because, in fact, the social workers are limited in quantities and the case loads have been rising because the work has been cluttered up by the inadequacy of pensions and social assistance programs?

Mr. LYONS: That is correct.

Mr. LLOYD: The more we can make the input on that side, the more effective becomes the social worker—or, I should say, the more effective are the results of your efforts?

Miss FLORENCE PHILPOTT (*Executive Director, Canadian Association of Social Workers*): The point we have been trying to make in this, and the reason we are so supportive of this plan, is that we see reducing the number of persons who will need to get supplementary assistance from old age programs that exist now. Something like 4.7 per cent of the people on Old Age Security are getting a small supplementation under the general assistance program, and something like 20 per cent under the Old Age Assistance get supplementary allowances.

Mr. FRANCIS: And even more are getting health benefits.

Miss PHILPOTT: Yes, we say the more we can reduce the number who have to go to two sources for this kind of support, the more you achieve what you say in the first paragraph of your White Paper, "the more people can look forward to retiring in dignity".

One of our concerns in looking at social welfare and services at the provincial and local levels has been that much of the provincial effort has been directed to assistance programs. We say this at least opens up an opportunity whereby your provincial and municipal groups can strengthen these very important services that can prevent people from becoming dependent and losing self respect.

Mr. LLOYD: The wage-related pension with Government supplement is inadequate from the private sector, and it means, in the long run, your effectiveness will be judged by the number of chronic repeating demands for assistance you find in the social welfare roles of municipalities. This was the American criticism, that social workers, because of inadequacies, were becoming cheque writers instead of getting the family unit back into the earning stream. Now you have that additional inducement to get them back into the earning stream.

Mr. MUNRO: Madam Chairman, I was going to ask the experience that the Canadian Association of Social Workers have had in the general area of private pension plans, whether they have had any studies with respect to them, and if they have any views as a result of those studies.

Mr. MORROW: I would say "No" to this question. We have all individual observations, but we have not made any study of this.

Mr. MUNRO: It is very encouraging to read your brief and to find the general overall support you have given to the Canada Pension Plan. Many of your observations are most helpful. I take it, from reading your brief, you feel that the contributory approach in the plan, with its many benefits that you have indicated, also covers certain problems that cannot be coped with in an earnings-related plan—is that a fair statement?

Mr. MORROW: Yes, this is fair.

Mr. MUNRO: Looking at page 4, the last sentence of the second paragraph, you state:

Furthermore, it appears that insufficient attention has been given to taking full advantage of the flat rate benefit principle which has proven its worth in our existing Old Age Pension system and integrating this principle with the contributory approach.

Could you enlarge on that thought?

Mr. LYONS: In old age security the idea, the philosophy, was that there would be a minimum flat rate amount which would meet minimum needs. I don't know what proportion of Canada they were really designed to meet minimum needs in, but let us say minimum needs in most sections of Canada.

On top of that it was to be a wage-related security. When a person has a flat rate of \$25, and he is disabled, you hardly have an application of the kind of principle which we are talking about when a person gets old and retires from the labour market because of age.

Therefore, we are pointing out that this amount of money, \$25, really bears no relation to a flat rate, as a base. It is the first introduction of this in Canada for this group of people on the basis of insurance. On that basis we welcome it, but we point out that it has no relation to the person's need.

Mr. MUNRO: I think what I am concerned with, and I am very interested to hear your comments, Mr. Lyons is that "insufficient attention has been given to taking full advantage of the flat rate benefit principle which has proven its worth in our existing old age pension system and integrating this principle with the contributory approach".

Are you advocating increases in the flat rate?

Mr. MORROW: In some areas. In supplementary areas. The \$25 flat rate on the supplementary benefits is one area.

This is for the disabled and this is one of the points at which we reached this conclusion. The other point on which we have some question is in the reduced payments between 65 and 69 of the old age security, if you elect at 65.

We are raising this as a question and we do not have the information. Your research department will have it. There is a tendency, we think, to early retirement by changing the flat rate payment on this 65-69 age group, we ask whether this precludes a reduction of the age to 69 or 68 for the flat rate payments plus the wage-related payment for the aged.

Mr. MUNRO: Is there any other area in which you feel more attention should be given to the flat rate benefit principle, other than the ones you have mentioned?

Mr. MORROW: These are the ones we would emphasize.

Mr. MUNRO: One concern of your association that you pointed out, and I am sure everyone here feels that concern, is that these people at the poorest level, the poverty level, are left out. Some clauses in your brief seem to indicate the same type of concern that many authors have who, writing on this poverty question, say that much has been done in the United States. It has been pointed out, from a lot of the work done on the poverty question, that the contributory approach in earnings-related plans cannot adequately cope with these people. In fact it just skims over the top and leaves them out.

You have pointed this out also, and I was wondering whether you felt, in dealing with this area of poverty below subsistence level, that some other type of program more specifically aimed at the reasons why these people are a part of this so-called economic underworld would not be more appropriate and beneficial than being specifically concerned about them under a contribution pension scheme.

Miss PHILPOTT: I think we have really made references to this on page 3, where we have clearly indicated that we see limitation to any kind of social insurance plan to deal with the broad problems of poverty and other disabilities in our community. However, I think in our final paragraph we say that you have to look at the whole network to see that this is just one section. We don't expect any one insurance plan to be able to deal with this whole problem of the marginal or substandard or non-income workers in our community.

The point I think we want to emphasize is that we would like to see every social insurance plan reduce to the absolute minimum the number of persons that have to go to two places for their assistance.

Mr. MUNRO: Do you feel that the way this legislation is drafted we have, for all practical purposes, tried to reduce this area to a minimum?

Mr. MORROW: The question we raise—and we use the word “substantial” in our brief—is that there is a substantial group going to two places, and we think that there is something wrong with the program. If it is a relatively small group, and this is what we anticipate, we do not have the information to know at what point the group that we are talking about would become substantial.

I might say that we have one other concern with relation to the poor group, and that is that they have some rights for income which are recognized just as much as the people who are drawing from the contribution scheme. As citizens they have certain minimum rights or expectations, not necessarily from the income-related program, and they must not be made to feel like complete failures and sort of pushed from pillar to post. We recognize that these people have needs to live and must be provided for decently.

Mr. MUNRO: When they retire.

Mr. MORROW: Yes. At the point of retirement, but it must be a program that is dignified just the same as for the people on the wage-related program who have certain rights that they can expect.

Mr. LYONS: Mr. Munro, may I ask you a question? You say “when they retire”. You are not suggesting that we don’t have to look at the problem long before they retire?

Mr. MUNRO: That is what I was getting at. Talking in terms of this program, in effect, the concern you indicate here, and it is a very valid concern, is for all these people. Presumably, you are referring to the under-\$600 exemption level who will not be able to participate in the plan.

It has been pointed out on many occasions that such persons, if they remain under the \$600 level all their income-earning lives, on retirement under the old age security will, in terms of dollars of income, be receiving a larger income annually than they were during their lifetime prior to retirement. Because of the very nature of your organization, I thought you might indicate your feelings in this way, because it is certainly the feeling of many here. I am sure that anyone who should fall into such a class where he will always be outside the ambit of this legislation because his income is below \$600 is obviously in such a group that a specially designed program is a necessity.

They fall into that group where specially designed programs that do deal with poverty are essential, along with new educational approaches in housing and so on, in order to lift them up out of this area. I advance that as the justification, if you like, for the \$600 and I don’t find any answer for it other than other specially designed programs; but I don’t find any answer for it in any type of earnings-related social security scheme.

Mr. LYONS: This probably is really a reflection of the failure of our society; not their personal failure so much as our failure. And with a broad variety of economic and education and other supports, this problem should be minimized. There is no substitute for these other kinds of wage-related schemes.

Mr. MUNRO: To the degree that those urgent programs are successful they will alleviate the problems of those people?

Mr. LYONS: Yes.

Mr. MUNRO: The only other matter I wanted to touch upon, Madam Chairman, is this area of regressive taxation that was mentioned. As Mr. Lloyd has pointed out, the employer’s percentage of the contribution to a degree militates against or alleviates this regressive feature, and I think you agreed with that. I thought that that was an indication that you agreed to what he suggested. I take some comfort in the fact that this regressive feature has been alleviated to a considerable extent when one takes into account not only the employer’s

contribution in this whole scheme but the exempt contributions on the \$600, and the considerable weighting factor of the old age security when it is considered in conjunction with the Canada Pension Plan. When these three things are looked at as a parcel I think the regressive aspect of the contribution rates of payment under the Canada Pension Plan are to a considerable extent overcome. I wonder if you would care to make any observation on that?

Miss PHILPOTT: May I make a comment on that? It seems to me that this is why we have made such a strong plea for this social audit that will take place with the financial audit, because in looking over the testimony that has been given before this committee from a variety of groups, and at the various reports that have been prepared by the Government with respect to this bill, it seems to me to follow that the effect of this is going to be in several aspects. For example, I think that on more than one occasion it has been stated that the relationship between this program and your present national assistance provisions cannot be determined now, and it will take probably several years before we will see the relationship. I would think that some of the questions that have been raised can only be assessed adequately after there has been an experience. I think we mention that as there is experience we shall see opportunities for eliminating what seem to be limitations in this plan.

Mr. MUNRO: I have one final question, Madam Chairman. Perhaps the subject matter is not too close, but there has been considerable discussion of late of this type of study you are now recommending, all under the heading of "Poverty in Canada". A considerable amount of work has been done on it by the private authorities, and I wondered if the Canadian Association of Social Workers have undertaken any studies themselves of this question?

Mr. MORROW: No, but there are groups that are active on this problem. This whole problem of poverty in Canada is one that we will probably be very active in, either through other organizations or ourselves, in the future because we are just now coming to an understanding of the embedded nature of the problem.

Mr. LYONS: Mr. Munro, may I add to that that when we talk about studying this we are not alone concerned with poverty. When we talk about social welfare we are not talking alone about the poor. We are talking about ourselves. In this society today we need the kind of study which the Hall Commission prepared which incorporated in its conclusions many of the recommendations made by this association.

The whole matter of help and the services that enable people to live healthy, normal lives, is not confined to the matter of poverty. It is confined to most levels of income, and, God forbid, if you are married and you have a child who is mentally ill or mentally disturbed and you look around for adequate resources for treatment you will get a good example, whether you have or have not money, of how poverty stricken we are in this country. The whole network of supporting social services must not be thought of as relating alone to the poor, but as related to our citizens as a whole. This is the kind of study we have in mind.

May I make one other comment regarding the regressive nature. It does not matter how you work the percentages or what the employer contributes. Where we see the regression is in the fact that the person who has a reasonable or comfortable standard of living is better able to pay, and it costs him less. It takes less out of him to get his security than it does a poor person, and no matter how you slice it, that is regressive.

Mr. KNOWLES: Madam Chairman, I wonder if Mr. Lyons would include in the totality of the picture such things as the dislocation caused by automation and other changes—the kind of problem that is raised by Galbraith and others,

who say that we should pay people even though they do not work. In other words, are you thinking of the problem of a guaranteed income for all people?

Mr. LYONS: Yes, sir, those problems are part of the problems that affect all citizens. I cannot speak for the profession on this; I can only give my own personal opinion, but I do not think the profession feels there is now an adequate opportunity for people to be productively employed. Perhaps this is not how we define production, but there are lots of things in this world and in this country that need manpower and service. Perhaps it is a matter of shifting people around and re-educating them, but certainly we should take the constructive perspective of having our citizens engaged constructively in living, and not just having them pensioned off and let out to pasture.

Mr. KNOWLES: This is a problem for the whole of society and not just for the poor?

Mr. LYONS: It most certainly is.

Mr. FRANCIS: Madam Chairman, I was particularly interested in the balanced approach of the brief, which indicates that a comprehensive system of social security must include social assistance—which is the oldest chronologically of these measures—social insurance, and flat rate benefits. It seems that very few of the presentations before us have kept this in focus. Particularly am I impressed with the emphasis on the need for individual case work. We talk about inadequacy or gaps in the programs, and your group, as I would expect, recognizes the need for supplementation and the need for case work related to individual circumstances.

I wanted to correct what possibly might be a misunderstanding on my part—my hearing may not have been too good. The proportion that received supplementation in 1964 is 4.8 per cent of the old age security recipients, but 19 per cent of old age security recipients are receiving supplementation on a means test basis, and that means a little over 100,000 persons.

Mr. MORROW: That is correct.

Mr. FRANCIS: Professor Clark last night made the point that he thought old age assistance should be extended beyond the age of 69. I presume you would agree with that recommendation. Do you feel that in looking at the whole picture that this is one of the gaps?

Mr. MORROW: If I could just intervene here I will say that the needs picture must be individualized, particularly with the aging group where you need special care. In some cases it is actually cheaper to the community to provide assistance beyond basic payments so that people can stay independent.

Mr. FRANCIS: Would you accept this, that the universal flat rate approach may go only so far? There is a certain percentages of cases that economically cannot be handled by any means except by case work and supplementation?

Mr. MORROW: Yes, and provision must be made for those.

Mr. FRANCIS: It seems to me that this is a very significant gap in the presentations before us of some of the other organizations, and one which, quite frankly, surprises me. Mr. Lyons in reply to Mr. Munro said this social insurance is regressive, and no matter how you slice the cake you still have to deal with this. This seems to be a general indictment of social insurance itself. Is this not so, Mr. Lyons?

Mr. LYONS: I do not know whether it is a general indictment of social insurance itself, but I am saying that there is a tendency—there is bound to be a tendency, perhaps—towards this feature, especially when you have a wage-related pension plan.

Mr. FRANCIS: Of which you approve?

Mr. LYONS: Yes, of which we approve. What we are saying is that an effort should be made to mitigate the regressive features of it. We cannot eliminate them, but...

Mr. FRANCIS: You see, the problem we are caught with is this \$600 exemption. You say it is not high enough, but if we raise the exemption we cut down our coverage.

Mr. LYONS: No, sir, this is not necessarily so at all. It is quite possible to include people at \$600 and assume that they have made contributions between \$600 and \$800, and begin at \$800—in other words, just blanket them in.

Mr. FRANCIS: I would have liked to have seen a specific recommendation if this is what you have in mind, because as I read your presentation it would seem that you are saying that the \$600 is not high enough. The way we have drafted our legislation would cut our coverage down. The only other alternative is to come up with the point of blanketing any other categories. Already we have had some interesting suggestions. We had a presentation from Mr. Woods of the Mercer Organization when he proposed that, prior to the announcement of the program in 1966, that prior earnings be blanketed in on a certain flat rate. When he presented the situation, he just reduced benefits significantly. If you think of your program for blanketing in, how you would blanket in, do you have any specific suggestions which you would think would answer the criticism that if you raise this and do not want to cut down coverage how do you blanket in?

Mr. LYONS: We are not presumptuous enough to be able to make any real presentation on this. The resources which are available to you in regard to advice and so on are far more capable of taking care of the specific details. What we can do is deal with principles and if you adopt a principle I am sure you have a marvellous machinery which could produce the organization necessary to deal with it.

Mr. KNOWLES: I have already asked Mr. Osborne to provide information along that line.

Mr. FRANCIS: I think the morals and the tenure of your brief are high and I appreciate it and I am sure it will be helpful to the committee.

Mr. AIKEN: We have been stressing the poor group who would not be included normally under this plan as marginal. I would like to ask some very delicate questions, because we seem to be circling around the real issue involved. If we accept your suggestion that everybody in the lower income should be included, whether or not they contribute, are you then not back in essence to the universal old age security system?

Mr. MORROW: We are not suggesting that everyone necessarily be included in this plan. We are suggesting that, as a part of social security program in Canada, provision must be made for an adequate income security for this group. It is quite a different matter that we are suggesting and I think we should be very clear on this point. We are saying this plan is only one part of a total social security program and this is a group for which this plan is inadequate, but we are not suggesting that they necessarily be blanketed into this plan.

Mr. AIKEN: This is in fact the point I was trying to make, that this plan in fact is inadequate to meet the requirement problems of the poor.

Mr. FRANCIS: That is not what he said.

Mr. AIKEN: Please—

Mr. FRANCIS: I object.

Mr. AIKEN: I am sure he did say that.

Mr. MORROW: I will try to answer the question again, although I think I answered it correctly the first time.

Mr. AIKEN: This is what I understood you to say.

Mr. MORROW: I think you have taken an emphasis that I did not intend. This plan is inadequate for the marginal and the poor, but we are recognizing this as inherent in a social insurance program. We are saying that another provision must be made so that this group that is really not adequately provided for is provided for decently in our total social security program.

Mr. AIKEN: This is what I was getting at. There is a segment of the population which this plan does not cover and it is this particular group we have been talking about, that some other plan will have to be devised for their assistance. Is that correct?

Mr. MORROW: That is correct.

Mr. AIKEN: In this connection, have you any views—it may be a delicate question, but we have been talking around it—about the desirability of making this plan into more of an old age security type of approach.

Mr. MORROW: We did not consider this because this plan has already been drafted and this is a bill which is before the House of Commons. Therefore, in our submission we looked at this on the merits of the bill and we have pointed out where we see the gaps to exist, and our approach has been on this basis.

Mr. AIKEN: So you have accepted the bill as it is presented and are pointing out that these people do not benefit under it or benefit inadequately. I will reserve my further comment for argument at a later stage, as I think the point has been made adequately at the moment.

Mr. BASFORD: I also appreciate the Canadian Association of Social Workers having come before us to give the benefit of their wisdom. I would like to pursue some of the fascinating doors which have been opened, but rather than do so I will ask one specific question. In your brief, at the end, you say in the second last paragraph, you speak of a report on the effectiveness of the plan. I would draw your attention specifically to clause 117 of the bill, dealing with the position and duties of the Canada Pension Plan Advisory Committee. I wonder whether this clause is sufficient for your purpose or whether you would like to suggest changes in it, particularly in subclause 4, as to the duties of the Advisory Committee.

Mr. MORROW: We deliberately phrased our recommendations in the way in which we have. We feel that the advisory committee is responsible to advise the department and the minister on the operation of the program, and that the matter of a social audit or a five-year review is a different kind of function. We made no specific suggestion, as I said earlier, as to how this five-year review might be carried out. We see two different kinds of job. The advisory committee is an on-going committee that gives advice on the operation of the plan as it is. They may point out to the minister weaknesses in the service. On the other hand, what we suggest is a social audit which would be presented to Parliament in the form of a statement or a stocktaking as to how it is meeting its social purpose. We feel that five years is the minimum basis on which any reasonable assessment can be made.

Mr. BASFORD: I am wondering at the wording of the bill which, amongst other things, is to consider "the adequacy of coverage and benefits under this act". Surely this would constitute a review as to whether it is adequate.

Mr. MORROW: Adequacy cuts two ways.

Mr. LYONS: There is adequacy of the benefits and coverage, but a social audit has a little broader perspective and asks how does it really fit into the general framework of Canadians. Our suggestion is to review how it fits into the larger picture, not just within the confines of the wording of the bill, not

in terms of benefits and the number of people covered, but rather, does it serve the social purpose. You will notice that the Canada Pension Plan White Paper said:

All Canadians will be able to look forward to retiring in security and with dignity.

That is quite an objective and we know already that the C.P.P. does not provide this for all Canadians. Our stress has been upon the other features that are necessary, the other kinds of social security that are necessary. We indicate that this must be looked at as part of a broader picture. When we talk about social audit, we talk about it not just within the confines of the act but its general purpose within society.

Mr. BASFORD: You are not prepared to say quite specifically how this can be done?

Mr. LYONS: It is quite evident that a body would have to be set up to do this. A committee which is interested mainly in the financial audit is not necessarily to be assumed as competent to do the social audit. Whether the committee should be reconstituted to do both jobs or whether a new committee should be set up, we think that the members are just as able as we are to make recommendations on that point. We do not have a preference so long as the objective is attained.

Mr. MORROW: We see three alternatives to this proposal. One is a committee such as this, one is the advisory committee, one is a panel of experts. There are merits and faults in each of the proposals and we go no further than recognizing there are three ways in which this can be done.

Mr. BASFORD: One alternative, as I understand it, if I may use the word, is "to beef up" the advisory committee and more carefully instruct it as to what should be done.

Mr. MORROW: That is one possibility.

Miss PHILPOTT: While we are on that point, in regard to the composition of the advisory committee, which is to include employers, employees and the public, we would assume that the public you are talking about would include people with special competence and experience in conducting social audits.

Mr. BASFORD: Thank you.

Hon. Mr. DENIS: Do you speak French?

Mr. MORROW: Unfortunately, no. I am sorry.

Hon. Mr. DENIS: I would like to ask a few questions in English. I would like to know if most of your members are working without any salary, or on what basis?

Mr. MORROW: We are a professionally employed group and our members are working all across the country. Your deputy minister is one of our members, and we are found everywhere.

Hon. Mr. DENIS: At the commencement of your brief you say you have a membership of approximately 3,000 members. Are they all social workers?

Mr. MORROW: Yes, they are all professional social workers, and our membership, our people, all have university training at a school of social work and are professionally employed somewhere in Canada.

Hon. Mr. DENIS: And presumably your work is mostly welfare for those in need?

Mr. MORROW: Yes.

Hon. Mr. DENIS: I take note that your brief says, on page 3:

The legislation appears to be reasonably satisfactory as a retirement plan for perhaps three quarters of the working population.

So do you agree with me that a situation which is good for three quarters of the population is a very good situation?

Mr. MORROW: Yes, we are positive it is, towards this program for the group that it is going to serve.

Hon. Mr. DENIS: It leaves only 25 per cent of the population which is not covered?

Mr. MORROW: Yes. We will say there is a substantial group that is not adequately provided for.

Hon. Mr. DENIS: About 25 per cent?

Mr. MORROW: Yes.

Hon. Mr. DENIS: And you will agree with me that that 25 per cent will be partly covered by this piece of legislation if you come to the conclusion that those 25 per cent of the population not covered by this particular bill is partly covered by the old age security plan?

Mr. MORROW: Mr. Lyons would like to reply.

Mr. LYONS: I like your word "partly." When you say "partly covered" we could agree with you.

Hon. Mr. DENIS: Yes.

Mr. LYONS: Our concern is that when this deals with the widows and the disabled, there is a whole group of need there amongst those people which is not met by this plan as well.

Hon. Mr. DENIS: Then if I understand well, by this piece of legislation three quarters of the population is well covered and the other 25 per cent is partly covered. So all that is left is the part of those who are partly covered. There is social security legislation in Canada for family allowances, pensions for the blind, and then measures for disability pensions, workmen's compensation, unemployment insurance, needy widows, and the like. So that it does not mean that this piece of legislation is all that the federal government has decided to do; it might do something else in later years. However, at the start of your remarks, Mr. Morrow, you said that it was one slice of a pie. Would you add a couple of slices? There is only one slice, and the rest has not been touched yet.

Mr. MORROW: There are other pieces in this pie, but this does not complete the pie by any stretch of the imagination.

Hon. Mr. DENIS: If you are professional workers, after this piece of legislation is passed, if it is passed, you will have less work to do and do you suggest that the government should get advice, information and the like? Do you think you could do your part in that suggestion of yours that your association might be looked to to give advice and information to the population of Canada, as far as this piece of legislation is concerned?

Mr. MORROW: Well, I think that we need to be clear. We are an employed group. All of our members work for somebody.

Hon. Mr. DENIS: Yes.

Mr. MORROW: And so far as giving advice and counselling, and so on, we hope that in large part, if funds are made available to provide this kind of service, that members of our association will be employed in the appropriate places to carry out this type of job.

Mr. LYONS: There are really two aspects, one of which we are competent to do, and one which we are not. We are not competent or specially trained to represent a person in the legal and technical aspects of this plan. People are going to seek advice under this plan and they are going to bring along with them a generalized problem. We do think that anybody who is counselling a

client and acting on their behalf should be astute enough to recognize that there are other problems concerning the Canada Pension Plan, or any decision about it, that they cannot solve for themselves, that they would be referred to an appropriate service for their particular problem. I do not agree that we are going to have less work at all. I can see that our work can be more productive if we have less inhibitions, not that we will have less work.

Hon. Mr. DENIS: I think it is a very good suggestion that people should be aware of this new piece of legislation, and I think that the government when this piece of legislation would be in operation, if it is passed—that in different parts of Canada there will be officers who will be most happy to give all the information.

Now for the last question. Did you suggest that there should not be any exemption up to \$600?

Mr. MORROW: No, we did not suggest that.

Hon. Mr. DENIS: That is all, thank you very much.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any more questions from the members? If not, on behalf of the committee I wish to thank Mr. Morrow, Miss Philpott and Mr. Lyons for preparing this brief and appearing before us, and giving us such a clear understanding of the matter contained in the brief and also for your excellent answers to the questions put by members of the committee.

I am sure the things you have told us and the ideas you have suggested will be weighed very carefully by this committee when it is coming to its decisions, and we thank you.

Mr. MUNRO: Madam Chairman, I would like to make a motion along the lines that you have mentioned. Before doing so, may I say that one of the reasons for the excellent brief is that Miss Philpott had something to do with it. I have learned that she is the daughter of the original founder, the first pastor of Philpott's Tabernacle, in Hamilton.

I am sure I speak on behalf of all the committee in expressing gratitude, as the Chairman has done, for the excellent brief, and the help these representatives have given us.

Mr. LLOYD: Madam Chairman, I am happy to second the motion. May I make a brief observation? Since I have been here for only a short time, I have an increasing awareness that in government measures there is a constant reconciling of a wide range of conflicting interests and concerns. I think your brief, coming at this time helps us to put into proper perspective our responsibility in the social welfare field, with due regard to the economics of our time, and consonant with the technological changes, and the like; and I am deeply grateful.

—Motion carried.

The CHAIRMAN (*Hon. Mrs. Fergusson*): As I said at the beginning of the meeting, Dr. Clark has kindly consented to appear before us this morning to conclude his evidence. Will you please come forward, Dr. Clark?

Mr. LLOYD: Madam Chairman, before Dr. Clark proceeds and the questioning commences, I would like to make a brief observation arising from my questioning last evening.

The CHAIRMAN (*Hon. Mrs. Fergusson*): All right, Mr. Lloyd.

Mr. LLOYD: In attempting to summarize the brief, Dr. Clark had made certain statements with relation to the net worth of self-employed people. I misunderstood his application of the term, and this led to misunderstanding on my part. I must say that on re-reading his brief in this sector he, with some clarity, pointed to a problem with respect to the investment portion of income, and was in effect trying in a constructive way to suggest a method of making allowance for the investment portion of income of self-employed people.

I had the opportunity of discussing it with him this morning, and we both agree, I think, Dr. Clark, it is not an easy thing to resolve, but that the investment element is there. Maybe the staff have come up with a reasonable answer but, nevertheless, I do appreciate the fact more fully now. What you were attempting to do was to draw attention to the investment element of self-employed people in the way of income.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Dr. Clark, I am sure all members of the committee are very pleased you are able to conclude your evidence this morning. As you know, I suppose from reading other reports of our proceedings, the witnesses before this committee have given a concise summary of their briefs and have answered questions regarding them. If you wish to add to your statement to the committee, I suggest you limit your concluding remarks to not more than 10 minutes, which will give the committee an opportunity to ask questions.

Dr. ROBERT M. CLARK, *University of British Columbia*: Madam Chairman. I believe I can show that degree of restraint.

Thinking over the remarks I made last night, I wanted to come back just for a moment to this suggestion on how one would compute the income of the self-employed. This is in clause 10 of the bill I had suggested two possible ways of doing it. I had suggested allowing a return on their capital. I think two additional comments need to be made. When I was talking about their net worth or capital, I was talking about the book value and not the market value, because I did not think it was feasible to have the market value taken. Assuming a man has an income of \$4,000 and a varying amount of capital, if he has no capital he is not affected, but if he has capital of \$5,000 his contributions would drop from \$122.40 a year to \$111.60; in other words, \$10.80 for every \$5,000 of working capital. The point would be reached where at capital of \$56,667 he would make no contribution to the program, though he had a net income of \$4,000. If he had a higher income, he could have a higher amount of capital and still not contribute. I mentioned an alternative way of doing this was to assume some fraction would be taken off that income, possibly the same fraction for all self-employed people, possibly not. But, on this alternative, no matter how large the amount of capital, a person would not be excluded from making a contribution. These are two different ways of trying to put the self-employed and employees on the same basis.

I had reached the end of my comments on the sections of the bill. I wanted to refer very quickly to the matter of the different impact of the program on different types of industry. I attempted to do this in two ways. I said this was not in the least way a criticism of the bill. First of all, by taking labour costs as a per cent of sales—and this is shown in the first chart, which is not numbered by page, but the one appearing after page 25, and it shows a substantial difference there. The second chart attempts to show just how much range there is within a category such as service, manufacturing or the like. I think it is quite clear then that even although the coverage of this will include a very high proportion of the labour force, the initial impact will be significantly different from industry to industry, and even within broad categories of industry.

Lastly, on the relationship between Old Age Security, Old Age Assistance, and the Canada Pension Plan, it seems to me that the majority of persons aged 65 to 69 not working will take their Old Age Security at an actuarially reduced rate, even without pressure from provincial governments to do so. In these circumstances, it seems to me desirable that Old Age Assistance should be payable, as it is in the United States, without any upward age limit at all. An alternative way of doing the same thing is to have a broad category called assistance in which you do not necessarily call it Old Age Assistance at all.

The entirely separate financing of Old Age Security and the Canada Pension Plan makes it far more difficult for the public and legislators alike to

understand what is the combined cost impact, not only in total dollars but in terms of dollars per individual family. It seems to me that the chief actuary in making his studies, which he is required to do under the bill, should be required also, not only at the start but in considering future amendments to benefits, to show the combined cost with Old Age Security put on a common denominator, so that one can see exactly what is involved. It is also important if we realize that in 1975 contributions as well as benefits for Old Age Security will be very much greater than corresponding contributions and benefits of the Canada Pension Plan. It would also seem to me—and I have not included this in the brief—that it would be useful for the advisory committee—and I would suggest it would be appropriate to amend the bill in this respect—to have to consider not only the Canada Pension Plan, but also Old Age Security. They are so related that it seems to me when the committee is considering the one it should consider the other as well. The chief actuary should be required to provide estimates to Parliament not only when the Canada Pension Plan is being amended but also when the Old Age Security is being amended.

I do regret very much that Old Age Security and the Canada Pension Plan are financed on a different basis. It would certainly be much more preferable if the same basis, perhaps with some modifications, could be used to finance both. Thank you very much, Madam Chairman. Now I am prepared to attempt to answer any questions that might be asked.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much, Dr. Clark. Mr. Aiken has indicated he would like to ask you some questions.

Mr. AIKEN: Dr. Clark, Mr. Anderson, who was one of our previous witnesses, indicated he would like to see two separate funds for the Canada Pension Plan, one for the pensioners themselves and one for related benefits. This is a question that also came up in connection with another witness who felt that the two should be separated for the purposes of administration. Have you any remarks or comments to make on this proposition?

Dr. CLARK: With reluctance, I find myself disagreeing with my favourite genius, Mr. Anderson. His analysis starts off with what he terms 'high grading' and deals with the question of "windfalls." These windfalls are going to be provided for individuals under the plan, whether they come from the employer's contribution or from the employee's. This does not affect the substance. As he himself said, it is a question of form, not of substance. I prefer to see these together in Canada, because I think it highly desirable to retain a parity of contributions, substantially, between employers and employees. The effect of his proposal would be that the proportion of the plan to be financed, in the first instance, by employers, would progressively rise until it was about twice that of the levy on employees. As a general proposition, from my philosophy of public finance, I prefer taxation to be levied on people where they can see it, rather than to be concealed in the prices of products they buy. Therefore, it seems to me to be no advantage, in fact a positive disadvantage, to go at it in this way. There are certain advantages to his proposals, but, on balance, I prefer to keep it together, as is done in the United Kingdom, for instance, and the United States.

Mr. CANTELON: I suppose this would be part of the reason why in clause 1(10) you suggest the program be required to be self-supporting?

Dr. CLARK: Wes, Mr. Cantelon. I said last night I think there is a real political risk, if you like, that, because so much of the burden for providing increased pensions can be passed on to future generations, in the sense they will have to pay higher rates for the same level of benefits, this part of welfare may be over-expanded in relation to other parts. The requirement that the program be made self-supporting helps ensure this would not happen. Also psychologically it has a great deal to commend it from the viewpoint of people

contributing to it, to feel it is a program that Canadian people are carrying for themselves, through direct contributions.

Mr. CANTELON: You are not, however, opposed to the idea of part of the plan, shall I say, subsidizing—I do not like that word—providing “windfalls” for another part to cover it?

Dr. CLARK: This really comes under two parts. Any social insurance plan involves some internal or cross-subsidies. I certainly do not object to those in principle, for instance they all have subsidies from the single to the married person. This is common to all social insurance programs that I know of. I think this is reasonable. I am objecting to the extent of the internal subsidies here which go in dollar terms to those earning \$5,000 and up as compared with others.

Mr. AIKEN: Madam Chairman, I have another question on another matter.

The CHAIRMAN (*Hon. Mrs. Fergusson*): All right, Mr. Aiken.

Mr. AIKEN: Mr. Myers from the U.S. social security, O.A.S.D.I., I suppose I should say, was before the committee and he suggested that as a result of the coming into force of the O.A.S.D.I. some years ago in 1937 that the sale of private pension plans in the United States increased.

Are you able to tell us whether, having studied both plans, this would have a similar effect in Canada as a result of bringing in the Canada Pension Plan?

Dr. CLARK: I believe, Mr. Aiken, from reading the evidence that was presented, that Mr. Myers did not make the statement you have referred to. Rather he said that he thought the proportion of employees covered under private pension plans in the United States would be about the same as the proportion in Canada.

Now, we don't have precise statistics for all of the country on this, but in fact what evidence we have says that for the United States it is between 30 and 33 per cent and for Canada it seems quite clear it is appreciably higher; how much higher we don't know.

We do have these facts. The Dominion Bureau of Statistics brought out a study in 1960 and that showed 4,520 plans in Ontario alone and about 9,000 in the country as a whole. They were not able to get data on every pension plan. The Pension Commission which was set up under Ontario legislation had already recorded 7,518 plans in Ontario alone as of April, 1964. Now, that represented a 67 per cent increase in number of plans since 1960 but I don't think the actual increase was that much. I think that the original survey did not perhaps get all the information still it was a very substantial increase. If we look at the statistics of the Dominion Bureau of Statistics for the years 1960 to 1963, they show an increase of 34 per cent in the number of plans and employer pensions. The number of employees covered by these plans increased 19 per cent while the civil labour force was growing by 5 per cent.

Now, in Ontario 44 per cent of paid employees are covered according to the statement of last April. I would not think it was quite as high for the rest of the country, but probably they are not greatly behind. You might think that for the country as a whole, I suppose, it would be perhaps of the order of 40 per cent as compared with 44 per cent in Ontario, and this is compared with the 30 to 33½ in the United States.

Mr. AIKEN: Would you think this rather noticeable increase had something to do with the increase in discussions of pensions arising from the Ontario legislation for portable pensions and discussions of a general Canadian pension plan?

Dr. CLARK: I think yes.

Mr. AIKEN: Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you finished, Mr. Aiken?

Mr. AIKEN: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Francis.

Mr. FRANCIS: Madam Chairman, this morning Professor Clark said, if I understood him correctly, that he would like to see both the Canada Pension Plan and the old age security financed on the same basis. Which would he prefer to see, the present basis of the old age security or the proposed basis of the Canada Pension Plan of the bill before us?

Mr. KNOWLES: Or something else.

Mr. FRANCIS: Yes, or something else, Professor Clark.

Dr. CLARK: I have never liked the basis for financing old age security, Mr. Francis. It has always seemed to me illogical. I see no justification for having a corporation income tax to finance part of it. The effect of this is that there is a substantial proportion of employers who are either corporations which lose money, or are not corporations, and make no direct contributions in any way. The proportion of corporations losing money each year has been over 40 per cent according to Taxation Statistics for a few years.

Now, if employers have an obligation to contribute toward the support of employees in retirement, surely this is an obligation which rests on all employers and not just on those who are (a) corporations and (b) making a profit.

Therefore, I prefer in principle the levy which is in the Canada Pension Plan as far as employers are concerned. As far as the sales tax is concerned, and the personal income tax, I would prefer actually it if a basis such as we now have in Bill C-136 was used to finance both. If you were doing this, it might very well be that you would want to change the exemptions. I am not just sure how you would adjust the rates.

I think there is a fundamental difficulty in doing this, and that is that the Quebec Government has its own plan and its own way of raising revenue. This seems to me a major obstacle to get the two programs financed on the same basis, unless the Federal Government were prepared to say to the Government of Quebec: "You pay the Old Age Security pension as well." And I can well understand why the Federal Government would not want to take that position.

This is what creates some of the difficulties in dealing with this.

Mr. FRANCIS: I am not sure, Professor Clark, but I think we all understand some of the problems. However, I gather you feel that the present proposed financing, generally speaking, of the Canada Pension Plan is good. You approve it in so far as you feel you can. Your criticism is more directed to the financing of old age security than to the proposals of the Canada Pension Plan. Is that a fair summary?

Dr. CLARK: Yes, that is entirely fair. If I might just add one comment that I had meant to make earlier, and it is really not in relation to your question. In terms of amending the Old Age Security for the future, I think that there is a very strong case, when this is increased, for not giving double the increase to the married couple that is given to the single person.

I pointed out in an article a few years ago that in an analysis of some 26 countries there is only one other country—and these 26 are countries in the western world with which we commonly make comparisons—where the husband and wife get double the pension of the single person. In most countries the additional pension, when you have two, is between 45 and 65 per cent of the single person's benefit.

Now, while two, of course, cannot live as cheaply as one—the song-writers notwithstanding—the cost is not twice as great. I realize that the

only feasible time to make such a change is when a pension is being increased, but this problem was faced in Great Britain, by the Labour Party as a matter of fact, and was met without substantial difficulty. But this would certainly, I think, do a good deal in places where the cost of living is relatively high. It would be of more help to the individual who is alone.

Mr. FRANCIS: Professor Clark, at the risk of being a little repetitive, which I hope I am not, I have been reading through your brief and I note that on page 5 the following statement is made as a general principle:

The distribution of the cost of pensions under a government pension program should be as equitable as possible between successive generations.

This principle would suggest to me that the fairly high degree of funding in the plan is the logical extension and development of this principle. Yet, I gather that on the whole you do not think there should be any more extensive funding than is proposed in the Canada Pension Plan. Is that right?

Dr. CLARK: I made no comment about the extending of funding at all, Mr. Francis, in putting forth the first preliminary part of my brief. In the alternative I had in mind this would simply be a modification of Old Age Security which would not require any more funding than making the program self-sufficient. You may recall it was the original intention in putting through Old Age Security to earmark the separate taxes so that the program, as Mr. Abbott said, would be self-supporting. My view is that that program should be self-supporting just as I think the Canada Pension Plan should be self-supporting.

Mr. FRANCIS: Do you mean self-supporting on a pay-as-you-go basis?

Dr. CLARK: Self-supporting without contributions from the general revenue to pull the program out of trouble when it is short of funds.

Mr. FRANCIS: On a pay-as-you-go basis?

Dr. CLARK: For the type of Old Age Security program with graduated payments by age, yes. You would not need to build up more than what you might call a contingency reserve.

Mr. FRANCIS: But to the extent that you advocate, it should be as equitable as possible as between successive generations? The two are contradictory to an extent?

Dr. CLARK: I think there is a difference between providing for graduated benefits in this respect, and providing flat benefits, or benefits graduated by age. If you think of a program with benefits that are either flat or graduated by age along the lines I have suggested, then this is stable in the sense that it would take approximately the same percentage of earnings, or whatever other yardstick you use, to finance the program decade after decade as far as you can see into the future, with possible slight changes as life expectancy increases, the latter would add somewhat to the cost of benefits. Now, on the other hand, where you have a program in which the benefits are graduated in relation to age, and you put in indexing such as there is here you would expect—and I think the actuary's report bears this out—that the rate of contributions has to rise over a period of time in order to pay for the benefits. The result is that a current generation of beneficiaries will receive benefits at a lower cost than it would take to provide identical benefits for subsequent generations.

Mr. FRANCIS: It seems to me that the choice before us is either stability of rates for a projected period, in which case we must fund certainly during the period of maturity, or go on a pay-as-you-go basis, in which case the rates will change. This is our choice, is it not?

Dr. CLARK: In an earnings-related program, yes, I would say that is true, although there are different degrees of funding. Nobody has advocated full funding, but—

Mr. FRANCIS: Do you approve in general of the proposed funding arrangements in the bill before us?

Dr. CLARK: I think I do, in this sense that I do not feel that the reserves are going to be excessively large, and will not create any serious problems in the first 20 years. I am concerned that the program be maintained as self-supporting thereafter, and I would like to see a degree of funding whereby interest earnings on the fund would provide something of the order of 10 per cent of the revenues. Now, that has to be compared with the figure under the present American program, as Mr. Myers said in his evidence, of about 15 per cent as to what will ultimately happen. This compares with about 5 to 6 per cent if the advice of the recent Advisory Council is accepted. So, I am saying something of the order of about 10 per cent would be my preference in the long run.

Mr. FRANCIS: Thank you. I have one last question which is a general kind, and one that I have put to many witnesses. Do you not agree that in Canada there will always be—I think you have a paragraph in your brief dealing with it—a requirement for individual case work and services and supplementation based upon individual circumstances? This is the general role that has been traditionally assigned to social assistance, but there is a limit in terms of how far any country can provide adequate benefits on an integrated package on flat rate universal benefits and social insurance without having social assistance.

Dr. CLARK: In the general bland way in which you put that question, Mr. Francis, I am happy to agree.

Mr. FRANCIS: Well, I would like to get beyond the bland statement, Professor Clark, because I do think our responsibility here is to be satisfied. I am not being facetious. I feel that the presentations before us have failed to recognize this fact. I do not think any country can escape the need for good welfare services and supplementation based upon case work.

Dr. CLARK: I think it would be a very reactionary step, in my judgment, if we reach the point where we say that we have to do away with programs that are based on need. There will always be a place for these programs for people who, for one reason or another, do not qualify for benefits under other types of legislation. I fully agree with that.

Mr. AIKEN: I have a supplementary question, Dr. Clark. This is not one of such programs that are based on need?

Dr. CLARK: That is correct.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Knowles?

Mr. KNOWLES: Professor Clark, despite Mr. Francis' questions and your answers to them, I think I would like to ask a question in the same field, the only difference being that I am speaking to the question of inter-generation subsidization without being involved in the question of funding. If I interpret your position correctly, one of the things that makes you unhappy about the Canada Pension Plan is that it is based on the principle of inter-generation subsidization, but is it not a fact that Old Age Security does precisely that? Is it not a case of where we, who are workers today, are providing the main portion of the pensions that those on old age security are now receiving? I say "the main portion" because they through their sales tax payments are providing some as well. Is it not also a fact that when we reach old age the generation of workers of that day will pay the main portion of our old age security pensions?

Dr. CLARK: There are two points here, Mr. Knowles. The first is, as you have accurately stated it, that if you think of the resources used to pay for food, clothing, and so on, these are provided very largely for those who have ceased to work by those who are still working. That is one point.

Now, there is another point, and that is whether or not we ask successive generations to pay the same amount for the same benefit. What we are doing in the Canada Pension Plan is saying to future generations: "You must put up a higher proportion of the cost because the earlier generation did not put up enough. You must pay a higher proportion than you would otherwise". In order to prevent anything of this sort, as Mr. Francis has correctly said, the logical implication is that you would have to fund on a level premium basis so that each generation, if you like, is paying the same amount for the same benefits that would be inherent in any earnings-related plan. It is not inherent if you have benefits that are not graduated in relation to earnings. It is true, for example, in relation to Old Age Security, or if you graduate it according to age, as I suggested, with the exception of the point that I mentioned, that as life expectancies gradually increase this imposes a somewhat greater burden of greater cost on the future generations, but no one objects to that.

Mr. KNOWLES: But, Dr. Clark, has not society been graduating the Old Age Security? We are paying \$75 today as opposed to the \$40 we were paying when it first started. We are paying 4 per cent of personal income tax today with a ceiling to which I object, instead of 2 per cent when it started. Is not this generation that is now paying, paying more than the people who are now 65 were paying when it started and when they were looking towards their participation in the plan? I do not want to press it too far.

Dr. CLARK: Let me say this. If we have a flat pension of \$75, or any other flat amount, the type of financing we have now will tend to carry on in perpetuity without an increase in the rate of contributions in any given number of years.

Mr. KNOWLES: Surely, this is a postulate that you would not support. There would be no constancy in that rate.

Dr. CLARK: I am not advocating this. I am merely mentioning the mathematics of the situation. If you have a flat benefit then in order to finance any given sum of dollars you do not have to go on raising your rates of sales tax, personal income tax and corporation income tax as time goes on. Indeed, it could happen that, depending on the numbers of beneficiaries and contributors, you might conceivably need somewhat lower rates of taxes. That is entirely different from the point you have made. Of course if you raise the benefit, you have to raise the contributions in order to pay for it.

Mr. KNOWLES: Dr. Clark, I would like to ask you a question about the two-volume book known as the Clark Report. It would be less than honest of me to ask what your recommendations were in that report, because I know that it did not contain recommendations—precisely because the Government which set you to work on it did not ask you for recommendations. Is it not fair of me to ask if you do not in that report refer favourably to the idea of the Government to which you are making the report having a two-stage plan, having a plan partly flat rate benefit and partly contributor based on income?

Dr. CLARK: Let me also be candid, Mr. Knowles. When I started on that assignment I did not have an opinion one way or the other. In a typically academic fashion, I set out to present both sides of the case as best I could. I was not trying to tip the scales either way. I was—and this was in the terms of reference—to set out arguments for and against as best I could, and I was not endeavouring to go beyond that.

When I came to present my own recommendations, which I did in 1961 in this volume which I edited, "Canadian Issues, Essays in Honour of Henry F. Angus", the position which I took at that time was not in favour of an earning-related program, this was because essentially I felt that other needs were more urgent, such as raising flat benefits, introducing survivors benefits and a number of other things. I had not at that time thought of relating the benefits to age.

Mr. KNOWLES: In this same general area, I wonder if you would not agree—obviously you do, I know you do—that there is a case for a reasonably adequate flat rate benefit in the field of old age. I know you agree thus far?

Dr. CLARK: I do agree.

Mr. KNOWLES: Would you not also agree that the people of a country like Canada, on the basis that there is room for something more on top of a flat rate, have the right to the benefit of the insurance principle; and that if private insurance companies and private employers have not been able to make this right real to the great mass of the people, it is a social responsibility of the Government to make this right available? Does that not strengthen the case for the two-stage kind of plan which accords a flat rate benefit plus a social insurance scheme?

Dr. CLARK: This bill is certainly one of the ways in which two-stage pension legislation can be implemented. There is no doubt about that. I had favoured another approach, the use of the type of approach in the original Ontario act, the idea of saying to employers "You must introduce this and provide for employees", with provision for sharing the cost. I also would have relied on a Government program of the type I have been describing in my brief. As I just said, apart from this I would have relied on the use of compulsory employee pension plans, as is done in Finland under their current legislation.

Mr. KNOWLES: Actually, Dr. Clark, you have revived in my mind a question which I had in my notes which, in view of your earlier answer about your own report, I decided to cross out. It seems to me that we are getting a little different emphasis this morning from that which we got last night and I welcome that different emphasis. It may be that I misinterpreted. I thought last night you were all on the side of a flat rate benefit only and that you were opposed to the two-stage kind of plan. You have admitted that there is a favourable reference to this in the Clark Report, and you have admitted now that in the Ontario Government you have participated in drafting legislation to compel this from private employers. Is that not another way of saying that it is a responsibility of government to see to it that our citizens get the benefit of both of these arrangements, both the flat rate and the insurance principle?

Dr. CLARK: I did not refer to the Ontario type of legislation last night, simply because it did not come up at any point in the questioning. The answer to that since there was a desire for graduated benefits as well as for flat ones, what is the best way of attaining it? I think that the state has the right to act in this sphere—the right, certainly, to act, either as is done in the Canadian Pension Plan or as was contemplated in the original Ontario legislation.

Mr. KNOWLES: In other words, it is fair to take from your evidence this morning that the job of this committee is to proceed from the point that we have reached, namely, agreement on principles, but to try to improve the provision of the Canada Pension Plan and try to improve the taxation arrangements of old age security?

Dr. CLARK: I would not go so far as to suggest what I think is the job of this committee, but certainly you have pointed to two spheres in which it would be natural they would take an interest.

Mr. KNOWLES: On page 3 of your brief, at the end of paragraph 9, you say:

I do not believe that the state should widen these differences in income after retirement by relating benefits to prior earnings, as is done in the Canada Pension Plan.

This is similar to arguments that we have had from other witnesses, to the effect that we are doing more for the wealthy than we are for the poor.

I have been struck with appreciation of all those who have argued that we should not forget those who are not wealthy, those that this plan does not deal with. However, from my study of the figures, I do confess to a little impatience with the continued assertion that we are widening the difference.

I would like to put a few figures before you and ask you to comment on them. I have taken simple figures that divide easily. I am assuming single persons rather than complicate matters. A man who is earning \$1,000 in his working life, let us say up to age 70, would draw from the C.P.P. and O.A.S. a total of \$1,150—\$900 O.A.S. and \$250 C.P.P.

A man who is earning \$5,000 in his working life would get \$900 in O.A.S. and \$1,250 in C.P.P., or a total of \$2,150.

In other words, the two men in their working lives had a spread between them of \$4,000, from \$1,000 to \$5,000. Under this plan, in their retirement, one man would have \$1,150 and the other man would have \$2,150, a spread of only \$1,000. In other words, so far as Government action is concerned, the working year spread of \$4,000 is reduced to \$1,000.

If you go into the upper reaches and take one of those insurance companies presidents we had here on \$100,000, his benefit from the two plans is the same figure, \$2,150. In other words, it seems to me that this plan does the very opposite of what you ask or comment on in paragraph 9, that instead of widening the differences it narrows them by bringing up to some extent the retirement income of those in the lower brackets.

I do not for one moment defend what we are doing for those in the lower income group as being enough. I am reminded of the Canadian Welfare Council statement to us the other morning that 15 per cent of one man's income may not be adequate, that you cannot live on percentages. For the moment, I am dealing with the contention that this legislation widens the differences after retirement. I would like you to comment on my figures and suggest that Government legislation does the very opposite.

Dr. CLARK: This \$1,250, I take it, as you know, is the maximum benefit.

Mr. KNOWLES: I am taking the maximum benefit of \$1,250. I am excluding wives and escalation and all the rest, in order to make it simple.

Dr. CLARK: In the evidence that was presented talking about the differences for a person with no earnings from those of higher earnings, two points, I think, are made. One, if you take the dollar contribution that a person makes to the plan in relation to what he gets out of the plan. The dollar subsidy to the \$5,000 man is substantially greater in dollars than for the man earning at the low end of the scale. In some of the examples I have seen it is of the order of about two to one. This is a fact, I think, and you have not disagreed with me.

The second comparison is, I think, as between a flat benefit. If you take your particular example, supposing instead of having earnings-related benefits, you simply increase the \$900 or graduate it according to age, there would be no difference between the \$1,000 and the \$5,000 man. As soon as you introduce a measure of graduation, then you have the difference between the \$250

and the \$1,250 man. Now, it is true that that is a lesser difference than the difference in their salaries.

Mr. KNOWLES: But pardon my interrupting, Dr. Clark. In your brief you state:

It follows that the differences in spending levels available from private resources after retirement will tend to be relatively greater than the differences which prevailed during the working years of those individuals.

Now, your statement was that you did not think that the differences between the working years should be widened afterwards by state action.

Dr. CLARK: You really have two statements, and both of them are correct. One is your statement showing the comparison between the \$250 and the \$1,250 as compared with the \$1,000 and the \$5,000, and the other statement which I have made, which I think is also correct, which really in effect compares the \$250 and the \$1,250.

Mr. KNOWLES: I do not want to reopen last night's discussion, but you are still talking just in terms of Old Age Security at \$900. Perhaps I should not have asked that, because I am taking you away from the other point that I felt you should have come to grips with, namely, that it is not really fair to say of this plan that it widens the gap. I wish there were greater equality, I wish there were greater equality achieved in the working years. I do not like these facts, and nobody on the committee I am sure likes people to be on \$900 or \$600 a year, but as regards this plan, there are these charges that it widens the gap.

Dr. CLARK: It widens differences as compared with any system of flat rate benefits or benefits which are graduated according to age.

Mr. KNOWLES: You are now saying it widens the difference compared with something that is not before us.

Dr. CLARK: In the form of a bill, that is perfectly true.

Mr. KNOWLES: We of the committee have had a bill referred to us, a bill that provides a two stage benefit, and we have to report this bill back to the house. If you take the testimony of some people that have been before us, I felt your testimony last night was different from this morning. If we reported back that the bill be rejected because it has the wrong principle we would be pretty irresponsible if we did not recommend something in its place. I feel you have not done so. But to say that it widens the differences compared with differences that would not exist if we paid an old age security benefit of \$150 or \$200 a month is being hypothetical. What we have to face is the actual bill that is before us.

Dr. CLARK: I am quite aware that since the bill carried on second reading without a dissenting voice, the practical alternatives which you would consider must deal with amendments to the bill, and this is within the philosophy of the bill. That is why I devoted well over 80 per cent, or perhaps 90 per cent, of my brief in considering suggestions for changing within the philosophy of the bill.

Mr. KNOWLES: I know, Dr. Clark, it has been said by members of this committee that we cannot make many changes in it. I am afraid myself that because of the federal-provincial agreements involved in it we cannot make many changes, and yet that is the absolute answer. Even though everyone in the committee voted for the bill, we are still in a committee of Parliament, and if the evidence which came before us persuaded us it was a bad bill I think we would be responsible enough to say so and to report to the house.

I guess you will gather that I do not feel the evidence has persuaded us against the bill.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I presume you will recall that the Senate has not yet given this bill second reading, Mr. Knowles?

Mr. KNOWLES: I have thought of that several times, Madam Chairman. I have merely said what I said, assuming this bill passed Parliament. Your point is well taken, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I just wanted to remind you of that.

Mr. KNOWLES: But I think after senators and the other members have completed discussion in this committee, the report of the committee will be the judgment of the select members of both houses on this committee.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I trust so.

Mr. AIKEN: Madam Chairman, now that the matter has come up, and this point has been raised from time to time, I am glad to agree with Mr. Knowles that if the committee felt that after hearing witnesses for two or three weeks we felt the bill had been approached on an improper basis, the committee would be perfectly entitled to report back and ask the government to bring in something different. I think some of our witnesses have perhaps been led to feel there was no alternative, and I want to agree with Mr. Knowles on this point at the moment.

Mr. KNOWLES: If two opposition members say that, it has validity.

Dr. CLARK: If I could add one more comment. I have not said this is a bad bill. Obviously it has a great deal for a great many people. I have simply said there was a better way, I thought, of promoting the same objectives.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Anything further, Mr. Knowles?

Mr. KNOWLES: I suppose I should quit, Madam Chairman, but I am just unhappy about the fact that Dr. Clark does not give us the precise details of that either way.

Dr. CLARK: I have pointed out the principle that it would be possible with the resources available to you to get an actuary to make estimates for you. You start off at some point, say \$70, and graduate the pension by \$2 a year; it will cost you so much. If you begin at another point, it will cost you something else. If you graduate it at a different rate, the cost will be different again. However, I am not an actuary, and therefore I cannot do that myself.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It is after 12.30, if we wish to adjourn. I have only one more name on my list for questions. Would you agree to defer it, Mr. Lloyd?

Mr. LLOYD: Madam Chairman, unless there are any further questions I propose to express appreciation of the effort that Dr. Clark has made of this point. I am quite prepared to do that now, if there are not further questions.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Does anyone else wish to question?

Mr. LLOYD: May I say, Madam Chairman, that as we progressed this morning it was borne on me that Dr. Clark coming to us as an economist is obviously and quite properly, I think, drawing to our attention that in the long run we may have to re-examine the way we employ resources generally in the social welfare field. I am sure there is a wealth of information he could supply to say a tax structure committee, or to a Economic Council. I think it is in this field that a wealth of knowledge and understanding is needed and a profound and valued contribution in those segments can be made. I am sure Dr. Clark appreciates and realizes that we have a job to do well. He has offered some suggestions by way of improvement within the framework of expediency with which we are faced. I wish to express appreciation for Dr. Clark's valued contribution by the brief itself, which I think requires our most earnest reading. In any attempt to shorten an explanation of the brief we would have lost much of the great value which Dr. Clark contributed by the comments he set forth. With those comments, I am glad to move a vote of thanks to Dr. Clark.

Mr. CANTELON: Madam Chairman, might I second that motion? In seconding it, may I say it is a great pleasure to commend Dr. Clark for an extremely interesting and intelligent brief, just as Mr. Lloyd has said. I have been greatly impressed too by his conduct as a witness. Last evening he was courageous and, above all, honest in refusing to commit himself to explicit statements in certain situations.

I think too we should thank him for the exhaustive study he has made of Bill C-136 and, in particular, for the numerous helpful suggestions he has given us on the terms of that bill. This was very fair and generous, because he personally believes in a flat-rate benefit solution to the problem. Not many could or would take the trouble to do what he has done to help us in our discussion of this bill.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You have heard the motion of Mr. Lloyd, seconded by Mr. Cantelon, that a vote of thanks be expressed to Dr. Clark. Would you please express your agreement with this in the usual way?

(Applause)

Motion carried.

Dr. CLARK: My thanks for your gracious words and action.

The CHAIRMAN (*Mr. Cameron*): I do not think that the statistics Professor Clark presented to us last night were, by motion, included in yesterday's proceedings. I do not think that was attended to, but it should be done.

Mr. KNOWLES: I so move.

Mr. LLOYD: I second that motion.

Motion carried.

The CHAIRMAN (*Mr. Cameron*): Would someone kindly move that Professor Clark be paid his travelling expenses to and from Vancouver, and that he be paid a sum sufficient to cover the extra secretarial expenses incurred in the preparation of his brief?

Mr. FRANCIS: I so move.

Mr. AIKEN: I second the motion.

Motion agreed to.

The CHAIRMAN (*Hon. Mrs. Fergusson*): We will adjourn now and resume at 2.30 this afternoon.

AFTERNOON SITTING

FRIDAY, January 22, 1965.

(Text)

The CHAIRMAN (*Mr. Cameron*): Senator Fergusson, gentlemen, we have a quorum. Some of our members have gone home for the weekend, but I can tell you, Mr. Jodoin, that we have had very splendid attendance here and I know that a good many more will come in as we get on with our work.

Gentlemen, I have suggested to Mr. Knowles, and he has agreed to the suggestion, though rather reluctantly, that it would be a good idea if he were to introduce Mr. Jodoin as the President of the Canadian Labour Congress. Mr. Jodoin will then, in turn, introduce the members of the group who are with him.

Mr. KNOWLES: Mr. Chairman, it is correct that I expressed some reluctance at accepting your invitation, but the other side of the coin is equally valid; I welcome the opportunity to say a few words to the members of this committee about my good friend and brother, Claude Jodoin.

Claude Jodoin has for many years been active in the trade union movement of this country. He came into it through the Ladies International Garment

Union. He was active in the Montreal Labour Council and in due course became president of the Trades and Labor Congress of Canada. He was in fact the last president of that body before its merger with the Canadian Congress of Labour, which resulted in the present Canadian Labour Congress. He was with others very active in the moves that led to this union in the trade union movement.

He has not only been active as a trade unionist on behalf of the organized workers of Canada, but he has been active in such fields as human rights and many other matters that are of concern not only to organized workers but to all of the people of Canada.

He knows a little about our problems as legislators because he served for a while in the legislature of his native province of Quebec, and I am happy to add to all of this that I know from experience that he is a wonderful person to work with.

You, sir, said that he would introduce his colleagues, and he might say more for them than I, but I would like to say that he is accompanied by Mr. Donald MacDonald, on his right, who is Secretary-Treasurer of the Canadian Labour Congress, and perhaps I might say that, like Mr. Jodoin, he now lives in Ottawa but he came here from the province of Cape Breton Island, to which there is attached an area known as Nova Scotia.

Donald MacDonald came into the present Canadian Labour Congress through the old Canadian Congress of Labour, and he, like Brother Jodoin, played a very active part in bringing together this union of trade movements in this country.

The other two gentlemen are Mr. Andy Andras, director of the department of legislation and director of the department of government employees of the Canadian Labour Congress, and he is accompanied by Mr. Russell Irvine, a social director of the department of research.

It is a particular pleasure for me, Mr. Chairman, to have these friends and brothers here today, and I am sure that the committee will listen with the greatest of interest to the briefs which they are about to present.

The CHAIRMAN (*Mr. Cameron*): Thank you very much, Mr. Knowles. Mr. Jodoin?

Mr. CLAUDE JODOIN (*President, Canadian Labour Congress*): Mr. Chairman, first of all may I, through you, express my appreciation for the comments made by the honourable member from Winnipeg who is a former vice-president of our Canadian Labour Congress, and with the exception of Senator Fergusson I wish to serve immediate notice to the honourable members of this committee, the honourable members of the Senate as well as the members of the House of Commons, that, being a member of the Ladies International Garment Union, I wish to say that jealousy will not get you anywhere.

We are very grateful to you, Madam, and gentlemen, for the opportunity of being here this afternoon to make a submission to your Special Joint Committee of the Senate and House of Commons on the Canada Pension Plan. I presume that it is unnecessary for me to make a long comment on this subject matter. You have received our submission, and, if you agree, Mr. Chairman, by way of saving time our director of the legislative department, Mr. Andras, will give a résumé of the document itself. I presume in our way of our life, the democratic way of life, through you the authorization of the questioning period will certainly be an order, probably not on both sides but on one side, certainly, through the function which you do perform.

(*Translation*)

Mr. Chairman, I want to thank you and especially to thank the member for Winnipeg-North-Centre for his comments, and to tell you simply that, as you had our brief in advance—French copies are available to you—it is

certainly not necessary for me to comment at any length on the subject matter of it, unless during the discussion which will probably follow. I am certain that the members who are not here today are absent for very good reasons and they will certainly be informed of the brief we submitted. Therefore I would ask my colleague, Mr. Andras, to be good enough to present a summary.

(Text)

I will now ask, with your permission, Mr. Andy Andras, director of our legislative department, to make a few remarks.

The CHAIRMAN (*Mr. Cameron*): Mr. Jodoin, I might say that your suggestion is in accord with our usual practice here, and I assume that you know that your brief will be printed in full as an appendix to these proceedings.

(Translation)

Mr. CÔTÉ (*Longueuil*): Allow me, on behalf of the French-speaking members of the Committee, to thank your Canadian Labour Congress for their tact in presenting your brief in French and English.

Mr. JODOIN: May I be allowed a word, Mr. Chairman? I would like to point out that that is both a principle and a constant practice with our central union.

(Text)

The CHAIRMAN (*Mr. Cameron*): Mr. Andras, and the others, when you are talking we anticipate that you will remain seated. It is not necessary for you to stand.

Mr. A. ANDRAS (*Director of Legislation, Canadian Labour Congress*): Mr. Chairman, members of the committee, and Brother Knowles, I am going to make what I hope will be a brief resume of our submission which has been in your hands for two weeks, I think.

I should like to say at the start that in general the Congress concurs with most of Bill C-136 as we understand it. I say most because the bill contains a number of principles. Those that we read into the bill are a wage-related system of old age security for the great majority of the members of the labour force and the self-employed. There are disability benefits for those who participate as contributors. There are survivors' benefits and death benefits. The scheme also contains the principle of contribution by self-employed, and it includes an element of funding, and it is anticipated that the scheme should be financed exclusively from contributions and earnings on contributions, and finally it includes an amendment to the Old Age Security Act.

In actual count there are number of reasons why we support this bill. To our mind it is a very important addition to the social security structure of our country.

In the first instance it provides a wage-related retirement benefit, though on a limited scale, as we will bring out in due course.

Secondly, it will provide protection for those who have no other arrangements for old age security apart from the old age security benefit. The third point, and to us an extremely important point, is the fact that the benefit is completely portable throughout the country, unlike the situation with respect to private pension plans.

Still another element that causes us to support this measure is the fact that there are automatic adjustments of contributory earnings so that the pool of the plan itself will keep pace with changes in the economy. It is based on what we would call in a private pension plan a final earnings type of calculation. It provides for protection to some extent against inflation following retirement. It enables the retired worker to earn some money after retirement. It allows the old age security benefit to be applied for at an age earlier than 70, although at a reduced rate. Finally, there is a bias in the legislation in favour

of those employees and self-employed who are at the bottom of the income scale—the very low-paid income group in the labour force.

I would not like to give you the impression on behalf of our Congress that we are depreciating the value of the old age security act. We consider that to be a very valuable piece of legislation in spite of what we consider to be its deficiencies, but we would point out that it has certain disadvantages, one of them being the fact that it pays a flat rate benefit which is related to what the social sciences would call "average need" rather than being related to the need of the beneficiary. We recognize, however, that the Canada Pension Plan will be superimposed on the old age security act, so that the old age security act will become the substructure, and we will have, in effect, a double-deck program of old age security under public auspices.

In our consideration of Bill C-136 we have naturally had to keep in mind the fact that there are in Canada a number of private pension plans, and that a considerable number of workers are members of such plans or, at least, are employed in establishments where such plans are in effect. However, as we point out in our brief, there is still a very considerable number of employees who have not come under private plans, and there is a very strong likelihood that they never will because of the nature of their employment. Even those who are covered by private pension plans too often fail to understand the benefit that the plan holds out, namely, a pension by virtue of the vesting and its other restrictive provisions. Our position, as a Congress, is that the private plans would extend, as they exist, to supplement the public program rather than the other way around.

In our submission to you we have made reference to the business of integration of private plans with public plans, and we make the point that the term "integration" is a euphemism, and that in a great many instances integration will merely result in an offset whereby a worker whose pension plan will be integrated will be no better off as a result of the Canada Pension Plan than he was before, or if he is better off he will be only fractionally so.

Now, we have listed what may seem to you a considerable number of reasons for supporting this bill. We must point out, however, that the Canadian Labour Congress has a number of reservations about the bill because it feels it has some important shortcomings. The first of these is the fact that the ratio of benefits to earnings—that is, the degree of wage-relatedness—is relatively low. Once the transition period is overcome the ratio of benefit to previous earnings is set at 25 per cent, and all that is subject to an income ceiling. We think that 25 per cent is an unduly low ratio.

Secondly, we find that the plan envisages the establishment of a fund and, according to the evidence that we have been able to examine, the fund should amount to some \$4 billion at the end of the ten years, and at the end of 20 years, according to the Minister of National Health and Welfare, to about \$8 billion. Not only is the plan funded, but, in our opinion, unnecessarily so. The very fund itself is being created in a manner that is inequitable. It imposes an unjust burden on those with relatively low income, and is too liberal to those who have relatively large incomes.

It is in the nature of social insurance schemes of this sort to be regressive, and we find this particular scheme to be regressive as well. Finally, the supplementary benefits are too low, and inevitably they must be too low if you agree that the standard benefit is low, because the supplementary benefits are fractions of the standard benefit.

It is our view that the 25 per cent ratio of benefit to earnings is too low, even when the old age security benefit is excluded, to preserve the living standards to which the beneficiary had been accustomed at the time he was in the labour market.

We believe that the benefit itself should bear a greater relevance to the previous standard, and should also be relevant to the expectations of people in our kind of society—in our highly industrialized type of country with a relatively high standard of living.

In our brief we point out to you that in a number of other countries which have similar social insurance programs for old age security the ratio of benefit to earnings is considerably higher.

With respect to funding it would appear on the basis of the evidence that the 1.8 per cent on the employee and the employer respectively, or the 3.6 per cent on the self-employed, is excessive since it will create, according to the actuaries' calculations, a fund of some \$4 billion by 1976. It is our view that a program of this sort, maintained under public auspices and through a system of taxation does not require funding in the sense that a commercial plan of retirement would require funding. In our brief we indicate the distinctions between public and private insurance, and for the sake of time I will not enter into them here.

We should understand the need for a fund, which is to provide for unforeseeable contingencies and, to some extent, to provide for a level premium over a period of time, but we are disturbed by the fact that this particular fund is drawn in very large measure from those least able to make contributions to it.

I have already pointed out that we consider this plan to be regressive, and we think this is emphasized by the nature of the proportional tax—the flat tax of 1.8 per cent—and by the fact that there is a cut-off of contributions at the \$5,000 mark. In our brief at page 17 we set up a purely hypothetical table of the contribution rates on annual earnings of \$1,000 to \$10,000. We have shown them in dollar amounts and as percentages of total earnings. We find that after the \$5,000 mark is reached the contribution at \$5,000 is 1.5 per cent of earnings, but thereafter it diminishes and at the \$10,000 mark, which is the top figure we have used in our table, the contribution amounts to slightly more than $\frac{1}{3}$ of 1 per cent.

In our brief we quote from Professor Margaret S. Gordon of the University of California, and we use a quotation from her in support of our statement of the general regressiveness of such programs. We also draw attention through another quotation from Professor Gordon, to the desirability of a contribution out of the general revenues into the Canada Pension Plan fund. We feel that such a contribution would serve to mitigate the regressive features of the Canada Pension Plan.

It is worth noting, Mr. Chairman and members of the committee, that a contribution of this kind is embedded in the Unemployment Insurance Act. Under that act there is a ratio of 50-50-20—that is to say, for every dollar jointly contributed by the employers and the insured employees the Government contributes 20 cents, so that the Government, in effect, is paying one-sixth of the total moneys that go into the fund.

We have not submitted to you any suggestion as to the quantum of the Government contribution, but we draw your attention to the desirability of such a contribution.

I might add on this point that our brief indicates that in a number of other countries around the world there is a Government contribution built into the legislation.

In so far as the supplementary benefits are concerned, we have already stated that in our opinion they are too low, but we have drawn your attention to still another problem and we think this one merits investigation even if Bill C-136 is passed and begins to operate, because of its importance. It would appear to us that there may be a conflict or a cross-purpose between the

administration of the Canada Pension Plan, its primary benefits and supporting benefits and the various social assistance programs which are now in effect in the various provinces. This is a matter of concern which we think should engage the attention of the Government of Canada and of the various provinces. In our submission to you we have suggested that there be a dominion-provincial conference to investigate this particular matter to see that there are no conflicts or, at least, if there are any, how they should be ironed out.

There are two or three other problems that we think deserve comment. One of them is the business of retiring at an age earlier than 65. The Canada Pension Plan contemplates a very long attachment to the labour market for the purpose of attaining retirement benefits. It assumes that contributions will begin at age 18 and will end at age 65 or perhaps later, but for our purposes I have taken ages 18 to 65 inclusive as the norm.

However, in this country there is a considerable number of workers who for one reason or another retire at an age below 65. One illustration we use in our submission is the professional fire fighter who is employed in the various municipalities of Canada. Typically, they retire at age 60. There are a large number of women covered by pension plans for whom the normal retirement age is 60. Amongst school teachers, for example, age 60 is also a common age for retirement.

For those employees who retire at 60 and cannot draw their Canadian retirement pension until age 65 there is a problem of five years and we think this is a matter worthy of your consideration.

There is a problem at the other end of the age scale. There is very strong encouragement being given now as a matter of public policy to prolongation of the educational process. We are encouraging our youngsters to stay in school as long as possible. We are encouraging workers to submit to retraining. Accordingly, the span of 18-65, in so far as future years are concerned, may not be the span at all. It may be 19, 20 or 21 and it may end at 60 instead of 65. In fact, the technological changes that are occurring under our very noses may underline a tendency towards a lower normal retirement age than 65 and this may in the near future pose a very serious problem for the Canada Pension Plan.

It is worth noting that in some of the trade unions affiliated to the Canadian Labour Congress provision is made in the pension plans for retirement as early as age 62. Such people would of course face a problem under the C.P.P. in that they would have to wait an additional three years before they could draw their benefit under that program.

We have already stated that we agree with the principle of escalation in the bill but we think it is not as full a protection against inflation as we would like and as may be desired. The maximum amount in any year is 2 per cent, yet it is possible for the consumer price index—or the pension index, as it is called in the bill—to go up by more than 2 per cent and if there is an inflationary spurt for a number of years, the people on retirement benefit may find that they are falling behind.

We were interested in the statement made by the Minister of Health and Welfare that, when this bill was being considered, an alternative to escalation was in the minds of the Government. The alternative was that the pension should keep pace, not merely with the changes in the prices of goods and services but keep pace with the change in the standard of living in the country as expressed through changes in wages and salaries. We are bound to state here that we find the alternative which was not chosen by the Government the more attractive alternative. In our brief we point out that on the average a person who reaches age 65 has a life expectation of about 14 or 15 years. The male has an expectation of about 13 years and the stronger sex an expect-

tation of about 15 years. Therefore, taking it on the average, we may find that the men and women retiring at age 65 on the retirement benefit, will find the pensions getting further and further away from the living standards enjoyed by the rest of the community. The reason is that while the retirement benefit will be preserved in terms of price change, it will not be preserved in terms of living standards.

It is quite conceivable that in 13, 14 or 15 years span, especially in a time of economic activity, there may be major changes in our living standards. I have been trying to think of an example in my own case and in my own lifetime. When I was a youth, for example, which now seems a long time ago, the telephone was considered very much a luxury. My family did not have a telephone for a very long time. Now it is not considered a luxury, it is part and parcel of the standard of living. The same applies to radio and television. It is quite possible that in the retirement span of the beneficiary, some new desirable material good or some new service may come on the market, which should be part of their lives but which may be denied to them because their retirement benefit precludes it.

Accordingly, we would ask you, in your considerations, to go back to what the Minister of Health and Welfare said to you and consider the desirability of the alternative which was set aside.

In regard to the Old Age Security Act, this bill will, when enacted, provide that an applicant will be able to make application for the old age security benefit as early as age 65 or any time between age 65 and 69 but at a reduced rate. The formula is contained in the bill and I need not deal with it here.

We have given that rather careful thought because for many years we have advocated that the old age security benefit should be payable at age 65. Now we find ourselves in the situation where it will be, but anybody who wants to take it at age 65 will forfeit for the rest of his or her life \$24 a month, if I recall correctly. This is a very sharp reduction. We find that the amendment comes at a time, and applies to people who are not likely to enjoy the benefits of the C.P.P., because it will be made universally applicable to those reaching age 65 whether they have been on the labour force or not. Therefore, we are doubling the trouble. We are troubled at the reduction, we are troubled at the fact that the reduction will be applicable to people for whom \$75 is not sufficient and who may now be put in a position of having to apply for \$51.

It is our view that, particularly during the transition period, but also as a generality, the \$75 a month benefit should be retained and should be made available at age 65, certainly for those who do not fall within the purview of C.P.P.

We are not convinced that the \$75 a month is an adequate benefit for those who have to rely on it for their livelihood for we believe that the amount of benefit under the O.A.S. Act should be reviewed by Parliament and a higher figure would be in order to maintain the health and decency standards for older people.

Another aspect of the amendment to the Old Age Security Act is the fact that there is built-in escalation there also. We do not object to the escalation. We have been accustomed to it in our collective bargaining processes. What we are frightened of is the fact that the existence of escalation may serve to freeze the benefit itself because there will be an easier rationalization that the older people are being looked after and their purchasing power is being retained; but if the pension plan is inadequate, the escalation will merely preserve an inadequacy. Therefore it is necessary to underline the necessity of periodic reviews of the old age security benefit by Parliament. This is merely a repetition of what we have said in representations and submissions to various governmental levels once a year.

I wish to swing back now into the Canada Pension Plan for my final point. In our submission, we have not dealt with the technicalities of the bill as such. We have dealt with its principles. There is one area of technicality that has caused us concern, namely, that dealing with the appeals procedure. We are not very happy with the appeals procedure as we read it in the bill. We are very much afraid that those beneficiaries who feel that injustice has been done them will be so overawed by the procedure and by the complexities of being represented on appeal or review boards, as they are called, that they will not take advantage of what is their right to a day in court.

We suggest that a more flexible procedure is in order. Since we have an abundance of experience now with regard to the Unemployment Insurance Act and its boards of referees and its umpire, we are recommending to you that the bill should be amended or modified in this respect to provide for a more flexible system of appeals. This will allow for local boards of review, where claimants will appear before tribunals with which they are familiar and at which their contributor representatives or employer representatives will attend and where they will not be overwhelmed by a sense of appearing before judges of the high courts. After all, the vast majority of the people in this country are not accustomed to such formal procedures, and in a system of social security which will embrace several millions of people the appeals procedure should be so simple that the vast majority of them should have no hesitation in using them if it seems that they have reason to do so.

Thank you Madam Chairman, Mr. Chairman and members of the committee for listening to this presentation.

The CHAIRMAN (*Mr. Cameron*): Thank you, Mr. Andras. Members who wish to ask questions are in this order: Mr. Munro, Senator Donald Smith, Mr. Francis, Mr. Leboe, Mr. Aiken, Mr. Lloyd. Does anyone wish to add his name? Mr. Knowles, Mr. Basford and Mr. Cantelon. Undoubtedly others will come later on as we go along. Mr. Munro, first.

Mr. MUNRO: Thank you Mr. Chairman. As one member of the committee, I wish to commend the Canadian Labour Congress on their very constructive and helpful brief with respect to the Canada Pension Plan. They have brought out many points in a constructive way that do tend to rebut to a considerable degree many of the submissions that have come before the committee. In that way, I am sure they have been very helpful in pointing out the other side. I notice that the Canadian Labour Congress does deal with the regressive aspect of the Canada Pension Plan in some detail. I wonder if they could advise me and the committee or give any suggestion as to how in the Canada Pension Plan this regressive aspect they talk about in the brief might be overcome?

Mr. ANDRAS: Mr. Munro, we might suggest that one is to change it from a self-financed system by those covered and the employers, one in which there is a contribution from the general revenues of Canada. In that case, money would come in from people through a progressive income tax, and those in a better position to pay would be paying where they pay relatively little under the Canada Pension Plan. Another way, of course, would be to have a variable contribution rate, or to raise the ceiling for contribution purposes so that there would be a higher contribution by those of higher incomes.

Mr. MUNRO: Are you in effect recommending any of these measures, or are you saying you have any preference for any one of them?

Mr. ANDRAS: The one specifically recommended in our brief is a contribution from general revenues of Canada.

Mr. MUNRO: But without reflecting this element on the Canada Pension Plan, would you accomplish your same end by future increases in the old age security, if they should be contemplated by the government?

Mr. ANDRAS: I am sorry, I do not think I understand your question.

Mr. MUNRO: By future increases in old age security, would this not go to a considerable extent to accomplish this idea with further public participation?

Mr. ANDRAS: Unfortunately, Mr. Munro, the old age security itself is regressive in the way in which it collects the taxes for this particular form of benefit. There is a cut-off at \$3,000 of taxable income, regardless of the taxable income, so that on the first \$3,000 everyone is paying 4 per cent, and everyone over \$3,000 paying a diminishing ratio.

Now, what the old age security benefit does, because it is a flat rate benefit, is to favour those with lower incomes relatively more than those with higher incomes. In our submission we make this point, as a matter of fact, in an illustrated table on page 7. For the person who is unfortunate enough maybe to earn \$100 a month, is married, and draws the full old age benefit at 65, the benefit would be 127 per cent of earnings, and as you see this diminishes as the income goes up. Now for low income earners any increase in the flat rate benefits is proportionately more valuable than those with the higher incomes.

Mr. GRAY: May I ask a supplementary question? Is it not correct that there is no maximum income on which the old age security tax is applied for corporations, under our present system?

Mr. ANDRAS: Well, there is the 4-3-3 formula, that is, 4 per cent on taxable income, 3 per cent on corporations, and 3 per cent out of the 11 per cent they pay in sales tax. Setting aside the corporation tax, you have two regressive taxes, right off the bat.

Mr. MUNRO: I wondered if you did not feel that this regressive feature was related to some extent to some features of the Canada Pension Plan, such as the present exemption of \$600?

Mr. ANDRAS: In our brief we point out that there is a built-in bias in favour of the very low income worker for \$600 exemption for contribution purposes, but it is counted for benefit purposes. So the unfortunate person in our society who has to live on \$1,000 a year of income has a bias built in the bill on his behalf.

Mr. MUNRO: So to that degree, that feature does militate against the regressive aspect?

Mr. ANDRAS: Mr. Chairman, if I have your permission, I would like to refer to a greater authority on this than I, one of the outstanding social scientists in the industrial world. I am referring to Professor Eveline M. Burns. I want to read about four sentences from page 159 of her book entitled "Social Security and Public Policy."

The tax on wages and self-employment is a regressive tax: there are no exceptions by reference to any minimum income or to extent of family responsibilities, also the rate is uniform whatever the level of earnings up to the taxable minimum. Hence it has been held that to require the beneficiaries as a class to pay for their own security, especially when the tax is levied only on the first so many dollars of income (\$4,200 in OASI), is to require the relatively poor to pay for current security guarantees and is contrary to prevailing theories of social equity. Although in some systems where benefits are weighted in favour of the lower wage earners the non-regressive character of the system as a whole may be somewhat modified, it still remains true that the method of financing, as such, is regressive.

Now, what it amounts to is that our system mitigates the regressiveness, but maintains the regressiveness, if I can put it in those terms.

Mr. MUNRO: There are a couple of other features I would point out for your comment, whether you felt also some of the wage levels militated against this element, whether you felt the 10 per cent drop out had any effect on this element in the Canada Pension Plan?

Mr. ANDRAS: Well, 10 per cent drop out I do not think alters the regressiveness. What it does is to help to relate the ultimate benefit more closely to the final earnings position of the claimant for the benefit. The drop out will allow the drop out of the bottom years. It is 10 per cent drop out. We have allowed 47 years of work. So that it is approximately a five year drop out and then there is an additional one beyond 65. I note that Mr. Osborne signifies that I am correct. In addition, there is a formula of updating the wage. This caused the Canada pension benefit to approximate what is known as a final earnings formula in private pension plans. It is a rather complex formula, as the legislation has it, but generally speaking this is its objective, if we understand it correctly.

Mr. FRANCIS: If I may ask a supplementary question: Let us take the case of a student, whose earnings pattern varies, if he uses the drop out provisions, would it not tend to mitigate to some degree the regressive feature?

Mr. ANDRAS: If you take a young man who works in the summer months, a student from 18 to 21, or even aged 23, his earnings may be enough to make a contribution but he would be excluded by virtue of the exclusion of the act.

Mr. FRANCIS: If he doesn't earn anything?

Mr. ANDRAS: Then the drop out helps him.

Mr. FRANCIS: But obviously it could be of more assistance to people with some years of earnings?

Mr. ANDRAS: Yes.

Mr. FRANCIS: And to some extent it would be in the category of not being a regressive feature, perhaps a redeeming feature?

Mr. ANDRAS: It is a redeeming feature.

Mr. FRANCIS: That is true.

Mr. MUNRO: And you could carry it even further, as in the case of the income of \$5,000 compared with earnings of \$2,400 or \$2,500 a year or the average worker in that general class, perhaps \$3,000 a year. Over their earnings lifetime \$3,000 a year would be far more susceptible to seasonal adjustment, layoffs, and so on, probably many of whom would be unskilled. They would benefit to a greater extent, wouldn't they, than those earning twice as much up to the \$5,000 range?

Mr. ANDRAS: The dropout will help them to the extent their employment is irregular. To the extent their earnings are as low as you suggest, as an illustration, their benefit, no matter what you do to it, is going to be in absolute dollars a very low benefit. I was going to say this, and if I seem to be moving away from your point, I hope you will forgive me: The point I would make, and that we would make as a Congress, is that any system of social security must be considered in the framework of the economy as a whole. It will be as viable as the economy itself. If we were to lapse into the kind of experience I had the misfortune to know when I left school in 1930, and go through 10 years of depression, the Canada Pension Plan would not have a great deal of merit in the eyes of the people. But if we can carry ourselves forward into the kind of economy the Economic Council of Canada is envisaging, the Canada Pension Plan will be a most valuable form of social security to our people. I think we must bear this kind of thing in mind.

Mr. MUNRO: I was interested in your statement that—and I realize it—you do not live on percentages, as been said here on several occasions. But it is interesting to note that in the \$2,400 range, which we all acknowledge is below subsistence level pretty well, there the benefits, including O.A.S. for a man and his wife, say, 67½ years old when they retired—which is reflecting a lower old age security than 75—it would be \$176 or 88 per cent. Of course, the percentages drop as you go up, as I know you are well aware. I think that is at least indicative of a trend in the plan, to indicate that the benefits at least in the lower income levels are not substantially falling away or falling down from the average earnings during a man's lifetime.

Mr. ANDRAS: What you say is mathematically correct. We took a gross example of a person actually being better off in retirement than at work, if he had been earning \$100 a month. According to our illustration on page 7, he and his wife would enjoy 127 per cent.

Mr. MUNRO: I thought that was a little too extreme.

Mr. ANDRAS: All right, then take a man earning \$200 a month, who will get 76 per cent. You yourself said one does not exist on percentages, but that it is income that counts. What we would say simply is this, that anybody who has been living on \$100 or \$200 a month, and supporting a spouse on that, is not getting enough for what we call a healthy and decent standard of living. We think the combination of the Canada Pension Plan and the Old Age Security should aim at providing that minimum which will maintain health and decency as we call it, or what the Americans call a modest but adequate standard of living on retirement.

Mr. MUNRO: A couple of other areas I want to touch in this regressive feature. To a degree it has already been dealt with by Mr. Andras—

Mr. ANDRAS: I am sorry, but I missed you.

Mr. MUNRO: Another area in this regressive discussion I wanted to mention—and to a degree it has already been dealt with by yourself—was this business of Old Age Security, but certainly in the lower income groups, within the \$5,000 bracket, the Old Age Security is a considerable weighting factor in favour of the lower income groups.

Mr. ANDRAS: In both the Canada Pension Plan and in a combination of the Canada Pension Plan with the Old Age Security the existence of the flat rate benefit, like the \$25 a month for the disabled, widows and so on, works out more favourably percentagewise for those with low incomes than for those with high incomes.

Mr. MUNRO: To that degree it would also militate against the regressive feature, even taking into account your comments with respect to the source of revenue to maintain Old Age Security, especially in relation to the lower income group.

Mr. ANDRAS: I would love to be agreeable with you, but I still have to argue there is a regressive aspect to this act which the flat rate benefit may mitigate, but does not set aside.

Mr. MUNRO: I do not know whether it is specifically referred to in your brief, but when you discuss the source of funds of the Old Age Security, my understanding—and I would not mind the advisor to the committee telling me, if he is aware of the particulars, and this is very short notice—but the Old Age Security fund has been running a deficit, I understand, for a goodly proportion of the years in which it has been in operation. This deficit has been made up out of general revenues. That being the case, I would also think that should be an item that should be considered when we talk of this regressive element. I am not positive as to the precise amount of the deficit

that has been made up. Through you, Mr. Chairman, I wonder if Mr. Osborne knows.

The CHAIRMAN (*Mr. Cameron*): Mr. Osborne usually has the information.

Mr. KNOWLES: Give him two minutes!

Mr. OSBORNE: Would you mind repeating your question?

Mr. MUNRO: I want to know about the difficulty in regard to the Old Age Security fund. To maintain the benefits under the Old Age Security, year by year, what infusions have been necessary by the Government?

Mr. OSBORNE: I believe this information is in the Proceedings, around page 100.

Mr. KNOWLES: That's our boy! This is our Andy Andras.

Mr. OSBORNE: Page 99. Mr. Chairman, this gives the information only for the years 1960 to 1964, in which it shows: two years, surpluses; three years, deficits. Now, I believe Mr. Francis quoted earlier in the Proceedings, 12 years of deficits.

Mr. FRANCIS: No, 10 years of deficits and two years of surpluses in the first 12 fiscal years of operation.

Mr. OSBORNE: The two surplus years were 1961 and 1962.

Mr. FRANCIS: Yes, that is correct.

Mr. MUNRO: I just wanted to bring out the fact that point is a feature.

Another one I wanted you to comment on, in this general area too, is that of employers' contributions to the Canada Pension Plan. It has been brought out by various organizations that have come before this committee that they feel it is rather unfair to the employers that their contributions are, in fact, a payroll tax. In many cases, due to administrative considerations, it is impossible for the federal Government to make any refunds in cases where, if it was not for the administrative problems, refunds could have been made; and their contributions towards maintaining the Canada Pension Plan on an overall basis is greater than that of the employees' contributions. I wonder if you felt this aspect and the overall aspect of the employers' making half of the contribution did also militate against the argument about it being regressive?

Mr. ANDRAS: I do not think so. Of course, we do not represent the employers here. This business of the employer making what may be an excessive contribution has been brought to our attention. Some employers' organizations have been kind enough to draw this problem to our attention, Mr. Munro. At least, somebody phoned us and we discussed it over the telephone. I want to be perfectly candid with you. This act calls for a 50-50 split. If it isn't 50-50, purely because of administrative reasons, then we think it is unfortunate that the policy set out should not be fulfilled. If it is a matter of public policy that the employer should pay more, the act should say so in so many words. For example, the Workmen's Compensation Act calls on the employer exclusively to make a contribution. The Unemployment Insurance Act calls for a 50-50 split. We, as an organized labour movement, are not particularly interested in "backdoor" arrangements whereby employers will overpay. If the Government of Canada is as smart as we believe it is, they will overcome these administrative obstacles in due course. We have the highest admiration for the public service of Canada.

Mr. LEOBE: A supplementary question, and this is purely and simply a question to the C.L.C.: Do you think the time has come when some research should be done with respect to having the employers pay to the employees the amount that is normally put in as an employer's contribution; and then let the employee have full control over the funds, because is it not more or less psychological anyway? It is just a withholding tax from the employer.

All he is doing, really, is withholding paying it as a contribution, because it is really for the employee.

I was wondering if the time has not come when some research ought to be done with a view of getting to the point where the employee gets all the money and pays it all so that he has full control over the contributions.

Mr. ANDRAS: He would not have full control, not if there is a statute which says that he has to pay it to the Department of National Revenue, or wherever it is going to go. It is a matter of public policy in a number of items of social legislation like unemployment insurance, Canada Pension Plan, the workmen's compensation, that coverage for certain groups should be mandatory. There is no option under the circumstances and therefore it becomes a matter of administrative convenience how to obtain the premium, and a matter of public policy as to who should pay the premium.

And, psychology apart, if there is to be a proportional tax to maintain the Canada Pension Plan, and it is a matter of public policy that it should be on the employer and employee in like amounts, then our experience would indicate just from the way we collect income taxes that the best way to do it is through a check-off through the employer.

Of course, I am not dealing here with self-employed. We will have problems in this regard. I am talking about those members of the labour force who are wage and salary earners, and then the method envisaged by Bill C-136 is the method adopted so far as I know the world over to collect taxes of this kind.

Mr. LEBOE: My question was merely suggesting that possibly there was an avenue here for some research in getting the contributions brought in to a position that did not rest on psychology to a great degree, but, and I am speaking as one who was an employer for 13 years, though of not a very large group of individuals, the money we paid out in unemployment insurance was really a holdback from the employee. It did not belong to the employer. We paid it in and said it was the employer's contribution, but we did not pay it in in any other way than just as a holdback of the employee's actual wages.

I felt that there was room for research, and I really wanted to find out from you if there was not room for some research in this regard to make it much simpler all the way through as far as the Canada Pension Plan is concerned, U.I.C. and some of these other measures, to push for something of this nature.

Mr. ANDRAS: Well, I wouldn't quarrel with you about research. But I do think just offhand, since I am not in a position to give it a great deal of thought here, that what you have in mind would probably make the administration of the act so excessive as to make it an unfeasible procedure. It would defeat the purpose of getting automatic coverage of those specified to be covered.

Mr. LEBOE: You don't think it could be accomplished even though the whole thing was taken away from the employee's cheque but was actually shown as his contribution and not the employer's?

Mr. ANDRAS: It would perhaps—and I am going to coin a word here—be an "honest" approach to taxation than is the case at the present time.

Mr. LEBOE: That pretty well answers my question.

The CHAIRMAN (*Mr. Cameron*): Mr. Munro.

Mr. MUNRO: Mr. Chairman, I think that Mr. Andras commented on this aspect of the employer's contribution. I was intending to emphasize not, I would think, the minimal gains which are involved in any event through this administrative difficulty, but rather the overall area of employers across Canada today having to pay, on a \$5,000 maximum or less, half of the total contribution. I was wondering whether that whole concept of employees paying half, on wages from \$5,000 and less, was not in effect progressive rather than regressive and should be considered as such.

Mr. ANDRAS: Well, no. I don't think the fact that the employer is doing it makes that difference. A proportional tax—this is what the specialists call it; I learned the word only last year—this flat rate tax, to use simple words which I can understand, is an inherently regressive kind of tax where you have a ceiling on the taxable amount.

Mr. MUNRO: Finally, Mr. Chairman, I wanted to get Mr. Andras' comment on this, and I am looking at his chart on page 17, and I notice that the ratio of contribution as to total earnings climbs to \$5,000 and then diminishes after \$5,000. Of course, it diminishes obviously starting at those incomes over the ceiling, but it does progress steadily up to the \$5,000. But when you are considering this in terms of \$1,000 up to \$10,000 and so on up to \$20,000 and \$25,000 and \$50,000, do you not feel that the progressive taxation under the Income Tax Act also should be considered as militating against any type of regressive feature.

Now, I noticed your comment, which I think was on page 17, about five lines up from the bottom in your paragraph 27 concerning a system of progressive taxation, such as the income tax is supposed to be. I thought you would probably have some comment on my comment that I thought the Income Tax Act would militate against it being regressive.

Mr. ANDRAS: Just about a year ago I submitted a brief to the Royal Commission on Taxation, in which we argued that our Income Tax Act which is ostensibly progressive is insufficiently progressive. Of course I would be glad to file a copy of that brief with your committee and save our time here, but we don't think that the Income Tax Act was steep enough. We think that there is too much of a spread at the top of the range.

Mr. MUNRO: Thank you.

The CHAIRMAN (*Mr. Cameron*): Senator Donald Smith.

Hon. Mr. SMITH (*Queens-Shelburne*): Thank you, Mr. Chairman. I hope you will permit me to say first, Mr. Chairman, that most of us, perhaps all of us on the committee, were very pleased to learn from reading the brief of the Canadian Labour Congress that Parliament is on the right track when it has presented a specific bill under the name of the Canada Pension Plan, and that there is agreement in principle to the effect that we should have such a plan. Our hopes in general are that it will be in effect by January 1, of 1966. It is also very interesting, of course, for us to have learned the other day from the submission by the Canadian Manufacturers' Association, who represent industry, as you know, with employees numbering over one million such as your number apparently is, that that association has taken a similar stand on the principle of the bill. Like you, they have suggested certain things for us to consider in the way of possible amendments to the bill and, of course, Mr. Drury was very helpful to us.

The third thing I would say is that it pleases us today to learn that Ontario will be part of the Canada Pension Plan, which removes any doubt of the national character of our plan now.

That is not in question, Mr. Chairman, but I have heard longer statements than that on it.

I am particularly interested in the subject of integration and I noticed that you make some reference to it in paragraph 17 of your brief, and I think it is evident to us all that the word "integration" means different things to different people.

In your reference to it you did say this:

...an examination of the current discussions on integration indicates that what is actually meant is some arrangement whereby the benefits under private pension plans are to be reduced, at least in terms of future service benefits,...

And so on. Have there been some recent current discussions, apart from the discussions within the committee, that would lead you to believe that that is the general understanding of the meaning of the term "integration"?

Mr. ANDRAS: Well, Mr. Chairman, I was very fortunate, through sheer coincidence, that just about a week or two weeks ago a local union president came to my office. He works for a firm which is one of Canada's very large firms. I don't think it is important here to give the name, and he said that they had recently been in negotiations, and the employer had laid two pension plan matters on the table. One was the amendment required under the Ontario Pension Benefits Act, which I told him was purely routine—the company had to observe the law, and that was all there was to it—and then the same firm put on the table the second document, of which I have a copy here. It is entitled "Proposal of Pension Plan Revisions", and this has to do with the Canada Pension Plan. The company is suggesting the kind of integration that we describe so briefly in our submission. They have two examples which are rather interesting to me, and I will give them to you. They take the example of an employee who had had a \$3,000 benefit per annum without the Canada Pension Plan. They then integrate, and they show that as a result of integration he will retire on \$3,050, or he will get an extra dollar a week.

They have a second example which is rather more splendid. The employee who would have retired on \$2,500 will retire with the Canada Pension Plan integration with \$2,750.

Mr. BASFORD: What happened to the contribution in those examples?

Mr. ANDRAS: What happened to the contribution rate is that it remains the same, but the amount of wages upon which contributions are made is reduced. In the first example it was 5 per cent of \$5,000 for the status quo, and then it became 5 per cent of \$3,000. The significance was, as I indicated, that the net result would be \$50 a year more in benefits.

Now, we have reservations about this sort of thing, especially if it is a unilateral decision by the employer, but we are not here discussing collective bargaining principles. What we are discussing here is what happens in a firm which has a private pension plan which may be inadequate so far as a considerable number of employees are concerned, because they may have short service or the pension plan may have been late in coming in, but the employer is interested primarily in cutting his costs. He engages in so-called integration, and the result of the introduction of a public program is of no significant value to the employees concerned. Where this occurs, this is not good public policy.

Hon. Mr. SMITH (*Queens-Shelburne*): It would be helpful if you would tell us what is the percentage of their earnings on which the pension is based that results in a \$3,000 pension under the scheme?

Mr. ANDRAS: Well, this firm had what is called a unit benefit plan. There are different types of plans, as you know.

Hon. Mr. SMITH (*Queens-Shelburne*): When you arrived at that figure for the person who would have retired with a pension of \$3,000, and who will, with integration have his pension increased by \$50, are you taking into account the addition of the old age security?

Mr. ANDRAS: No, that is not included in the integration formula.

Hon. Mr. SMITH (*Queens-Shelburne*): Well, it would be another roughly \$600 if he retired at age 65?

Mr. ANDRAS: Actually it is \$624, but that again is a public program.

Hon. Mr. SMITH (*Queens-Shelburne*): Yes.

Mr. ANDRAS: I should point out that there is also so-called integration with old age security benefits. There are some employers who offset old age security benefits against their private pension plan.

Hon. Mr. SMITH (*Queens-Shelburne*): Now, as an example of what is generally considered a generous pension plan perhaps we might cite the federal Civil Service Superannuation plan in which the maximum benefit, as I understand it, is 2 per cent of the annual income of the best five years for 35 years, making a total of 70 per cent of—

Mr. ANDRAS: It is the best 6 consecutive years, I think.

Hon. Mr. SMITH (*Queens-Shelburne*): It has also been the declared policy of the Government—and I believe the Government, when it makes these decisions, would try to be fair, and it has attempted to integrate in the same fashion that you have just explained to us.

Mr. ANDRAS: That is right.

Hon. Mr. SMITH (*Queens-Shelburne*): Do you agree that the decision of the Government to integrate in the matter of retiring civil servants is a proper way to integrate? Do you not think that the whole addition of the Canada Pension Plan should be on top of that 70 per cent figure?

Mr. ANDRAS: I would preface my remarks with the following statement, that the Government of Canada is aware that in a matter of months or, at the most a year, there will be collective bargaining in the public service. It seems to me it would have been eminently reasonable for the Government to have deferred any action in respect to amending the Civil Service Superannuation Act until collective bargaining had become a fact, and when the staff associations would have had an opportunity of dealing with this across the table instead of having a decision handed to them as a matter of Government policy.

Mr. LLOYD: May I ask a supplementary question? This, of course, will depend on the timing of things. The Canada Pension Plan is due to start in 1966, but we do not know—

Mr. KNOWLES: When is collective bargaining due?

Mr. LLOYD: I think the observation is very timely right now, but I do not think you should conclude it will not happen.

Mr. FRANCIS: On this point I should like to ask Mr. Andras if he knows that the staff associations are represented on the Advisory Board on the administration of the Civil Service Superannuation Fund?

Mr. ANDRAS: I am not privy to their councils, but it seems to me that a condition of employment like that is one that should ordinarily fall within the area of collective bargaining.

Mr. FRANCIS: I think in the absence of a formal structure of collective bargaining that Mr. Andras will agree with me that it will not be easy to deal with it at this point, but I do not think he would like to suggest, and neither would I, that there has not been consultation with the staff associations and the advisory committee with respect to integration?

Mr. ANDRAS: I defer to Mr. Francis. If there has been consultation and the staff associations are happy, then I wish them well.

Mr. FRANCIS: There have not been representations, so far as I am aware, criticizing this.

Mr. MUNRO: On this very point may I point out that the Canadian Life Insurance Officers Association, and I think one or two other organizations, used the integration process of the civil service to point out the evils of the Canada Pension Plan in so far as its being combined with private plans is concerned. They used the tables arrived at by the Government for payment to civil servants as an example of excessive benefits.

Mr. FRANCIS: Mr. Kilgour was very explicit on this point.

Mr. ANDRAS: The insurance industry can see evils in any public program. It is congenitally capable of that. There is no problem there on their part. I read as much as I could of the proceedings of this committee, and I noticed there were some illustration of what would happen to an integrated program. Frankly, perhaps I am not technically proficient enough to discuss this, but the examples seemed to exaggerate the benefit that would arise out of integration. It is my opinion that for some classes of income in the civil service integration means that the civil servants will get about as much as they would have gotten before. I have not been able to do my homework on this—

Mr. FRANCIS: With the greatest respect to Mr. Andras and the care with which he makes his investigations, I would like to make it clear before this committee that the net effect of the Canada Pension Plan will be an improvement either in benefits or in contributions for just about every civil servant in Canada.

Mr. ANDRAS: If I am wrong I will retract, of course. However, if I find I am right I shall send in a supplementary submission.

The CHAIRMAN (*Mr. Cameron*): This seems to have touched upon an interesting subject, but I think Senator Smith should be allowed to continue.

Hon. Mr. SMITH (*Queens-Shelburne*): Thank you, Mr. Chairman. My interest in the subject has been stimulated for some time back by my being in rather close association with a fairly large industry in Nova Scotia—the management of that industry as well as the heads of some of the unions. They have all been lifetime personal friends. Although my correspondence and discussions with the representative of one of the large unions down there is not so much concerned, at this time at least, with what might happen in respect to integration, he is concerned with some other aspects of the evidence that has been given before the committee, and in particular with some of the observations that were made to the committee by the insurance industry. He was quite annoyed that use was continuously made of the phrase “payroll tax” in reference to the contributions that companies and employees have to make. My friend, who is a union man, takes great exception to that. Do you regard this system that we have as a payroll tax on employers and employees, or do you regard it as contributions in the same way that contributions may be made on a private basis to a company plan or to an insurance plan?

Mr. ANDRAS: Well, there is something in a poem about a rose—a rose by any other name smells just as sweet. The bill, I think, uses the term “contribution”. In the Unemployment Insurance Act, with which I am rather familiar, the term habitually used is “contribution”. Now, of course, this is a contribution imposed by government, and in that respect it can be identified as a form of tax for an earmarked purpose. But, as I say, the terminology or the jargon of the trade in these matters is that it is a contribution.

Hon. Mr. SMITH (*Queens-Shelburne*): I might add, Mr. Chairman, that my union friend is also trying to impress on me that the contributions to any plan that are made by an employer are regarded by the employees as another form of wage increase. Is that a general point of view of union people?

Mr. ANDRAS: We take the position that an employer’s contribution to a pension plan is simply a form of deferred wages.

Hon. Mr. SMITH (*Queens-Shelburne*): I want to say something about the problem that has been presented to me by the management of the same company, and by whom my union friend has been employed for many years. In the first place, he has assured me that he has throughout been a warm supporter of the introduction of the Canada Pension Plan, and he would hope that it would be emphasized during the days we are discussing this bill and, perhaps, even when

the report is made, that there are certain basic needs which must be met by the Canada Pension Plan. He puts as number one adequate pensions, and then comprehensive coverage and portability. But he is concerned in his particular industry about the effect of integration on the other side of the coin. There may be pretty strong arguments to add a Canada Pension Plan to the plan which this particular company has had in effect for almost 20 years. It is in a class which could generally be described as a generous plan. He has given me some examples. A long service employee, without considering the old age security integration, results in the pension on retirement being greater than the average wages throughout this man's working career.

Then he points out again that, when you add the social security benefit of over \$50 a month at age 65, then that same employee—this particular case is based on a \$5,000 a year average income—would get 120 per cent of his average wages. He cannot understand that the system was intended to work that way.

In other words, he believes that 120 per cent of his past wages is going a little too far.

That brings me to the question I have in mind. What kind of a pension would you suggest would be the upper limits on which it could be reasonable to build, on top of their structure, the structure of the Canada Pension Plan, in order to create a total of what could be generally regarded as adequate or satisfactory pensions?

Mr. ANDRAS: I do not know that I can give you any particular figure on that. What we have sought is adequacy and the reason we have sought it is in regard to wage-related benefits. If I heard you correctly, you said there was a benefit of 120 per cent on earnings?

Hon. Mr. SMITH (*Queens-Shelburne*): Yes, when you add the O.A.S. and the company pension plan.

Mr. LEBOE: The figures being quoted are not in constant dollars, because he is going back into years when the dollar was worth more, and that should be taken into consideration.

Hon. Mr. SMITH (*Queens-Shelburne*): We all recognize that, that that makes it difficult to assess what is the appropriate way to do it. Thank you for your intervention.

Mr. ANDRAS: I would say in general terms, and this would appear to be the difference between Mr. Francis and myself, if you have a pension plan in effect and you are aware of the Old Age Security Act being in effect, and if the Canada Pension Plan comes in, then you have to make an ad hoc decision as to adequacy and as to standard. If you have a very good pension plan—and I am not going to define that in arithmetical terms—one that looks after the employee properly and gives a good old age, then the employees have the right, it seems to me, when they are consulted by their employer or when negotiating with their employer, to say: "We would like to slice our income dollar up in a different kind of way."

What troubles us is a situation where you have a money approach plan for every year, where there is less benefit provided by the same amount of money because of the encroachment of age, or you have a unit benefit of only 1 per cent with a career earnings type of formula, so that a man can be there for 40 years and get very little. To integrate under those circumstances seems to us not to be a good thing and should be avoided or stopped, if we could stop it. Goodness knows, we try to do so, in all frankness, if we can.

Hon. Mr. SMITH (*Queens-Shelburne*): I do not blame you. I want to conclude by saying that my union leader friend pays a great compliment and winds up his recent letter to me in this way. He says: "My work is along the same lines as yours, but on a lower level; some day we will be judged as to who did the best." And then he finishes: "Hope you win."

Mr. ANDRAS: Obviously the judgment will not be around here.

Mr. FRANCIS: I am particularly pleased with the number of suggestions made for the attention of the committee. I would like to touch on two of them. I am concerned about the way in which the pension plan may adversely have an effect in circumstances where there is necessary retraining and such things and also in the case of universities, and also those who retire prematurely, before 65, before the age set out in this plan. What do you feel would be the most appropriate way to amend the bill in order to compensate for those deficiencies in the bill as you see them? One method that immediately comes to my mind would be to increase the number of drop outs you have. One method was suggested by Mr. Woods of the Mercer Company, who suggested one which was quite ingenious, that you could blanket in a sum of \$2,000 earnings, or assume flat rate earnings for those years. Do you have any views as to just what specific amendments you would support to the bill to compensate for the defects you have mentioned.

Mr. ANDRAS: Your first suggestion sounded like a good one, the 10 per cent drop out. If you take an 18-65 span, it may on the whole be adequate. If your span is 21-60, you may run into difficulties. Therefore, a change in the percentage may be worthwhile.

Another way, I suppose, would be to follow the American example, which allows a claimant to draw pension as early as age 62; but then of course it is at a reduced rate.

The thing that bothered us, and we found it difficult to decide about putting it into the brief, because it is so intangible, is the effect of so-called automation on the labour force.

The obvious fact that right now, while we are sitting here discussing this matter, there are thousands of people who are too old, by the standards of the labour market, and who will have the greatest difficulty in maintaining themselves in that market up to age 65. It may be that the bill is too optimistic about age 65 as a normal retirement age. I appreciate some of the problems of actuarially costing and so on if the retiring age were age 60, but I think those difficulties may have to be faced.

Mr. FRANCIS: One group of witnesses appearing before this committee criticized the \$5,000 upper limit, both in contributions and in wage related benefit. Professor Clark, who appeared last night and this morning, suggested \$4,500. The general line of criticism has been that this is benefiting the rich—I am putting it in strong terms—but it was assumed to be an aggressive feature. Do you think \$5,000 is the right upper limit? Is it too high or too low?

Mr. ANDRAS: I do not think it is too high. A couple of days ago, when preparing my notes for coming here, I asked our research department to give me some very simple composite figures. I asked our research assistant to provide figures of annual average earnings, the nearest whole year is 1963. The nearest month on which wages and salaries were fully available was September 1964.

In 1963, the average annual earnings for wage earners only—this is the hourly rated people—and I am rounding the figures out—was \$4,900. For manufacturing, it was \$4,100. For construction it was \$4,500. For electrical and motor transport it was \$4,600. For services—I really hate to mention this figure—it was \$2,200. That is a scandalously underpaid group. That was for the year 1963.

Hon. Mr. SMITH (*Queens-Shelburne*): I had a figure like \$94.49 a week for average of males in manufacturing industry for October 1963.

Mr. ANDRAS: The latest figure we have for September 1964, translated into an annual figure, is, for mining, \$5,000. For manufacturing, \$4,400. For

construction, a little over \$4,500. For electrical and motor transport, \$4,500 and for services, \$2,300.

Hon. Mr. SMITH (*Queens-Shelburne*): These will be both sexes, males and females?

Mr. ANDRAS: Yes.

Hon. Mr. SMITH (*Queens-Shelburne*): This is of course an annual figure?

Mr. ANDRAS: Yes. For wages and salaries, combined, this is a composite of 750,000 people, and it gave \$4,400 in 1963. In September 1964 it was running at a rate close to \$4,600. I would say that at the beginning of 1966 it would appear to be a reasonable average payroll projection. We do not find a \$5,000 figure objectionable. If we had, we would have said so.

Mr. FRANCIS: But you feel this is the right figure for our purposes?

Mr. ANDRAS: Well, we have in this country that fondness for round figures, we have an obsession for a figure with zeros in it. \$5,000 looked like a reasonable figure in the light of wage statistics which we obtained from the government and other sources.

Mr. FRANCIS: Thank you. I was glad to hear your views on that. On page 23 of your brief quoting directly from it, you say:

We suggest that there should be a dominion-provincial conference in this connection to explore the relationship between the Canada Pension Plan and the various social assistance programs and to see also whether and to what extent the ancillary services provided under a social assistance program, such as counselling and rehabilitation, will be affected.

I would like to say that I particularly appreciate this view, because one of the surprises to me of the presentations before us is the degree to which emphasis has been placed on strictly cash benefit programs, that is, universal cash benefit programs. In the age in which we live, that seems to dominate the thinking of a large number of groups. Let me put this to you: Do you really think that social assistance is going to decline, or is it better in the over all view that social assistance will improve, that we should have higher standards of social assistance, that there should be a higher proportion of case work and supplementation and investigation in individual services, and that that will be part of the scene.

Mr. ANDRAS: It seems to me to be inevitable, Mr. Francis, in any system there must be an element of social assistance, because no program of benefits as of right, like a pension plan, or unemployment insurance, or whatever you like, can seem to take care of any single individual within that program, and there must be an area where need can be decided and income supplemented. Therefore, it seems to me that social assistance programs will be continued.

There is another aspect, the quality of the program, the nature of its administration, the services it gives, the calibre of the people who are servicing it, the financing, and so on, all those things that enter into the picture; but I do not envisage a social system structure that does not include an area of assistance.

Mr. FRANCIS: I have one last question. In your view, would it be advisable to include within the terms of reference an advisory council which is to be established, looking at the relationship of the Canada Pension Plan and the public assistance programs of various sorts in Canada?

Mr. ANDRAS: Whether it goes to an advisory committee or not, I am quite convinced that the government of Canada will have to do it either through the kind of conference we suggest or through the national council of welfare,

or through the administration of this plan, because there is going to be a very considerable amount of criss-crossing of benefits.

Mr. FRANCIS: Thank you very much.

The CHAIRMAN (*Mr. Cameron*): Mr. Leboe?

Mr. LEBOE: I will not be very long, Mr. Chairman. Mr. Andras, you made reference to the sales tax as a regressive tax, did you not?

Mr. ANDRAS: Well, the sales tax falls on the rich and poor alike. It is a tax on commodities which people buy, excluding some commodities like food, for example. However, in a sense, poor people pay out a larger proportion of money on goods than the rich. The poor tend to pay more in sales tax than the well-to-do. Since the sales tax is no respecter of incomes, unlike the income tax, then the sales tax is a regressive type of tax. My colleague is the one to explain that more fully, but this is my view.

Mr. LEBOE: Basically, I want to know if your views are, in your assessment of the taxes, that the sales tax is regressive as compared with income tax.

Mr. ANDRAS: Which is progressive by contrast.

Mr. LEBOE: And which is a tax which is paid according to ability?

Mr. ANDRAS: Yes.

Mr. LEBOE: Although you will admit there is a matter of choice between a compact or a Cadillac?

Mr. ANDRAS: Well, we examined that, if you want to go into this?

Mr. LEBOE: No, I do not think it is necessary, but it is just that this part of it becomes part of the picture.

I was interested in another point, which is exploratory in connection with the periodic increases in benefits. In other words, the indexes. Would it not be worthy of consideration instead of by index to have a periodic view as a basis of starting towards a projection in the future? In other words, let us say we start in the year 1966, and meeting at five year intervals so that a balance can be arrived at. Then there would be a meeting of minds in connection with whether a plan is adequate, related, or not, and there would be terms of reference wide enough to deal with the point made by Mr. Francis, in connection with the other welfare aspects that may be brought into such a review? Do you follow me?

Mr. ANDRAS: Yes, I follow you, sir.

Mr. LEBOE: I am not asking for an opinion now, but I am wondering if you would consider it worthy of exploring, that aspect, because now we find that everybody and everything is tied to an index.

Mr. ANDRAS: I do not have to answer it now without thinking about it, and I will not. I would simply say that the automatic adjustments built into this bill have an advantage in this respect that the contributors and the beneficiaries know what to anticipate as the years go by; but I would merely add that Parliament is still a supreme body and the act is always open. It is a rather complicated way of getting it amended, as I understand the bill, but it is susceptible to amendment, and as long as the high contracting parties want to have it amended it can be amended.

Mr. LEBOE: Would you object to following the plan I suggested, that when the plan goes into operation we consider the possibility, when there is a rise in the cost of living, at a certain percentage point, there be a review every five years in connection with the matter? Would you have any serious objection if the terms of reference in connection with the review could take in other matters, such as pointed out in your brief on page 23, in connection with other welfare matters, such as you mentioned before in your remarks? It is not only

dollars and cents we are concerned with in welfare, there are other aspects as well.

Mr. ANDRAS: Well, we saw a benefit in automatic escalation to preserve the position of the poor. Our criticism was that it did not provide iron clad protection.

Mr. LEBOE: Do you not think there is a danger of the principle involved, if you want to attach it to annuities, and then bonds, and then move to something else, until we find we are in a race we cannot control? Don't you think we would be starting a fire we couldn't put out? The suggestion I am making here, I think, would take care of the fear of being caught by having made an anticipation to start with. I think that by periodic reviews we could avoid getting ourselves into a situation which we could not otherwise control.

Mr. ANDRAS: Perhaps I should defer to my colleague on my left, Mr. Irvine. I would merely point out that plans comparable to the Canada Pension Plan have existed in other countries for rather a long time. We are latecomers on the scene. To the best of my knowledge the chain effect you mention has not occurred. I would like Mr. Irvine to answer that.

Mr. LEBOE: It does concern me, because I see real danger in the proposition. I think if there were a periodic review with terms of reference which would include all aspects of welfare as well on a broad scale, it would be a great help.

Mr. ANDRAS: Well, all I can say here is that I would remind you that the Canadian Welfare Council for several years now to my knowledge has been suggesting a royal commission to examine the whole social assistance structure, not just this plan, but social security in Canada, which is now a very complex business. This probably would be a very good thing because we have added very many programs in recent years. There is an interlocking of complicated programs. Whether it should be a royal commission, or a joint parliamentary committee, or some other body is really not relevant at the moment, but certainly a good deal of good would be derived from the objective consideration of various programs we now have in effect.

Mr. R. IRVINE (*Assistant Director of Research, Canadian Labour Congress*): I really have no points to add in reply to Mr. Leboe's suggestion, particularly in view of the fact I have not seen the submissions you refer to that try to demonstrate there had been this runaway effect. Certainly, I do not anticipate a runaway effect in the sense of the payments that would have to be made through an escalation clause getting out of control, unless you want to assume our price levels will get out of control. The pattern in the past several years in Canada has been one of a great deal of price stability, so I have no fears on that account. As far as other matters you raised are concerned, I would have to look at the other submissions before making any reply.

Mr. LEBOE: I did gather you would not object as long as the objective is reached. You would not object to the method as long as the objective is reached, if the purchasing power remains constant?

Mr. ANDRAS: We would not want to wait five years until a review is made of the effect of the cost of living on pensions.

Mr. LEBOE: I suggest we wait $2\frac{1}{2}$, or three or four, whatever was chosen. We should look ahead for half the distance we are projecting for the next review. So we are actually getting the benefit, say, for two-and-a-half years, if on a five-year basis. I wanted to find out if you had any serious objections to any change as long as it accomplished a constant dollar.

Mr. ANDRAS: We not only want a constant dollar, but to relate them to living standards as they improve.

Mr. LEBOE: Of course, I understand that, but that is in a different branch.

Mr. ANDRAS: Yes.

Mr. AIKEN: Mr. Chairman, I have three matters I would like to ask questions on. The first one refers to page 22, at the conclusion of paragraph 31, in which it is submitted that the general revenues of Canada might be used to level out the burden of the Canada Pension Plan.

We have constantly been running into the problem on the committee of helping those who have small incomes on an income-related plan, and the social workers this morning more or less stated they could see nothing in this plan for those below the minimum of \$600, and that another plan would have to be devised on top of this, or in addition to this, to fill out that sort of social problem. In view of this, I am wondering if it would not be fairer to use the general revenues for some additional plan to help these people who are still left completely out of the new provisions, rather than use the general revenues to help those who are making enough income to help themselves.

Mr. ANDRAS: I would not want to create the impression here we are completely indifferent to the needs of those who do not fit into this plan but are in need of income maintenance. We are as concerned as anyone about the person who earns under \$600, or \$800 a year if self-employed, and so on. Obviously, something has to be done for those people. There are now in effect various social assistance programs which offer some degree of relief to them—not enough, but some assistance. What we were anxious about here is the fact this plan had negligible finances, as far as we were concerned, and we suggested one way of compensating for this would be through an injection of funds, some amount of which would be bound to be drawn from income tax payments.

Mr. AIKEN: Thank you.

Mr. ANDRAS: Mr. MacDonald is saying the two objectives are not mutually exclusive, and that would be our position.

Mr. AIKEN: Have you considered there might be a possibility of including these people in this general plan in some way or another?

Mr. ANDRAS: I was wondering about that. I do not think so. This plan is really one for people who have a firm attachment to the labour market, people who work for wages or salary or have a business of some kind, self-employed practitioners who earn or try to earn a fairly steady income all their working lives. When you get under \$600 you are getting the fellow who is employed so long and all he has made in the year is, say \$500 and we hope to get back into the labour market, and perhaps that \$500-year will be a drop-out year. On the other hand, you have people whose attachment to the labour market is very sporadic, for example, the housewife who does a spot of babysitting now and again, and that kind of thing. It seems to me to bring them into this act if they make \$300 a year would be to produce such footling benefits as to make a mockery of the act itself. If they require income maintenance it should be through some other kind of program which takes cognizance of their needs.

Mr. AIKEN: You would agree, in general, with the suggested approach of the social workers?

Mr. ANDRAS: I did not hear that.

Mr. AIKEN: They said, in effect, some additional program was required for these people.

Mr. ANDRAS: Yes.

Mr. AIKEN: The second point concerns the proposal on page 29 to reduce the Old Age Security age to age 65. Do I understand correctly you would propose that for those who do not come under the Canada Pension Plan in the transitional years the Old Age Security might be retained at \$75, starting

at age 65 rather than have them take the reduced amount in accordance with the schedule shown in the plan? Would this be your suggestion?

Mr. ANDRAS: We have suggested that it be made \$75 at 65, particularly for those who will not come under the Canada Pension Plan.

Mr. AIKEN: Would you use that as the pension point—in other words, those who did not come under the Canada Pension Plan, who could not drop out?

Mr. ANDRAS: We have to face this problem we have a 10-year transition period during which benefits will be very negligible. And, at the same time, as we point out in paragraph 39 on page 28, they are getting an opportunity or they may be required to take \$51 or \$54, or whatever the figure is, before they are able to get in under the Canada Pension Plan. It would probably be simpler to bring in the \$75 at 65 now; and for some people it is excessive, but we have means of recovering excessive benefits. This is not a fiscal problem in this country.

Mr. AIKEN: I understand your suggestion. What troubled me was the category in which you would place the people who do not benefit under the Canada Pension Plan, because there are different categories of people, like housewives, for example, who are not in the labour market and who would not come under the plan, in any case, and others who are in the labour market. You are suggesting now that perhaps the easiest way would be to reduce the universal pension age to 65?

Mr. ANDRAS: \$75 at 65.

Mr. AIKEN: Yes.

Mr. ANDRAS: I wonder if it is relevant, but just last night I was looking at a document submitted to another committee, the Senate Committee on Aging, and in it there is a table. Incidentally, this is Proceedings No. 24. There is a table in there, on page 1610, of incomes of those 70 and over during the year 1961. They have it by males and females. There were 347,000 males in round figures. Of those, 150,000 had incomes between \$500 and \$999, which means most of them were living on the old age security, really. In the case of females, out of 382,000, 257,000 were in similar conditions.

It seems to be quite clear that our population 65 years of age and over for the most part had very low incomes, if you examine the actuaries' report, as I am sure you have; there is a table in there. I have the mimeographed copy here and it is on page 49 of that. This is the document which shot up my aspirin consumption. There is Schedule 7 there which shows income in proportion to wage earners of Canada, excluding Quebec, reporting annual earnings of less than \$500 based on 1961 census data.

You find these people at two extreme ends of the age spectrum. Males aged 18 and 19 were in the 21½ per cent category, and those aged 65 and over comprised 17½ per cent. In the case of females, 25 per cent were at age 18 and 19, and 27 per cent were 65 and over.

Those that are between those two bracketing age groups are active in the labour force and are making more of a living. They are the people who more logically fit into this, and 65-and-overs are the ones for whom we need to be concerned in terms of old age security. Right now it is particularly those who will never be exposed to the Canada Pension Plan.

Mr. AIKEN: But you say in particular those who will never be exposed to the plan. You rather feel that it should be universal.

Mr. ANDRAS: For the next 10 years until 1976, and then we will have a 10-year period of experience and will be able to watch and see whether the integration of the two can work out as I think it is going to, and we can work out our social security programs for the aged accordingly.

Mr. AIKEN: There is a third matter which will just take a moment, you referred to appeal procedures and made a comparison with appeal procedures under the Unemployment Insurance Act and this may be just a little off the course, but is it the experience of the Congress that the board of referees of the Unemployment Insurance Commission is generally of very little help to the people who are appealing from disqualifications?

Mr. ANDRAS: It is not supposed to help people; it is an administrative tribunal to see that they get justice. It is there to hear their appeals and to see if their appeals are well-founded. The appeal board is a tripartite board, that is, the board of referees. There is a chairman who is impartial—or detached, shall we say. There is an employer nominee and an employee nominee. They are all local people. The complainant can appear before them and the procedures are very, very informal. The complainant can be accompanied by—I was going to say counsel, but he can come with a friend, a union representative or a clergyman or anybody else he wants to bring along with him, and he will get a hearing and it is the very informality of the procedure that adds merit to it.

Mr. BASFORD: I never find anybody who wins them.

Hon. Mr. SMITH (*Queens-Shelburne*): Oh, yes.

Mr. ANDRAS: Well...

Mr. BASFORD: Well, in the future I am going to start writing to you, then.

Mr. AIKEN: This is a little off the subject, but it does relate, because we want to get a proper appeals relation for this act. I feel like Mr. Basford that in the first place the board does not encourage people who appear, and if they do not get some sort of advice often they do not bother to appear and are just rejected, and in the second place the number of people who appeal on their own and get nowhere is almost universal.

Mr. ANDRAS: I am sure you do not want to get into a discussion of unemployment insurance matters. I could talk about it for three days without stopping, easily. All we are trying to say here is that the appeals procedures that we see in Bill C-136 are such as to inhibit appeals from the start. We want to make it at least as easy to file an appeal as it is under the Unemployment Insurance Act. This is what we are suggesting.

Mr. AIKEN: You would suggest something more like a permanent board rather than an ad hoc board which is suggested in this bill?

Mr. ANDRAS: Yes, a local board of review would be good enough, yes.

Mr. AIKEN: Thank you.

The CHAIRMAN (*Mr. Cameron*): Mr. Lloyd.

Mr. LLOYD: Mr. Chairman, at this hour of the day, after some very searching questions and some most informative answers from the gentlemen before the committee, one is hard put to discover an area that has not either been dealt with in the brief to our enlightenment, or has not yet been dealt with by prior questioners.

However, there is still this matter of integration despite all that, and I thought I might pursue some questions in that field. Before doing that I think what in essence the Canadian Labour Congress is saying to us is: We don't expect you to seek perfection at the kickoff of wage-related pensions as a Government measure, but we do—and you say this at the beginning of your submission—"We do identify certain shortcomings," to which you direct the attention of this committee and of those who shall administer subsequently in the advisory committee that may be established under the act.

In other words, we may not be able before the passage of the legislation to accomplish everything, but I think you put some priority of importance on getting started. Am I correct in that, sir?

Mr. ANDRAS: That is right.

Mr. LLOYD: And then we will try to accomplish some improvements along the lines we have suggested, that if you cannot do it in time to get the legislation through, at least get it through and then continue to arrange for attention to be devoted to the matters you look on as having shortcomings in the legislation.

With that general statement I now turn to the matter of integration, and, as a preliminary to that, we did find in this committee some difficulty in getting an abundance of statistics on the percentage of benefits in relation to the earnings at retirement.

We had some statistics, but I would like to have seen more, because I think if more of such statistics compiled for our information had been handy the information would have made us still more aware of the need for this kind of legislation.

A consultant did say that he thought that the mass of beneficiaries under pension plans retired with something like 30 to 40 per cent of their earnings at retirement in pension benefits. When the Railway Brotherhood was before us the other day they mentioned to us a figure approximately in the 45 per cent bracket.

Do you have any statistics along these lines, or any specific information which would tell us where the mass of your members fall in this matter of benefits and related earnings?

Mr. ANDRAS: I am very sorry to say that this information is incredibly difficult to obtain, because you have, literally, thousands of pension plans, and, probably, you have a dozen formulae under which pensions are worked out. Also, of course, you have the factor of age and income, so that the amount that comes out at the end is related to these factors, and when you get into the other complexity of the pension plans, you really are lost.

Mr. LLOYD: You share my surprise that there was not more of an abundance of statistics in this field, then?

Mr. ANDRAS: I would say this. There is very little information about private pension plans generally. The only document we have of any comprehensive value is the one put out by D.B.S. entitled "Non-Financial Data on Pension Plans, 1960". What we really need—and I agree with you on this—is some kind of a census of pension plans with much more specific information than anybody has ever been able to obtain to date.

Mr. LLOYD: Well, it flows from that that when you look at the category of the problems of integration you automatically say that right now there is a great spate of concern among the legislators about pension benefits. There have been studies made in Ontario, and we are grateful for these, and now other provinces have indicated they will follow the same pattern and are going to introduce pension benefits legislation which is designed to achieve portability and ensure solvency, and there will be something about vesting along the lines you people are interested in because in your philosophy contributions are deferred wages, in effect. If we had more information, and if we had more information on the percentages generally of retirement earnings, then one wonders if we could not under provincial benefits acts set some minimums so that employers would not be tempted to go below those figures and fully integrate, or to take full advantage of the Canada Pension Plan. What makes me think that this is a possibility—that is, that integration adverse to the interest of the employee might occur—if something along the lines of the suggestion you made to the committee earlier, and which I find in pages 22 and 23 of the Study of Canada's Pension Plans by the National Trust Company. On these two pages they have an exposé of, if you like, or commentary on, integration of pension plans with government old age pensions, and they

describe the kind of things that have happened. They refer to the thought that some pension plans require adjustment—many do not, but they do say this:

At a time when the Old Age Security Act pension is increased, there is usually a corresponding reduction in the pension from the pension plan. Employees and pensioners find this arrangement difficult to understand and justify in the light of rising living costs, especially if the plan is contributory.

This is an enlargement of your evidence earlier, I believe.

Now, you share the views of others, I believe, that there should be consultation with employees. The Railway Brotherhoods put forward this point. But, whether this should be done by some legislative change in this bill or not, I do not know. How do you feel about that? I am looking for the mechanics.

Mr. ANDRAS: Most provincial plans would come within the provincial domain, as you undoubtedly know, so the regulation of pension plans will have to be done by legislation similar to the Ontario Pension Benefits Act. It is my understanding that the various provinces, with the guidance and advice of the Government of Canada, are trying to work out common regulations so that an employee moving from one province to another will be confronted with similar standards and conditions affecting pension plans, and this is just as much for the sake of the employers as for the employees. There is a limited number of pension plans that the Government of Canada can cover. I am treading on delicate ground because I have no constitutional authority, but I am thinking of the industries within the federal domain. However, the thought you have put forward is an interesting one, and when I get the proceedings of this meeting I shall want to reread carefully what you have said, and then to consult my colleagues who are more expert on pension plans than I am, because I think you have touched upon something that is very useful.

Mr. LLOYD: It would seem to me that now you are moving in to regulate at the provincial level private pension plans, that this is one of the important elements for study and action on the part of provincial authorities because of the constitutional question, and, by the same token, an area of concern again for the national government in those areas where it has responsibility.

Mr. ANDRAS: We would certainly welcome that.

Mr. LLOYD: You agree that some investigation in this direction might offset the fears that you have expressed, that integration with the Canada Pension Plan might result in the kind of situation which you outlined, I believe, by quotations from two letters.

Mr. ANDRAS: One letter. I have another letter, but I shall not read it.

Mr. LLOYD: With that observation, I think I can say nothing more than to point out that the events of 1965 seem to indicate that we shall be making some progress, and that it is as well for everybody to keep in mind the observations of the Canadian Labour Congress not only in respect to immediate amendments to bills that are before us, either here or in provincial legislatures, but to those that will follow in the future as advisory committees and responsible ministers recommend them.

I shall close with this observation, that your statements on integration and regressive taxation are most interesting. I am sure that integration has nothing to do with the great achievements of Donald MacDonald from Cape Breton, Nova Scotia, who seems to have integrated himself into national affairs very well. He has done excellently, and we in Nova Scotia are proud of him.

The CHAIRMAN (*Mr. Cameron*): We do allow a little latitude to Mr. Lloyd.

Mr. LLOYD: We have heard that decision-makers in industry are one of the most valuable resources of Canada, and I would like to add to that the people who make the final decisions in labour. They are one of our major national resources.

With those politics out of the way, I shall make my final observation. We have had some bits and pieces of comments about the income tax provisions with respect to the deductibility of contributions, and here again I point out that we have the Carter Commission. I think it might be wise for us to address ourselves to that commission on the subject of progressive taxation such as for example, we are talking about today.

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles?

Mr. KNOWLES: Mr. Chairman, my colleagues on the committee will be glad to know that at this hour of the 14th session we have had this week I do not feel it is necessary to ask questions of this delegation. I did not make this remark with the intention of obtaining applause, but I noticed it. I can perhaps be pardoned for observing that I welcome your brief very strongly, for it emphasizes features of Bill C-136 which I think are good, and I think it emphasizes its shortcomings and makes suggestions as to what we should do. Albeit, you do urge that we try to get this legislation enacted as speedily as possible.

May I limit my questions to one aspect? You have referred in your brief, and in your comments on it, to persons not covered. I am thinking now not about the categories of people for whom social assistance or some other aid needs to be provided, but the people whose ages are such that they sometimes get referred to as the lost generation—the people in their sixties who will not build up very much benefit under the Canada Pension Plan, and the people who are already retired and for whom there is nothing. I think it is fair to say that the plight of these people has been brought to the attention of this committee a good many times during last week and this, and I think it is also fair to say that the members of the committee, pretty generally of all parties, are aware of the fact that this is a problem we have to face.

Now, if we do make some recommendation that something be done about those who are 70 and over and now retired, or about those between 65 and 70 who will not qualify under the Canada Pension Plan itself, do you think we should try to draft provisions for them into the Canada Pension Plan, or should we try to take care of their needs under acts like the Old Age Security Act and others?

Mr. ANDRAS: I think the Old Age Security Act and other statutes are more appropriate instruments than the Canada Pension Plan.

Mr. KNOWLES: Would you see some parallel between the stand you have taken with respect to the Unemployment Insurance Act? I have in mind the fact that at times when there were people who needed protection you wanted them covered out of the general revenue rather than raiding the Unemployment Insurance Fund?

Mr. ANDRAS: That is right.

Mr. KNOWLES: You urge us to pay pretty strict attention to the needs of the people in the groups I have now referred to, but you would urge that we try to take care of this situation without upsetting the provisions of the insurance or the earnings-related scheme that we have before us?

Mr. ANDRAS: I think every piece of social legislation must possess integrity. Perhaps I do not use the right word, but I think you know what I mean. I think it would not do the Canada Pension Plan any good if there were thrust into it people who did not logically belong there simply to get them out of

the way. I think they should be regarded as another kind of problem, and be looked after appropriately through another form of legislation.

Mr. KNOWLES: I hope, Mr. Chairman, that no one thinks I have been asking leading questions in order to produce a particular kind of result, and to avoid that let me make a brief comment. I have heard—I think it is in the newspapers now, but I heard it during a long distance telephone conversation with a friend in Toronto; as a matter of fact, a member of the Legislature in Toronto—of the submission that is going to be made to this committee by the Ontario Government. If I understand it correctly, that submission has already been tabled in the Legislature in Toronto. We all welcome the news that Ontario is going to stay in the plan. I welcome Mr. Robart's insistence that we concern ourselves about these particular groups that are not covered. I think he has said something about covering them under the Canada Pension Plan, but that is one of the reasons why I would like to have your opinion as a body which has had experience with the Unemployment Insurance Act. Your answer is that this should be dealt with, but dealt with under the appropriate machinery?

Mr. ANDRAS: Yes.

Mr. KNOWLES: I have one other question, although perhaps Mr. Lloyd's questioning and the answers he received cover it, and I may have missed it in part. As Mr. Lloyd indicated, we had before us yesterday the Railway Brotherhoods who told us of some of their particular problems. Incidentally, they expressed appreciation of the fact that the Minister of Finance has indicated that the federal Government plans legislation for the protection of plans that come under federal jurisdiction, comparable to that which is being done in the provinces. The main point they made was with respect to integration. They expressed the view that most, if not all, their members would like to have the Canada Pension Plan decked on top of their plan. They did not ask for legislation to make this compulsory but they did ask for consultation between employers and employees before an integration formula is decided upon. Would you say that would be the view of most, if not of all, unions affiliated to the Canadian Labour Congress, namely, that consultation is desired before any kind of integration is effected.

Mr. ANDRAS: We would like consultation as a minimum type of procedure between the employer and the trade union. Where we bargain collectively for our pension plans, we would want to negotiate an area as an appropriate area for negotiation between the parties. We also run into problems where the plan is outside collective agreements and in those circumstances also consultation is necessary.

Mr. KNOWLES: There is one question I should like to ask you, as to whether you are sure you are speaking for your membership, but I think that question would be a fictitious one because I know how these people are built up and I know the validity of your position with respect to the unions accredited to the trade union movement, namely, that a plan of this kind is wanted.

May I put it this way? In speaking for the organized workers, the likelihood is that you are speaking for most of the people in industry who have pension plans, and that if what you say is needed by the organized workers it is even more needed by the workers who are not organized.

Mr. ANDRAS: We agree, certainly.

Mr. MUNRO: Also, as a supplementary question, some of the sections of the C.L.C. members do not think too much of the private plans the organized workers already have.

Mr. KNOWLES: I had planned to ask some questions along those lines but after Mr. Lloyd had asked some questions I gathered the difficulties in some of

the departments of the C.L.C. in getting statistics of this point. I am aware of that difficulty. We found it a little disappointing in this committee not to be able to get information in this field. Also, we were disappointed in the wide range of answers. We have figures from 30 to 60 or 70 per cent as the number of people covered in plans. We find the percentage of plans is one thing and the percentage of people in the plans that exist is another thing. Then we found that the benefits provided under plans represented to us as good could scarcely measure up to that term.

I seem to be making a statement, but I may say we have become impressed in this committee with the fact that there is need for something that the private plans have not been able to do.

Mr. MUNRO: The fact that it will help the organized workers rather than the unorganized should indicate that the unorganized should hurry up and become organized.

Mr. JODOIN: I believe in that and we can offer a charter to members of the House of Commons—shorter hours.

Mr. BASFORD: I want to add my compliments to the C.L.C. on their brief which is at the usual high standard characteristic of the congress' legislative submissions. I hesitate to open my mouth, being one who defeated one of Mr. Knowles' colleagues. I am afraid I might deliberately be shot down in flames.

Mr. KNOWLES: Some of us do not mind taking one turn out, but we come back the next time.

Mr. BASFORD: I put some material on the record last evening on behalf of the professional firemen in British Columbia, who are required by law to retire at age 60. That brings us to paragraph 34. I do not see any specific recommendation here, but I wonder how you think we should handle this problem of forced early retirement? What amendments should we make to deal with it?

Mr. ANDRAS: Mr. Francis asked that a few moments ago and got a reply.

Mr. BASFORD: I am sorry. I had to leave the room. If it is on the record, it is all right.

Mr. ANDRAS: I tried to give some answers. Mr. Francis suggested this and I merely concurred. He was knowledgeable in his field, as you all know. The suggestion was to have a more extensive drop out provision. I suggested perhaps the plan might follow the American act in having a lower age of eligibility. There are probably other ways of doing it. I also said that changes in technology are occurring, and if there is a growing redundancy of workers, there are going to be pressures on earlier retirements than 65 and it may well be that, in the relatively near future, the Parliament of this country as a whole will have to review the whole concept of age 65 as the normal retirement age.

Mr. BASFORD: Thank you. I did not realize it had been answered before.

Mr. CANTELON: The questions I was going to ask have been pretty fully discussed in a most interesting and lucid manner by Mr. Andras, so I shall leave the questions altogether. There was a suggestion of a beginning age for students coming into the plan that would be higher than the beginning age for others. In other words, those years being crossed out altogether. It seemed to me that students, particularly those in the professional field, where they were higher and thought they would be around 60, would be starting around 22 or 23, so there would be a squeeze at both ends. Have you any views whether it would be advisable to have an older starting age in the plan for students, rather than the 18 which is envisaged?

Mr. ANDRAS: We raised that problem in our brief. I should like to take this opportunity to extend the statement. Our brief was written in considerable hurry, because your committee asked us to come more quickly. We talk about

students going from the high school into the university. We had in mind any kind of post-secondary school education, technical institute or vocational school and other institutions of that sort. If large numbers of our young people are to be encouraged to take these types of education, then I think you are quite right in suggesting that an age higher than 18 may be more appropriate than 18, as the experience of the next few years will indicate.

Mr. CANTELON: I am glad to have your expression along those lines. There has been much talk about appeals procedures. Are you familiar with the United States four-stage type of appeals machinery—first, that an appellant requests the social security administrator to consider his original determination; secondly, if he is not satisfied, he can claim to go before a hearing examiner of the social security administration; thirdly, if he is still not satisfied, he can further request a review of the examiner's decision by an appeals council; and fourthly, if he is still not satisfied, he can bring a civil action in a United States district court. I thought this might be interesting, to show how carefully they provide for an appeal in the United States. I wonder if you would suggest something like that in this bill?

Mr. ANDRAS: I think that in some respects we are ahead of the Americans. What you described to me sounded very elaborate and time-consuming. It seemed to me that there the appellant who has a claim is appearing before a quasi-judicial body. We would like something more flexible, closer to home. We are not accustomed here to the institution of civil proceedings. In our Unemployment Insurance Act we have a two-stage procedure, a board of referees and then the umpire. By and large, it seems to be working fairly well. Under workmen's compensation, there is an appeals procedure. I am not as familiar with that one, unfortunately. I do not specialize in that at all.

Mr. CANTELON: Some of my lawyer friends seem to think it is not too successful, but I really do not know.

Mr. ANDRAS: We are not at all anxious to give lawyers a living. We want to give claimants an opportunity to make an appeal as laymen, primarily to a lay body.

Mr. CANTELON: This was not the point. They said that the applicant very seldom seems to win the case.

Mr. BASFORD: I thought you stood for a fairly high level of employment. Surely you were referring to lawyers also?

Mr. ANDRAS: No.

Mr. BASFORD: They have a much better closed shop arrangement.

Hon. Mr. DENIS: I have only one question. In page 6 of your submission you give some examples of private plans benefits and you conclude to the effect that those plans are providing considerably more than what is contemplated under the Canada Pension Plan. I would like to ask you if you have taken into consideration the other benefits besides contribution in the rated earnings giving rise to a pension, if you have taken into consideration the benefits of the O.A.S., which is part of this plan. Have you taken into consideration other benefits such as the benefit in the case of death, the benefit to the disabled, the widow and the orphan, the portability and also the smaller range of contribution. I would also like to get from you whether you have taken into consideration those few advantages or benefits which I suggest are not provided by the examples you have given?

Mr. ANDRAS: Let me make it quite clear. We consider that the bill before you, or before Parliament, has a number of points of advantage. In fact, in my own notes they are numbered, and there are nine of them, which I am not going to read at this late hour, but we consider that they have points of

advantage that make them in the aggregate superior to a private pension plan as such, because there are not very many pension plans, for example, that provide widows benefits or survivors benefits. On page 6 of our brief we say:

In private pension plans, particularly those which are known as the unit benefit type, it is possible to achieve a benefit equivalent to 60 per cent of earnings after 40 years with a unit of $1\frac{1}{2}$ per cent of earnings.

Not all pension plans provide for $1\frac{1}{2}$ per cent unit of earnings.

Hon. Mr. DENIS: Some get more and some less?

Mr. ANDRAS: Yes. I have here a letter, which I am not going to read now, dealing with a man who got a new job at age 52, and he is only going to have 13 years.

Hon. Mr. DENIS: But the first example you gave, after 40 years 60 per cent of earnings. What would it amount to after 10 years?

Mr. ANDRAS: In 10 years they would get 15 per cent.

Hon. Mr. DENIS: And you are giving 25 per cent?

Mr. ANDRAS: I know, but 15 per cent is no good, neither is 25 per cent good enough. With the old age security benefit, then, it depends on the amount of Canada Pension retirement benefit.

The CHAIRMAN (*Mr. Cameron*): Thank you, Senator Denis. I think that concludes the proceedings for this afternoon.

Before adjourning the meeting, I wish to express to you, Mr. Jodoin, Mr. Andras, Mr. MacDonald and Mr. Irvine, our appreciation of your attendance here this afternoon, for the brief that has been submitted on behalf of the Canadian Labour Congress, and for the explicit explanations that have been given and the information we have obtained, not only from reading the brief but from the discussions of this afternoon. We thank you most sincerely.

Mr. JODOIN: With your permission, Mr. Chairman, on behalf of the Congress, it remains for me to express our appreciation for the opportunity of appearing before this joint committee, although I was more attentive than exuberant, and rightly so, with the confidence I have in my colleagues in this field.

I was not surprised to find, with the presence of the members of the Senate and the Commons of our great country, that the questions were certainly pertinent. It is not always like that, but in this case it was.

I would hope that the representations we have made will be duly considered, because it is in the interests of all you and we represent in various fields. It remains again for me to say that on the principle itself, the predecessor of the congresses, the national labour centres in Canada, as well as this Canadian Labour Congress, have been advocating for many, many years past that such a portable universal plan would be established for the citizenry of Canada; and if the date here is to be 1966, well, let us hope it will be the most comprehensive plan certainly in the interests of all the citizenry of Canada. Again, we thank you, sir.

Mr. MUNRO: Mr. Chairman, I would like to make a motion to that effect, for the record, in appreciation of the Canadian Labour Congress for their support of this measure and for their helpfulness and courtesy in coming here today and answering our questions.

Mr. KNOWLES: I second Mr. Munro's motion with much pleasure.

Motion carried.

Mr. MUNRO: I cannot anticipate your question, Mr. Knowles, unless it is about the briefs. I am sorry that I forgot to mention this before, Mr. Chairman. About half an hour or so ago, Mr. Guitard called Mr. Coward and we were

advised that all the briefs were parcelled and mailed yesterday, but they have not yet been received here. If members will be content, the moment they are received they will be sent out in the mail to members, one to their House of Commons office and one to their home.

Mr. KNOWLES: That was the question I was going to ask.

The CHAIRMAN (*Mr. Cameron*): That is a satisfactory method of distribution.

The committee will meet again on February 1 next at 10 o'clock, in room 371.

Mr. CANTELON: Mr. Chairman, I assume we shall be hearing all the other briefs to be presented?

The CHAIRMAN (*Mr. Cameron*): Only two; the School Teachers Federation and the Canadian Construction Company. They have been asked to come, and they are to let us know. We have told them that they will take second place to the Ontario brief. If that brief occupies the full day, they will come the following day.

APPENDIX A32

A SUBMISSION TO THE SPECIAL JOINT COMMITTEE OF THE
SENATE AND OF THE HOUSE OF COMMONS APPOINTED TO
CONSIDER AND REPORT UPON BILL C-136

By

THE CANADIAN ASSOCIATION OF SOCIAL WORKERS

185 Somerset Street West

Ottawa 3, Ontario

January, 1965

INTRODUCTION

The Canadian Association of Social Workers is a country wide organization of professional social workers with a membership of approximately 3,000, with branches or provincial associations active in all ten provinces. Members occupy professional positions in a variety of agencies both government and voluntary.

A primary concern of the Association is the maintenance and development of qualitative social welfare services to all people who experience social need, including income needs as well as needs related to prevention, protection and rehabilitation. Therefore, it is interested in measures designed to advance the social security of Canadian citizens along lines which respect and preserve the dignity of individuals and groups.

The Association welcomes the opportunity to present some observations on the far reaching provisions of the Canada Pension Plan. Since the proposed legislation is detailed and complex these observations will be confined to those areas in which we have a particular interest.

ADVANTAGES OF THE PLAN

The Association strongly support the major objective of improving social security provisions for retirement income and of extending coverage to include disability and survivors benefits. While the legislation is no substitute for a comprehensive social security plan and while there appears to be serious weaknesses in its basic design the Plan does represent a significant advance toward achieving income security for large groups of wage and salary earners.

The Plan assures, with its contributory approach, both higher levels of retirement income and greater flexibility related to retirement age and living standards throughout the country than would be possible through sole reliance on existing universal pensions for the aged. The assurance of portability is a decided advantage over existing voluntary plans. The tying in of benefits to increases in the consumer price index provides some security against rising living costs. Attention given to achieving universal coverage reflects a desirable goal although the particular methods applied may be criticized. The Plan provides a device whereby most wage earners will be able to assure greater responsibility for their future financial security.

Over a period of years it should reduce the number of older persons between 65 and 70 who now require old age assistance. It should reduce, also, the number of persons over 70 who require supplementary assistance when the existing old age pension fails to meet minimum needs.

The extension of income provisions through a contributory approach, to widows, disabled people and orphans, breaks new ground. This approach establishes a pattern which should reduce substantially the number of people who are now provided for through categorical programs under provincial administration. In addition it should mean that many people who would not ordinarily qualify for public assistance will be assured less drastic changes in their standards of living when death or disability occurs.

The Plan tends to create a definite shift from provincially administered public assistance programs to a federally administered social insurance program. To the extent that this shift, in the long run, actually reduces provincial and municipal financial commitments for income maintenance provisions it provides an opportunity whereby provinces can concentrate on strengthening important social welfare services of a non-income nature for the aged, and for families, children and youth.

While the association is strongly critical of certain aspects of the Plan, as pointed out below, it considers that the new ground broken by it in attempting to integrate flat rate payments and contributory benefits offers an approach which can be extended and improved as experience is gained.

LIMITATIONS OF THE PLAN

The limitations of the legislation, from the point of view of our Association, relate primarily to the inadequate *security* provided for low income groups and the regressive nature of the pattern for contributions. Some of the limitations are, in part, an inescapable aspect of any contributory insurance approach. On a basis of contributions it is extremely difficult to assure a satisfactory level of income to the very sizeable number of people who are in and out of employment, whose earnings are low and whose ultimate benefits are bound to require supplementation.

The legislation appears to be reasonably satisfactory as a retirement plan for perhaps three quarters of the working population. It does little for those who are on marginal or sub-standard wages or whose employment is irregular. Despite the steps taken in the Plan to reach these groups and to ease them into the benefit stream the end result is totally inadequate. As so frequently happens in social security legislation the poor are left in their poverty and the major benefits accrue to the stronger income groups.

Once we assert that a minimum level of income is essential for every individual and family then within any social security plan a major objective should be the assurance that those least able to meet contingencies are adequately provided for. If substantial numbers have their basic needs partially protected through social insurance they have to rely in the end on public assistance in any case, thus perpetuating an unreal distinction between those who are "self supporting" and those who are not.

While the Association recognizes that no pattern of social security is likely to remove completely the above distinction it believes firmly that the proposed legislation does not go far enough in this direction. Despite the steps taken to build in safeguards the Plan tends towards having the lower income groups contribute to their own social security with inadequate benefits in the end under what appears to be regressive taxation. Furthermore, it appears that insufficient attention has been given to taking full advantage of the flat rate benefit principle which has proven its worth in our existing old age pension system and integrating this principle with the contributory approach.

Specifically the Association is critical of the \$5,000 income ceiling for contributions since it tends to transfer much of the burden of social security from the general tax-payer to the lower income groups. Questions can be raised, also, as to whether the \$600 exemption from assessments is sufficiently high for

the lowest income groups; particularly since many of these would not normally pay income tax.

The Association appreciates the several steps taken in the legislation to strengthen the social aspects of the insurance approach, particularly the flat-rate payment of \$25 per month for supplementary benefits. There does not, however, appear to be any clear rationale for setting different levels of flat-rate payments for different categories of people when their basic need for income is the same.

In the above our concerns is primarily directed toward the substantial groups of low income people for whom the Plan makes inadequate provision and whose benefits when available will be below a minimum level. There appears to be a real likelihood that while the financial commitment under provincially administered public assistance schemes may be less, there will be a large number of people who will require income from two sources—contributory benefits and public assistance. This is likely to be so with respect to supplementary benefits and for those who for one reason or another are forced into early retirement. In addition the Plan provides no income security for wives and dependent children of bread-winners who become incapacitated.

Since the Plan is complicated in relationship to both contributions and benefits and involves a variety of choices the individual will find it difficult to know or to understand his rights, his opportunities and his responsibilities. The 25 per cent of people who will benefit least from the Plan and who are the greatest concern of our Association are those most likely to require help in understanding the Plan as well as being in the greatest need of financial security. The legislation makes no mandatory provision, at government expense, for information, guidance and counselling and advice with respect to the Plan itself. Such services are deemed essential for all beneficiaries, not only for the 25 per cent for whom we have a special concern.

The Plan appears to assume that all the insured are equally capable of handling appeals, and that their interests are protected through the proceedings described in Division "F". This is a doubtful assumption. All individuals should be safeguarded against the pitfalls and dangers of bureaucracy. The more complicated the system for computing benefits, the greater the need for such safeguards. Persons in the lowest income brackets include many who are least capable of handling their problems because of physical, mental or social disability.

SUGGESTIONS FOR SAFEGUARDING THE SOCIAL PURPOSES AND RIGHTS OF INDIVIDUALS AND IMPROVING THE RELATIONSHIP BETWEEN THE PLAN AND SOCIAL SECURITY IN GENERAL

The individual should be guaranteed availability of advice, information, guidance and counselling, at government expense, which will ensure information services of high quality and which could prevent the victimizing of the insured by private operators who could exploit the absence of responsible information services under government auspices. Information, advice and guidance given through the Income Tax Department regional offices and Unemployment Insurance and National Employment Service offices, provides some indication of the importance of such services.

The procedure for handling appeals should include a mandatory provision of advice, information and guidance to applicants on how to proceed with an appeal, if they desire and need such service. An applicant should be permitted to choose a friend to represent him at the hearings, as well as appointing a member of the Review Committee.

A report on the state of the Canada Pension Plan account, for the information of Parliament, is to be made by the Chief Actuary of the Department of Insurance to the Minister of Finance, at least once in every five years. It is most

important that a similar but separate and independent report, prepared by a Committee competent to carry out a responsible social audit, be made to parliament at the same time as the financial report from the Chief Actuary. Such a social audit should include a report on the effectiveness of the Plan in achieving the social purposes and functions of the Plan as related to the social security of Canadians, and should be submitted to the Minister of Welfare for presentation to the House of Commons.

The effectiveness of this Pension Plan is directly related to all other programs of service and income maintenance provisions. It is essential that rehabilitation services, personal counselling services, educational services, a housing program and other welfare services be considered as equally important facets of a total social security program in Canada. It is most desirable, therefore, that the entire network of social assistance and social welfare measures in Canada be reviewed with a view to ensuring a broad social security program which will meet the needs of all Canadians, regardless of financial status.

January 5, 1965.

APPENDIX A33

RELATIONSHIP OF EARNINGS TO DOMESTIC VALUE ADDED
(Canada by Major Industry—1961)

Industry	Domestic Value Added	Excluding Interest Component	Total Earnings	Total Earnings as a Percent of		Wages and Salaries	Wages and Salaries as a Percent of	
				of column (2)	of column (3)		of column (2)	of column (3)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(All money figures in \$ millions)								
Agriculture.....	1,257	1,209	1,202	95.6	99.4	193	15.4	16.0
Forestry.....	348	338	314	90.2	92.9	283	81.3	83.7
Fishing and Trapping.....	71	71	71	100.0	100.0	25	35.2	35.2
Mining, Quarrying and Oil Wells.....	944	931	547	57.9	58.8	541	57.3	58.1
Manufacturing.....	7,332	7,245	5,505	75.1	76.0	5,303	72.3	73.2
Construction.....	1,665	1,643	1,520	91.3	92.5	1,251	75.1	76.1
Transportation.....	1,669	1,609	1,432	85.8	89.0	1,348	80.8	83.8
Storage.....	75	74	57	76.0	77.0	57	76.0	77.0
Communication.....	652	610	454	69.6	74.4	454	69.6	74.4
Utilities.....	849	451	353	41.6	78.3	353	41.6	78.3
Wholesale Trade.....	1,412	1,372	1,126	79.7	82.1	1,073	76.0	78.2
Retail Trade.....	2,793	2,572	2,311	82.7	89.9	1,664	59.6	64.7
Finance, Insurance and Real Estate.....	2,926	1,479	931	31.8	62.9	862	29.5	58.3
Service.....	4,250	4,013	3,895	91.6	97.1	3,028	71.2	75.5
Sub Total.....	26,243	23,617	19,718	75.1	83.5	16,435	62.6	69.6
Public Administration and Defence.....	2,514	2,514	2,284	90.9	90.9	2,234	90.9	90.9
TOTAL.....	28,757	26,131	22,002	76.5	84.2	18,719	65.1	71.7
Net Non-Financial Imports.....		54						
Estimated Net Interest Received.....		2,550						
Value Added Tax Base.....		28,735		(Income type of base with export-import adjustment)				

NOTES:

- (1) Supplementary Labour Income of \$820 million has been removed from total earnings and from Wages and Salaries. Minor parts of the adjustment by industry are approximate.
- (2) The inventory valuation adjustment of \$91 million downward has been pro-rated against the net total of this item and the capital consumption allowances.
- (3) No adjustment has been made for imputations which have important effects in the case of agriculture and finance, insurance and real estate.
- (4) The impact of a payroll tax on wages and salaries or an earnings tax on total earnings may be assessed easily in relation to value added (including or excluding the interest columns) by reference to Columns (5), (6), (8) and (9).
- (5) This type of table may be prepared quite readily for any year from 1926 to 1963.
- (6) Total earnings include the investment component of self employment income. Unfortunately information required to remove this is not available.

SOURCES—The National Accounts and Canadian Statistical Review.

W. M. Anderson
January 20, 1965

APPENDIX A34

SUBMISSION BY THE CANADIAN LABOUR CONGRESS TO THE SPECIAL
JOINT COMMITTEE OF THE SENATE AND OF THE HOUSE OF
COMMONS APPOINTED TO CONSIDER AND REPORT
UPON BILL C-136 (CANADA PENSION PLAN)

1. This submission is made to you by the Canadian Labour Congress, the major trade union centre in Canada. The Congress represents through its affiliated and directly chartered organizations more than one million members of trade unions in every part of Canada. One of its principal functions is to act as the collective expression of the views of these members on such issues as social legislation. Bill C-136 is a matter of such major consequence to the working people of Canada, to trade union members as well as non-members, that we consider it appropriate to appear before you today and to submit our views on this proposed statute.

2. We wish to state at the outset that we concur in general with most of the principles embodied in this Bill. If we understand them properly, they are the establishment of a wage-related system of old age security for the great majority of the members of the labour force, including the self-employed; the establishment of disability benefits, survivors' benefits and death benefits supplementary to the old age security benefits; the financing of all such benefits through wage-related contributions on employers, employees and the self-employed; the establishment of some element of funding; the financing of the aforementioned benefits exclusively from the contributions made by the contributors; and amendments to the Old Age Security Act to make reduced benefits available at ages between 65 and 70. There are other aspects of the Bill which deserve mention, such as the appeals procedures, which we deal with below.

3. We favour Bill C-136 as a generality because it will provide, for the first time, a system of wage-related benefits to members of the labour force on a virtually universal scale. We consider this to be a significant gain for the working force of this country for two reasons. The first is that it will set standards of benefits which bear some relationship to the standard of living enjoyed by the beneficiary prior to retirement. (This will be so only to a limited extent in view of the present maximum ratio of benefit to previous earnings on which we have more to say below.) The second and perhaps even more important reason is that a very considerable number of wage and salary-earners and self-employed, who are now not covered by any private pension arrangement, will hereafter be assured of at least a modest income on retirement, such income having some relevance to what they had earned before.

4. We do not wish to diminish the value of the Old Age Security Act as a social security measure. But the flat rate benefit which is its principal characteristic means that the benefit itself has no specific relevance to the standard of living which the beneficiary had previously enjoyed. It has the merit of universality but none of the value of relating the benefit either to previous living standards or to need. Since one of the important values of income maintenance in retirement is that the recipient should be able to enjoy his leisure without suffering at the same time a disastrous reduction in income, the Old Age Security Act falls short of the mark for many. At the same time, however, we look to the Old Age Security Act as an important substructure for the Canada Pension Plan. It will mean for that part of the working population covered by the Canada

Pension Plan that there will be an expectation of two benefits, the old age security benefit and the Canada Pension Plan benefit. Together they will serve to offset to some extent the drop in income which inevitably occurs on retirement even when there is a private pension plan in effect, or the possible complete loss of income which occurs when there is forced retirement without any private provision for old age security at all. The double benefit will be proportionately of greater value to those with low than with high incomes.

5. Another aspect of the Canada Pension Plan which commends itself to us is its complete portability. Not only have private pension plans failed to reach more than a limited part of the work force but they have failed in the case of many workers to provide what they were ostensibly designed for: a pension on retirement. Because of the restrictive features of most private pension plans, such as their requirements for eligibility, and more particularly their vesting provisions, a worker may emerge from employment with one or more employers with pension plans without acquiring any pension entitlement whatever. Private pension plans have thus either penalized the mobile worker by depriving him of all or part of the pension credits that might otherwise have been established on his behalf or inhibited the worker from engaging in that mobility which is an essential feature of a dynamic economy. In short, the limited degree of portability in private pension plans is one of the major criticisms which have been directed against them. The Canada Pension Plan overcomes that problem by allowing the worker to move freely from job to job with the full knowledge that regardless of the moves he makes during his working life contributions made by his employer and himself to the Canada Pension Plan will ultimately result in a pension benefit (or an alternative form of benefit should he become disabled or fail to survive to the normal retirement age).

6. There are other features in the Bill which we consider desirable. These include:

- (1) The automatic adjustment of the amount of contributory earnings to the changes in average earnings in the economy as a whole;
- (2) The benefit formula which connects wage-relatedness to the general level of wages at the time of retirement;
- (3) The measure to maintain to some degree the real purchasing power of the pension;
- (4) The opportunity to earn some income following retirement without loss of benefit; and
- (5) The opportunity to obtain the old age security benefit at any age between 65 and 70, although on a permanently reduced scale.

7. All these features help to make the plan attractive despite its shortcomings which we discuss below. Another point in favour of the plan is the bias both in the contribution rate and in the benefit in favour of the lower income worker; we refer to the exclusion of the first \$600 of wage-income from the contribution rate (which is of benefit to his employer as well).

8. We are pleased also that the Canada Pension Plan will provide for disability benefits and benefits to the widow and orphans of a contributor, benefits for disabled widowers, and a death benefit. Bill C-136 thus takes under its auspices a large section of the population who are likely to be affected by old age, disability or death of the bread winner. This is a major advance in our social security structure and is to be welcomed as such.

9. We would not wish you to conclude, however, that we consider Bill C-136 in its present form as an ideal representation of social legislation dealing with old age, disability and survivors' benefits. In our opinion, it contains the following short-comings:

(1) The ratio of benefit to earnings, that is, the degree of wage-relatedness in the old age benefit, is too limited;

(2) The plan provides for funding on a substantial scale;

(3) The fund is derived in large part from those least able to contribute to it;

(4) The plan is by its nature regressive in that the principle of transfer payments which is inherent in social security measures is unduly restricted and favours those with the greatest ability to contribute;

(5) The supplementary benefits are low absolutely and by comparison to similar benefits now available under social assistance programs.

10. Bill C-136 proposes a benefit, at the end of the transitional period, of 25 per cent of earnings. At present this 25 per cent is based on a ceiling of \$5,000 but this dollar ceiling is subject to adjustment as the level of average earnings changes. We will confine ourselves therefore to the percentage ratio rather than to the dollar maximum.

11. One of the major concerns of any worker anticipating retirement is necessarily how much income he can expect to enjoy upon retirement. Assuming that there will be some income, such as a private pension plan, the next question is whether the income will be adequate to maintain a reasonably comfortable life or will entail a sharp departure from former living habits. It is worth noting that the Parliament of Canada makes possible a superannuation benefit of as high as 70 per cent of earnings based on the average of the six best consecutive years prior to retirement to its civil servants. In private pension plans, particularly those which are known as the unit benefit type, it is possible to achieve a benefit equivalent to 60 per cent of earnings after 40 years with a unit of $1\frac{1}{2}$ per cent of earnings. The Unemployment Insurance Act now undertakes to provide for the unemployed claimant with a dependent a benefit of about 50 per cent of previous earnings and the Committee of Enquiry into the Unemployment Insurance Act (Gill Committee) has recommended that this be raised to 60 per cent. The Workmen's Compensation Acts in the various provinces provide for a ratio of 75 per cent of earnings (subject to predetermined dollar ceilings). It is evident from these examples that various income maintenance programs provide considerably more than what is contemplated under the Canada Pension Plan. It might be worth while also to examine ratios of benefits to earnings in other industrialized countries which have introduced similar legislation and for this purpose we have included Appendix "A" in this submission.

12. It may be seen from Appendix "A" that the ratio of benefit to earnings in a number of countries with economies similar to ours is very much higher than is provided in Bill C-136. It is obviously a matter of public policy in these countries that the worker on retirement should be assured of a level of benefit which by itself should provide at least a modicum of security in old age. This cannot be said about the proposed ratio of benefits in the Bill under consideration. Setting aside the transitional period, the full 25 per cent rate will mean a sharp drop in income for most workers who at age 65 or subsequently are forced to withdraw from the labour market and must look to the Canada Pension Plan and to the old age security benefit for their retirement income.

13. Even when taken together, the retirement benefit under the Canada Pension Plan and the old age security benefit do not make a substantial ratio of benefit to previous earnings except at the lower levels of the income scale. As the following table illustrates, the ratio drops as earnings rise. We have assumed that the typical pensioner will choose to draw his old age security benefit at age 65, along with his retirement benefit.

Monthly Earnings	Retire- ment Benefits	Old Age Security Benefit		Ratio of Benefits to Earnings as Percentage	
		Single	Married	Single	Married
\$100	\$ 25	\$51	\$102	76 %	127 %
200	50	51	102	50.5	76
300	75	51	102	42	59
400	100	51	102	37.7	50.5
500	104.17	51	102	31	41.2

14. We submit that the target of wage-relatedness should be very much more than 25 per cent and that the ratios established by other countries support this viewpoint. If asked to suggest a figure we would reply that a beneficiary and dependent spouse should, on retirement, be assured of an income under the Canada Pension Plan of not less than 75 per cent of his previous income, when the old age security benefit is taken into account as well. We would be prepared to support, as an alternative, a formula under which the amount of benefit and hence the ratio would be variable inversely with previous income, so that low wage earners would retire with a rather higher and high wage earners with a rather lower ratio of benefit to earnings. This principle is already well established under the Unemployment Insurance Act. Assuming such levels of benefit, the supplementary benefits would presumably fall into place at correspondingly higher levels than now being proposed.

15. You will undoubtedly suggest to us that we have over-simplified the situation and that a good many workers will enjoy the benefit of income derived from private pension plans. Our reply to this is two-fold. In the first instance, there are various categories of workers whose chances of becoming members of pension plans or of accruing benefits under plans even while covered are very limited. These include: workers employed by marginal employers; workers employed by small employers; seasonal workers; workers with a high rate of mobility. In addition, there are those workers who, although regularly maintaining their employee status with the same employer and covered by a pension plan, may be laid off sufficiently often during the course of their working life to emerge at retirement with a relatively limited accumulation of pension credits. In 1960, 50 per cent of those in the labour force with employee status were employed by employers who had one or more pension plans in effect ("Pension Plans, Non Financial Statistics, 1960"; Dominion Bureau of Statistics, November, 1962). Even allowing for the fact that there has been some increase in this figure in the last four years, it is clear that a very considerable proportion of the employed working population is still without coverage and it is worth remembering that even in those establishments where there are pension plans in effect, some employees will not be covered for a variety of reasons.

16. Our second position in connection with private pension plans is that, while recognizing their value towards income maintenance in old age, we believe that they should supplement a public program rather than let the public program supplement the private one. We take this position for the reasons that we have set out above, namely, that private pension plans are deficient in their ability to effect universal coverage, to provide portability and even to assure the payment of a benefit at the end of a working life. As long as the public program is the main program and provides a reasonable assurance of security in old age, the private pension plan can and should properly play the secondary role of rounding out the provisions for old age security.

17. It is already becoming clear, and it was anticipated in the White Paper, that private pension plans would be integrated with the Canada Pension Plan. We use the word "integration" with some hesitation in view of its lack of precision within the context of this discussion. The ordinary dictionary meaning

of to integrate is to make whole or complete by adding or bringing together parts or to put or bring parts together into a whole or to unify. But an examination of the current discussions on integration indicates that what is actually meant is some arrangement whereby the benefits under private pension plans are to be reduced, at least in terms of future service benefits, to the extent that the Canada Pension Plan will produce benefits. Accordingly, to the extent that employers are successful in effecting such a change in their pension plans, integration will actually amount to offsetting, that is, the future service benefits in the private pension plan will be reduced in whole or in part by the amount of benefit that will be available to the participating employee under the Canada Pension Plan. For workers in such circumstances, the Canada Pension Plan does not promise any improvement in old age security, except to the extent that the public plan is wholly portable and fully vested. The presumption, therefore, that the 25 per cent public plan will enhance any private plan may turn out to be somewhat illusory. In any event, in a rapidly changing economy, where technological innovation and automation render almost any job tenure questionable, it may be well to re-examine whether or not private pension plans in their present form are a barrier to rather than a means of making possible a flexible labour force. We are not suggesting that labour mobility is entirely related to whether or not there is a pension plan in effect; we recognize that there are a good many factors involved. But to the extent that it is desirable or that it becomes necessary for workers to change their jobs perhaps two or three times or even more during their working life, the advantage of a public plan with a relatively high ratio of benefit to earnings, with the attendant advantages of portability and vesting, become obvious when compared to a rather limited public plan with an undue emphasis on private pension plans with all their well known deficiencies.

18. In establishing the 25 per cent ratio of benefit, no consideration was given apparently to the fact that what was a low rate of pay in the first instance will produce a benefit that is inadequate as a consequence. We have merely to examine the rates of benefits used for purposes of illustration in the White Paper. Thus, when the plan is mature, average monthly earnings of \$100 will produce a monthly benefit of \$25; \$200 will produce a benefit of \$50; and so on. Even allowing for the old age security benefit as we have done above (which would be sharply reduced if taken as early as age 65), the total income for those relying exclusively on it will still be low by commonly accepted standards.

19. We believe it is fair to state that in Canada the preoccupation of governments in the case of social legislation has been to provide subsistence but not much more. Insufficient account has been taken, in our opinion, of the need to relate social benefits to the expectations of the society as a whole as to what are appropriate living standards and of the view that such standards should be a reflection of the capacity of the society to produce wealth. It has been well stated that "the level below which the individual is not permitted to fall must be defined in terms of the wealth and standards of the community of which he is a member" ("The Meaning of Social Security" by Professor H. Scott Gordon, *The Business Quarterly*, Winter, 1954 issue; published by University of Western Ontario). Accordingly, even if we were to agree (which we do not) that the 25 per cent ratio was generally adequate, we would still argue that it is not likely to be adequate in all cases. We would therefore submit that in a scheme of this sort consideration should be given to the social policy that the income of no one should be permitted to fall below a certain minimum, a minimum which we will for purposes of convenience merely describe as one which provides a health and decency standard of living. It is only when everyone is assured of such a minimum income and when the minimum is not

only absolutely adequate but relatively so as well that there can be a true sense of security from an economic standpoint. Such security is not only desirable but necessary. "Both security and change are necessary in our modern world, and to find the right balance is a continuous problem of adjustment (and also, rightly, a continuous matter of political dispute). The demand for security arises from simple and basic human needs. Even if it be granted that men require variety and change in their lives, there are limits beyond which the uncertainties of excessive change lead to breakdown. Only from within a certain stability is change possible" ("God and the Rich Society" by D. L. Munby, Fellow of Nuffield College, Oxford; Oxford University Press, 1961). We are not concerned here with the techniques whereby such a minimum may be written into this legislation. We merely submit to you the concept as a necessary principle in the evolution of the social security system in our country.

20. Not only is the rate of benefit inadequate but it is clear that the cost of providing the benefit is excessive by virtue of the fact that the 1.8 per cent each on employers and employees and the 3.6 per cent on the self-employed will over a period of ten years produce a fund of about \$4 billion according to the White Paper and from \$6 billion to \$8 billion at the end of 20 years according to the testimony before you of the Minister of National Health and Welfare (Minutes of Proceedings and Evidence, No. 1, p. 43). We understand that in the field of social insurance there are different approaches to the question of full funding, partial funding or operating on a pay-as-you-go basis. Attitudes vary with the type of social insurance program that is contemplated. Under unemployment insurance legislation, for example, the existence of funds is a commonplace. In workmen's compensation, funds are to be fund under the Workmen's Compensation Acts of all the Canadian provinces. The situation, however, is different in the case of social insurance dealing with old age security. There a funded plan is the exception rather than the rule, and, as the Minister of National Health and Welfare herself said to you, Sweden is the only country which has developed a fully funded plan. In the United States, the comparable legislation, the Old Age, Survivors and Disability Insurance Act, is partially funded although it was conceived of as operating on a pay-as-you-go basis.

21. We submit that from the technical point of view there is no merit in having a funded Canada Pension Plan. While there presumably should be contingency reserves at any given time to take care of unforeseeable demands for benefit payments, this is not to be equated with funding in the technical sense of that term. The Canada Pension Plan, like other legislation of its kind, is what might be described as an open-end scheme, that is, it is not conceived as having a terminal point; there would presumably always be beneficiaries and contributors and the Parliament of Canada would always be able to exercise its fiscal powers to effect necessary adjustments to meet the needs of the program. But it is not our purpose to press this point since the fund involved here is not one which will come into being because of a decision that the Canada Pension Plan should be a funded plan but because of an arrangement arrived at between the Government of Canada and the Governments of the various provinces. It is therefore a fund to meet other than actuarial specifications.

22. As we understand the situation, the fund which will accumulate over the next ten years will be made available to the participating provinces according to a formula set out in the Bill. The provinces will presumably use the monies so made available for socially desirable purposes. At any rate we would hope that this was in their minds when they agreed to participate in the

Canada Pension Plan and to accept the principle of having a fund of the dimensions indicated above. But we have some reservations in this connection.

23. The Canadian Labour Congress has for the past few years advocated an expansion of the public sector of our economy for two principal reasons. The first was to achieve a more dynamic economy generally and to bring about a situation of full employment or as close to full employment as was possible. The second was to provide the community with those facilities and services which can best be provided through government action and which are still lacking in whole or in part. We have in mind such matters as an expansion of health facilities and personnel, improved educational opportunities and facilities, extended social benefits, resource conservation programs, and so on. To the extent that the \$4 billion fund is likely to be used by the provinces for these types of activities, it is to be welcomed. These are necessary programs and money should be found for them regardless of whether or not there is a Canada Pension Plan. The main issue here, however, is the equity of the burden in producing such a fund. We are not convinced that the mechanism of the Canada Pension Plan in its present form is the way to obtain funds for these public purposes. With contributions being required from employees earning as little as \$600 a year, it must be obvious that those who are being required to establish the fund are among those in our society least able to do so. Since contributions cease at the \$5,000 ceiling (or this ceiling as periodically adjusted), contributions are not being required beyond a limited extent of those who would be in the best position to contribute towards the establishment of the fund in question. We regard the establishment of this fund, therefore, as one which imposes unnecessary and unjustifiable economic sacrifices on that part of the population which normally looks to the taxation system for relief rather than additional burdens. If the Canada Pension Plan had not been loaded with the cost of establishing this fund, then it seems reasonable to assume that the contribution rate could have been set at a figure lower than 1.8 per cent for employers and employees or 3.6 per cent for the self-employed.

24. We wish to make it clear, if we have not already done so, that we are not in favour of funding an old age security system such as the present one. We recognize the need for some element of funding whether for contingencies or in order to provide a level rate of contributions for a reasonably long period of time. But we do not consider it necessary for a public system of insurance to possess the same degree of actuarial soundness and solvency that is appropriate for private insurance schemes. We submit, as we have on other occasions, that social insurance is not to be equated with commercial insurance and need not be subjected to the same rigorous conditions of funding and solvency because it is not a commercial enterprise and not subject to the ordinary rules of insurance. Where commercial insurance follows the ordinary criteria of the market place, a social insurance program will normally include social policies which would be unsound in a commercial scheme. A public program can, for example, deliberately include bad risks or provide for internal cross-subsidy or public subsidy where a private scheme must of necessity avoid if at all possible the inclusion of bad risks or adverse selection if it hopes to survive. A private scheme requires a fund in order to guarantee its obligations since no private organization can be absolutely certain of its own continued existence. A public plan, as already indicated, may look to public funds if and when needed. For these and other reasons, it is not necessary to examine social insurance programs in the light of the standards required in the private insurance industry. It follows that a fund should not have been necessary and it is our view that the government is in effect in agreement with our position since the fund is not being established for the conventional

reasons which we have described but because of a political arrangement to make the Canada Pension Plan itself a viable undertaking.

25. But having said all this, we wish to rebut the notion that this fund will have an adverse effect on private capital formation, as has been suggested in some quarters. You have merely to examine the table on page 151 of the Minutes of Proceedings and Evidence of this Committee with regard to Gross National Product. Assuming a fund of \$4 billion in the first ten years of the Canada Pension Plan, this would mean accumulation on the average of \$400 million a year. This would represent only 5.3 per cent of the gross private investment at its 1963 level of \$7.5 billion. The Department of Finance has projected a G.N.P. for 1975 of \$88 billion. If this figure is correct, and if gross private investment is maintained even at about 18 per cent of G.N.P. (which has been the rate for the past several years) it would amount to about \$16 billion in 1975. Therefore, by 1975 the yearly average growth in the Canada Pension Plan fund of \$400 million would be only 2.5 per cent of gross private investment. (Source: D.B.S. "National Accounts, Income and Expenditure"; and "Economic Implication of the Canada Pension Plan", by Department of Finance.) Moreover, far from hindering private capital formation, large-scale public investment, by providing employment and income, can stimulate investment in the private sector of the economy. If we seem to have digressed, it is because we wished to make it clear that it was not public investment to which we objected. It was to the way in which the projected fund is being obtained.

26. Quite apart from the whole question of establishing a fund and the inequities which it will create, is the inherently regressive nature of the type of program which imposes a so-called proportional tax and which in addition applies a ceiling on the amount of income that is to be taxed. In this instance, this is tempered somewhat by the fact that the first \$600 of income is not taxed and this affords rather more relief to the low income wage earner than would otherwise be the case. But the fact remains that as income rises above the \$5,000 mark, the proportion of income actually contributed is reduced. For purposes of illustration we have constructed the table which follows:

Total Annual Earnings	Contributory Income	Annual Contributions	Contributions as % of Total Earnings
\$ 1,000	\$ 400	\$ 7.20	.72%
2,000	1,400	25.20	1.26
3,000	2,400	43.20	1.44
4,000	3,400	61.20	1.53
5,000	4,400	79.20	1.58
6,000	4,400	79.20	1.32
7,000	4,400	79.20	1.13
8,000	4,400	79.20	0.99
9,000	4,400	79.20	0.88
10,000	4,400	79.20	0.79

27. It may be seen from the foregoing table that for the employee at the bottom of the wage scale the contribution as a percentage of total earnings is relatively small, equivalent to one half of what is required at the \$3,000 level. The maximum contribution in terms of percentage of earnings is made at \$5,000; thereafter the proportion of contributions to earnings diminishes. We find consequently that as total earnings go above the present \$5,000 ceiling, the employee receives, other things being equal, the same maximum benefit in return for a steadily decreasing proportion of his total earnings. This brings

to mind the Biblical adage that: "unto every one that hath shall be given..." except that in this present context it is not a matter of commendation. Under a system of progressive taxation, such as the income tax is supposed to be, the impact of taxation is presumably more strongly felt as income rises. In the case of the Canada Pension Plan, the situation is by and large the reverse. Admittedly this is offset by the fact that the old age security benefit will constitute a larger proportion of previous income for the low income earner than for the higher one and the benefit under the Canada Pension Plan flattens out at the \$5,000 level but the regressive aspect of the plan is preserved nonetheless.

28. There is the tendency for such plans to be regressive in other ways as well. To the extent that the Canada Pension Plan represents a transfer payment, the transfer is being effected not from the relatively well-to-do to the relatively poor but from people with relatively modest incomes to those with relatively low incomes. In plain terms, the better paid worker is being asked to look after his less well paid brother. This has been brought out by Dr. Margaret S. Gordon ("The Economics of Welfare Policies" by Margaret S. Gordon, Associate Director of the Institute of Industrial Relations, University of California, Berkeley; Columbia University Press, 1963). She states: "It is sometimes contended that public welfare programs achieve only horizontal, rather than vertical, income redistribution, since they are (after account is taken of tax shifting) financed largely by the wage-earning class for the benefit of the wage-earning class. This ignores the fact, however, that the beneficiaries tend to be at the lower end of the income scale *within* the wage earning class... To the extent that vertical income redistribution occurs as a result of welfare programs, it tends to be largely from average workers to families whose capacity to participate in the labour force is, for some reason, impaired" (p. 24). Referring to various studies made she goes on to say: "It should also be noted that the marked increase in the relative importance of social insurance programs has tended to make for more regressive over-all financing of welfare programs, although this should not necessarily be interpreted as an argument against the social insurance approach" (p. 26).

29. In her chapter on "The Old-Age, Survivors, and Disability Insurance Program" in the United States, Dr. Gordon raises the issue which to us is pertinent here also, namely, the desirability of some support for the program from general government revenues. In this respect Dr. Gordon has the following to say:

"The general principle that OASDI should be financed primarily by contributory taxes is seldom questioned, but there is a substantial body of opinion, perhaps particularly among economists, in favor of providing part of the support for the program through general government revenues, rather than relying solely on contributory taxes...

"In favor of some degree of support for the program from general government revenues, the following arguments have been advanced.

"1. The contributory taxes are regressive in their impact, particularly when account is taken of the shifting of the employer portion of the tax. The extent to which the employer will be in a position to pass the tax along to the consumer in the form of a higher price will vary with business conditions, the character of the demand for the product (whether it is elastic or inelastic), and other factors, but the strength of inflationary forces in the last few decades has been such that most employers have probably been in a position most of the time to respond to an increase in the payroll tax by raising the prices on their products. Under these conditions employees also pay the employer portion of the tax in

their capacity as consumers, though its incidence will be somewhat different from that of the employee contribution. Greater reliance on general revenues of the federal government, derived primarily from the progressive income tax and the corporate profits tax, would result in distributing the OASDI tax burden more in accordance with ability to pay and would thus enhance the income-redistribution effects of the program.

"2. When the employer encounters consumer resistance to price increases, because of a recession, foreign competition, or for other reasons, he is likely to attempt to shift the payroll tax to his employees by resisting wage increases or by introducing labor-saving changes in production methods which will make possible a reduction in his work force...

"3. The contributory OASDI taxes have the disadvantage, in common with other types of earmarked sources of revenue, of limiting the power of Congress to determine how much should be spent on OASDI in relation to all other government programs. The amount available from the earmarked source at any particular time may be more or less than Congress might have appropriated for the program if the amounts had had to come at least partly out of general government revenues. In other words, Congress would be more likely to vary expenditures on the program in the light of needs of the beneficiaries and the impact of the program on the economy if a portion of the funds were appropriated from general revenues as is done in many European countries.

"4. It is inconsistent with the general purpose of contributory taxes to force workers who will be covered by the program over a long period of years to pay taxes which reflect the full costs of unearned benefits of persons who have retired or will retire on the basis of minimal periods of coverage.

To sum up the situation, the generally favorable experience with earnings-related contributory taxes in the last few decades has played a significant role in inducing a shift of sentiment, both on the part of economists and other groups, away from former antipathy based on their regressive character. Nevertheless, the likelihood that a combination of payroll taxes plus employer contributions to private employee benefit plans is having adverse effects on employment, at least in the short run, is a problem of growing concern, and there are strong arguments for some type of contribution to OASDI from general government revenues, as is the common practice in the financing of social insurance schemes in western Europe.

30. We agree with Dr. Gordon that the arguments she has produced do not necessarily represent an argument against the social insurance approach. But they do indicate that social insurance, however desirable, has features which are less than equitable and ought to be remedied. We are in agreement with her view that there ought to be an element of public contribution to supplement the contributions made by employers, employees and the self-employed. There is already a strong precedent for this in the Unemployment Insurance Act under which the unemployment insurance fund receives from the general revenues of Canada 20 cents for every dollar jointly contributed by employers and insured employees. (The government in addition pays the full cost of administering the Act.)

31. To the extent that our general system of taxation is progressive, the part-financing of the benefits from general revenues would mitigate the regressive aspects of the proposed Canada Pension Plan, which we have touched

on above. It would furthermore be easier to justify the \$4 billion fund on the grounds that at least some of the money going into the fund would be derived from taxes on those in a better position to make contributions than the low-income wage-earners and self-employed who are now being called upon to contribute. It is to be noted that the following countries with old age security social insurance schemes provide government contributions: Austria, Belgium, Brazil, Chile, Colombia, West Germany, Greece, Israel, Italy, Japan, Luxembourg, Mexico, Netherlands, Switzerland and the United Kingdom (Source: "Social Security Programs Throughout the World, 1964", published by U.S. Department of Health, Education and Welfare, Washington, D.C.). In the light of this evidence, we submit that it would be appropriate for the proposed financial basis of the Canada Pension Plan to be modified by the inclusion of funds drawn from the general revenues of Canada. This would result in a more equitable form of transfer payment and help to place the burden more properly where it belongs.

32. In enumerating our principal points of criticism of Bill C-136, we stated that the supplementary benefits were too low. We do not think that this requires elaboration since, if we are correct in our criticism that the basic benefit itself is low, it follows that the supplementary benefits are low as well. A higher ratio of benefit to earnings, therefore, will produce consequentially higher supplementary benefits as well. But there is another aspect of this matter which deserves your attention. At the present time, all the benefits which are to be made available under the Canada Pension Plan (with the exception of the death benefit) are to be found to one extent or another under the various existing social assistance programs. Once the supplementary benefits become available there will be a tendency for a shift of claimants from social assistance to the Canada Pension Plan, at least to the extent to which the Canada Pension Plan will provide the benefits. There will be a tendency on the part of the provinces to divest themselves of the responsibility for providing social assistance at least to the degree which the Canada Pension Plan provides benefits. It may well be that social assistance claimants will be required to make application for the benefits available under the Canada Pension Plan even though their social assistance benefits will be higher, and the social assistance benefit will then be reduced to the difference between the Canada Pension Plan benefit and the previous social assistance benefit. In some cases presumably, there will be a complete transfer from social assistance to Canada Pension Plan benefit. We consider that this whole area is one which is too important to ignore and requires careful examination as to its consequences. We suggest that there should be a Dominion-Provincial conference in this connection to explore the relationship between the Canada Pension Plan and the various social assistance programs and to see also whether and to what extent the ancillary services provided under a social assistance program, such as counselling and rehabilitation, will be affected. In our view, this particular consequence of the introduction of the Canada Pension Plan points up one of the disadvantages of the piece-meal development of social security and the lack of integration of existing programs.

33. There are at least two other features of Bill C-136 which we feel deserve comment. One of these is its basic approach of the whole question of old age security. Our examination of the Bill leads us to the conclusion that it assumes a long-term attachment to the labour market, hence the long period of contributions and entitlement to benefit obtained accordingly. This is undoubtedly a correct assumption in the case of virtually all male workers and for a considerable number of women. It is taken for granted that the young man who enters the labour market at, say, 18 will remain in the labour market

for the rest of his working life or at any rate until he reaches normal retirement age. Our long standing tradition of the male bread-winner of the family supports this assumption. There are also a good many women who, having entered the labour force at an early age, stay in it until retirement. But there is a problem here which needs to be considered. We refer to those categories of employees who under their pension plans are able to or must retire at a normal retirement age which is typically 60 rather than 65. These include professional fire fighters, school teachers, civil servants, and women employees in private pension plans which provide a normal retirement age of 60 for women as against 65 for men.

34. Taking into account those who are likely to retire at age 60, we find that there is a gap in the Bill. It takes no account of this situation and makes no provision for what would be early retirement by its standards. Accordingly, if we understand the provisions of the Bill correctly, a professional fire fighter, for example, who retires at age 60 and obtains no further employment would be able to draw his benefit under the Canada Pension Plan at age 65 with the years from age 60 to 65 being treated as zero years for purposes of benefit calculation. The same would presumably be true of the other groups that we have referred to. It is instructive to note the substantial proportions of the employees who retired at an age below 65 in plans surveyed by the Dominion Bureau of Statistics. For the year ending October 31, 1960 the Bureau found that in the plans surveyed 16,349 male employees had retired during that particular year and of these 5,753 or 35.2 per cent had retired at ages 64 and under. During the same year the number of female employees retiring was 2,767 and of these 1,842 or 66.6 per cent retired at ages under 65 ("Pension Plans, Non-Financial Statistics, 1960" published by Dominion Bureau of Statistics, 1962). Bill C-136 may therefore be deficient to the extent that it fails to take into account the likelihood that a considerable number of contributors under the Canada Pension Plan will be withdrawing from the labour market at an age earlier than 65 because of retirement policies in effect in their places of employment. Once again we mention the professional fire fighters as an illustration because to our knowledge his is one occupation where the hazardous and arduous nature of the work has encouraged retirement at ages below those encountered in private industry. It seems incongruous that such an employee rendering an important public service should be penalized in the fashion we have just described.

35. The lengthening of the educational process and the consequent delay in entering the labour force also raise the question as to the appropriateness of using age 18 as the age of entry into the Canada Pension Plan. This is already an obvious problem in the case of those young people who complete secondary schooling and then go on to university. Their age of entry into the labour force may be 22 or 23 or even later. But even in the case of those who enter the labour force at the ages of 18 or 19, consideration may have to be given to the fact that they may at some time in their working lives, perhaps more than once, find it necessary to withdraw from active employment in order to train or retrain for new types of jobs. A rapidly changing technology may make this an absolute necessity for those who wish to keep themselves qualified for active employment. If this is to be the case, it may be that the Canada Pension Plan will contain a built-in inequity against those who find themselves in the situation just described.

36. In outlining those aspects of the Canada Pension Plan which we considered to be favourable, we included the fact that the Bill provides for an escalator clause to preserve the purchasing power of the pension itself. As we understand the Bill, escalation will not occur in any year in which there is an

increase of less than one per cent in the Pension Index and that the escalation will never exceed two per cent in any one year. We have read with great interest the testimony of Mr. J. E. Osborne in explaining how this would work in practice (Minutes of Proceedings and Evidence, No. 4). It would appear to us that the escalation formula suffers from a serious defect. An inflationary spurt, producing annual index increases of more than two per cent may leave the escalation process hopelessly behind. For example, an annual increase of 2.5 per cent over a period of five years would mean that pensioners would suffer a prolonged corrosion of purchasing power before escalation caught up with the index. Judging from Appendix "F", escalation would never have provided complete protection had the Plan been in effect from 1926 to 1963.

37. In her initial statement to you (Minutes of Proceedings and Evidence No. 1, p. 22) the Minister of Health and Welfare stated that: "It has been suggested that pensions in pay should be tied to the earnings index rather than the pension index. This would have the effect not of maintaining purchasing power but of increasing it in line with increases in the purchasing power still in the labour force. There is considerable merit in this proposal, but on balance the government favoured the objective of maintaining purchasing power." We agree with the Minister as to the merit of the proposal referred to and we urge, that your Committee also give it the consideration which it deserves. It is our view that those who retire on pension should continue to share in the growing productivity of their country. To tie pensions only to the cost of living as measured through a price index means almost inevitably that over a period of time the relative position of the pensioner decreases by comparison with that of the working population. Assuming that contributors will apply for their pensions at age 65 and that average life expectation is about 14 or 15 years as of that age, the pensioner may during a period of very active economic growth see his living standards slipping further and further behind those of the rest of the population who depend on wage income for a living. (We are assuming that economic activity will be accompanied by higher wages and salaries as well as higher profits.)

38. The question of the relationship of pension payments to changes in productivity brings us to the proposed changes in the Old Age Security Act. There are two significant changes. One of these makes it possible for the old age security benefit to be obtained at any age between 65 and 70 but at a reduced rate. The other provides for escalation in the pension itself on the basis of the same formula as in the case of the Canada Pension Plan benefit.

39. The Canadian Labour Congress has consistently taken the position that the old age security benefit should have been payable at age 65 without a means test instead of at 70. We are still of that opinion. The proposed amendment is to be welcomed to this extent that it will make benefits available at earlier ages. It will mean for those who will ultimately apply for the Canada Pension Plan benefit at age 65 that they will be able to apply for and receive their old age security benefit as well. There will be, in other words, integration in the more nearly correct meaning of that term. But the Canada Pension Plan will not pay its full benefit until 1976 where the old age security benefit will be available at a reduced rate for those aged 69 in 1966 and become gradually available at age 65 by 1970. This means that during the transitional period when the Canada Pension Plan benefit is low, the old age security benefit will be low as well in terms of the maximum provided in the legislation. We understand the reason for the transitional period and raise no objection to it except to point out that if the maximum benefit itself is relatively small the benefits available during the transitional period are even smaller. It would have made sense, therefore, in terms of social justice for Bill C-136 to have made the

\$75 benefit fully available in 1966 to those who would begin collecting some benefit during the transitional period, even if the old age security benefit itself would diminish in proportion as the Canada Pension Plan benefit increased. But simply to reduce the old age security benefit well in advance of the possibility of obtaining the full benefit under the Canada Pension Plan is to give the older contributor the worst of both worlds. It is not persuasive to tell a pensioner that the \$5.00 a month he may get from the Canada Pension Plan represents a good bargain considering his contributions in view of the insignificance of the \$5.00 itself as income maintenance; and to require or to encourage him to take a reduced old age security benefit at the same time is merely to compound the inadequacy of both programs. The adequacy of \$75 a month is itself open to question and we believe that the \$75 a month should at the very least have been retained right up to 1976 for those who will become beneficiaries under the Canada Pension Plan during the transitional period and retained in any event for those who will never participate in the Canada Pension Plan at all. For the latter group, a figure substantially higher than \$75 a month can be justified. We are concerned lest the establishment of the Canada Pension Plan will cause us to overlook the needs of those who will never participate in that Plan.

40. We are not opposed to the escalator provision governing the old age security benefit. We would merely remind you here of the argument made above with respect to the restrictions in the formula itself whereby there may not be sufficient protection against changes in the costs of living. But there is more to it than that. We are apprehensive, to say the least, that the escalator clause may lead to the illusion that old age security beneficiaries are being well looked after and nothing more needs to be done. Hitherto, the old age security benefit has been changed from time to time by Act of Parliament. To freeze the benefit at \$75 a month, merely because that amount is protected against erosions through price increases, would be to single out its beneficiaries for discriminatory action. They should be allowed to share in the growing productivity of the country and the flat rate benefit itself should be changed from time to time accordingly. We made this point in our Memorandum to the Government of Canada on March 14, 1962 when we stated: "Assuming that the present flat rate benefit system is here to stay, we believe that benefits should be related to changes in the price level and to improvements in general living standards. The relationship to price levels would afford protection against erosion in purchasing power. The need to assess changes in living standards would provide Parliament with procedures for orderly review." We would like to see written into the amendments to the Old Age Security Act a provision calling for regular Parliamentary review of the level of benefit itself in the light of changes in the economy. We believe that this is still possible. It is, in our opinion, a matter of some urgency that there be some official statement of intent that the old age security benefit will be reviewed from time to time and that its beneficiaries will have their living standards kept in accord with rising living standards for other elements of the population.

41. We have chosen to deal with Bill C-136 in broad terms of principle rather than in matters of technical detail. There is, however, one part of the Bill with which we are concerned and which we think should be changed without affecting the operation of the Bill in general. We refer to Sections 83 to 88 inclusive which deal with appeals. We are particularly concerned with the appeals procedure at the second stage, that is, after receipt of an unsatisfactory decision from the Minister of National Health and Welfare. Section 84 provides for a Review Committee of three members, one to be appointed by

the applicant or beneficiary, one to be appointed on behalf of the Minister, one to be appointed by the two jointly as Chairman. It seems to us that this is, from the point of view of the contributor or beneficiary, an unsatisfactory arrangement and bound to work to his disadvantage. It would in many cases be difficult if not impossible for an appellant to find a representative not only willing but competent to represent his interest and more particularly to find one of the same level of competence as the Minister's appointee. There is the further problem of reaching agreement on a Chairman. It is conceivable that the Minister's appointee may simply be instructed never to agree on a Chairman and leave the matter entirely in the hands of a judge as provided in Section 84(3). For the ordinary appellant, this may be a very difficult and discouraging process to go through. We do not think that it should be so. We believe that an appeals procedure should be simple and readily accessible. We are strongly in favour of permanent Review Committees such as have existed under the Unemployment Insurance Act since its inception. We would also assume the right of an appellant to be represented before a Review Committee or the Pension Appeals Board although this is not spelled out in the legislation.

42. We have gone to a considerable effort to indicate to you what we consider to be deficiencies in Bill C-136. We wish to make it clear that although we have been critical of certain aspects of the Bill and of principles which are imbedded in legislation of the kind contemplated, we are nonetheless in favour of Bill C-136 and look forward to its speedy enactment. We are convinced of the need for such a Bill but we would like something better than what is being proposed. We assume, in the light of our experience of other social legislation, that the passage of time and the accumulation of experience will lead to the kind of improvements which we consider essential if the Canada Pension Plan is to play its legitimate role in our social security structure.

Respectfully submitted,

CANADIAN LABOUR CONGRESS.

Ottawa, January 22, 1965.

Annex A

COUNTRY

BENEFIT FORMULA

Argentina

Old-age pension: 82% of average earnings in last 12 months, but including only 90% of that part of computed pension between 10-20,000 pesos a month, 80% of 20-40,000, 60% of 40-60,000, and 30% of part over 60,000 pesos. Minimum pension, 4,000 pesos a month.

Increment of 5% of pension for each year retirement postponed, or 2.5% if pensionable age 50; maximum, 25%.

Reduced pension: Full pension less 5% per year under pensionable age.

Refund of contributions plus interest, if ineligible for pension (employee contributions if under 55, or all contributions if over 55).

Austria

Old-age pension: 30% of average earnings during last 5 years, plus increments per year of insurance of 0.6% of earnings (first 10 years), 0.9% (11-20 years), 1.2% (21-30 years), and 1.5% (after 30 years). Paid for 14 months a year.

Supplemental equalization payment (if pension small): Amount raising pension to 870 schillings a month, plus 345 sch. for wife and 100 sch. per child.

COUNTRY

BENEFIT FORMULA

Belgium

Old-age Pension: For full pension, 60% (single person) or 75% (married person) of average lifetime earnings; in computing average, earnings for each past year revalued for changes in retail price index. Reduced pension (if full qualifying period not met): Percentage of full pension corresponding to proportion of period completed. Automatic adjustment of outstanding pensions to 2.5% changes in retail price index.

Brazil

Old-age Pension: 70% of average earnings during last 12 months. Increment of 1% of earnings for each 12 months of contribution; maximum increment, 30% of earnings. Long-service pension: 80% of average earnings, plus 4% of earnings per year of contribution after 30 years, up to 100% of earnings. 13 monthly pensions paid a year.

Chile

Old-age pension: (wage earners): 50% of average wages during last 5 years, plus 1% of wages for each 50 weeks of contribution beyond 500 weeks; maximum, 70% of wages. Increment of 10% of contributions paid for each 150 weeks of contribution after pension awarded. Child's supplement: 10% of average pension paid in preceding year, for each child. Maximum total pension: 100% of wages. Salaried employees: 1/35 of average salary during last 5 years, times years of contribution; maximum pension, 100% of salary. If ineligible, refund of employee-employer contributions in instalments. Automatic adjustment of all pensions.

Colombia

Old-age pension: 45% of average earnings during last 3 years, plus increment of 1.2% of earnings for each 50 weeks of contribution after 500 weeks. Dependents supplements: Wife age 60 or invalid, 24 pesos a month; each child, 12 pesos; maximum 72 pesos. Minimum and maximum pensions, 120 pesos a month, and 90% of earnings.

Cuba

Old-age pension: 50% of average earnings during last 5 years. Increment of 1% of earnings for each year of employment beyond 25 years. Minimum and maximum pension: 38 pesos and 250 pesos a month.

Czechoslovakia

Old-age pension: 50% of average earnings during last 5 or 10 years, plus 1% of earnings per year of work over 25. Maximum pension: 1,600 crowns a month, or 85% of earnings; minimum, 400 crowns (300 crowns if reduced pension). Dependents' supplements: Wife age 65 or invalid, 100 crowns a month. Increment of 4% of earnings per year of work during 5 years after pensionable age (if no pension drawn). Employees in onerous work receive 55% of earnings, plus 1.5% per year over 20; miners and aviators, 60% plus 2% per year.

COUNTRY

BENEFIT FORMULA

Finland

Universal old-age pension: 34 marks a month, or 68 marks for aged couple.

Increment of 12.5% of pension for each year deferred after 65; maximum 62.5%.

Assistance pension: Up to 92 marks a month, according to means.

Supplements to assistance: 60% for wife 65 or invalid; 30% for wife 60-64, 10% for each child.

Employer old-age pension (statutory minimum): 1/12 of 1% of earnings during last year times months of coverage ($\frac{1}{2}$ of service before 1962 credited).

Maximum employer pension: 40% of earnings, or 60% minus universal pension if less.

Pensions adjusted automatically for 5% price changes.

France

Old-age pension: 20% of average earnings in last 10 years, or 40% if unfit for work or in arduous work (past earnings revalued for wage changes).

Increment of 4% of earnings per year pension deferred after 60 (i.e., 40% of earnings payable at 65, 60% at 70).

Reduced pension: 1/30 of full pension times years of insurance.

Dependents' supplements: 50% of pension for spouse, 10% if 3 children reared.

Special supplement of 700 francs a year paid low-income French pensioners from solidarity fund.

Automatic adjustment of outstanding pensions to annual changes in national-average wages.

Assistance or special allowance for former workers available to low-income aged not receiving pension.

Germany (West)

Old-age pension: 1.5% of worker's assessed wages times years of insurance (latter include credited periods of incapacity, unemployment, and schooling after 15).

Worker's "assessed wages" computed by applying average percentage which his wages were of national-average wages throughout coverage to national-average wages in last 3 years before claim (latter national-average wage figure for pensions awarded in 1964, 560 marks a month).

Germany (East)

Old-Age pension: 60 marks a month, plus 1% of average monthly earnings per year of insurance (higher rates for miners).

Dependents' supplements: 10 marks a month for spouse age 60, invalid, or caring for child under 3 or 2 children under 8; and 35 marks a month for each child under 15 (18 if student).

Minimum pension: 115 marks a month, or 125 marks with eligible spouse.

Maximum pension, 80% of earnings.

(Social assistance for needy aged not receiving pension.)

Greece

Old-Age pension: 28% to 98% of average earnings during last 2 years, varying inversely according to wage class.

COUNTRY BENEFIT FORMULA*Greece—Conc.*

Increment of 1 to 2.5% of pension for each 300 days of contribution beyond 3,000 days.

Dependents' supplements: 50% of pension for wife (maximum, 287 drachmas a month). 20% of pension for 1st child, 15% for 2nd, and 10% for 3rd.

Maximum pension: 100% of earnings.

13-½ monthly pensions payable a year.

Hungary

Old-Age pension: 50% of average earnings during last 5 years, plus 1% of pension per year of employment.

Minimum and maximum pensions: 500 forints a month, and 70% of earnings.

Wife's supplement (if pension below 850 forints): 100 forints a month.

Israel

Old-Age pension: 48.35 pounds a month (consists of basic pension of 15 pounds, plus supplement of 33.35 pounds varying automatically with cost-of-living index).

Dependents' supplements: 50% of pension for 1st dependent, 40% for 2nd, and 36-⅔% for 3rd.

Increment of 2% of pension for each year of insurance beyond 10 years; maximum, 50%.

Increment of 5% of pension for each year retirement postponed; maximum, 25%.

Assistance grants provided to needy aged ineligible for pension.

Italy

Old-Age pension: For men, annual pension equal to 72 times 45% of first 1,500 lire of lifetime basic contributions, plus 35% of next 1,500 lire, plus 30% of rest.

Women: 72 times 33% of first 1,500 lire of contributions, plus 26% of next 1,500 lire, plus 20% of rest.

Increment for deferral of pension: Men, 6-40% of pension if deferred 1-5 years; women, 3-40% if deferred 1-10 years.

Minimum pensions: 12,000 lire a month (15,000 lire if deferred to 65); maximum, 80% of average earnings.

Child's supplement: 10% of pension for each child under 18 or invalid. 13th monthly pension paid each December.

Japan

Welfare Pension Insurance—*Old-age pension:* 2,000 yen a month, plus 0.6% of lifetime average monthly earnings per year of coverage.

Dependents' supplements: 400 yen a month for spouse and each child under 18 or invalid.

Withdrawal grant (if ineligible for pension): Lump sum, based on earnings and length of coverage.

National Pension Program—*Old-age pension:* 75 yen a month per year of contribution up to 20, plus 100 yen per such year thereafter; minimum at age 70, 11,000 yen a month.

Assistance pension (after income test): Up to 1,000 yen a month.

COUNTRY

BENEFIT FORMULA

Luxembourg

- Old-age pension:* Basic pension of 1,690 francs a month.
 Plus, increment of 1.6% of total insured earnings (wage earners) or 16% of total employee contributions (salaried employees).
Child's supplement: 135 francs a month (wage earners) or 370 francs (salaried employees) for each child under 18.
Minimum and maximum pensions: 3,038 francs a month, and $\frac{5}{8}$ of average earnings.
Special allowances paid to low-income pensioners from National Solidarity Fund to assure specified minimum total income.
Automatic adjustment of pensions for 5% changes in cost-of-living index (amounts shown above based on index of 135, with January 1948 as 100).

Mexico

- Old-Age pensions:* 34% of average earnings during last 250 weeks of contribution, according to 12 wage classes.
 Increment of 1% of earnings per year of contribution beyond 500 weeks (newly-covered workers credited for increment purpose with contribution years equal to excess of their age over 30 years when first covered).
 Additional increment of 2% of earnings per year of work after age 65.
Child's supplement: 10% of pension for each child under 16 (25, if student or invalid).
Minimum pension: 150 pesos a month; maximum, 85% of earnings.

Poland

- Old-Age pension:* 75% of average earnings during last 12 months (or best 2 years of last 10 years) below 1,200 zlotys a month, plus 20% of those between 1,200-2,000 zlotys, plus 15% of those over 2,000 zlotys.
Minimum and maximum pensions: 500 and 1,200 zlotys a month.
Dependents' supplements: Same as family allowances.

Rumania

- Old-age pension:* 60 to 90% of average earnings during last 12 months (60% applicable if earnings over 1,200 lei a month, and 90% if below 500 lei). Rates for difficult and dangerous work 5 or 10% higher.
 Increment of 1.5% of earnings per year of employment beyond qualifying period.
Minimum and maximum pensions: 350 and 1,200 lei a month.
Reduced pension: Proportionate to percentage of full qualifying period completed; minimum, 250 lei a month, or 200 lei in rural areas.
 (Social assistance available if ineligible for pension.)

Sweden

- Universal old-age pension:* 4,230 crowns a year (90% of current base amount).
Wife's supplement: 50% of pension if age 67 or invalid, or after income test if 60-66.
Child's supplement: 27.8% of pension per child under 16.

COUNTRY BENEFIT FORMULA*Sweden—Conc.*

Housing supplement (after income test): Up to 2,100 crowns a year.
 Increment of 0.6% of pension per month pension deferred till age 70.
 Pensions vary with price changes.
Supplementary old-age pension: 3% of average earnings between 4,700-35,000 crowns during coverage or best 15 years, times years of coverage (2% after 1990); maximum, 60%.
 Increment of 0.6% of pension per month pension deferred till age 70.
 Past earnings and pensions in force adjusted for price changes.

Switzerland

Old-age pension: 1,000 francs a year, plus 4 times first 400 francs of average annual contribution and 2 times next 300 francs (pre-1964 contributions raised $\frac{1}{3}$ in computation).
 Minimum and maximum pensions: 1,500 and 3,200 francs a year.
 Wife's supplement: 60% of pension if age 60 or invalid, or 40% if 45-59.
 Partial pension: Per cent of full pension equal to per cent of years age class could contribute since 1948 in which pensioner contributed.
 Extraordinary assistance pension payable, after means test (unless born before 1893), to aged citizen whose ordinary pension inadequate.

Union of Soviet Socialist Republics

Old-age pension: 50% of average earnings in last 12 months (or best 5 consecutive years in last 10 years) if earnings above 100 rubles a month; 80-100, 55%; 60-80, 65%; 50-60, 75%; 35-50, 85%; under 35, 100% (rates 5% higher for dangerous work).
 Increment of 10% of pension for 15 years' work for last employer, or for total work 10 years beyond qualifying period.
 Supplement of 10% of pension for 1 dependent, 15% for 2 or more.
 Minimum and maximum pensions: 30 and 120 rubles a month, or 100% of earnings.
 Pensions 15% lower in rural areas, if pensioner in agriculture.
 Reduced pension: Proportionate to years of work; minimum, 25% of full pension.

United Kingdom

Flat old-age pension: £3 7s.6d. a week.
 Dependents' supplements: £2 1s.6d. for noninsured wife over 60; £1 for 1st child; and 12s. for each other child.
 Increment for deferred retirement: 1s. a week for each 12 weeks of contribution after pensionable age (1s.6d. if noninsured wife over 60).
Graduated old-age pension: (if not contracted-out): 6d. a week for every £7 10s. (man) or £9 (woman) of graduated employee contributions paid during lifetime (payable in addition to flat pension).
 (National assistance payable to aged persons whose resources below needs.)

United States of America

Old-age pension: 58.85% of first \$110 of average monthly earnings after 1950 (excluding 5 lowest years), plus 21.4% of next \$290. Minimum and maximum pension, \$40 and \$127 a month.

COUNTRY

BENEFIT FORMULA

United States of America—Cont.

Dependents' supplements: 50% of pension each for aged wife, or wife caring for child; aged dependent husband; and each child under 18 or invalid.

Maximum total pension: \$254 a month or, if less, greater of 80% of earnings and 150% of basic pension.

(Old-age assistance payable to needy aged, after needs test, under Federal-State program.)

Source: Social Security Programs Throughout the World, 1964; published by U.S. Department of Health, Education and Welfare.

APPENDIX A35

THE EFFECT OF DYNAMIC ECONOMIC CONDITIONS ON A
STATIC-PROVISION NATIONAL PENSION SCHEME

by

ROBERT J. MYERS (*United States*)

Transactions, 17th International Congress of Actuaries, Vol. III, May 1964.

The faith of an ordinary man in the stability of prices is so remarkable that under normal circumstances, or perhaps under circumstances that are not unusually abnormal, he seldom expects any change in the price level. He tends to view conditions in a static manner, considering the purchasing power of the monetary unit as being almost immutable. The fact that this has not often been the case in the past generally does not perturb him in his future planning. Nor does he usually realise the economic relationship between such things as (1) interest rate, money and price level or (2) wage levels, price levels and productivity trends.

When national pension schemes were first developed several decades or more ago they were always framed to be consistent with the current economic conditions. With the passage of time economic changes occurred—sometimes gradually and sometimes in avalanche manner. Following such changes the schemes were modified on an *ad hoc*, and generally reasonable, basis to reflect the new conditions existing.

It may thus be said for many years the actuarial cost estimates for national pension schemes were made on the assumption of static economic conditions under which prices would remain constant into the future, and in wage-related programmes so also would wages. What has actually occurred over the years, however, is that economic conditions have been dynamic; both wages and prices have risen. Generally during the past century wages have increased more rapidly than prices, reflecting rising productivity. As a result, there has been a gain in the standard of living of the working population which, with their families generally represents the vast majority of the total population. There have been times when this trend of both wages and prices to rise did not prevail but these have not been frequent.

Dynamic economic conditions for the purpose of this paper may be said to apply when the level of wages varies from year to year. Such fluctuations in wages will usually, although not necessarily always, have an effect on prices. In the past the general situation has usually been for wages to have a more upward trend in price levels. Under the latter circumstances the differential between the two trends represents not only the improvement in living standards, as the result, but also on the whole the gain in productivity, as the cause. Other situations are possible under dynamic economic conditions but that referred to is by far the most common. For example there is the possibility, that some might consider to be ideal, of wages remaining constant and prices declining as a reflection of productivity gains.

This paper will discuss first the two general solutions, or approaches to solutions, that have been followed in connection with national pension schemes that have been affected, or may in the future be affected, by dynamic economic conditions. Then there will be shown how the Old-Age, Survivors, and Disability Insurance system of the United States of America has fared under one of these solutions. Finally the advantages and disadvantages of each solution will be analysed.

As a matter of terminology "wages" and "earnings" are used interchangeably in this paper, and both are intended to include "salaries" and "earned income" of self-employed persons. Also "workers" means any persons covered by the pension scheme, whether manual workers, salaried employees, independent or professional workers, domestic workers, or agricultural workers.

Two solutions to problem caused to national systems by dynamic economic conditions

The solution that has been most widely used in the past has been the *ad hoc* procedure of adjusting the benefit structure after significant economic changes have occurred. The adjustment generally conforms the structure to the then-existing conditions. Similarly the financing structure also needs modification when economic conditions are dynamic. If contributions are flat amounts the adjustment will be evident. When the contributions are a certain percentage of wages with a maximum amount subject to contributions it will probably be thought desirable to change the limit so that the proportion of total wages on which contributions are paid will remain about the same; the contribution rates too may need revision.

Some schemes base the pension amounts on the average earnings in the last few years before retirement rather than on a lifetime record of earnings, or contributions. In part this procedure was followed to allow for the fact that often an individual's earnings tend to rise as age, and length of service, rises, even after discounting any secular trend in the wage level that may be present. Accordingly it is desired to relate the pension to the level of earnings received just before retirement. But in part too this basis allows for dynamic economic conditions before retirement, but not thereafter. The average final wage basis, however, must be considered to be of a static-provision nature.

The other solution—more or less, a newcomer in the field—is the "mathematically elegant" basis of having fully-automatic-adjustment provisions. One way is to adjust pensions automatically at intervals to reflect changes in the cost of living as measured by a statistical index. This can most logically be done in schemes that pay flat-rate benefits, as in Denmark and Israel for example, but it is also possible in wage-related systems whether or not pension amounts are based on final pay. Another way in wage-related systems is to translate all wage records, and the resulting pension amounts too, to index numbers and then each year to pay benefits on the basis of the then-current wage level, or that of a recent period. The latter approach has been most notably followed for all practical purposes in the Federal Republic of Germany, where parliamentary action is necessary to adjust pensions in force, but this has been done each year.

The financing provisions too are automatically adjusted under the second approach. This could be accomplished in flat-contribution-rate schemes by varying the rate in accordance with changes in the cost of living. In systems that operate on a percentage-of-pay contribution basis this can be done by changing the maximum limit to the same degree as the variation in the cost of living or in the general wage level, the latter procedure being that used in the Federal Republic of Germany and the former being that used in Sweden.

Actual experience of United States static-provision pension system under changing economic conditions

The Old-Age, Survivors, and Disability Insurance system of the United States of America (hereafter referred to as OASDI) began paying monthly pensions in 1940. In the following two decades the general price level as measured by the Consumer Price Index rose by 112% (78% in the 1940's and 19% in the 1950's). During the same period the average annual wage

of full time employees increased by 262% (131% in the 1940's and 57% in the 1950's). Real wages thus rose by 71% from 1940 to 1960.

Under OASDI the basic benefit amount has always been based on a career-type average wage. The basic benefit amount may be defined as that payable to a worker retiring at age 65 or over, or for permanent and total disability at any age, without considering supplementary benefits payable to eligible dependants. The latter benefits, as well as survivor pensions, are determined from the basic benefit amount. A worker retiring between ages 62 and 65, not for disability, receives as a pension the basic benefit amount multiplied by an actuarial-reduction factor (80% for retirement at exact age 62, and proportionately higher for older ages).

Until the 1950 legislation the average wage was based on the entire period beginning with 1937, when contributions were first collected, or age 22 if later. Now the average wage in the vast majority of the cases is based on the entire period beginning with 1951, or age 22 if later, except that the 5 years in the period with the lowest earnings are eliminated from the computation. This basis eliminates the lower earnings that generally prevailed before and shortly after World War II and thus represents one type of *ad hoc* adjustment for changing economic conditions. The changes made in 1950 and later to have a "new start" in computing the average wage were in effect *ad hoc* adjustments to economic conditions, but they were made primarily, or at least ostensibly, to give reasonable treatment to occupational groups newly covered.

Another factor that affects basic benefit amounts is the maximum on the amount of annual earnings that is creditable toward benefits and also subject to contributions. From 1937 to 1950, this base was \$3,000; for 1951-54, \$3,600; for 1955-58, \$4,200; and since 1958, \$4,800. The extent to which this limit has kept pace by *ad hoc* adjustments with changing economic conditions is indicated in Table I. In the early days of the programme over 90% of total earnings in covered employment was taxable.

TABLE I

Proportions of total earnings in employments covered by OASDI system that were subject to contributions, in selected calendar years

Calendar year	Earnings base	Em- ployees ^a %	Proportion of total earnings subject to contributions	
			Self- employed %	Total covered %
1937	\$3,000	90.4 ^d	"	90.4 ^d
1940	3,000	92.4	"	92.4
1945	3,000	88.0	"	88.0
1950	3,000	79.7	"	79.7
1951	3,600	84.5	57.4	81.5
1954	3,600	79.7	59.6	77.7
1955	4,200	83.5	64.3	81.1
1958	4,200	80.1	61.5	77.8
1959	4,800	82.0	62.4	79.7
1961 ^c	4,800	78.6	63.3	76.9

^a Including both manual workers and salaried employees.

^b Self-employed were not covered until 1951.

^c Preliminary estimate.

^d This figure is artificially low because persons aged 65 and over were not covered in 1937-38, so that all earnings of such persons were not subject to contributions. If this had not been the case, the proportion would have been about 92%.

By 1950 this proportion fell off to 80% as wages rose during the 1940's. Considering only the more or less homogeneous employees group the proportion was increased to about 84% by the first *ad hoc* rise in the limit. Subsequent decreases in the proportion, due to rising earnings, were offset by further increases in the limit so that in 1959, the first year of the \$4,800 limit, the proportion was 82%. By 1961 it had again declined and was 79%.

The opposing effects of changing economic conditions and the creditable-earnings base can also be studied by considering workers whose earnings in a year equalled or exceeded such limit. For employees this proportion was only 3% in 1937-39, but it rose to 29% by 1950, and during the subsequent years was generally between 25% and 30% as the periodic increases in the base offset the rising earnings level. For full-time male workers the corresponding proportions were 6% in 1937-39, 57% in 1950, and 50-55% subsequently.

The *ad hoc* adjustments in the creditable-earnings limit kept it up to date in the 1950's with the situation at the beginning of the decade but not at the same level that prevailed in the late 1930's. This could be said to constitute a change in legislative policy.

The formula for computing the basic benefit amount has been changed over the years reflecting the rising earnings levels. The several formulas are summarised in Table II along with the minimum-benefit and maximum-benefit provisions and also the average increase in benefits for those on the pension roll when the law was changed.¹ Table III traces the benefit history of a worker who retired in 1940 at the average amount then awarded, comparing his basic benefit amount with the changes in the cost of living. This table also shows similar figures for a worker who retired in 1950 and one who retired in 1954, after enactments of amendments significantly changing the benefit formula.

TABLE II

Effect of various legislative changes on OASDI benefit formulas

Year of legislation	Formula for basic benefit amount ^a	Minimum basic benefit	Maximum basic benefit	Maximum family benefit	Average increase for roll ^b
1935 ^c	$\frac{1}{2}\%$ of first \$3,000 of cumulative wages, plus $\frac{1}{10}\%$ of next \$42,000, plus $\frac{1}{4}\%$ of next \$84,000	\$10.00	\$85.00 ^d	\$85.00	—
1939	40% of first \$50 of AMW, plus 10% of next \$250; total increased by 1% for each year of coverage	10.00	60.00 ^e	85.00	—
1950	50% of first \$100 of AMW, plus 15% of next \$200	20.00	80.00	150.00	77%
1952	55% of first \$100 of AMW, plus 15% of next \$200	25.00	85.00	168.75	15%
1954	55% of first \$110 of AMW, plus 20% of next \$240	30.00	108.50	200.00	13%
1958	58.85% of first \$110 of AMW, plus 21.4% of next \$290	33.00 ^f	127.00	254.00	8%
	Increase from 1939 to present . .	300% ^f	112%	199%	—

^a In formulas below, "AMW" means average monthly wage.

^b These figures relate to those on the roll at the time of the legislation, who were given an automatic increase in all cases, considering only primary beneficiaries without regard to supplementary benefits for dependants.

^c This formula was never effective since benefits were first paid in 1940.

^d Determined from 43 years of coverage at maximum creditable wage.

^e Based on 50 years of coverage at maximum creditable wage.

^f The minimum was increased to \$40 by the 1961 legislation, which made no other change in the benefit formula.

¹ Those interested in other historical developments of the provisions of the OASDI system may obtain a tabular summary thereof upon request to the author.

TABLE III

Comparison of monthly basic benefits^a under OASDI in various future years for person receiving average benefit awarded at time of retirement

Year (December)	Retirement in 1940		Retirement in 1950 ^b		Retirement in 1954 ^c	
	Actual benefit payable	Benefit in 1960 Dollars ^d	Actual benefit payable	Benefit in 1960 Dollars ^d	Actual benefit payable	Benefit in 1960 Dollars ^d
1940	\$22.60	\$47.85				
1945	22.60	37.85				
1950	41.40	49.50	\$49.50	\$59.05		
1951	41.40	46.65	49.50	55.80		
1952	46.60	52.05	55.70	62.25		
1953	46.60	51.70	55.70	61.80		
1954	51.60	57.55	60.70	67.70	\$66.60	\$74.30
1955	51.60	57.35	60.70	67.45	66.60	74.05
1956	51.60	55.75	60.70	65.60	66.60	71.95
1957	51.60	54.10	60.70	63.65	66.60	69.85
1958	51.60	53.20	60.70	62.55	66.60	68.65
1959	55.00	55.90	65.00	66.05	71.00	72.15
1960	55.00	55.00	65.00	65.00	71.00	71.00

^a Without considering supplementary benefits for dependants.

^b For awards in last 4 months of year to persons who met the qualifying conditions of the law as it was before the 1950 Amendments, which greatly liberalised such conditions and brought on the roll many persons at a relatively low benefit rate.

^c For awards in December.

^d Actual benefit payable multiplied by ratio of cost-of-living index in 1960 to that in given year.

Examination of Tables 11 and III indicates that on the whole the several *ad hoc* adjustments of the benefits have maintained their purchasing power. In fact in most instances benefits more than kept pace with the cost of living although not with the rise in earnings levels. For example, the benefit based on the average basic amount awarded in 1940 increased by 143% by 1960, as against a rise of 112% in the cost of living and 262% in the general wage level. The fact that the benefit level did not keep pace with the wage level is also indicated by comparing the amounts payable in 1960 for retirements in 1940, 1950 and 1954, as shown in the last line of Table III.

Another indication of the effect of the *ad hoc* adjustments made in the OASDI system may be had from a study of 100 persons whose old-age retirement benefits were awarded in August 1960. This sample was selected at random but not on a scientific stratified basis. None the less, its results are indicative of the underlying trends. The benefit in each individual case was computed from the actual wage record according to the benefit-formula provisions of the 1935, 1939, 1950 and 1958 Acts.

The average benefit amounts, separately for men and women, are shown in Table IV. The average benefits actually decreased from the formula of the 1935 Act to that of the 1939 Act. The reason for this was that the latter legislation revised the benefit structure so as to pay larger benefits in the early years and to provide dependants benefits. Economic conditions were relatively static in 1935-39. On the other hand, the 1950 Act and 1958 Act benefit formulas yielded substantial increases. Considering the 1958 Act formula, the increases were about 210% for men and 245% for women, or almost as much as the 262% rise in the general wage level.

TABLE IV

Average benefit amounts for sample of 100 persons awarded old-age retirement benefits in August 1960 if their benefits had been computed according to legislation in effect in specified years

Legislation	Average basic benefit	Average family benefit	Ratio of average benefit to that for 1939	
			Basic benefit	Family benefit
Men (62)				
1935	\$35.78	\$35.78 ^a	126%	112%
1939	28.34	32.05	100	100
1950	54.95	62.91	194	196
1958	87.11	99.91	307	312
Women (38)				
1935	\$25.25	\$25.25 ^b	128%	128%
1939	19.77	19.77 ^b	100	100
1950	41.61	41.61 ^b	210	210
1958	68.47	68.47 ^b	347	347

^a Dependents benefits were not available under 1935 Act.

^b No female insured worker in the sample had dependants.

Assumptions:

1. In those cases where reduced benefits are payable because of retirement between ages 62 and 65 the comparison is made with the full basic benefit payable if it is not claimed until age 65.
2. In computing family benefits only those wives are included who are aged 65 and over at time of claim. Similarly only children under age 18 are included. These were the provisions of the 1939 Act, which have by now been liberalised in certain important respects.

The above comparison must be considered with caution because several elements are contained, and not merely the effect of dynamic economic conditions. None the less, it does give indication that the level of benefits under the OASDI system has to a very considerable extent kept pace with changes in the wage level.

Relative advantages of ad hoc and automatic methods of adjusting national pension systems to changing economic conditions

The automatic method of adjusting the benefit structure of a national pension system has the obvious advantage of offering a neat mathematical solution to a serious practical problem. Under this procedure no legislative action is needed to assure that the adequacy of the pensions will be maintained.

The automatic method also has the advantage, generally speaking, that there will be no significant lag in making adjustments, other than the lag in obtaining data for the adjustment indices or bases, especially those used to adjust pensions in force. On the other hand, under the *ad hoc* method there may be significant lags before legislative action is taken, but at least in theory this could be counterbalanced by making adjustments somewhat larger than strictly called for. It is presumed that, under the automatic method, adjustments would be made only when conditions change significantly. Otherwise there would be

the disadvantage of frequent changes, both up and down, and the accompanying administrative problems, which does not occur under the *ad hoc* method because of the lag element.

In contrast the *ad hoc* method of adjustment has the advantage of being more flexible. The benefit structure is not then rigidly strait-jacketed in the original form in which it was developed. A gain to the system results when wage levels increase if the benefit formula is of a weighted nature, because the benefit becomes a decreasing percentage of wage as the wage increases. A gain also results if the maximum on earnings that is subject to contributions is raised. Any such gains may, under the *ad hoc* method, be distributed selectively rather than equally between all types of benefits, as under the automatic method. For instance the gain might be utilised to raise survivor benefits relative to retirement benefits without changing the over-all cost of the programme, as measured in relation to payroll and thus as indicated by the required contribution rates. By this flexibility, it is thus possible to correct anomalies and inequities in the programme, which in practice would be difficult to do under the automatic method because it would be more obvious, since direct legislative activity affecting costs and contribution rates or benefit provisions would be required.

Under either method, there may be practical problems when there is need for a downward adjustment according to theory. Under the *ad hoc* method the legislators will surely hesitate to take action to decrease benefits, although there are instances where this has been done. On the other hand political pressure may be overwhelming to negate any automatic downward adjustment (or even illogically the plan itself might prevent this!).

The argument is made that the automatic method is psychologically bad because it implies a more or less tacit acceptance of continuing inflation and thereby may weaken the desire to fight against it. Runaway inflation may wreck national pension schemes regardless of the method of adjustment to changing economic conditions that is followed, but this seems more likely to happen under the automatic method because of its inflexibility, unless the method is abandoned (as was done in Chile).

The automatic method may have certain practical disadvantages, such as the complexities involved or the difficulty of obtaining reliable up-to-date indices or bases. Also the legislative body may be hesitant to hand over its authority to change the benefit structure, with its concomitant advantage of receiving political credit for such changes, to the technicians who determine the automatic adjustments. Furthermore the automatic method may under certain circumstances create financing problems in a particular year that could more readily be solved with a little delay, as would be possible under the *ad hoc* method.

Under the *ad hoc* method the question of adequacy of benefit levels is kept constantly active in the political arena, whereas under an automatic-adjustment provision the legislators are apt to pay less attention to the system. To some persons, this might seem a disadvantage of the *ad hoc* method, but to others it might seem an advantage.

In summary, it may be stated that both the automatic and *ad hoc* methods of adjusting the benefit structures of national pension schemes have certain advantages and disadvantages. Conditions vary as between countries in regard to the advisability of the method of adjustment to be used but in the author's opinion the *ad hoc* method has worked out well in the United States of America in the past and should continue to be the approach used in this country. Continuing study of the experience of programmes following each of these procedures will be important.

The effect of dynamic economic conditions on a static-provision
national pension scheme

by

Robert J. Myers (*United States*)

(*Summary*)

In the past, and quite likely in the future, economic conditions as to wages and prices have been dynamic in most if not all countries in the world. In general this dynamism has been rather consistently in the upward direction. Such economic changes have an important effect on the value of the benefits under national pension schemes to the beneficiaries involved.

If a national pension system is not adjusted in an upward direction when wages and prices rise the benefits will lose adequacy. As a matter of social justice, and also from a practical standpoint due to political pressures, benefits of these schemes must be adjusted to a certain extent.

This paper examines the two general methods of adjustment of national pension schemes to changing economic conditions, namely, the automatic method, under which the provisions of the system vary the benefits with changing economic conditions, and the *ad hoc* method under which legislative action taken periodically keeps the system in pace with changing economic conditions. Some detail is given as to how the latter procedure has operated in the Old-Age, Survivors, and Disability Insurance system of the United States of America. Finally, a discussion is given as to the relative advantages and disadvantages of the two methods. The conclusions are reached that each has its points of superiority and that continuing study of the experience of programmes following these procedures is desirable. In the author's view the *ad hoc* method has worked out well in the United States of America in the past and seems preferable in the future.

APPENDIX A36

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A METHOD OF AUTOMATICALLY ADJUSTING THE
MAXIMUM EARNINGS BASE UNDER OASDI

ROBERT J. MYERS*

The benefits of the flat pension system of several countries (Denmark, Finland, Iceland, Israel, and Sweden) are adjusted automatically at intervals to reflect changes in the cost of living (i.e., prices), as measured by a statistical index.¹ The U.S. Civil Service Retirement system, following amendment in 1962, and the retirement system for members of the uniformed services of the United States, also provide for adjustment of pensions according to changes in the cost of living.²

In some countries that have earnings-related pension systems, the procedure has been followed of converting all wage records (and the resulting benefits) to index numbers, and then each year paying benefits on the basis of the current (or recent) wage level. The maximum earnings base on which contributions are levied and on which benefits are computed varies similarly from year to year. Such a procedure is, on the whole, followed in West Germany.³ Sweden follows a similar practice in its supplementary wage-related pension system, except that the adjustments are made on the basis of an index of consumer prices, rather than an index of wages.⁴

Table I summarizes the general manner in which automatic-adjustment provisions apply in various foreign social security systems. It is evident that a wide variety of procedures are followed in different countries.

Limited automatic-adjustment provisions are present in 11 State unemployment insurance systems (and also in connection with 2 State cash-sickness benefits systems). In these systems, the maximum benefit is generally determined as a percentage of the average total wage of all covered workers in a previous period, but the maximum earnings base on which contributions are paid is fixed by law at a specific, unvarying figure. Thus, it is possible for the average total wage, from which the maximum benefit is derived, to be in excess of the wage base for contributions.

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¹For a description of the foreign social insurance systems that have such automatic-adjustment provisions, see Daniel S. Gerig, "Automatic Cost-of-Living Adjustment of Pensions in Foreign Countries," *Social Security Bulletin*, March 1960.

²For details, see John P. Jones, "Amendments to the Civil Service Retirement Act," *Social Security Bulletin*, February 1963 and Marice C. Hart, "Cost-of-Living Increases in Military Retired Pay," *Social Security Bulletin*, February 1964.

³For a description of this system, see "Adjustment of Old-Age Pensions to Fluctuations in Economic Conditions—Federal Republic of Germany," *Bulletin*, International Social Security Association, March-April, 1962 (pp. 67-70) and "The General Bases of Calculation and the Income Limits for Calculation of Contributions in the Statutory Pension Schemes from 1 January 1963—Federal Republic of Germany," *Bulletin*, ISSA, January-February 1963 (pp. 49-51).

⁴For a description of this system, see "New Graduated Pension System in Sweden," *Social Security Bulletin*, November 1959.

Critique of Automatic-Adjustment Provisions

Considering an earnings-related system, the automatic method of adjusting both the benefit and financing structure has certain advantages and disadvantages as contrasted with the *ad hoc* method of making legislative changes from time to time. The automatic method has the advantage of being a neat, mathematical solution to an important practical problem without requiring recurring legislative action, which might involve significant lag in making adjustments.⁵

One of the most important disadvantages of the automatic-adjustment method when applied to the benefit structure is that the latter will tend to be rigidly "strait-jacketed" in the original form in which it was developed. As will be indicated in the following section, a gain results when earnings levels increase if the benefit formula is of a weighed nature. Similarly, additional financing is available to the system when the earnings base is raised. Under the automatic-adjustment method, such gains are necessarily distributed proportionately, whereas under the *ad hoc* method, they may be distributed in different manners (for instance, survivor benefits may be increased relatively more than retirement benefits), and it is thus possible to correct any anomalies or inequities in the program.

The major disadvantage of inflexibility in the benefit structure that arises under complete automatic adjustment provisions will not, however, be present if there is automatic adjustment only with regard to the maximum earnings base.

Earnings Base under OASDI

One of the most important provisions of the Old-Age, Survivors, and Disability Insurance system, established by the Social Security Act and hereafter referred to as OASDI, is that relating to the maximum taxable and creditable earnings base. Specifically, the earnings base is the figure established by law above which earnings from covered employment are not taxed (i.e., contributions are not collected) and, similarly, above which such earnings are not creditable toward benefit rights and amounts.⁶ This earnings base was \$3,000 during 1937-50, \$3,600 during 1951-54, and \$4,200 during 1955-58, and it has been \$4,800 since 1959.

⁵ At times, such greater lag involved in the *ad hoc* method might be an advantage because it could, under certain circumstances, eliminate much upward and downward movement, as a result of frequent small changes, that would create administrative problems and expense.

⁶ In actual practice, under the current \$4,800 earnings base, the operations are as follows: If an employee works for only one employer during the course of a calendar year, then his contributions cease after he has been paid \$4,800 in the year. If an employee works for more than one employer during the course of a year (whether concurrently or successively), contributions are made on the first \$4,800 of wages paid by each employer, but the employee can obtain a refund (by tax credit on his income tax form) for any contributions made on total wages in excess of \$4,800. No such refund is available for employers—for one reason, at least, because of the administrative problems that would arise in determining equitable apportionments as between the different employers. If an individual is self-employed (and thus reports his covered earnings from self-employment after the close of the year—on his income tax form), contributions are payable only on such of his self-employment income as will not make the total of this and any covered wages that he may have had exceed \$4,800.

TABLE 1

Summary of Foreign Social Security Systems Providing for Automatic
Adjustment of Pension Benefit and Financing Provisions

Basis of Adjustment

Country	Nature of Pensions	Wage Records	Pensions in Force	Taxable Earnings Base ^a
Belgium	Wage-related	Prices	Prices	Prices
Denmark	Flat	n. a.	Prices	n. a.
Finland	Flat	n. a.	Prices	n. a.
France	Wage-related	Wages	Wages	Wages ^b
Iceland	Flat	n. a.	Prices	n. a.
Israel	Flat	n. a.	Prices	Ad Hoc
Luxembourg	Wage-related	Prices	Prices	Prices
Netherlands	Flat	n. a.	Wages	Wages
Sweden ^c	Flat	n. a.	Prices	n. a.
Sweden ^c	Wage-related	Prices	Prices	Prices
West Germany	Wage-related	Wages	Wages ^d	Wages

n.a.=not applicable.

^a Applicable only where financing (in whole or in part) is by wage-related contributions; other systems financed by portion of income tax and by general government revenues.

^b Before 1963, adjustment was on an *ad hoc* basis.

^c Sweden has two separate systems—one having benefits of a flat nature, and the other having benefits of a wage-related nature.

^d The law provides only for annual review and consideration on the part of the legislature, but in practice this has resulted in appropriate increases being made each year.

The past changes in the earnings base were made by legislative enactments that had the general purpose of performing this adjustment to reflect at least, in part, changes in the general wage level. The extent to which the earnings base has kept pace with the general earnings level can be judged from the proportion of total earnings in covered employment that is subject to contributions, which indicates the proportion of the total covered payroll that is available to finance the benefits of the program.⁷

Such data are shown in Table 2 for selected calendar years in 1937-61. The proportion decreased from about 92 per cent in the early years of operation of the program to 80 per cent in 1950, which was the last year that the initial \$3,000 wage base was in effect. Thereafter, the several increases in the earnings base increased this proportion, but the passage of time has resulted in gradual decreases therein.

⁷ Evaluation of the extent to which the earnings base has kept up-to-date can also be made from data on the varying percentages of workers who have had all their earnings covered by the base. Such evaluation produces virtually the same results as when the proportions of total wages that are covered are considered.

TABLE 2

*Proportions of Total Earnings in Employments Covered by OASDI System
That Were Subject to Contributions, Selected Calendar Years*

Calendar Year	Earnings Base	Proportion of Total Earnings Subject to Contributions		
		Employees ^a	Self- Employed	Total Covered
1937	\$3,000	90.4% ^b	^c	90.4% ^b
1940	3,000	92.4	^c	92.4
1945	3,000	88.0	^c	88.0
1950	3,000	79.7	^c	79.7
1951	3,600	84.5	57.4%	81.5
1954	3,600	79.7	59.6	77.7
1955	4,200	83.5	64.3	81.1
1958	4,200	80.1	61.5	77.8
1959	4,800	82.0	62.4	79.7
1961 ^d	4,800	78.6	63.3	76.9

^a Including both manual workers and salaried employees.

^b This figure is artificially low because persons aged 65 and over were not covered in 1937-38, so that all earnings of such persons were not subject to contributions. If this had not been the case, the proportion would have been about 92 per cent.

^c Self-employed were not covered until 1951.

^d Primary estimate.

System Gains

From Increasing Earnings Levels

The mathematical formula underlying the benefit table in the OASDI system (that is used to determine the primary benefit, from which all types of benefits are computed) is 58.85 per cent of the first \$110 of average monthly wage⁸ and 21.4 per cent of the next \$290 of the average monthly wage. Thus, the benefit formula is "weighted" so that relatively higher benefits are paid to those with low earnings than to those with higher ones. For example, the primary benefit for an average monthly wage of \$300 is \$105 per month (or 35.0 per cent of average wage), while the corresponding benefit for an average monthly wage of \$360 is \$118 per month (or 32.8 per cent of average wage). Thus, the \$360 worker pays 20 per cent more in contributions than the \$300 worker, but his primary benefit is only 12 per cent greater. As a result, if the general covered earnings level increases, the cost of the system relative to covered taxable payroll is lower, or in other words a "gain" to the system results.

From Changes in Maximum Earnings Base

Another factor that results in "automatic generation" of a "gain" to the OASDI system is the effect of raising the earnings base for both contribution and benefit computation purposes; such changes have been made a number of times in the past. The reason that this action results in a "gain" is, once again,

⁸ In essence, "average monthly wage" is determined from the lifetime earnings of the insured individual, but the lowest 5 years of earnings are omitted (as also are years before 1951 and years before age 22 or after age 64 for men and age 61 for women). However, years before age 22 or after age 64 for men and age 61 for women in which the earnings were relatively high can be substituted for years with low earnings during the prescribed period.

because of the weighted benefit formula. For example, under the present maximum earnings base of \$4,800, the primary benefit payable on the basis of the maximum average wage is \$127 per month. If the maximum earnings base were raised to \$5,200, the corresponding figure would be \$134, or an increase of 5.5 per cent—as contrasted with a rise of 8.3 per cent in the maximum earnings base. Accordingly, the contributions with respect to a person covered for his entire working lifetime at a maximum earnings base of \$5,200 would be 8.3 per cent higher than under a \$4,800 base, but the benefits would only be 5.5 per cent higher. The effect on the financing of the program is thus evident, since contributions increase directly proportionately with increases in covered earnings whereas benefits rise less than proportionately.

An additional “gain” to the system results from the lag that is involved in the benefit computation method when earnings levels rise, since the average wage is, in essence, a lifetime one and thus is affected by the lower previous covered earnings. For many years, benefit amounts would be affected by both the lower earnings levels of previous years and the lower earnings base (or bases) applicable to some past years.

Future Role of Maximum Earnings Base?

Several different positions can be taken as to what the future role of the maximum earnings base should be in the OASDI system. At one extreme, it might be argued that the base should be maintained at a height such that more than 90 per cent of all earnings in covered employment should be taxable and creditable—as was the case in the early years of the program. At the other extreme, it could be argued that as long as the price level does not change, the earnings base should remain unchanged. Under these circumstances, it would be argued that any increases in the general earnings level would represent increase in the standard of living and that, therefore, individuals would have ample additional funds to provide for their own supplementary economic security. In between these two viewpoints lies the position that in the future the earnings base should maintain the same relative position that it had when it was last changed. To a certain extent, this was done by the successive changes in the earnings base during the 1950's; however, as indicated in Table 2, there was some dilution of the base.

Assuming that the theory is adopted that the earnings base should keep pace with the general earnings level (whether the initial one of the late 1930's or using some latter date as the base), the problem still remains as to how this can be done. One method is that which has been followed in the past—namely, *ad hoc* legislative changes from time to time. Another method would be for the law to provide automatic adjustments of the earnings base as the general earnings level changes. The remainder of this paper will explore the advisability of incorporating such a provision in the OASDI system and will indicate one practical method of doing this.

Data for Automatic-Adjustment Provision

It is quite simple to say that the maximum earnings base should be automatically adjusted for changes in the general earnings level. However, how can this be accomplished in practice? It would seem that one desirable—perhaps, essential—feature is that the adjustment procedures should be based on actual tabulated data, rather than on estimated data. The use of the latter could bring criticism on the grounds that the developers of the estimates might be influenced one way or the other, particularly when a “border line” situation would be present—since rounding of the maximum earnings base (to at least \$100 units) would be necessary.

The point might be raised that the adjustment of the earnings base should be determined from some broader earnings data than those derived from those tabulated OASDI earnings data. Depending upon which tabulated data are utilized, there may be incompleteness or unreliability because of (1) the effect of the earnings base, (2) the exclusion of the earnings in certain types of employment that do not report in the general quarterly manner (i.e., the self-employed, agricultural workers, and the armed forces), or (3) the use of only first-quarter data (to minimize the effect of the earnings base).

The broader applicability of an earnings index based on general data is, however, offset by the disadvantages of using sample data due to (1) inherent variability (and possible non-acceptance or certain doubts on the part of the general public), (2) difficulty of getting a sample that accurately represents OASDI employment coverage, or (3) unduly long time lag between the date to which the data apply and the date when they can be analyzed.

Perhaps the greatest difficulty in basing the adjustment on actual tabulated data is that the total earnings of covered workers are not known, since only the taxable earnings are reported. For example, if an individual who earns more than \$4,800 a year receives an increase in pay, the recorded wage data will show no change in his earnings. Although estimates of total wages are made by the Social Security Administration, it would seem undesirable to base any automatic-adjustment provisions thereon because, due to the significant financial effect of the results, there might be many questions raised as to the validity and accuracy of the estimates.

Although taxable wages are tabulated in detail and completely, there are significant theoretical difficulties in using them for full calendar years because of the aforementioned effect of the maximum earnings base. Some indication of this may be obtained from Table 3, which shows data on the average total and taxable quarterly wages under OASDI for 1954-62. In considering these data, it must be realized that not only is the secular trend of wages present, but also there are cyclical fluctuations within each year that arise from changing business conditions and also from the normal seasonal patterns.

TABLE 3

DATA ON AVERAGE TOTAL TAXABLE QUARTERLY WAGES PER WORKER
UNDER OASDI SYSTEM, 1954-62*

Quarter	Average Total Wage	Average Taxable Wage	Average Taxable Wage as Percent of Average Total Wage	Average Taxable Wage in Quarter as Percent of Such Wage in First Quarter
1954				
1st	\$ 800	\$ 779	97%	100%
2nd	810	750	93	96
3rd	790	650	82	83
4th	870	561	64	72
1955				
1st	840	815	97	100
2nd	840	797	95	98
3rd	850	723	85	89
4th	920	626	68	77
1956				
1st	890	872	98	100
2nd	880	835	95	96
3rd	880	726	82	83
4th	950	641	67	74
1957				
1st	920	899	98	100
2nd	910	850	93	95
3rd	910	733	81	82
4th	960	620	65	69
1958				
1st	940	906	96	100
2nd	930	857	92	95
3rd	910	734	81	81
4th	960	628	65	69
1959				
1st	960	949	99	100
2nd	990	929	94	98
3rd	980	807	82	85
4th	1,050	702	67	74
1960				
1st	1,010	989	98	100
2nd	1,040	945	91	96
3rd	1,040	817	79	83
4th	1,070	682	64	69
1961				
1st	1,030	1,011	98	100
2nd	1,060	963	91	95
3rd	1,050	812	77	80
4th	1,110	701	63	69
1962				
1st	1,080	1,061	98	100
2nd	1,090	998	92	94
3rd	1,090	817	75	77
4th	1,140	700	61	66

* Data on average total and taxable wages from *Social Security Bulletin*, February 1964. See text for description and discussion of these data.

The data shown do not include self-employment income nor, except in 1954, agricultural wages, because such earnings are reported only annually. Also, it should be noted that not only are the figures for average total wages on an estimated basis, but that this is also true to a considerable extent for the figures on average taxable wages in the last few years shown, because the wage information has not yet been completely tabulated (although almost so).

In most years shown in Table 3, the average taxable wage in the first quarter of the year is only about 2 per cent less than the average total wage; such small differential results only because of the few individuals who earn more than the amount of the annual earnings base in the first quarter—under the present \$4,800 base, at a rate of more than \$19,200 per year. In the second quarter of the year, the average taxable wage is about 90-95 per cent of the average total wage, while for the third and fourth quarters, the corresponding ranges are about 75-85 per cent and 60-70 per cent respectively. The effect of changes in the maximum earnings base is quite evident. For a given calendar quarter, the proportion that the average taxable wage is of the average total wage is highest in the initial year that the earnings base changes (1955 and 1959), and then decreases slowly.

When the average total wage is considered by quarters, there generally is the pattern that it is about the same in each of the first 3 quarters, but is significantly higher in the fourth quarter (probably due to additional work during the holiday season and to the payment of year-end bonuses). On the other hand, for reasons indicated previously, the average taxable wage is highest in the first quarter and gradually decreases thereafter. Thus, the average taxable wage in the fourth quarter is only about 65-75 per cent of that in the first quarter—again, with a somewhat higher ratio in the year that a new earnings base goes into effect, decreasing thereafter.

From the preceding analysis, it might be argued that since the only tabulated data relate to taxable wages, and since the taxable wages for quarters after the first one in a calendar year are not meaningful in reflecting the trends of total wages, then any automatic-adjustment provision for the maximum earnings base should be determined from the average taxable wage in the first quarter of the year. The solution to the problem, however, is not as easy as this, because such data are not available on an actual tabulated basis for a number of years, but rather are partially estimated (and to a considerable extent). But there is a practical solution in that data are available for the first quarter of the calendar year on a virtually complete tabulated basis, if wage-items are considered (rather than average wage per worker).

The actual reports that employers make for their employees (other than in the case of agricultural workers and members of the armed forces, for whom special reporting procedures apply) are submitted quarterly, with a one-month lag, to the Internal Revenue Service of the Department of the Treasury. If an individual works for more than one employer in the quarter, then there will be one wage-item for him for each employer. These wage-items are sent to the Social Security Administration and are immediately tabulated for control purposes before they are sorted out and credited to the individual employee earnings records. Such a tabulation does not show the number of different individuals involved, but rather merely gives the number of wage items and the reported taxable wages thereon.

The tabulation made during each three-month period separates the so-called "current" reports from those with respect to previous quarters. For the purposes of any automatic-adjustment provisions with respect to the maximum earnings base, only the "current" wages items that are tabulated are of significance. For example, in the period beginning in June and ending in August, the "current" tabulation consists of all wage-items received from the

Internal Revenue Service that relate to the first quarter of the particular year. Any wage-items relating to this quarter that are received after the cut-off date are tabulated later and do not enter into the "current" tabulations.

Table 4 presents data on the number of wage-items and the average taxable wage per wage-item for the "current" reports tabulated in each quarter after 1953. It will be observed that the seasonal pattern for the number of wage items is a rise from the first quarter to the second quarter, then usually a slight drop to the third quarter, and finally a sharp drop to the fourth quarter. This pattern results from two elements—the generally higher employment in the spring and summer months, and the gradual decline in the number of persons with covered wages as the year goes by (as a result of persons reaching the limit of the maximum taxable earnings base). Correspondingly, the average taxable wage per wage-item tends to decline—quite sharply for the third and fourth quarters—as a result of the effect of the maximum earnings base.

Accordingly, it would seem that the best practical method for an automatic-adjustment provision for the maximum earnings base under the OASDI system is to utilize data from the "current" wage-items for the first calendar quarter of each year they are tabulated. As indicated in the accompanying technical annex, these "current" wage items represent well over 95 per cent of all wage-items for the quarter and in fact probably about 99 per cent thereof on the average. Although these data are not representative of the entire employment coverage of the program (since they do not include self-employment income, military wages, and agricultural wages) and although they are not complete 100 per cent tabulations, the small amounts missing are not significant from a broad statistical standpoint. Therefore it may well be said that any automatic-adjustment provision developed would have as its foundation virtually complete tabulated data rather than being based on any estimates or other judgmental factors.

TABLE 4

Number of "Current" Wage-Items Tabulated and Average Taxable Wage Per Wage-Item Under OASDI System, By Quarter, 1954-63^a

Year	Number of Wage-Items (in millions)			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1954	48.6	51.8	51.0	43.2
1955	49.4	53.1	52.8	47.4
1956	49.8	54.8	55.0	47.6
1957	54.3	57.6	58.2	49.1
1958	53.6	56.0	56.7	48.1
1959	54.6	61.6	62.7	54.9
1960	57.8	62.0	61.9	52.4
1961	57.2	60.8	61.2	53.1
1962	59.3	63.5	63.4	53.1
1963	60.7	64.9		
Average Wage per Wage-Item				
1954	\$691	\$649	\$557	\$473
1955	717	679	609	525
1956	758	702	609	530
1957	800	736	622	529
1958	826	759	634	545
1959	853	803	682	598
1960	890	824	702	594
1961	918	852	705	606
1962	957	873	707	602
1963	980	895		

^a Data exclude military wages and, except for 1954, agricultural wages. The "current" tabulations include an estimated 95-99 percent of all such data for the quarter (see text).

A Practical Method

Having accepted the foregoing premises as to the statistical data to be used as the foundation of the automatic-adjustment provision, it is then a relatively simple matter to develop a specific basis. First, it would be determined by Congressional action (through law) that the maximum earnings base was at the "correct" level for some "initial" calendar year. Then, the average taxable wage per wage-item for the first quarter of the preceding year would be taken as the initial base figure (rounding this to the nearest dollar.)⁹ The maximum earnings base for any subsequent year would be determined from the two foregoing "initial" figures and from the average taxable wage per wage-item for the first quarter of the calendar year preceding the particular year in question, with the result being rounded, for example, to the nearest \$200.¹⁰ For purposes of simplicity and public under-

⁹ Alternatively, some form of moving average (such as for the last 3 years) could be used for both the initial base year and the subsequent year.

¹⁰ It should be noted that if the computation, after the prescribed rounding, does not produce a change in the maximum earnings base from the previous year, this has no effect on the calculations for the next year. This is so because the data used as to the average taxable wage per wage-item for the first quarter are only for the initial base year and for the year preceding the year for which the determination is being made. Alternatively, the computation could be on the basis of using the last year for which the maximum earnings base changed as the initial base year; however, it would seem that this would not produce as satisfactory (i.e., smooth and consistent) results under some circumstances—as, for example, if the unrounded figure was, for a number of years, just at the level to require upward rounding in each instance.

standing, the maximum earnings base should be expressed in round figures, and accordingly, it seems reasonable to prescribe that any changes made should be in \$200 units.

This procedure could be carried out on an automatic basis, as prescribed by law, such that the determination of the maximum earnings base for a particular year should be made by the Secretary of Health, Education, and Welfare before November 1 of the preceding year.¹¹ The calculations would be made on the basis of the average taxable wage per wage-item for January through March of that preceding year, which wage-items are tabulated in the period ending in August of that year. Thus, for example, if this procedure were in effect for 1965, the promulgation of the maximum earnings base for that year would be made November 1, 1964 on the basis of wage-items for the first quarter of 1964 tabulated through August 1964.

It may be of interest to examine how this automatic-adjustment provision for determining the maximum earnings base would have worked out in the past. Table 5 gives such illustrative data under two hypotheses—that the initial earnings base is \$4200 for 1955 and that the initial earnings base is \$4800 for 1959 (in both instances, the first year that such earnings base actually went into effect). The figures are developed on the basis that the automatic-adjustment went into effect immediately. The same results would have been derived (for the first year in which the automatic-adjustment provisions is assumed to go into effect and thereafter) if the same initial base year was selected, but the first effective year for the automatic-adjustments was not the immediately following year, but rather some later one (e.g., if the initial base year was 1955, and the first effective year for automatic-adjustment was 1960).

TABLE 5

Illustration of Application of Automatic-Adjustment Provision for Determining Maximum Earnings Base

Year	Average Taxable Earnings Base if Automatic-Adjustment Wage per Wage-Item Provision First Became Effective for		
	for First Quarter		
1954	\$ 691		
1955	717	\$ 4,200	
1956	758	4,400	
1957	800	4,600	
1958	826	4,800	
1959	853	5,000	\$ 4,800
1960	890	5,200	5,000
1961	918	5,400	5,200
1962	957	5,600	5,400
1963	980	5,800	5,600
1964	n.a.	6,000	5,800

NOTE: See text for description of how the above figures for the earnings base are derived.

The arithmetical development of the various earnings bases under the automatic-adjustment provision is quite simple. For example, considering the figure for 1956 under the basis that the earnings base for 1955 is the initial

¹¹ Alternatively, it could be provided that adjustment of the earnings base would take place no oftener than every "n" years (where "n" might be 2, 3, or 4) or that this action would be done only if there is an increase of at least "k" per cent in the average taxable wage per wage-item over the initial base figure (where "k" might be 10).

one, then the earnings base for 1956 is merely \$4200 times the ratio of \$717 to \$691. Rounded to the nearest dollar, this turns out to be \$4358, which in turn when rounded to the nearest even multiple of \$200 is \$4400. Similarly, the earnings base developed for 1957 is merely \$4200 times the ratio of \$758 to \$691, which when rounded is \$4600.

By coincidence, the figures in Table 5 indicate that, under the initial base of either 1955 or 1959, the annual increments in the maximum earnings base under this automatic-adjustment provision would have been \$200 for each year and that the earnings base for the current year would have been either \$5,800 or \$6,000 depending upon the initial base year selected.

Changes in Benefit Provisions

As indicated previously, the basic premise under which the analysis in this paper has been prepared is that the automatic adjustment would apply only to the maximum earnings base and not to the general benefit level. However, if an increase in the maximum earnings base occurs, this means that not only are more earnings subject to contributions for certain individuals, but also that more earnings are correspondingly creditable for benefit purposes. Accordingly, it is only reasonable that the benefit table in the law should be extended to reflect this. Associated with this relationship is the statutory size of the maximum family benefit, which for the highest earnings levels is set in absolute-dollar terms—at twice the primary benefit payable with respect to the maximum earnings base. Both of these benefit features could be automatically provided for in the law.

TECHNICAL ANNEX

In order to present the full statistical basis of the foregoing method for developing an automatic-adjustment provision for determining the maximum earnings base under OASDI, information is here presented as to the complete details of the statistics as they would actually develop.

Table A shows the actual number of wage-items and the wages reported thereon that were tabulated in the "current" tabulations for the first calendar quarter of each year in the period 1954-63. These are the basic data from which the information in the first column of Table 4 was developed.

TABLE A

*Number of Wage-Items Tabulated and Wages Reported Thereon
for First Quarter of Year, 1954-63^a*

Year	Number of Wage-Items	Wages Reported on Wage-Items
1954	48,597,692	\$33,568,326,986
1955	49,423,341	35,459,208,598
1956	49,801,377	37,749,994,291
1957	54,294,255	43,438,655,311
1958	53,644,563	44,308,027,244
1959	54,604,213	46,600,715,546
1960	57,761,003	51,378,565,961
1961	57,183,411	52,520,154,721
1962	59,334,157	56,758,901,922
1963	60,741,844	59,549,683,539

^a Data exclude military wages and, except for 1954, agricultural wages. The tabulations include an estimated 95-99% of all such data for the quarter (see text).

TABLE B

Total Taxable Wages for First Quarter of Year Tabulated by Social Security Administration During Various Periods, 1954-62^a

(Wages in millions)					
	(1)	(2)	(3)	(4)	(5)
	Wages Tabulated in Period			Total of Columns (1), (2), and (3)	Column (1), as Percent of Column (4)
Year	Through August	September to November	December to next February		
1954	\$33,798	\$1,180	\$ 87	\$35,065	96.4%
1955	35,691	769	^b	36,460	97.9
1956	38,892	1,554	^b	40,446	96.2
1957	43,777	962	205	44,944	97.4
1958	43,488	525	^b	44,013	98.8
1959	45,048	1,765	90	46,903	96.0
1960	49,198	687	177	50,062	98.3
1961	50,064	342	^b	50,407	99.3
1962	53,970	358	157	54,485	99.1

^a Data exclude wages of State and local government employees and, except for 1954, agricultural wages.

^b Not available, because unobtainable for years when tax rate did not change.

Table B presents information that is of value in assessing the completeness of the "current" tabulations of wage-items for the first quarter of each calendar year. The "subsequent" tabulations of these data do not contain subdivisions by calendar quarter of employment, but rather lump together all quarters other than the "current" one. In the posting of credited earnings to the Social Security accounts at a somewhat later stage than the aforementioned tabulations, a record is kept of first-quarter wages for the initial 3-month period of tabulation, for the second such 3-month period, and in certain years¹ for the third such 3-month period as well. There are several minor differences in the data contained in these tabulations and those contained in the "current wage-item" tabulations discussed previously (and shown in Table A). Thus, the data in Table B include military wages and exclude the wages of covered State and local government employees, whereas in the data in Table A the reverse is the case. However, these differences tend to counter-balance and, moreover, are not so large as to affect the significance of the general conclusion that may be drawn—namely, that data for "current" wage-items for a particular quarter represent at least 95 per cent of the total such data for such quarter and quite probably 98-99 per cent.

¹ Since the basic purpose of these tabulations is to determine the exact aggregate amounts of contributions, this procedure is followed only for years when the contribution rate changes.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament
1964-1965

SPECIAL JOINT COMMITTEE OF THE SENATE
AND OF THE HOUSE OF COMMONS

Appointed to Consider and Report upon Bill C-136, An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors.

Joint Chairmen: Senator Muriel McQ. Fergusson
and Mr. A. J. P. Cameron (*High Park*).

MINUTES OF PROCEEDINGS AND EVIDENCE

(Meetings held during the adjournment of the Senate and of the House of Commons, as of January 12, 1965.)

No. 21

MONDAY, FEBRUARY 1, 1965

WITNESSES:

Dr. Joseph Willard, Deputy Minister of Welfare and Messrs. D. Sheppard, Assistant Deputy Minister of National Revenue; D. Thorson, Assistant Deputy Minister of Justice; J. E. E. Osborne, Technical Adviser to this Committee; L. Coward, Chairman of the Pension Commission of Ontario; D. W. Stevenson, Director of the Economics Branch of the Department of Economics and Development; and from the *Canadian Teachers' Federation*: Dr. Gerald Nason, Secretary-Treasurer and Messrs. George MacIntosh, President; Norman M. Goble, Assistant Secretary-Treasurer; *Atlantic Region*: Messrs. Tom Parker Executive Secretary, Nova Scotia Teachers' Union; Harry Cuff, Assistant Secretary, Newfoundland Teachers' Association; Alfred H. Kingett, General Secretary, New Brunswick Teachers' Association; *Central Region*: Miss Marie Duhaime, President; Miss Ruby McLean, Chairman, Superannuation Committee; Miss Nora Hodgins, Secretary-Treasurer and Messrs. William Jones, Assistant Secretary, David R. Brown, F.S.A., Consultant to Superannuation Committee; Douglas Beaman, Member, Superannuation Committee; *Western Region*: Mr. Robert Gordon, Assistant General Secretary, Manitoba Teachers' Society; and from the *Canadian Construction Association*: Messrs. P. D. Dalton, National Vice-President, Toronto; M. C. Stafford, Chairman, Labour Relations Committee, Toronto; G. Desmarais, Member, Labour Relations Committee, Montreal; S.D.C. Chutter, General Manager, Ottawa; and P. Stevens, Director of Labour Relations, Ottawa.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

MEMBERS OF THE COMMITTEE FOR THE SENATE

Honourable Senator Muriel McQ. Fergusson, *Chairman*,

and Honourable Senators:

Blois
Boucher
Croll
Denis
Flynn
Lefrançois

McCutcheon
Smith (*Queens-Shelburne*)
Smith (*Kamloops*)
Stambaugh
Thorvaldson

MEMBERS OF THE COMMITTEE FOR THE HOUSE OF COMMONS

Mr. A. J. P. Cameron M.P. (*High Park*), *Chairman*

and Messrs.:

Aiken
Basford
Cantelon
Cashin
Chatterton
Côté (*Longueuil*)
Enns
Francis
Gray
Gundlock
Howe (*Wellington-Huron*)
Knowles

Laverdière
Leboe
Lloyd
Macaluso
Monteith
Morison
Munro
Perron
Prittie
Rhéaume
(Mrs.) Rideout

(Quorum 10)

Maxime Guitard,
Clerk of the Special Joint Committee.

MINUTES OF PROCEEDINGS

MONDAY, February 1, 1965.

(43)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:05 o'clock a.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Blois, Boucher, Croll, Denis, Fergusson, McCutcheon, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh—9.

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Chatterton, Côté (*Longueuil*), Francis, Gray, Howe (*Wellington-Huron*), Knowles, Laverdière, Llyod, Monteith, Munro, Prittie, Rhéaume—17.

In attendance: Messrs. L. Coward, Chairman of the Pension Commission of Ontario; D. W. Stevenson, Director of the Economics Branch of the Department of Economics and Development; and J. E. E. Osborne, Technical Adviser to this Committee.

Also in attendance: Dr. J. Willard, Deputy Minister of Welfare.

The Joint Chairman opened the meeting.

On motion of Senator Croll, seconded by Mr. Knowles,

Resolved unanimously: That a document intituled "Answers to questions raised by Messrs. Knowles, Cantelon and Aiken on December 3, 1964 and January 15 and 20, 1965 be printed as an appendix to this Committee's Minutes of Proceedings and Evidence of today (*See Appendix A37*).

On motion of Senator Croll, seconded by Mr. Francis,

Resolved unanimously: That the brief of Mr. Dowsett appended to issue No. 16 of this Committee's Minutes of Proceedings and Evidence be corrected as requested by Mr. Dowsett in his letter of January 26, 1965, addressed to the Committee, namely:

1. On page 1113, line 20—"...in relation to the cost?" should read "...in relation to the cost of living?"
2. On page 1115, last line—"the employer." should read "the employer and the employee."
3. On page 1128, 12th line from the bottom of the page, the sentence beginning "Life insurance is a different...sector." should read "Life insurance is a different animal and there are not the massive cross-subsidies in the pension plans put out by the private sector."
4. On page 1132, 12th last line—"costing 1.37%." should read "costing .37%."
5. On page 1134, line 10—"...what is recommended in Bill C-136." should read "...what is recommended for rate stabilizing in Bill C-136."

Then the Joint Chairman introduced the delegation and invited Mr. L. Coward to make a preliminary statement before being questioned, assisted by Mr. Stevenson.

In accordance with a motion passed at a previous meeting, the brief submitted by the Government of Ontario is printed as an appendix to this day's Minutes of Proceedings and Evidence (*See Appendix A38*).

The Committee agreed unanimously that the statement made in the Ontario Legislature by the Honourable John Robarts, Prime Minister of Ontario, regarding the Canada Pension Plan, Thursday, January 21, 1965, be printed as an appendix to this Committee's Minutes of Proceedings and Evidence of today (*See Appendix A39*).

It was moved by Mr. Chatterton, seconded by Mr. Aiken,

That the Officials of the Department of National Revenue be asked to supply the Committee with the latest version of the Form for calculation of Contribution under Canada Pension Plan.

The question being put on the said motion, it was resolved, by a show of hands, in the affirmative: Yeas: 18; Nays: 2.

And the examination of the witnesses continuing, at 12:35 o'clock p.m. the Committee adjourned until 2:30 o'clock this afternoon.

AFTERNOON SITTING

(44)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reconvened at 2:40 o'clock p.m. this day. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Blois, Boucher, Croll, Denis, Fergusson, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh—8.

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Chatterton, Côté (*Longueuil*), Francis, Gray, Howe (*Wellington-Huron*), Knowles, Laverdière, Lloyd, Monteith, Munro, Prittie, Rhéaume—17.

In attendance: Same as at this morning's sitting and from *The Canadian Teachers' Federation*: Mr. George MacIntosh, President; Dr. Gerald Nason, Secretary-Treasurer; and Mr. Norman M. Goble, Assistant Secretary-Treasurer; *Atlantic Region*: Mr. Tom Parker, Executive Secretary, Nova Scotia Teachers Union; Mr. Harry Cuff, Assistant Secretary, Newfoundland Teachers' Association; and Mr. Alfred H. Kingett, General Secretary, New Brunswick Teachers' Association; *Central Region*: Miss Marie Duhaime, President; Miss Ruby McLean, Chairman, Superannuation Committee; Miss Nora Hodgins, Secretary-Treasurer; Messrs. William Jones, Assistant Secretary; David R. Brown, F.S.A. Consultant to Superannuation Committee; and Douglas Beaman, Member, Superannuation Committee; *Western Region*: Mr. Robert Gordon, Assistant General Secretary, Manitoba Teachers' Society.

Also in attendance: Mr. D. Sheppard, Assistant Deputy Minister of National Revenue.

The Joint Chairman opened the meeting.

On motion of Mr. Cantelon, seconded by Mr. Knowles,

Resolved unanimously: That the following documents be appended to this day's Minutes of Proceedings and Evidence:

- (a) "Answer to questions raised by Mr. Basford and Mr. Cantelon on January 21, 1965" (See Appendix A40).
- (b) Estimated values of Canada Pension Plan Benefits to a man aged 40 in 1966 (See Appendix A41).

On motion of Mr. Prittie, seconded by Mr. Knowles,

Resolved unanimously: That the document intituled "Estimated Costs of Ontario Proposal" be appended to this day's Minutes of Proceedings and Evidence (See Appendix A42).

On motion of Senator Croll, seconded by Mr. Francis,

Resolved unanimously: That the sum of \$42.00 be paid to Mr. Robert J. Myers, Chief Actuary, Social Security Administration of U.S.A. for travelling and living expenses as specified in his letter dated January 27, 1965 in relation to his appearance before this Committee on Thursday, January 14, 1965.

On motion of Mr. Munro, seconded by Mr. Francis,

Resolved unanimously: That the following documents be appended to this day's Minutes of Proceedings and Evidence:

- 1) Statement by the Honourable John Robarts, Prime Minister of Ontario, at the Federal-Provincial Conference on Pension Plans Ottawa, September 9th and 10th, 1963 (See Appendix A43).
- 2) Letter to Mr. Pearson, Prime Minister of Canada, from Mr. John P. Robarts, Prime Minister of Ontario, dated February 13, 1964 (See Appendix A44).

On motion of Mr. Francis, seconded by Mr. Lloyd,

Resolved unanimously: That the following documents be printed as appendices to this day's Minutes of Proceedings and Evidence, namely:

- 1) Application for refund under the Canada Pension Plan (See Appendix A45).
- 2) Calculation of self-employed contribution (See Appendix A46).

The examination of the witnesses being completed, the Joint Chairman thanked Messrs. Coward and Stevenson and they retired.

On motion of Mr. Munro, seconded by Mr. Aiken,

Resolved unanimously: That a vote of thanks and appreciation be extended to the Government of Ontario and to Messrs. Coward and Stevenson for their contributions and the quality of their brief submitted.

Then the delegation of the Canadian Teachers' Federation was called.

The Joint Chairman invited Mr. MacIntosh to introduce the members of his delegation before making a preliminary statement and be questioned thereon, assisted by the other witnesses.

In accordance with a motion passed at a previous meeting, the brief of the Canadian Teachers' Federation is appended to this day's Minutes of Proceedings and Evidence (See Appendix A47).

The examination of the witnesses continuing, at 5:48 o'clock p.m. the Committee adjourned until 8:00 o'clock this evening.

EVENING SITTING

(45)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reassembled at 8:03 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Blois, Croll, Denis, Fergusson, Lefrançois, Smith (*Kamloops*)—6.

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Côté (*Longueuil*), Francis, Gray, Howe (*Wellington-Huron*), Knowles, Laverdière, Lloyd, Prittie, Rhéaume—14.

In attendance: Same as at this afternoon's sitting and from the *Canadian Construction Association:* Messrs. P. D. Dalton, National Vice-President, Toronto; M. C. Stafford, Chairman, Labour Relations Committee, Toronto; G. Desmarais, Member, Labour Relations Committee, Montreal; S. D. C. Chutter, General Manager, Ottawa; P. Stevens, Director of Labour Relations, Ottawa.

Also in attendance: Mr. D. Thorson, Assistant Deputy Minister of Justice.

The Joint Chairman invited Mr. Gerald Nason to make a short statement before the Committee resume its questioning of the witnesses.

And the examination of the delegation from the Canadian Teachers' Federation being completed, the Joint Chairman thanked the witnesses and they retired.

On motion of Mr. Francis, seconded by Mr. Laverdière,

Resolved unanimously: That a vote of thanks and appreciation be extended to the delegation from the Canadian Teachers' Federation for its contribution and valuable brief.

Then the Canadian Construction Association was called.

The Joint Chairman invited Mr. Dalton to introduce his delegation before reading his brief and be questioned thereon assisted by the other witnesses.

In accordance with a motion passed at a previous meeting, the brief submitted by the Canadian Construction Association is appended to this day's Minutes of Proceedings and Evidence (*See Appendix A48*).

And the examination of the delegation being concluded, the Chairman thanked the witnesses and they retired.

On motion of Mr. Basford, seconded by both Messrs. Côté (*Longueuil*) and Francis,

Resolved unanimously: That a vote of thanks be extended to the delegation from the Canadian Construction Association for their contribution.

At 10:03 p.m. the Committee adjourned until 10:00 a.m. on Tuesday, February 2, 1965.

Maxime Guitard,
Clerk of the Special Joint Committee.

EVIDENCE

(Please note, that all the evidence adduced in French and translated into English, was recorded by an electronic recording apparatus pursuant to a recommendation contained in the Seventh Report of the Special committee on Procedure and Organization, presented and concurred in, on May 20, 1964.)

The CHAIRMAN (*Mr. Cameron*): Ladies and gentlemen, it is now a little bit past 10 o'clock and we have a quorum here.

Before introducing our witnesses for today there are one or two items of business which I wish to mention. I have here in duplicate answers to questions raised by Mr. Knowles, Mr. Cantelon and Mr. Aiken on December 3, 1964 and January 15 and 20, 1965. May I have a motion that these be recorded in the minutes today as an appendix?

Hon. Mr. CROLL: I will so move.

Mr. KNOWLES: I will second it.

The CHAIRMAN (*Mr. Cameron*): All those in favour?

Motion agreed to.

Mr. Guitard, the clerk, has received a letter from Mr. Dowsett, our witness on January 18, regarding some corrections he wishes made in his evidence. I will read the main portion of his letter.

The corrections are as follows:

1. On page 1113, line 20—"...in relation to the cost?" should read "...in relation to the cost of living?"

2. On page 115, last line—"the employer." should read "the employer and the employee."

3. On page 1128, 12th line from the bottom of the page, the sentence beginning "Life insurance is a different...sector." should read "Life insurance is a different animal and there are not the massive cross-subsidies in the pension plans put out by the private sector."

4. On page 1132, 12th last line—"costing 1.37 per cent." should read "costing .37 per cent."

5. On page 1134, line 10—"...what is recommended in Bill C-136." should read "...what is recommended for rate stabilizing in Bill C-136."

Mr. Dowsett would like to have these errors corrected in the record. May I have a motion that that be done?

Mr. KNOWLES: This raises a question that I have already placed before the committee at some point or other. I hope that our staff, particularly our stenographic and reporting staff, realize that we appreciate the pressure under which they have worked, and that errors in the record are inevitable. I am sure we all realize also that the times we have been sitting here have been such that it has not been possible for us to check the record, and it should also be stated that there are quite a few errors in the record. I see no way in which we can correct the errors attributed to us as members of the committee, but I do hope that those who may read the record now or who may read it in the future, when they run into things that look silly, will realize that possibly that was an error. I do not see how we can correct all the errors. If there is to be a correction of the whole

work it would mean a reprinting, and, goodness knows, some of us would have to do a lot of proofreading.

The CHAIRMAN (*Mr. Cameron*): Senator Croll has moved that Mr. Dowsett's amendments be adopted.

Mr. FRANCIS: I second the motion.

Mr. KNOWLES: This means that Mr. Dowsett's letter will be printed in today's record. It does not mean that the previous issue will be reprinted.

The CHAIRMAN (*Mr. Cameron*): I do not know how the clerk will handle it. Mr. Guitard has explained to me how it is done and it seems to me to be quite satisfactory.

In answer to what you have just been saying, may I say that all the witnesses are asked to check the record before it is printed. While that may not have been done in all cases, we have all had that opportunity, and we have all been requested to do so.

Mr. KNOWLES: I realize the witnesses have done that and I realize that we, as members, could have done it if we wished to, put because of the pressure we have been under we have not done so. I am not complaining, but I thought it should be put on the record that those of us who appeared on the record have found we have been credited with a few errors.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, Senator Fergusson and Mrs. Rideout, today we have officials of the government of Ontario. Mr. L. E. Coward, who is sitting to my immediate right, is the chairman of the Ontario pension commission. He is accompanied by Mr. D. W. Stevenson, director of the Economics Branch of the Department of Economics and Development of the province of Ontario. You have all received their brief and have had an opportunity of reading it. It will be included in today's proceedings as part of the record. I understand that Mr. Coward intends to make a short introduction probably lasting four or five minutes, concerning items on matters contained in the brief and his main recommendations. Subsequently, both he and Mr. Stevenson will be available to answer questions, if any members of the committee care to put them. Mr. Coward, please proceed.

Mr. L. W. COWARD (*Chairman of Ontario Pension Commission*): Mr. Chairman, ladies and gentlemen.

The Prime Minister of Ontario on January 21 announced that the Ontario government accepts the Canada pension plan in principle and will bend every effort to make this plan truly national in scope for the benefit of all citizens of Canada. The plan has also been accepted in principle by a unanimous vote in the House of Commons. We wish therefore to co-operate fully with you to make it the best possible plan. We have a number of suggestions for improvement in the plan, and we hope that the committee will give favourable consideration to them and adopt them.

In order to add weight to our brief, we wish to remind you that Ontario will account for more than half of the contributors to the Canada pension plan, and more than one-third of the contributors to the Canada and Quebec pension plans combined. In terms of contribution income, no doubt Ontario would account for an even higher proportion.

The Ontario government has been studying intensively the question of pensions for almost 5 years. As a result of the work of what is usually known as the Ontario committee on portable pensions, the Pension Benefits Act was enacted in 1963 and the pension commission of Ontario was established. This act came into full effect from January 1 this year. It does not of course establish a government-operated pension plan but regulates and sets standards for private pension plans.

Two very successful interprovincial conferences, attended by federal government observers, have been held in recent months with the purpose of designing uniform legislation for private pension plans. The federal government has co-operated fully with us in this matter. We welcome the statement made by the Minister of Finance in the House of Commons on December 18 to the effect that when general agreement has been reached among the provinces, the government will introduce similar legislation applicable to employees under federal jurisdiction. If you have any questions or comments on the relationship between the regulation of private pension plans and the subjects under discussion today, we will be glad to hear them and so give you the best answers that we can.

Our brief is short. It covers some general criticisms which we have made in the past about the Canada Pension Plan and makes some broad suggestions to meet these criticisms.

There may be implications of some of the suggestions which we have not fully investigated. We believe, however, that changes of this general nature are needed if the plan is to serve its purpose effectively and efficiently.

We make no specific suggestions regarding the economic and financial implications of the plan. Basically, we agree with the economic report prepared by the federal Department of Finance which says that the economy will be able to adjust to the Canada pension plan without serious problems. This does not mean, however, that the effects will be insignificant or that the present financing proposals should be adopted without regard to other major government programs that may be in prospect. We feel that if those who made the economic study had been given wider terms of reference which would permit them to discuss alternative methods of financing the plan, there may have been recommendations for changes. Specifically, we are thinking of the size and build-up of the fund and the collection of contributions through what amounts to payroll tax.

Our suggestions concerning the level of benefits reflect our position that the Canada pension plan should contain a larger welfare element as befitting a government's responsibility to provide for the security of all the residents of the country. The additional amount we suggest which should be paid to recipients of old age security, the minimum pension and the shortening of the earnings base would reduce the disparity between the largest and smallest pensions. It would be of great benefit to many present and future pensioners who otherwise would receive little or nothing from the introduction of the Canada pension plan.

Some of the recommendations in our brief could be adopted independently of any others. In other instances there is a direct connection between two or more recommendations. If any suggestions were accepted which would result in increasing cost to the plan, it might be advisable to consider others which would have a balancing effect.

We apologize to the joint committee for the fact that notification of our wish to submit a brief and appear before you could not have been given at an earlier date. We are indeed sorry that copies of our brief due to delay in the mails did not reach you sooner. I gather there was some inconvenience for which we are sincerely sorry. We are sure that the members will appreciate the necessary haste in which the brief was prepared and submitted since it had to follow the decision of the Ontario government made in the month of January not to establish its own comparable pension plan. We thank you very much for rearranging your program in order that we may be heard today.

With your permission I would like to read just a little of the introduction to our brief, but certainly not the whole brief.

1. Ontario has given careful and serious consideration to the several proposals of the government of Canada for a nation-wide contributory pension plan. The Ontario government has been most concerned in the light of its constitutional position to carry out fully its responsibility to the people of Ontario. The government believes that the adoption of Bill No. C-136 as it stands would result in the acceptance of a plan deficient in achieving the most desirable results for an expenditure of the magnitude involved. This submission indicates what some of these shortcomings are and provides suggestions for improvements.

2. Although the government of Canada has indicated on several occasions that the basic principles of the Canada pension plan are unchangeable, the government of Ontario is not prepared to accept this policy as the last word and hopes that the government of Canada will be persuaded to give favourable consideration to the constructive suggestions offered by Ontario.

B. Basic Criticisms

3. Ontario's principal criticisms of the Canada pension plan are:

- (a) Adequate advance consideration does not appear to have been given to the full financial and economic implications of the present proposals and possible alternatives, and
- (b) the lack of co-ordination between the Canada pension plan, old age security and other government welfare and social security programs results in inadequate provision for those most in need.

C. Summary of Recommendations

4. Ontario has voiced its comments on the Canada pension plan at six federal-provincial conferences since July 1963. In addition, the prime minister of Ontario has exchanged letters on the subject with the Prime Minister of Canada and Ontario officials have met with federal government officials on numerous occasions. Consistent with the principles to which Ontario has adhered throughout these exchanges, the following recommendations are made:

- (a) the federal government should obtain the opinion of the royal commission on taxation on the implications of the Canada pension plan on fiscal policy and the incidence of taxation. If the tax commission finds that the proposed method of financing the Canada pension plan is inconsistent with its own recommendations, alternative methods should be considered. (paragraphs 11 and 12).
- (b) The old age security and assistance programs and the Canada pension plan should be treated as a single program geared to the needs of older people. (paragraph 15)
- (c) A flat benefit of perhaps \$25 a month should be provided under the Canada pension plan from January 1, 1967 to all persons receiving old age security benefits. (paragraph 19)
- (d) A minimum pension of perhaps \$25 a month should also be paid to all persons qualifying for benefits under the Canada pension plan. (paragraph 20)
- (e) The 42-year earnings base should be abandoned. In its place, a shorter period, perhaps the ten last or ten best years of earnings, should be used. (paragraph 27)
- (f) In cases of early retirement, certain years between retirement and age 65 should not be counted in calculating the earnings base. (paragraph 30)
- (g) The earnings index should be abandoned and the pension index based on the cost of living substituted for it. (paragraph 32)
- (h) A retirement test should be used to determine entitlement for both Canada pension plan and old age security benefits for persons between the ages of 65 and 70. (paragraph 35)

- (i) The exemption of contributions on the first \$600 of earnings should be eliminated. (paragraph 37)
- (j) A transition period of twenty years rather than ten years should be adopted for the Canada pension plan. (paragraph 40)

5. In making the above recommendations, Ontario is not raising new issues at the eleventh hour. It is merely making concrete suggestions as to how its previous criticisms can be met in order to clarify its position for the special joint committee of the Senate and of the House of Commons. Ontario has no desire to raise insuperable difficulties that would make the plan impossible. It is convinced, however, that changes proposed in this submission are desirable to achieve what the Minister of National Health and Welfare has described as "a comprehensive plan to apply to as many people as possible in this country".

6. These recommendations are submitted in a spirit of co-operation and in the hope that the committee and the federal government will act on them. Ontario believes that they will correct some serious shortcomings in the Canada pension plan as proposed in Bill No. C-136. In view of the profound impact that the Canada pension plan will have on the welfare of Canadians and the future development of this country, it is essential that the best plan possible be adopted.

7. The government of Ontario appreciates that previous discussions have resulted in some notable improvements in the Canada pension plan since it was first introduced. In particular, it welcomes the inclusion of survivors' and disability benefits, made possible by the constitutional amendment which Ontario supported. It welcomes the safeguards to ensure that significant changes in the pension plan are made only after agreement with the provinces and to allow a province to withdraw from the plan after two years' notice. In addition, the availability of the reserve fund to the provinces meets one of Ontario's previous criticisms.

Gentlemen, that is all I wish to say. I have given you a summary of our brief which is elaborated in the remaining pages.

The CHAIRMAN (*Mr. Cameron*): Thank you very much, Mr. Coward. Have you anything to add, Mr. Stevenson?

Mr. D. W. STEVENSON: (*Director of Economics Branch, Department of Economics and Development, Province of Ontario*): No, thank you.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, the following members have indicated a desire to ask questions: Messrs. Aiken, Knowles, Chatterton, Mrs. Rideout, Senator McCutcheon, Mr. Munro, Mr. Francis, Mr. Gray, Mr. Lloyd and Senator Croll.

Mr. AIKEN: Mr. Chairman, I would like to ask Mr. Coward particularly about clauses (c) and (d) on page 3 concerning the flat benefit. Would these two proposals actually give a minimum of \$25 per month to everyone over 65 whether or not they are in the Canada pension plan and whether or not they are taking their old age security at an early date?

Mr. COWARD: Our proposal would give the additional \$25 a month to everyone whether or not he is or ever was in the Canada pension plan. However we suggest it should be paid only if the person is receiving old age security so that until he becomes qualified for old age security, he could not qualify for the \$25 a month.

Mr. AIKEN: To follow that up, suppose a person had taken the option that is given in the bill to take his old age security at the age of 65. Would he under these circumstances be permitted to take the additional \$25, or would this proposal be a substitution for the earlier option of accepting the old age security?

Mr. COWARD: If he takes old age security at the age of 65 when he is permitted to do so, he would receive the additional \$25. Under our proposal the old age security would not be reduced, but would be subject to a retirement test. Therefore as soon as anyone becomes qualified for old age security he would have an income of \$100 a month from the two plans combined.

Mr. AIKEN: And this will also apply in the future as well as during the transition period?

Mr. COWARD: Yes, sir.

Mr. AIKEN: So in the result there would be a minimum pension for everyone reaching the old age security age of 65 whether he has contributed to the Canada pension plan or not.

Mr. COWARD: Subject to the retirement test, yes.

Mr. D. W. STEVENSON: Suppose a person has not made any contribution to the Canada pension plan during his or her working career. I do not think we envisage that this person would receive the minimum pension. For example, I am thinking of a housewife who had never contributed, and who therefore would not be subject to receive the minimum in the future.

Hon. Mr. McCUTCHEON: Actually at any time, if she contributed even a five cent piece, with the elimination of the \$600 exemption, she would be entitled to the minimum?

Mr. KNOWLES: I would like to ask one or two further questions on the subject which Mr. Aiken has been discussing. I understand that you are recommending that everyone on old age security—in other words, everyone over 70 for certain—would get an extra \$25 a month starting the first of January 1967?

Mr. COWARD: If he draws old age security already, which is subject to the residence test, yes.

Mr. KNOWLES: People who meet the two tests will get it, but what about people under 70 or those precisely between 65 and 70? You are not recommending payment of old age security at \$100 a month across the board. You are recommending rather a \$25 payment to those on the Canada pension benefit, or who are on old age security.

Mr. COWARD: We had a number of discussions here and I think our final conclusion was that it should be available to everyone in spite of what Mr. Stevenson has said. I think we sawed it off at a different place at some point in our discussion. The final recommendation is that \$100 a month would be available to everyone.

Mr. KNOWLES: Just to proceed further in order to get this point clarified, is it this: that those 70 and over would get \$100 per month, that is, \$75 old age security plus the \$25 supplement, and those who are from 65 to 70 would get it subject to a retirement test?

Mr. COWARD: Yes, sir.

Mr. KNOWLES: Would that retirement test be the retirement test which is now in the Canada pension plan?

Mr. COWARD: We have not considered whether modification of the retirement test would be necessary.

Mr. KNOWLES: However you would try to simplify it?

Mr. COWARD: It would be on those lines without any doubt; it would be based on income earned.

Mr. KNOWLES: In order to try to simplify it you would change the present old age security arrangement at the moment which is \$75 a month, to those of 70 and over without a means test, and \$75 to those between 65 and 70 with a means test. What you are recommending is \$100 a month at age 70 and over without any test. Other than residence and age, and \$100 for those between

65 and 70 subject to a retirement test, the details of which you have not yet worked out?

Mr. COWARD: Yes, you are correct in interpreting the conditions under which these benefits should be paid.

Might I add that we are not saying that \$25 is the amount without any qualification. We have said that there should be an additional flat benefit paid from the Canada pension fund, but whether it should be \$25 or more or less, we have left open.

Mr. KNOWLES: I saw that word "perhaps", and I was trying to ignore it.

Mr. COWARD: I would not like to think that we are committed as part of our policy to a minimum benefit of that particular amount.

Mr. KNOWLES: The cost of this \$25 a month in either case, I take it from what you have said just now, would be charged to the Canada pension plan fund rather than to old age security or to consolidated revenue.

Mr. COWARD: That is correct.

Mr. KNOWLES: Do you feel that the other suggestions you have made such as lengthening of the maturity period, and the other suggestions, would make possible the payment of these funds without throwing the Canada pension fund awry?

Mr. COWARD: Yes, sir, we think that. We believe that the \$25 addition to recipients of old age security and the \$25 minimum could be paid from the present contributions to be received by the fund for some years. But nevertheless, in order that we should not disturb your present plan too drastically, we have suggested two other changes which would have the effect of providing additional funds from which this benefit could be paid. These two are of course the charging of contributions from the first dollar of earned income, and the lengthening of the transition period.

Mr. PRITIE: Would those additional payments reduce the amount which is available to the province for lending purposes?

Mr. COWARD: Yes, they will. If you adopt our entire recommendation—which I hope you will—the amount available to the provinces, that is, the size of the Canada pension fund, would be reduced. It would be reduced substantially, but there would still be a very considerable fund.

Mr. KNOWLES: In proposing these \$25 additions, you will note from the record that suggestions for improving the position of the recipients of old age security have been made quite frequently in this committee. Some of us feel this is a gap which should be looked into. But has your committee or the government of Ontario considered the possibility of paying for this in some other way such as out of the old age security fund or out of consolidated revenue rather than out of the method by which the Canada pension plan fund is raised?

Mr. STEVENSON: Earlier in the recommendations we express the thought that the financing of the Canada pension plan should be looked at by the royal commission on taxation in a very preliminary way. However, if our recommendations were adopted, or the basic elements of them, I think there would be a case for some reviewing of the finances. For one reason, you would dispose of a considerable portion of the expenditures now made for old age assistance which are now paid from general revenue divided between the province and the federal government.

Similarly with the larger element of welfare in the benefit formula which we recommend, relationship between contributions and the benefits would not apply to the same extent.

We believe that in any wage related benefit you, of course, have to have an element of contribution based on income. But one of the considerations

which the royal commission on taxation might take into account is the fact that there would be closer ties between the old age security principle and these recommendations.

Secondly, in the type of financial structure which the royal commission on taxation will be considering, they will be thinking of the competitive position of the Canadian economy generally. We believe the contributions under the Canada pension plan as now proposed constitute basically, a payroll tax. It is possible that the royal commission on taxation might feel more reliance could be placed on indirect sales taxes, or perhaps there is a greater case for more coming out of general revenue or income type taxation.

We have these things in mind in making the recommendation that the financing be reconsidered.

Mr. KNOWLES: In other words, your implied suggestions in regard to this \$25 are not sacrosanct? There is a supplement? If we provide that supplement and pay for it in some other way, you would be happy?

Mr. STEVENSON: Yes, but we have made some rough estimates that the Canada pension plan fund could pay for the supplement, with other recommendations.

Hon. Mr. CROLL: Following your suggestion, Mr. Stevenson said they made some rough estimates. Will you indicate what your rough estimates would be under items (c) and (d)?

Mr. COWARD: I think it would be very difficult for me to answer your question here and now, but I would be glad to supply a note on what our estimates indicated.

Hon. Mr. CROLL: Both under (c) and (d)?

Mr. COWARD: Yes. We have these blended in a form that would be difficult for us to translate conveniently for the present. I take it that you are speaking of the plan for Canada excluding Quebec?

Hon. Mr. CROLL: Yes.

Mr. COWARD: I would prefer to prepare this and send it in with a minimum of delay.

Mr. CÔTÉ (*Longueuil*): Mr. Chairman, perhaps Mr. Osborne could give us a rough figure.

Mr. J. E. E. OSBORNE (*Director, Research and Statistics Division, Department of National Health and Welfare*): Is it your wish that those figures be calculated, Mr. Chairman?

The CHAIRMAN (*Mr. Cameron*): That is up to the committee to decide. It probably would not hurt to have an estimate from Mr. Osborne as well.

Mr. KNOWLES: Would this not involve figures given in answer to Senator Croll?

Mr. CÔTÉ (*Longueuil*): I think Mr. Osborne has them in his mind.

The CHAIRMAN (*Mr. Cameron*): Would you like Mr. Osborne to prepare an estimate of the approximate cost of (c) and (d) in the brief of the Ontario government?

Mr. CHATTERTON: I certainly had in mind that we should have the staff prepare an over-all figure—if not an exact figure, at least an approximation.

The CHAIRMAN (*Mr. Cameron*): Shall we leave this until the end, and decide what we want our own economic adviser to prepare for us?

Mr. OSBORNE: Will this \$25—if that is the figure—payable as a supplement to old age security out of the Canada pension plan fund, also be payable in the province of Quebec?

Mr. COWARD: It was our thought that the \$25 for Canada, other than Quebec, would be paid out of the Canada pension plan. If a corresponding benefit is provided in the province of Quebec, it would presumably be provided out of the Quebec pension plan.

Mr. KNOWLES: That way of paying it is not sacrosanct? In other words, if we are interested in providing the \$25 across Canada we would almost have to have a universal figure.

Mr. STEVENSON: If you were to make changes in the method of financing, that would be so.

Mr. BASFORD: How did you make the recommendation without knowing the cost?

Mr. COWARD: We made sufficient calculations to assure ourselves of the general feasibility of the proposals that we put before you, but we do not have the resources of your own department of insurance and your own technical experts, and we do not want to enter into any competition with them.

We have suggested a benefit of perhaps \$25, and the amount that is finally adopted should—and I think would—depend on the calculations that are made to show the exact costs.

Hon. Mr. McCUTCHEON: The over-all cost would be offset, as you suggested, by eliminating the \$600 exemption—or the \$800 exemption in the case of self-employed persons—by extending the transition period and by the offset against the welfare payments?

Mr. STEVENSON: That is correct.

Mr. KNOWLES: Mr. Chairman, I was going to switch but may I ask one parallel question?

Is it assumed that if such increases were made or if such supplements were paid the corresponding program would have to be examined, such as payments to the blind and disabled.

Mr. COWARD: Undoubtedly.

Mr. KNOWLES: If we are making these increases, you would favour making them to those in these other categories?

Mr. COWARD: I think the situation of the other categories would need to be reviewed very carefully. I would not want to say that you would automatically increase them.

Mr. KNOWLES: The difficulty you have in mind, I suppose, is that whereas old age security payments, under the federal statutes, are made 100 per cent by the federal government, these others are joint programs?

Mr. COWARD: We have no doubt that those under the supplementary assistance programs would need to be reviewed very carefully.

Mr. KNOWLES: May I ask a question in another area?

I notice your recommendation in paragraph (e) on page 3 to the effect that the 42 year earnings base should be abandoned. I take it that you arrive at that 42 by taking the dropout years away from the 47 that obtain from age 18 to 65. Instead you say that a shorter period of, say, the 10 last or the 10 best years should be used.

I wonder, as a minor point, whether the 10 years in either of those cases would be consecutive or not. The 10 last years obviously would be consecutive, but would the 10 best years of earnings have to be a consecutive period?

Mr. COWARD: Not necessarily, and we do not have any more detailed recommendation than we have given you. We have looked at the United States system as presently in operation, and under this system a person who retires this year may have a pension calculated on the best 10 years, which do not, I believe, have to be consecutive.

The United States system, from time to time, has had a longer base. There has been a considerable number of amendments to the pension formula, and they have had "new starts". On the new start basis the average is a 10 year average.

Mr. KNOWLES: I recognize from what you say in your brief that you advocate this in part because it would be simpler and less complicated than the indexing formula that was in the plan.

I wonder if you have made any studies comparing the results of a 10 year base with the indexing formula that has been put forward. Never mind the fact that over a period of a man's working career changes in the wage rates might be such that to escalate the base for a man's pension might actually give him a better pension than doing it in this way.

Mr. COWARD: I would think this is quite improbable. If you would look at our brief, in which we elaborate on the item which is now under discussion, you will see our point which is that a person would have to have earned considerably above the national average in every single year of a 42 year period in order to obtain the maximum pension.

On general reasoning, it would seem much more likely that this maximum pension could be reached if it were based on a 10 year average—a man's 10 best years.

Mr. KNOWLES: I realize we are both dealing in probabilities here without having statistics, but do you not conceive the possibility that a person after 40 years might, on the indexing or escalating arrangement, get much better credit for the low wage he was getting years ago in terms of today's wage index?

Mr. COWARD: May I say this? Whether you eliminate the wage index or not, I am quite convinced that successive governments will keep these benefits in line with average wages. I do not think you are deciding whether to have benefits that go up with average wages in this country or benefits that do not go up with average wages; you are deciding whether to do it with an automatic built-in escalator factor or to do it through periodic action by the government of the day.

The experience of the Canadian old age security, and of the American and of the British, shows quite convincingly that the government will take the necessary action from time to time.

Let us agree, if it is done by periodic government action there may be a period of years when nothing happens; and then there may be a substantial jump. Escalation is not quite so even. But there is no doubt at all that it happens, and all the probabilities are that escalation would continue to occur.

Mr. KNOWLES: Are you not comparing unlikes here? I am talking about your proposal that the last 10 or the best 10 years of earnings be used as the base as compared with the Canada pension plan's proposal for a 42 year period with indexing before the pension is calculated. Have not the present bill and yours built-in automatic features for determining the basis and the amount of the pension that the pensioner would draw? When you talk about a change in the figures by governmental action, that is a different thing and it could happen in any scheme. Are not the two things compared in paragraph (e) automatic or built-in elements?

Mr. COWARD: We think that the use of the last or best ten year average would replace, to a considerable extent, the automatic wage index factor, and that it is a matter of speculation whether the one would increase pensions faster than the other.

Mr. KNOWLES: That really is the answer to my question; you do not have any figures to set these two ways against each other?

Mr. COWARD: No.

Mr. KNOWLES: You think that this is simpler, and on the basis of speculation you think it would be as good?

Mr. COWARD: May I make one general comment at this time. Obviously, this problem will not arise in the first 10 years of the plan; it will not become acute until the plan has been running for some 20 years or more. But visualize the situation of people who are 18 years of age when the plan comes into effect. Forty-seven years from now they reach the age of 65 and retire, and find that their pensions are being cut back. They cannot reach the maximum because they had 10 or 15 years of relatively low earnings when they were in their 20's or early 30's. I think you will realize that it becomes quite certain the plan would eventually have to be altered.

Mr. KNOWLES: This is a point which others have addressed themselves to, and I think it is a valid point. But, the other suggestion is made to increase the number of drop out years allowed.

Mr. COWARD: That would be a change of the same type as the one we have in mind.

Mr. AIKEN: Mr. Chairman, I have a supplementary question. This particular recommendation also would bear on those who would retire before age 65 and have several years of zero earnings, which would bring their average down drastically. Is that not correct?

Mr. COWARD: That is correct.

Mr. KNOWLES: The proposal to lengthen the maturity period from 10 years to 20 years, I assume, would have the effect, in respect of those who are now 55 years of age, of cutting in half the pension that they could count on at age 65.

Mr. COWARD: Except that many of them would receive the minimum pension of \$25 a month, the pension would be reduced to 50 per cent for the rest of that group.

Mr. KNOWLES: Now, if a person who might under the present bill anticipate a pension of \$104 gets only \$52 under this cut-back he does not get the \$25 on top of that.

Mr. COWARD: No, sir.

Mr. KNOWLES: Certainly not between the ages of 65 and 70.

Mr. COWARD: No.

Mr. KNOWLES: Would he get it at age 70?

Mr. COWARD: No, there is nothing on top. The \$25 is a minimum. But, if the gentleman that you are talking about has a father who is 84 years of age the father will get the \$25 a month, and I think it is reasonable that some of us should pay for our aged parents.

Mr. KNOWLES: That does take us back to the other question. I understood clearly that the \$25 would be added to those over 70 now drawing old age security.

Mr. COWARD: Yes.

Mr. KNOWLES: But people who, in the meantime, attain age 65 ten or twelve years from now can get the Canada pension, but when they attain the age of 70 years they would not get the extra \$25?

Mr. COWARD: They would have their pension made up to a minimum of \$25, or to a minimum of \$50 for a married couple, but they would not get \$25 flat plus the Canada pension.

Mr. KNOWLES: Thank you. These \$25 and \$50 figures are not additions but guaranteed minimums.

Mr. COWARD: Yes.

Hon. Mr. CROLL: Mr. Chairman, at this moment I think Mr. Coward should review the evidence because I was under the impression he used the words "on top", and then he corrected it. But, there will be a conflict in the evidence unless it is properly corrected. I think your present answer is what I thought it meant but I believe your answer was different when you were replying to Mr. Knowles.

Mr. KNOWLES: Earlier I was under the impression that all those age 70 and over from now on received an additional \$25.

Mr. COWARD: I am sorry if I was not clear. What we said was that for those now receiving old age security it would be on top; for those who qualify for old age security and nothing else in the future it would be on top. For those who qualify for a Canada pension benefit it will be a minimum.

If you adopt the \$25 figure, which we have tentatively suggested, it will have the effect of ensuring that there is a basic pension from government sources of \$100 a month to every Canadian upon retirement.

Mr. KNOWLES: I have one further question and I do not want you to think it to be an attempt to trap Mr. Coward or the government of Ontario, but this is a point which interests me and, I am sure, interests others. I have read very closely the statement which you have given to us this morning. I also was able to obtain a copy of the statement made by Mr. Roberts in the legislature on January 21. After reading it two or three times it seems to me to be very clear, certainly by implication, although there is not the exact sentence I wanted to see there, that Ontario has made the decision to come in. Am I correct in assuming that you are here to try to get us to make changes and you are going to do your best to make us make these changes, but if you do not get all the changes, in any case, Ontario is still in. Is that a fair interpretation?

Mr. COWARD: I think you had better stay with Mr. Roberts statement in that connection. I think he can speak for himself.

Mr. KNOWLES: If Mr. Coward has not the statement with him I can supply him with mine. But, perhaps, Mr. Chairman, it might be the wish of members of the committee that the statement which Mr. Roberts made in the legislature on January 21, when he tabled the brief, be added as an appendix to our proceedings.

The CHAIRMAN (*Mr. Cameron*): Is it agreeable that the statement made by Mr. Roberts in the legislature on January 21 be appended to today's minutes?

Some hon. MEMBERS: Agreed.

Hon. Mr. McCUTCHEON: Mr. Chairman, I think it should be agreed that Mr. Coward should not be subjected to cross-examination on the contents of Mr. Roberts' statement.

The CHAIRMAN (*Mr. Cameron*): I think that is understood. I do not think Mr. Knowles intends to proceed any farther along those lines.

Are you finished, Mr. Knowles?

Mr. KNOWLES: Yes, for now.

The CHAIRMAN (*Mr. Cameron*): I am going to make a suggestion in respect of members who wish to put questions. I would suggest that from now on members will be restricted to one question, together with any supplementaries that arise from them, and if you have another question and someone else does not raise it later on then you can raise it the second time around. Is that agreeable?

Some hon. MEMBERS: Agreed.

The CHAIRMAN (*Mr. Cameron*): I would suggest that only one topic be opened up by each questioner; then we will deal with any supplementaries and then pass on to the next member to open up another subject. Is that agreeable?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Will you proceed, Mr. Chatterton.

Mr. CHATTERTON: May I start off, Mr. Coward, by commending the government of Ontario for their excellent proposals which, if adopted, would lead to a more comprehensive and fuller plan. It would also have the effect of removing some of the major inequities in respect of benefits to certain groups and would fill certain gaps.

I would like to refer you to paragraphs (c) and (d). You indicated to Mr. Knowles that you thought supplementary benefits should be looked at again. You have said the \$25 flat payment should be made payable to anyone who has contributed at all to the plan. In the present proposal the supplementary benefits become payable only after a minimum period of contribution, for instance in the case of disability, only after the contributor has paid for five years. Would you say this \$25 minimum should become eligible as supplementary benefit without these minimum contributory periods?

Mr. COWARD: I think you are asking me whether the \$25 minimum should be paid to those who become disabled?

Mr. CHATTERTON: Yes, or widowed.

Mr. COWARD: Or, widowed.

Mr. CHATTERTON: Or orphaned.

Mr. COWARD: There is, of course, a \$25 flat minimum in the present Canada pension plan.

Mr. CHATTERTON: But only after the minimum period of payment.

Mr. COWARD: I take it your question is whether the minimum period of payment should be eliminated?

Mr. CHATTERTON: Yes.

Mr. COWARD: I think that might well be considered. But, we have no positive recommendation on this matter.

May I make a very general remark; we have been concerned with a very few broad principles and we have not concerned ourselves with developing these into areas of detail. I do not think it is necessary or proper for the government of Ontario to come up with a detailed alternative plan, but we are prepared to accept the Canada pension plan subject to certain fairly major changes. "Accept", of course, does not mean whether we join it or do not join it; it means that we heartily endorse it as a well designed plan.

Mr. CHATTERTON: Do you feel that those in this gap between the ages of 65 and 70 should be eligible for the old age security subject to an earnings test?

Mr. COWARD: Yes.

Mr. CHATTERTON: There is a large group which fills one of these gaps, and I am thinking of the group under age 65, who will not in any way be eligible even for your flat rate \$25 pension. I am thinking of those who contributed under the plan, such as widows or those who already have retired and under age 65. Have you considered this group and considered any way of filling that gap?

Mr. COWARD: There are assistance programs which can be of help to that group, and under the Canada pension plan, subject to contributions being made for those periods which you mentioned, they will gain benefits. I would think

that when the plan has been in operation for only a very few years there will be a very high percentage of coverage for people in that class.

Mr. CHATTERTON: Those under 65 are not eligible for old age assistance and if they have not contributed at all under the Canada pension plan they get nothing whatsoever. I believe those people are a fairly large group.

Mr. COWARD: They are eligible for disability pension and they may be eligible for unemployment assistance. There are programs that do apply to the group.

Mr. CANTELON: May I ask a supplementary question at this point? There are also those who have retired on private pension plans at the age of 60. These people will have some years to wait before they are eligible under the Canada pension plan. Have you thought of including them?

Mr. COWARD: I am not sure what you mean by the word "including", whether you mean that they should be allowed to contribute during their retirement or whether you mean that their benefits should start at the time that they retire before the age of 65.

Mr. CANTELON: What I had in mind was that these people will be at a serious disadvantage. The loss of the years from the age of 60 to the age of 65 will obviously seriously affect their pension.

Mr. COWARD: During the transitional period their pensions will be relatively small. Our proposal that the pension be based on the past 10 years' average earnings would ensure that when this plan has been running for some time they will not be penalized by having no earnings during the years from the age of 60 to 65.

Mrs. RIDEOUT: Mr. Chairman, Mr. Knowles asked the question in which I was interested. Nevertheless, thank you very much.

Hon. Mr. McCUTCHEON: Mr. Coward, it is stated in your brief that the government of Canada has indicated on several occasions that the basic principles of the Canada pension plan are unchangeable. Would you like to elaborate on that statement? It appears in paragraph 2 of your brief.

Mr. COWARD: Would you please refer to pages 29 and 31 of your committee hearings on November 24, 1964. The Minister of National Health and Welfare was giving evidence and she said:

I am not really foreseeing that there will be great divergence on questions of principle by the time you conclude these hearings.

She also said:

I have been a member of the lower house for only four years but I have never been a member of a committee which met where there was any suggestion of change in the underlying principle or anything of that nature, but there may have been suggestions in respect of matters of detail.

On April 20, 1964 the Prime Minister said in the House of Commons "The fundamentals of the plan had never changed; we have adjusted the details."

I think that these statements carry to our minds very clearly the implication that the government of Canada has indicated that the basic principles of the Canada pension plan are unchangeable.

Hon. Mr. McCUTCHEON: Of course you studied all the plans. This is the third plan we have had before us. On the basis of what the Prime Minister has said, the principle of this plan is the same as the principle of the plan introduced 18 months ago. Whether you accept that or not, I have some questions about that in my own mind. Do you consider that the recommendations you are making are changes in principle?

Mr. COWARD: They are substantial changes but I do not think that they are in basic conflict with the principles that the Prime Minister of Canada laid down early last year. That was a statement of principles. I do not think our recommendations conflict with those principles. Nevertheless, they are fairly major changes.

Hon. Mr. McCUTCHEON: Fairly major changes have been made prior to this.

Mr. COWARD: They certainly have.

Mr. MUNRO: Could I ask a supplementary question to Senator McCutcheon's questions? I think the wording was that the fairly basic changes to which Senator McCutcheon referred had been made to the plan. They would have evolved through a series of federal provincial conferences in which Ontario participated and as a result of exchanges of correspondence at various times between the Prime Minister of Canada and the premier of Ontario, and also as a result of negotiations carried on between the federal officials and yourself. Is that correct?

Mr. COWARD: No, sir. I would think that that is not true. I sincerely believe that the major changes were the result of negotiations carried out with the province of Quebec, and did not arise directly out of the federal provincial conferences that have been held.

Mr. MUNRO: I would like to refer you to paragraph 4 of your brief, and more particularly to paragraph 7 on page 5. You seem to indicate there that the government of Ontario has appreciated the previous discussions that have taken place between the province of Ontario and the Canadian government, and in particular you are happy about the three items that were incorporated as a result, presumably, of submissions from yourself and other provinces. You conclude by saying,

In addition, the availability of the reserve fund to the provinces meets one of Ontario's previous criticisms.

As I indicated, you also state that you welcome the safeguards to ensure that significant changes would not be made without Ontario's agreement. I wonder how you reconcile this statement on page 5 with your answer to Senator McCutcheon?

Mr. COWARD: Mr. Munro, we genuinely welcome these things, and we think they have made this plan into a better one. However, one of these things touch in any way the benefit and contribution structure of the plan which we think is of major concern at the present time. The inclusion of the survivors' and disability benefits does touch the benefit and contribution structure, but the retirement benefit formula and the level of the contributions are not things which were affected by the representations made by the province of Ontario.

Mr. MUNRO: You are probably referring in particular to the transition period. Is that so?

Mr. COWARD: No, sir. I am referring to the whole benefit and contribution structure of the plan: the ceiling, the contribution exemption idea and its level, the amount of contributions, the formula for the benefits, and in general the matters related to the financial structure of the plan, that is the benefits and the contributions; the way in which those affect the man in the street. As I say they have been developed with little regard for the briefs that had been presented by Ontario.

Mr. MUNRO: If I may continue to follow that line of questions, surely I would think that—subject to correction by you, Mr. Coward—the basic principle involved here is that this is an earnings related pension plan, that it is

related to the earnings of employees upon which they make contributions. I wonder what your opinion is. Would you regard this as one of the basic principles of this plan?

Mr. COWARD: Statements have been made that this is a pension plan, and statements have also been made that it is a welfare plan. I myself would prefer to go along with the suggestion that it is best thought of as a social insurance or a social security plan. It was called a social security programme in the white paper that was issued by the government. I would go along with that concept.

From this I would not draw the conclusion that the benefits must be wholly related to earnings, nor would I draw the conclusion that they should disregard earnings. I think we are up against a practical problem where we are proposing, on the contribution rates that are set out in the plan, to collect in the first year in excess of \$400 million for Canada apart from Quebec, rising to in excess of \$600 million after 10 years. If you are collecting money of that sort I think you should decide where it would do the most good for the most people at the present time. One of your criticisms is that you have gone overboard in following the earnings related principle in this plan.

Mr. MUNRO: I have one final supplementary question. Have you ever questioned this basic principle of what you call this plan, namely a social insurance plan; in any of your negotiations have you ever rejected this basic principle and suggested an alternative?

Mr. COWARD: From the time the plan was first proposed we have pointed out, with increasing emphasis, that the plan leaves a large section of the population with no benefit from this particular plan. I have not forgotten, of course, that they will receive old age security benefits.

Mr. MUNRO: I was not particularly referring to certain gaps that had been dealt with in this committee. My question was in respect of the basic principle of this being a social insurance program as you call it. Have you ever objected to this basic principle of this program in the past?

Hon. Mr. McCUTCHEON: What basic principle is the questioner speaking about?

Mr. MUNRO: I have already put the suggestion to Mr. Coward that this is an earnings related program and he indicated that so far as he is concerned he feels the basic principle underlying this plan indicated it was a social insurance program. Using his own terminology I am inquiring whether the province of Ontario ever has rejected this basic principle and offered an alternative; for instance, I note that you are recommending an increase in the transition period, and I believe Ontario has been very insistent on that all through the negotiations.

Mr. COWARD: And the province of Quebec.

Mr. MUNRO: I realize that, but it would seem to me that emphasis on the transition period is an argument in respect of the basic concept of this plan that it is based on an earnings related principle and based on contributions based on earnings. I wonder whether you have ever rejected this basic principle and offered an alternative to it?

Mr. COWARD: I think the government of Ontario and its officials have repeatedly drawn your attention to the fact that the plan leaves out approximately one million persons over the age of 70 and will leave out other substantial groups. We are suggesting that the benefit should be extended to those groups. I have no doubt in my mind that this has been the burden of our objections for some time.

Hon. Mr. McCUTCHEON: Moving away from the earnings related principle to that extent.

Mr. COWARD: We are advocating a mixed plan with a flat rate element and earnings related element.

Mr. MUNRO: In advance of this proposal, have you made a suggestion that there be a mixture of two basic principles, the flat rate and the earnings related.

Mr. COWARD: I do not think it is this easy to speak about principles. I think we have suggested the plan should be divided to meet two things. We recognize and accept that there should be an earnings related element. We also are very conscious of the obligation to those persons who now have \$75 a month and never will get any more except through a small degree of escalation. We believe the plan should try to cover all of the problems.

Mr. MUNRO: But, Mr. Coward, it is not I who used the terminology of the basic principle, it was you in answer to Senator McCutcheon. However, it is to you I am looking to for an answer. I would have thought you meant the earnings related principle and the flat rate principle which presently are basic concepts of the Canada pension plan. If this is not what you are referring to, I would appreciate your stating what you do mean.

Mr. COWARD: What we say is the government of Canada indicated that the principles are unchangeable.

Mr. CHATTERTON: Mr. Chairman, on a point of order, I believe the ruling to the effect that members be limited to one question also should apply to supplementary questions. May I ask one supplementary question?

The CHAIRMAN (*Mr. Cameron*): You may in a minute. I have been listening very carefully and I think Mr. Coward did answer the question when he replied to Senator McCutcheon to the effect that the changes or improvements that the province of Ontario is proposing do not interfere with the basic principles of the bill as we understand it. Is that not correct? They are changes, they are improvements, but they do not interfere with the fundamental principle.

Mr. COWARD: Surely, the purpose is to design a plan that will best meet the needs of all the people of Canada whether they are now retired or not, and whether or not they will have earned income in the future. It is our honest and sincere desire to improve the Canada pension plan to give most benefit to those where it will do most good. We have no other purpose in coming here.

The CHAIRMAN (*Mr. Cameron*): I think we understand that.

Mr. CHATTERTON: We now see how cooperative federalism works when two major recommendations are ignored. My question is—

Mr. BASFORD: On a point of privilege; the brief in paragraph 7 clearly states that a number of suggestions already have been accepted. Mr. Chatterton's remarks are without foundation.

The CHAIRMAN (*Mr. Cameron*): I think Mr. Chatterton probably will wish to rephrase his question.

Mr. CHATTERTON: That was a statement. My question is this: In respect of paragraph 4, do I take it that the objectives of your proposals had been put at the federal-provincial conferences?

Mr. COWARD: Yes, sir.

Hon. Mr. McCUTCHEON: Except the one in Quebec which you did not attend?

Mr. COWARD: Yes, sir, if that is counted as a federal-provincial conference within the meaning of Mr. Chatterton's question.

Hon. Mr. CROLL: I have a question that is supplementary to the supplementary. In the course of discussions on the Canada pension plan, I do not recall

any suggestion comparable to the suggestions being made here now with regard to the old age security portion of it. I am wondering whether it has been discussed and I might have missed it. I see it for the first time in the Ontario brief. Mind you, we had that discussion with the other people who came here, but that was since the committee started. Previous to that I do not recall Ontario publicly raising that portion of it. Did I miss it or was it ever raised publicly?

Mr. COWARD: That has been raised repeatedly, but without a specific suggestion as to how you should deal with the matter. Repeatedly we have said that this plan leaves out a large group of persons now retired and leaves those who shortly will be retiring without the opportunity to contribute to the plan. We have said you should do something about it, but previously we have not made a recommendation that there be a flat benefit designed on these lines. We felt when we came here it was our obligation to carry the discussion a little further and show you the type of thing we had in our mind.

Hon. Mr. CROLL: For myself I welcome it, of course. Getting back to the question of the principle, you said this is a mixed plan between pension, welfare and general social security. Actually, we could leave the pension plan as is and improve the social security aspect—part 4 is what I am referring to—without doing harm to the total plan at all.

Mr. COWARD: It would be my view that that would not be a satisfactory way of handling the matter because of the financing arrangements, which are quite separate for the two parts of the plan. We believe, if you build up a very large fund amounting to five, seven, or perhaps more billions of dollars for the Canada pension plan, and you have an old age security benefit entirely supported by three other taxes, that however high you have raised your old age security there will be pressure to draw on the fund of the Canada pension plan.

Hon. Mr. CROLL: You now are well into the future, are you not Mr. Coward?

Mr. COWARD: I do not think so. The fund runs into billions of dollars after five years.

Hon. Mr. CROLL: Except that it does not belong to the parliament of Canada.

Mr. COWARD: This, perhaps, is not the point. I think the pensioner who had no opportunity to draw from that fund will not look at it in this light and say it does not belong to the parliament of Canada.

He will undoubtedly see a huge fund, and he will see his own pension which he will obviously think is inadequate, and he will want to have part of that fund.

Hon. Mr. McCUTCHEON: He will take the same objective view that people took of unemployment insurance.

Mr. COWARD: That is an example which is in our minds.

Mr. GRAY: Do I understand you to say that to avoid pressure on the Canada pension fund in future you suggest a measure which would have the fund drawn upon right away?

Mr. COWARD: We would like to see the fund built up a little less rapidly than is presently proposed. We would like to see it designed on the basis that all groups in the population have some claims upon it, and we believe you would get a sounder over-all plan if you do this.

Mr. GRAY: In other words, you are not concerned about the plan being drawn on now by those groups, but just the possibility that those same groups will want to draw on it in the future.

Mr. COWARD: I think the fund should be drawn on now, or rather on the first of January, 1967, for those already retired.

Mr. MUNRO: Mr. Chairman, relating to a matter which Mr. Knowles raised I also wish to indicate how welcome and happy I think we all were with Mr. Robarts' statement with respect to the Canada pension fund which was given in the legislature a short time ago. It was a great deal of encouragement to us all, I am sure. I do not see the purpose really of Mr. Knowles' question because in indicating the welcome as far as Canada's conditions are concerned, and her beginning to help in respect of the plan, I assume Mr. Robarts had clearly indicated that as far as Ontario was concerned they were in the Canada pension plan, and I believe he said it was an irrevocable decision on his part.

I certainly wish to indicate to the Ontario representatives here how happy we are with this decision on Ontario's part, but I do not think there is any question or reason for many of the suggestions which Ontario has in its brief, that they are not ones which will be considered, or which have been raised before in other briefs. Personally, I do not think that many of them involve any alteration of basic principles, but I suppose it is everybody's opinion what is a basic principle.

Mr. COWARD: That is gratifying, because if the plan does not involve changes in basic principles it will be that much easier for the government of Canada to accept our proposals.

Mr. MUNRO: I wondered about considering different basic principles.

Hon. Mr. McCUTCHEON: He has said that already once before.

Mr. MUNRO: Do you agree that the changes you have made are not changes in basic principles?

Mr. COWARD: If it would assist you to adopt them, then I would. If you are willing to adopt the changes we have suggested to make this a better plan, and if it is agreed to by all the provinces in Canada, it would become a shining example of co-operative federalism.

I am quite aware, of course, of the statement made by Mr. Lesage last week indicating that he will not introduce the Quebec pension plan until he is given the result of representations which the government of Ontario would make to you.

Mr. MUNRO: This recommendation is quite a substantial change. I shall avoid calling it a basic principle for the time being, but the basic change indicates perhaps a \$25 increase in the flat benefits. As I understand your answer to a previous question, this suggested change had never been made until this time, and in these terms had never been expressed before.

Mr. COWARD: It has not been expressed so specifically, but it has been included in our representations, comments and briefs going back to July, 1963.

Mr. MUNRO: I think it is a suggestion which certainly should receive consideration, and as Mr. Coward himself has stated, this suggestion of \$25 is being advanced in these terms, and it is now being put in this statement, and it has never been suggested in that amount before. Mr. Coward himself has already indicated that he is not prepared—because they did not have the officials to examine into this matter—to give us any estimate as to the cost of providing this additional amount. I wonder if he does not feel that perhaps that suggestion—which I think we all agree is a very substantial change at this time and was not expressed before—does involve a considerable amount of work on the part of somebody? Because, as you yourself have indicated, even to give an estimate of what is involved would be beyond your capability or the capability of the province, and presumably it would have to be undertaken as a study by someone.

Mr. COWARD: Are you suggesting that an obstacle to adopting it is that there will be a considerable amount of work to be done by your officials?

Mr. MUNRO: No. What I suggest is that I think in view of all the conferences—I believe there has been six federal-provincial conferences and negotiations which have gone on—it would have been helpful if Ontario had come up with this very noteworthy suggestion for a change at some earlier period?

Mr. KNOWLES: Such as at the Quebec conference?

Mr. MUNRO: Even if it had been brought forward prior to, during, or even after the Quebec conference it would have given us some opportunity to discuss the very notable changes with other provinces.

Mr. COWARD: There are a number of things which have been raised here, one as regards the responsibility that we have to provide actuarial estimates of costs in the changes which we propose. We have had actuaries making estimates for us for some considerable time, but I am afraid these estimates have a short life. They become out of date very rapidly. We have had some estimates made partly on the basis of the adjustment of previous reports and partly on new tentative calculations. We have had estimates made on a tentative basis, but I do not think we should place them before your committee.

We have the greatest confidence in your technical staff, and we have no kind of quarrel with your actuaries' estimates and methods that they have used in preparing their reports. And if you adopt our suggestions, or before you adopt them, I am sure you will have a cost estimate made.

As to the question whether this has been raised before, we have repeatedly pointed out this gap in the coverage, and repeatedly suggested that something should be done about it. This time we have suggested that there be a flat benefit of \$25 integrated with the amounts under the Canada pension plan, in the way which was mentioned in our brief. What we have done is to put a figure of perhaps \$25 on the suggestion previously made. If after examination you feel that the figure should be \$20, or \$30, or if you think that the 20 year transition period should be one of 18 years, or if you think you should base your pensions on the last 12 years average instead of the last 10 years, we will be quite happy.

We feel that changes of this broad nature in these directions are necessary if the plan is to do a good job for all the people of Canada. We feel that there is no question that those who have already retired are more needy now than those persons who retire 10 years from now, who have had good earnings and who will get \$104 a month pension. This is the basis of our whole presentation.

Mr. MUNRO: Have you people in the last two weeks or the last two months requested any information from the technical staff in Ottawa to which you have just referred of what would be an estimate of the cost as far as your recommendation of \$25 or any comparable figure is concerned?

Mr. COWARD: No sir.

In order that there should be no misunderstanding, our actuaries, Messrs. Murden and Eckler, who are both consulting actuaries, have been in touch with federal government officials in order to compare notes on certain matters of mutual interest during the course of last year. I would not like you to think that our actuaries have had no conversation whatsoever with federal actuaries.

Mr. MUNRO: They have had no dealings with the chief actuary for Canada in respect of this proposal, as of this time—

Mr. COWARD: The chief actuary for Canada?

Mr. MUNRO: —or the technical staff in Ottawa, be they the actuaries or economic experts?

Mr. COWARD: They have had contact with the actuaries in the department of insurance, who are responsible for the actuarial reports for the Canada pension plan.

Mr. MUNRO: Was this in respect of the suggestion?

Mr. COWARD: Not specifically with respect to that suggestion, but with respect to broader aspects of population estimates and the percentage of participation and such like matters which are, I think, of common interest.

Mr. FRANCIS: Mr. Chairman, I think Mr. Coward has indicated a point that would seem to be the heart of the criticism, and that is the benefit structure itself.

I have tried to think what is the comparison of the recommendations in the Ontario brief and the provisions of the Canada pension plan as it is now before us. I think the Canada pension plan would not provide any benefits in 1966; in 1967 it would go up to \$10 a month; in 1968, it would go up to \$20; and in 1969 it would go up to \$30. Under the Canada pension plan the benefit would go up to \$40 in 1970; and in 1976 it would be \$104.

I would point out that in quoting figures, M. Coward, I am not trying to take advantage; I am trying to set the record straight for the purposes of comparison.

Your recommendations would be for a minimum of \$25 in 1966, and you provide this as a flat rate?

Mr. COWARD: We said in 1967, but if it could be arranged earlier we would not object.

Mr. FRANCIS: In 1968 it would be the same figure, and up to 1971 it would still be the \$25 figure?

Mr. COWARD: Yes.

Mr. FRANCIS: Then it would go up in 1972 to \$30 a month, and in 1973 to \$35?

Mr. COWARD: Yes.

Mr. FRANCIS: Then in 1976 it would go up to \$50. It would be 1986 before it would reach \$104.

Does this appear to be a reasonable summary of the comparable benefits?

Mr. COWARD: For someone at maximum earnings, that expresses the principle.

Mr. FRANCIS: I said up to this amount.

Let us just contrast the situation of someone, say, in the late fifties approaching retirement, say at 59. Such a person making the maximum contribution would draw exactly the same benefit as someone making perhaps even no contribution or just having contributed for one or two years?

Mr. COWARD: That is quite correct, but the contributions pay for such a minute portion of the benefits that this is hardly material.

Mr. FRANCIS: There is no particular incentive at this stage to postpone retirement for economic reasons?

Mr. COWARD: There is no incentive to postpone retirement under the Ontario proposal.

Mr. FRANCIS: According to the present proposals of the Canada pension plan, for this age group I think there is a fairly strong incentive.

Mr. COWARD: Yes, I think there is a strong incentive to postpone retirement.

Mr. FRANCIS: Under your proposals there would be no incentive in terms of increasing your pension benefit.

It seems to me, Mr. Chairman, this is the heart of what we are talking about in terms of principle. I had always thought of social security programs as being of three general families: the social assistance family; the social insurance family; and then the universal benefit type of program that we have

evolved in Canada as much, perhaps, as has been evolved anywhere in the world.

The Canada pension plan, if it is to be wage related, cannot provide benefits to people who have not to some degree earned the benefits. A flat rate pension can. Mr. Coward, do you feel that in principle the flat rate approach is preferable to the wage related program?

Mr. COWARD: No, I think the plan should provide both. I think this matter of following principles to the point of absurdity has led to error in this matter.

The contributions, as has been shown by many witnesses here, provide only a small portion of the benefits—an eighth or a tenth according to different circumstances. To claim that this is a plan in which you pay on earnings and obtain benefits on earnings and so you cannot vary your formula at all, seems to me to be mistaken.

Mr. FRANCIS: Mr. Coward, at many points in the brief there is reference to need. There is a reference in paragraph 3(b), which mentions inadequate provision for those most in need. Paragraph 4(b) says that the old age security and assistance and the Canada pension plan should be treated as a single program geared to the needs of older people.

Paragraph 17 makes reference to needs, as do paragraphs 21, 15 and 35.

Would it be right to conclude from this that the province of Ontario would support measures which would be related to some type of tested needs in individual circumstances or a test of individual circumstances?

Hon. Mr. McCUTCHEON: Mr. Coward is not here, Mr. Chairman, to say what the province of Ontario would support.

Mr. COWARD: I am here to present this brief on behalf of the government, and the brief presents our views. I just happen to see a note which I made against the paragraph you have just referred to, and it is a quotation that appeared in *Hansard* of July 18, 1963, at page 2340 by the Minister of National Health and Welfare. She said, referring to the Canada pension plan:

It is the natural next step in providing rounded welfare legislation for Canada.

We think this plan has a welfare element and should have a welfare element, and it has an earnings related or equity element too.

We are just interested in designing a sound, practical plan that would meet most of the needs of most of the people in the best possible way.

Mr. FRANCIS: Mr. Chairman, I am going to put my question by relating it directly to the paragraph on page 3 of paragraph 4(b) of the brief:

The old age security and assistance programs and the Canada pension plan should be treated as a single program geared to the needs of older people.

Would Mr. Coward be prepared to expand this paragraph and tell us how old age assistance and old age security and the Canada pension plan could be geared to the needs of older people? I do not think there is an expansion of that particular section in the brief, and I would like to know what was the intention in the selection of that paragraph.

Mr. STEVENSON: Mr. Chairman, I think this is a difficult one to expand just on the face of it. Our basic consideration here, as is spelled out in the recommendations, is that when looking at old age security legislation generally one should look at the coverage provided by each of the programs now in existence. If gaps are left because one of the programs does not provide for something, there should be modifications made so that the three, taken together as a single program, are related more closely to needs than they are now.

In this case, the recommendations would involve a larger welfare element in the Canada pension plan portion.

Mr. FRANCIS: The recommendations appear to me to involve modification to the wage related social insurance and modification to the flat rate social insurance, but there is no comment that relates to social assistance in this brief other than in this paragraph.

Mr. COWARD: No, but social assistance would be affected because we will be providing benefits which are now covered by the assistance programs; that is, at least in the area of people in the age group of 65 to 70 and disabled persons and widows. Modifications in these programs will be necessary, and we believe that they should be integrated. One over-all program should be developed.

We feel our suggestion that there should be a \$25 flat component in the benefits under the Canada pension plan should be most acceptable. Something of the sort was included in the first version of the Canada pension plan, and this would surely seem to indicate that there is nothing wrong with the principle of it—if I may use that word at the risk of being picked up.

Mr. FRANCIS: Certainly.

Mr. COWARD: We think the financing of the plans should be unified, if this is possible, in the context in which you are considering the whole matter.

We think, for example, that there is an illogical situation when a retirement test is applied for benefits under the Canada pension plan and an age reduction is applied in the case of old age security. Surely it is only common sense and logic to have the same test for two programs which provide two parts of a man's retirement income.

We would like to see uniformity, not merely as a matter of administrative tidiness but because we think this is the way to develop an integrated, united program.

Mr. STEVENSON: Mr. Chairman, on this point one of our feelings about the Canada pension plan as now proposed—and particularly the proposal for age reduction of old age security—is that this would by implication involve eventually an extension of old age assistance to people over the age of 70 who have elected to take the reduced pension option. This, we believe, would be taking the old age security program slightly away from the needs fulfilment which was the original intention.

Mr. FRANCIS: Do I understand this to mean that Ontario would not approve the extension of old age assistance to people over 70 who had gone on pension?

Mr. STEVENSON: Oh, I am sure it would, but this same problem could be met within old age security if it were granted on the basis of a retirement test and full pension being granted between the years of 65 and 70.

Hon. Mr. CROLL: As I understand it, what Mr. Stevenson is saying is that a man who takes a reduced pension before he attains the age of 70, and is in need, will need augmentation of that when he gets beyond age 70. Of course, that has been discussed before and we share the view this is a weakness in the plan; there is no question about that. But, on the other hand, have you considered the fact that between the ages of 65 and 70 he will be drawing from the Canada pension plan \$51, \$52 or something of that nature and, to that extent, any province, the province of Ontario for example, will be saving the assistance aspect of it, which is considerable.

Mr. STEVENSON: This is certainly true. But, we feel that under old age security if a person were to receive it as of right after a relatively simple retirement test, the needs would be fulfilled more easily and quickly than

under the extension of old age assistance. I suppose if one takes the question of equity to its most logical extent, an income or a means test finds out what the real needs are better than the retirement test. But the problem is that this would involve individual investigation of the type now required for old age assistance payments, which your retirement test does not.

Mr. AIKEN: I have a supplementary question. Several witnesses last week—and I am referring particularly to the social workers, whose evidence may not have come to your attention yet—have stated clearly that they realize the plan now proposed leaves out a large segment and that other legislation would have to be brought in to cover this group. Do I understand that your suggestion is that this group now be covered under the Canada pension plan instead of waiting for other or further legislation?

Mr. COWARD: This is the first I have heard of other legislation which is going to be brought in to cover other groups. The less I say in commenting upon possible future legislation the better. I am sure, with the programs the government is presently proposing, that it certainly will be busy.

Mr. AIKEN: May I clear this up. This is not an official suggestion; it was a suggestion made by the social workers who presented a brief. This group said there was a large segment of the population not covered by this legislation and that further welfare legislation would have to be brought in to cover them.

What I am suggesting is that your amendment providing minimums for everyone may cover a large number of those people and thereby make further legislation unnecessary.

Mr. COWARD: Our amendments would provide a very worth-while benefit for everyone who qualifies for old age security and, as such, we think that they have great attractions over the present proposal, which provides benefits only for those who have earned income after the plan comes into effect. This is the essence of our story; if hundreds of millions of dollars are to be raised by new payroll taxes, which are called contributions, they can be applied to do far more social good than by confining the benefits to persons with earned income after January 1, 1966 and, in particular, putting those benefits on a higher level for the ones with the highest incomes and at the minimum levels for those who have very small incomes.

The CHAIRMAN (*Mr. Cameron*): Have you completed your questioning Mr. Francis.

Mr. FRANCIS: I have just one brief comment. I am concerned about the cost. Did I understand Mr. Coward to say he was satisfied that the recommendations were generally within the revenues that he anticipated available to the Canada pension plan, and that they had done sufficient checking on their own to confirm that the contributions coming in under the plan would permit the carrying out of these recommendations. I know you were very careful to point out that your calculations had to be re-checked and that you did not have the resources at hand to do this. But, I think in making the recommendations you do have to assume some general responsibility as to whether or not they are within the ambit of what we can do.

Mr. COWARD: I will go as far as to say that our tentative calculations had indicated that the fund will build up more slowly than under the present proposition. It will continue to build up to a level of approximately \$5 billion, and will reach its maximum at about the time that under your estimates it reaches a figure of \$7 billion; then it will slowly decrease and will probably be exhausted at about the same time. Therefore, from the financial point of view we are not suggesting something that puts on new costs which cannot be supported.

Mr. FRANCIS: I am going to put one last comment on the record. I have done rough pencil work. I think the net cost of this program would exceed \$400 million a year after all the adjustments are made. But, I am thinking of our recent experience with the unemployment insurance fund and I hope that we would not do to the Canada pension plan what was done to the unemployment insurance fund.

Mr. COWARD: I am sorry, sir, but if you look at the immediate costs the figures are more readily available. I believe that the first year contribution income of this plan will be \$427 million. Would someone check that?

The CHAIRMAN (*Mr. Cameron*): I think you said \$462 million.

Mr. COWARD: If you provide a benefit of \$25 a month to all those presently drawing old age security across the country that amounts to \$300 a year to some 980,000 people.

Mr. FRANCIS: Less Quebec.

Mr. COWARD: This includes Quebec. So, the extra immediate costs of our proposal will be something in the neighbourhood of \$220 million as compared with the immediate income for all of Canada excluding Quebec of \$420 million.

Now, gradually the \$25 minimum benefit instead of being a free gift becomes a minimum on the Canada pension plan. As you yourself pointed out in your examples, after a certain number of years the benefit under the Canada pension plan exceeds the \$25 that we have tentatively suggested, and from this point on for those persons who are in the Canada pension plan there is no extra cost. The cost of this particular feature is a decreasing one if we ignore the possible effect of escalation.

Mr. FRANCIS: I am very interested in seeing the cost estimates presented to the committee in this respect.

Mr. COWARD: We have in addition suggested that contributions be collected from the first dollar, which would provide some extra revenue, and we feel that this has some extra advantages. There have been no questions on that feature up until now but I would not like it to be forgotten.

Mr. CÔTÉ (*Longueuil*): Mr. Chairman, I have a supplementary question. I assume that you are suggesting that all the recommendations made in the brief should be adopted, and that it is impossible to adopt only one or two and not adopt the others. Let us say, if we adopted paragraphs (c), (d), (e) and (f) we also would have to adopt paragraph (i) and paragraph (j), otherwise it would throw the whole plan off balance.

Mr. COWARD: Well, I think that you still would be very much failing in your duty to the old people if you did not adopt the suggestion in paragraph (b); paragraphs (b) and (c), in our minds, go together as two parts of one suggestion, that there should be a universal minimum pension in Canada for those who qualify for it of \$75, plus something, perhaps \$25, from the Canada pension plan. Leaving out the qualifications we will say there should be a minimum pension of \$100 a month for everyone reaching retirement age with an adequate residence in this country. I would not like paragraphs (b) and (c) to be divided, one adopted and the other not adopted. I might say that we feel that suggestion (i) is one that has a number of advantages from all points of view and certainly should be adopted. In respect of the transitional period we join with our sister province, Quebec, in strongly urging that you adopt a longer transition period.

Mr. CÔTÉ (*Longueuil*): What I am suggesting is that these are tied together and that if we give more benefits we should have bigger contributions.

Mr. COWARD: Yes.

Mr. CÔTÉ (*Longueuil*): In other words, we cannot adopt your suggestion of giving bigger benefits if we do not adopt your suggestion that we obtain more contributions out of it because it would throw the whole thing off balance.

Mr. STEVENSON: Mr. Coward, in his opening statement which he read to the committee this morning, suggested that although the recommendations are not necessarily a total package, if one were to consider suggestions which would increase the cost of the plan it might be advisable also to consider other recommendations which would have an offsetting effect.

Mr. CÔTÉ (*Longueuil*): But they are tied together in such a way that if you give better benefits you have to demand better contributions.

Mr. COWARD: We do not necessarily think that the fund need grow to so large a size. We agree with one of the principles of the original Canada pension plan which is that it should be a pay as you go proposition, if this is a principle rather than a detail.

Mr. CÔTÉ (*Longueuil*): You do not agree with that?

Mr. COWARD: I said that we are not in disagreement with that. The government of Ontario is not opposed to partial funding but has never pressed for a large fund. The government of Ontario has maintained that if there is a fund, it should be made available to the provinces for investments. However, we have never favoured a large fund as such.

Mr. AIKEN: Mr. Chairman, I wonder if I might ask a supplementary question.

The CHAIRMAN (*Mr. Cameron*): Supplementary to what?

Mr. AIKEN: Supplementary to the question put by Mr. Francis in connection with the elimination of the exemption on the first \$600. What I want clarified is this: at the moment in the plan anyone receiving a total annual earned income of less than \$600 does not contribute to the plan or become part of the plan at all. However, if they earn more than \$600, they only contribute on that amount which exceeds the \$600. I should like to ask whether in suggestion (i) the exclusion of all those earning under \$600 is contemplated, or whether everyone earning anything would become a contributor to the Canada pension plan.

Mr. COWARD: We would suggest that you follow the general rules that were in the first version of the Canada pension plan, by which you collect from the first dollar, but under which groups from whom it is exceedingly difficult to collect contributions, where there are severe administrative problems, could be exempted by regulation. We feel that there are some people from whom it would be most inconvenient to collect contributions, and who probably might not wish to pay. In any event they would get the \$25 minimum in due course. As a general rule we believe you should collect from the first dollar, and this will have a number of advantages.

Mr. PRITTE: How much more revenue would that bring in if you wiped out the \$600 exemption and collected from the first dollar?

Mr. COWARD: I do not think I want to give figures. I am sure that the government experts could give you an answer very quickly and readily to that particular question.

Mr. KNOWLES: I have a supplementary on this same point.

The CHAIRMAN (*Mr. Cameron*): I will call this supplementary the last one on this point.

Mr. KNOWLES: In so far as this has some relevance to the question of getting extra money, did the Ontario government consider, as an alternative

to wiping out the \$600 exemption, the possibility of collecting contributions up to a higher level than the \$5,000 figure?

Mr. COWARD: No, sir, we did not consider that alternative.

Mr. LLOYD: Mr. Coward, may I say, first of all, how much I value the manner in which you have enlightened us through the answers to questions put to you. I must say that I have a far better appreciation now of the message you are bringing to this committee reflecting the policy of the government of Ontario than I would have had by merely reading the brief. I gather from your observations that the effect of the payroll tax hits you pretty hard at the beginning; does it not, in your consideration? This is where you really take off to judge the system. You have said they are called contributions, but in effect it is a payroll tax.

Mr. COWARD: No, sir. I am not suggesting that this is not a suitable way of raising revenue, and I really do not mind what things are called. I am trying to see that we get a pension plan that does the job.

Mr. LLOYD: But you are not questioning the need to impose this kind of tax to provide a revenue for a purpose?

Mr. COWARD: I am not suggesting that you need have had quite such a high contribution rate.

Mr. LLOYD: May I put it another way? If, in the wisdom of those responsible for imposing taxes, it is concluded, by agreement among all provincial and federal authorities, that plucking the feather from the bird might better be served by using payroll tax, then they must keep in mind that this particular tax should be devoted in some comprehensive way to a distribution between providing wage related pensions, providing sums for capital investment during an interim period, or not doing so. You should bear in mind that some part of it should not be wedded to principle too tightly, that some parts should be related to improving the immediate old age assistance needs. This is really the problem, is it not? We are not quarreling over the fact that it is desirable to achieve an extension of wage related pensions in Canada. You do not quarrel with that as a general principle, you do not quarrel with the use of a payroll tax being used to a reasonable degree for that purpose. You have some reservations regarding how much of the payroll tax—I am going to continue to call it a tax—should be used, on behalf of the provincial government, for funding capital requirements. In your report you raise some questions on the size of the fund.

Mr. COWARD: What we indicated there is that the government of Ontario has no objection to a partially funded plan but has never pressed for any particular level of funding. One matter that we have raised in this regard is that the level of funding appears to be completely arbitrary and completely accidental. It seems to us that it is totally unplanned. It is not based on any actuarial principle, as far as I have been able to detect. I could understand a considered judgment that it might be advisable to maintain at all times a fund which was equal to two years' outgo of benefits, or a fund that would pay for the pensionaries, but this fund has just happened.

Mr. LLOYD: Let us follow your particular observation and the criticisms you have made. You said you do not recognize anywhere any comprehensive calculation of how much the fund ought to be, and you cannot see any actuarial calculations involved. Would you care to give us your views as to how that fund should be calculated? Mind you, sir, please understand that I recognize in you a very competent authority in actuarial matters, and I am looking for your professional judgment.

Mr. COWARD: You are very kind. Personally I do not think there is any need for any fund beyond a reasonable working balance such as the \$300 million that was proposed in the original Canada pension plan. Apparently some others feel that there should be a substantial fund. The Ontario government does not object to partial funding and has so stated. I have expressed my personal preference, and I am not at odds with my government on this. Both of us are agreed that if you have a fund, you should have some yardstick or milestone by which to measure its adequacy. Otherwise you do not know whether you are running into trouble and whether or not you are falling behind your standards or whether you are putting aside more than is necessary for your purposes.

Mr. LLOYD: So that one might say you should try to find some way of measuring the need to avoid too frequent changes in the rate of the first 10 years. That would be one of the things you might look at.

Mr. COWARD: Yes.

Mr. LLOYD: And you might also keep an eye on what you think are the economic trends and what might be a wise reserve so as to avoid embarrassing impacts on the budget at certain times in the reasonably distant future. You cannot foresee 30 years in the future but you can foresee 10 years, could you not?

Mr. COWARD: It is unlikely that there should be a sudden call on the budget. This type of plan does not suddenly generate a need for a massive pay-off. Everything happens pretty steadily.

Mr. LLOYD: So that in your opinion the fund should not be built up with priority of thought given to providing capital from profits?

Mr. COWARD: That would not be a priority reason.

Mr. LLOYD: It would only be an incidental result of having some contingency reserve that could create these funds for that purpose and that purpose only.

Mr. STEVENSON: May I add one point regarding the early part of your question about a payroll tax. One consideration which we certainly have also been discussing, although it does not appear in the recommendations and there is no firm policy on it, is the desirability of providing for those recommendations which add to the welfare component of the benefit by a contribution which is tax deductible and which therefore has quite a difference in impact on different employers and employees; with the tax deductible contribution, the higher income contributor actually is paying less than the low-income contributor. The non-taxable employer has a heavier burden to pay than the one with the higher profit.

Mr. LLOYD: We have had some evidence before this committee in respect of the relationship of these deductions to the taxability of those on the present tax lists. For example, the Canadian Manufacturers Association liked the way the payroll contribution permitted them to deduct the employer's contribution from the income, whereas under the old age security plan, the 3 per cent of the corporation tax was a tax derived from income and the income tax on income, as such, did not permit them to take it as a deduction. You interjected on the subject of payroll taxes. I would like to get back to Mr. Coward to show that really what we are all saying is we accept payroll taxes and we accept the need for a wage related plan, but the fact that it is a payroll tax does not in itself tie you too tightly to devoting all those payroll taxes to wage related benefits. In some way it could be used to improve the flat rate. That is what you are saying?

Mr. COWARD: I think so.

Mr. LLOYD: Thank you very much.

Mr. GRAY: Mr. Chairman, before putting my question, I think it might be advisable to bring to the attention of the committee—in view of what I understood to be Mr. Coward's previous statements to the effect that we are prepared to accept the Canada pension plan subject to certain major changes—to what appeared on the front page of the *Globe and Mail* for January 22, 1965, referring to Premier Robarts.

The CHAIRMAN (Mr. Cameron): That already is part of the record—the whole statement.

Mr. GRAY: I am referring to a press report which appeared on the front page of the *Globe and Mail* in the same edition in which the statement was reproduced. Referring to Premier Robarts it reads:

He told reporters that even if Ontario's remaining objections are not met his decision to join a federal plan is irrevocable.

Mr. COWARD: May I say that I do not think I made any statement to contradict that statement; if so, I apologize. What I did say was if the major changes which we propose are accepted, we will be wholeheartedly in favour of it and will regard it as a triumph of co-operative federalism and as having given Canada an excellent new pension plan.

Mr. GRAY: I will let the record speak for itself. Because of your function as a civil servant, I did not intend to engage in a detailed discussion of this aspect with you. I thought it would be unfair to you. However, I think the record should have this press report on it.

Mr. AIKEN: I think it is better to rely on official statements rather than on press reports.

Mr. GRAY: Even in the *Globe and Mail*?

Mr. AIKEN: Yes, even in the *Globe and Mail*.

Mr. GRAY: I was interested in the comment about the contribution and the obligation to contribute to people earning \$600. This subject came up before this committee previously on the part of other witnesses. The point was made that this would impose on persons earning under \$600 a year a rather greater burden in proportion to persons earning above that amount. What would you think of that comment?

Mr. COWARD: It will impose on them the obligation to pay an amount which might be as much as 90 cents a month which is no doubt a burden, but is hardly a very large burden. We feel that any disadvantages of eliminating this \$600 contribution exemption would be outweighed by the very great advantage to most of those in the low earnings area of having a guaranteed \$25 minimum pension.

Mr. GRAY: What do you think of the possible suggestion that persons earning under \$600 should get some type of coverage such as you have outlined but who would contribute only on their earnings over \$600?

Mr. COWARD: I would think it would be better to follow our suggestion to save some appalling administrative headaches; that is, to collect contributions from the first dollar.

With regard to the administrative problems, may I draw your attention to the proposed form for collecting refunds which was presented to us by the federal officials on June 24, 1964. I think any ordinary person trying to use this form would get a headache. I believe, for the small amount of relief you give, it would be better to collect and give him instead a \$25 minimum pension. All our discussions with those concerned with the administration have made it very clear that this is a large administrative burden. In fact, I believe

statements have been made before this committee that it will be the cause of at least one million refunds being made every year.

We sincerely think that if you eliminate that \$600 exemption and provide the other benefits that are mentioned in our brief, you will end up with a much better pension plan. Is it your wish that this might be placed on the record? This is something which low income people are supposed to read and understand. It taxes our own technical group.

Mr. BASFORD: Mr. Chairman, we have just been asked to put a form on the record.

The CHAIRMAN (*Mr. Cameron*): I do not think it is on the record.

Mr. CHATTERTON: I would so move.

Mr. KNOWLES: What is it?

The CHAIRMAN (*Mr. Cameron*): It is a form for calculation of contribution under the Canada pension plan for use by persons with self-employed earnings of \$800 or more, or combined wages and self-employed earnings of \$800 or more, and also for persons with salary or wage income that has been over-exempted and who elect to make an additional contribution, and so on.

Mr. OSBORNE: May I interject to say that as I recollect this document it was a draft of a proposed form which the Department of National Revenue officials were thinking of last summer when we were explaining to various provincial officials some of the administrative details that would accompany the Canada pension plan as it was then being discussed. However, that is not an official document; it was a draft for discussion purposes and it might well be that the Department of National Revenue since has made changes in this type of form. You can decide for yourselves whether or not it should go on the record.

Mr. COWARD: I agree with Mr. Osborne's remarks and I am in your hands.

The CHAIRMAN (*Mr. Cameron*): Unless there is some real merit in putting this document on the record, I would think that possibly it should not be filed.

Mr. AIKEN: Mr. Chairman, I think Mr. Coward introduced this particular form to indicate the type of form which approximately one million Canadians will have to complete in order to obtain a refund which will not exceed 90 cents a month in many cases. I think the point is well taken; that is, that perhaps this type of form, even if it has been amended, in any case is the type of form that will have to be filled out. I think his point is that there is the administrative problem, not only of refunding, but also of having people with incomes of less than \$600 complete such a form, and that this seemed to point out the difficulty. I think it is a pretty good example.

The CHAIRMAN (*Mr. Cameron*): Mr. Chatterton has moved that it be made an appendix to today's proceedings.

Mr. KNOWLES: I second that. I think there is no objection to it being a part of the record so long as it is identified, and it has been identified.

Mr. FRANCIS: I think the department should be invited to submit an alternative.

The CHAIRMAN (*Mr. Cameron*): Is it agreeable that I put the motion to the committee?

Mr. BASFORD: This is a working paper from a federal-provincial conference. Might we have at the same time the working paper that the province of Ontario presented showing how complicated this form was?

The CHAIRMAN (*Mr. Cameron*): Dr. Willard would like to have the permission of the committee to say a word on this matter before we proceed further.

Dr. JOSEPH WILLARD (*Deputy Minister of Welfare*): Mr. Chairman, I would like to speak on the point of order. There are many documents which are used at federal-provincial conferences which are for purposes of discussion. Normally we do not table documents which have been provided by a province, and we would expect to receive the same courtesy. I think the committee could obtain the document at the appropriate time from the Department of National Revenue when this matter is under discussion. It may be that this is a case where the Department of National Revenue has to come up with a more recent edition of a form and I think that would be the more appropriate way to obtain the information.

Mr. COWARD: In view of Dr. Willard's remarks may I withdraw my suggestion that the form be tabled. I merely wish to indicate that it is an extremely complicated proposition that you are involved in, if you exempt the first \$600 of contribution.

Mr. CHATTERTON: In view of that, I withdraw my motion, and I wish to make a new one, namely, to ask that the revenue officials be asked to table the new draft that they prepared.

The CHAIRMAN (*Mr. Cameron*): Is there a seconder? Mr. Chatterton has withdrawn his first motion and substitutes a new motion to the effect that the officials be asked to supply us in due course with a copy of the latest document which would be the logical successor to the one we have before us. Is there any objection to the motion?

Mr. BASFORD: I do not think it is relevant to the presentation of the province of Ontario. I think Mr. Chatterton might very properly, when the officials return to the committee, ask for it at that time. As I understand the procedure of the committee, these officials will be coming back again if we want them to, and I think that is the more appropriate time for us to receive the information.

Mr. MONTEITH: I think the motion is completely relevant at this moment because of Mr. Coward's evidence.

The CHAIRMAN (*Mr. Cameron*): I think so too. It may be that we are being a little premature, and that we could get it later on, but I think we had better make sure about it while we are here. Do we need a show of hands?

Mr. LLOYD: I think one of the most serious problems to which we shall have to address ourselves is this question of refunds, and how the procedures are going to function. As a C.A. himself, I feel that Mr. Monteith will agree with me in his having advised clients in this field, that this is one of the most difficult recommendations or suggestions we have to contemplate, and that any machinery we can set up for action now would be all to the good.

The CHAIRMAN (*Mr. Cameron*): I rule the motion to be in order, and I shall call for a vote. All those in favour? Those opposed?

Motion agreed to.

Mr. PRITTIE: Are we going to continue with the Ontario delegation this afternoon, or shall we continue on now until we have finished with them?

Mr. MONTEITH: It is now 12.30 and I think we should adjourn until 2.30.

Mr. GRAY: This very interesting side issue came up in the course of my questioning, and ordinarily I would have made use of the last five or ten minutes which have been devoted to it. Shall I have such an opportunity later on today?

The CHAIRMAN (*Mr. Cameron*): Yes. Let us now adjourn until 2.30 o'clock. But might I ask what sort of information we should ask Mr. Osborne to obtain for us in regard to relative costs per year under the impact (B) and (C)?

Mr. MONTEITH: I would expect that we would need to have a complete actuarial report.

The CHAIRMAN (*Mr. Cameron*): This is information we are going to ask for.

Mr. CHATTERTON: We are not yet through with the Ontario witnesses.

The CHAIRMAN (*Mr. Cameron*): No, and we shall ask them to return at 2.30 if it is convenient to them.

Mr. KNOWLES: Is it assumed that Ontario will take up the rest of the afternoon, or shall we still have the teachers?

The CHAIRMAN (*Mr. Cameron*): I think Ontario will take the rest of the afternoon.

Mr. AIKEN: They may run out of steam before the afternoon is over.

Mr. COWARD: We are prepared to stay as long as we are needed.

The CHAIRMAN (*Mr. Cameron*): The meeting now stands adjourned until 2.30 this afternoon.

AFTERNOON SITTING

MONDAY, February 1, 1965

(Text)

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mrs. Rideout and gentlemen, before we hear any more from the witnesses there are a couple of things I would like to bring to your attention.

I have an answer to the questions raised by Mr. Basford and Mr. Cantelon on January 21, 1965. I also have answers to questions asked by Mr. Knowles on December 1, 1964.

May I have a motion that these become part of our record and be inserted in today's minutes?

Mr. CANTELON: I so move, Madam Chairman.

Mr. KNOWLES: I second the motion.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It has been moved by Mr. Cantelon, seconded by Mr. Knowles, that these answers to questions become part of the record and be included in today's minutes. Is everyone agreed?

Motion agreed to.

Mr. KNOWLES: Would Mr. Osborne by any chance have the figures we asked for this morning?

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think it is a little soon.

Mr. OSBORNE: I have them, Madam Chairman. Shall I proceed?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, if you will.

Mr. OSBORNE: I was asked what would be the costs of the Ontario proposal. I have a typewritten document of these costs for the record, if you wish, but perhaps I could read it now.

A pension of \$100 a month paid to all persons of 70 and over in the year 1970 would cost \$1,157.6 million. A pension of \$100 a month paid to all persons of 65 to 69 in 1970 would cost \$688.8 million. A pension of \$100 a month paid to all retired persons of 65 to 69 in 1970 would cost only \$511.2 million.

Mr. CHATTERTON: May I have the previous figure repeated?

Mr. OSBORNE: A pension of \$100 a month paid to persons of 65 to 69, without regard to whether they are retired or not, will cost \$688.8 million.

The total cost of the Ontario proposal, without a retirement test, would be \$1.9 billion; and with a retirement test it would be \$1.7 billion. The present old

age security benefits in 1970 will cost \$974.5 million. The proposed old age security benefit that is proposed in Bill No. C-136 will cost an estimated \$1,306 billion.

So the extra cost of the Ontario proposals over the present old age security benefits, without a retirement test, will be \$972 million; and with a retirement test, \$794 million. The extra cost of the Ontario proposals over the proposed Bill No. C-136 benefits without a retirement test will be \$640 million and, with a retirement test, \$463 million.

The savings to the federal government regarding the Canada pension plan retirement pensions for that year, 1970, would be \$30.3 million, and the savings regarding the federal old age assistance payments to the age group of 65 to 69 would be \$47.7 million, making a total saving of \$78 million. That is the Canada pension plan retirement pension saving.

The net cost of the Ontario proposals over the benefits described in Bill No. C-136 after allowing for the saving, without a retirement test, would be \$562 million and, with the retirement test, \$385 million.

Perhaps I can have these tabled, Madam Chairman.

Mr. PRITTE: I move that this be tabled.

Mr. FRANCIS: I would like to know what assumptions were made in regard to the irregularly employed group who earn less than \$600 if on payroll or less than \$800 if self-employed. Were they assumed to be eligible for benefits or not?

Mr. OSBORNE: Madam Chairman, these figures were the cost of providing \$100 a month to all persons aged 65 and over. Since it was an estimate for a particular year I excluded from the figures for that year people in the age group 65 to 69 who had not yet retired, but anyone who had retired and was over the age of 65 would have received \$100 a month. That was my understanding of the Ontario proposal.

Mr. COWARD: I thank Mr. Osborne for these figures and I am sure we will be able to accept these figures.

I would like to say, however, that we have never suggested this proposal be put in without a retirement test, so the figures with a retirement test are the only ones which should be considered; and I believe there has been no allowance for collection on the first \$600 of earnings in the figures. Is that correct?

Mr. OSBORNE: Madam Chairman, I was not concerned with contributions to the plan. I was simply trying to cost the benefits. Therefore, I do not believe the \$600 question really arises at this stage. It would be of concern if you were looking at the total collection of contributions from the plan, but this was not part of the request.

Hon. Mr. CROLL: Mr. Osborne, what does the figure \$385 million mean? I have tried to follow you, but I am not sure that I have done so. What does it mean? Are you saying in effect that when the plusses and the minuses are calculated in this bill, that is the net cost?

Mr. OSBORNE: Madam Chairman, the \$385 million represents the extra cost of doing what Ontario has proposed over the cost of what the federal government has proposed to do in Bill No. C-136, and assuming that the federal government would be able to apply to this plan the saving of \$47.7 million in old age assistance payments that it would not have to pay to the provinces.

Hon. Mr. CROLL: This is becoming a little more understandable now.

You assumed, I think, that the supplementary payments were made to all provinces—payments supplementary to the old age security. You took a deduction of some \$42 million for that which you would not have to pay. Does that include all the provinces which make the payment, or do all make it?

Mr. OSBORNE: That was the reduction of \$48 million that the federal government would pay to all ten provinces in 1970—

Hon. Mr. CROLL: Oh, yes, in 1970.

Mr. OSBORNE: —under the present old age assistance arrangements.

Hon. Mr. CROLL: Do all ten provinces participate in the old age assistance?

Mr. OSBORNE: Yes, Madam Chairman.

Hon. Mr. CROLL: So what you are saying, in effect, is that Ontario is presenting to us a bill of approximately \$400 million.

Mr. OSBORNE: If you can assume that you can apply the savings on the old age assistance to this plan, the answer is yes.

Hon. Mr. CROLL: That is what you say?

Mr. OSBORNE: Yes.

Mr. GRAY: What is the estimated amount the government would collect under the Canada pension plan?

Mr. STEVENSON: While Mr. Osborne is looking it up might I just add—though not for this calculation: there is a saving of almost an equal amount to the provincial governments.

Mr. LLOYD: That is \$47 million?

Mr. STEVENSON: Yes.

Mr. LLOYD: In other words, the more responsibility for old age security, Madam Chairman, that is shifted to the financing for the Canada pension plan, the less liability the province has, likely, unless the standard of living rises.

The CHAIRMAN (*Hon. Mrs. Fergusson*): If I am correct, I understand we have a motion by Mr. Prittie, seconded by Mr. Knowles, that the report of Mr. Osborne, which has been submitted, should form part of the record. I think all these speeches are on the question, and I have not yet put the question.

Mr. KNOWLES: May I ask Mr. Coward a question as briefly as I can?

Does Mr. Osborne's description of the 65 to 69 group—that is the one with the retirement test—fit what Ontario is proposing, that is, adding these two together? I am still a little confused despite the talk this morning. Ontario proposes \$100 a month to everybody of 70 and over?

Mr. COWARD: No, to everyone drawing old age security.

Mr. KNOWLES: In 1970 everyone who is then on old age security—

Mr. COWARD: It will include those of age 65 if they meet the retirement test.

Mr. KNOWLES: Just a minute. In 1970 do you look back into what those who are then 70 were doing before they were 70?

Mr. COWARD: No.

Mr. KNOWLES: Everyone of 70 and over in 1970 would get it?

Mr. COWARD: If they have been ten years in the country, yes.

Mr. KNOWLES: So this figure fits what you are proposing?

Mr. COWARD: Yes.

Mr. KNOWLES: Then you are proposing that there be \$100 a month to everyone in the age bracket of 65 to 69 who meets the retirement test?

Mr. COWARD: Yes, that is right.

Mr. KNOWLES: There is no conflict between that and your statement to me this morning that what you were proposing was a minimum payment of \$25?

Mr. COWARD: By 1970 the maximum contribution that anyone could have made would be for five years and this, under the Canada pension plan, with a 20 year transition, would give him only a quarter of the bill benefit, or around \$25 a month.

Mr. KNOWLES: Then, in respect of those people in that age bracket you are saying after they retired they would get the \$25 which you are talking about, and the full \$75 old age security?

Mr. COWARD: Yes.

Mr. KNOWLES: So, the figures Mr. Osborne has produced in the retirement bracket correspond to what you are producing?

Mr. COWARD: As I understand it, Mr. Osborne produced the costs that relate to our proposal with these two exceptions or two major points to be borne in mind; first, that there will be a savings on the assistance program to provincial governments, which might be approximately the same as the \$70 million that he mentioned.

Mr. KNOWLES: It would be \$47 million.

Mr. COWARD: I am sorry, \$47 million. And, in the second place, under our complete proposals there would, be additional contributions collected. Mr. Osborne has spoken only of cost; we are proposing that contributions be collected on the first \$600 of earnings, and I believe that the product of that additional tax would be in the general neighbourhood of \$50 million to \$60 million.

Mr. PRITTIE: Does Mr. Osborne have the figures in that connection?

Mr. OSBORNE: No, we do not.

Mr. PRITTIE: I would like to see those figures.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not know whether or not this should be going on the record at this time.

Mr. OSBORNE: Madam Chairman, shall I answer the question Mr. Gray put to me?

Mr. COWARD: Madam Chairman, I would like to correct the record. I would like to double the figure I mentioned. I had a figure for Ontario alone, and I would like to correct the record in that respect.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Certainly.

Mr. GRAY: Madam Chairman, I have a suggestion to make. Perhaps we could dispose of this motion at this time. I was the next one on the agenda and I could ask one or two questions arising out of this. But, if anyone else has any supplementaries they could put them at this time, if those questions do have relevance to these existing figures.

Mr. LLOYD: I think we should clear the matter of this resolution.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Unless there is exception to putting these figures on the record I think we should clear it up now and then the members could proceed to put questions later.

Hon. Mr. CROLL: Madam Chairman, was there not a motion to put it on the record?

The CHAIRMAN (*Hon. Mrs. Fergusson*): But, Senator Croll, you were speaking to the question, as far as I understood it.

It has been moved by Mr. Prittie and seconded by Mr. Knowles that the figures submitted by Mr. Osborne become part of the record and be appended to today's minutes. Is that agreeable?

Some hon. MEMBERS: Agreed.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Does anyone oppose this motion? If not, we will proceed.

Motion agreed to.

I am sorry, but before we go on with the evidence there is another piece of business we intended to deal with. We became involved in this because of the last submission by Mr. Osborne. Before we proceed to discuss these matters

with our witnesses I have another motion I would like to have taken care of, and that is that the sum of \$42 for travelling and living expenses be paid to Mr. Robert J. Myers, chief actuary, social security administration of the United States as specified in his letter dated January 27, 1965, in respect of his appearance before this committee. Could I have a motion to this effect?

Mr. KNOWLES: Is that all?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, that is all.

Hon. Mr. CROLL: I so move.

Mr. FRANCIS: I second the motion.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It has been moved by Senator Croll and seconded by Mr. Francis that we authorize the expenditure of this amount on behalf of Mr. Myers. Are all agreed?

Some hon. MEMBERS: Agreed.

Motion agreed to.

Mr. BASFORD: Madam Chairman, how do his expenses compare with the expenses paid to Dr. Robert Clark.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not have his account before me.

Hon. Mr. CROLL: Madam Chairman, following Mr. Osborne's statement there is a point on which I wish clarification because of an earlier statement made by the witness, and I have marked this down.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Croll, we actually have a list of members who wish to put questions left over from this morning.

Hon. Mr. CROLL: This is a supplementary question, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Supplementary to what?

Hon. Mr. CROLL: To the questions we were asking in respect of the statement by Mr. Osborne.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think we should have gone into those questions at that time. The subject was whether we would put the statement in the record. However, I am sure the matter will come up again and you will then have an opportunity to put a question.

Mr. GRAY: Mr. Osborne, I believe you had a figure which I requested in respect of the estimated collection for the Canada pension fund in the year 1970.

Mr. OSBORNE: On pages 498 and 499 of the proceedings two figures are given for the year 1970 in respect of the contribution to the Canada pension fund.

Mr. GRAY: Would you read them.

Mr. OSBORNE: Excluding Quebec, the figure would be \$519 million at a 3 per cent annual rate of increase in earnings and \$528 million at a 4 per cent annual rate of increase in earnings.

Mr. GRAY: These would be the total collections, obviously not including any possible collection from those earning under \$600 a year.

Mr. OSBORNE: That is correct.

Mr. GRAY: Would it be possible to give some estimate of what that would be in 1970? Could we have the projected number of people in the labour force which might have that income?

Mr. OSBORNE: I can find out from the actuary, if he is prepared to make this calculation.

Mr. GRAY: Mr. Coward, continuing along with this discussion—

Mr. BASFORD: Madam Chairman, before we go into the re-examination of Mr. Coward I would like to interrupt on a question of privilege.

Just before the luncheon adjournment this morning Mr. Coward, in a rather surprising, move, I thought, produced a confidential working paper from a federal-provincial conference in support of one of his arguments, namely that the pension plan was very complicated to administer. I would like to give Mr. Coward an opportunity by way of privilege. I do not intend to move a motion but I would like to give him an opportunity to produce in a like way the confidential working papers submitted to the six federal-provincial conferences by the province of Ontario in support of his argument in the brief that the position now taken by the province of Ontario is the one taken by the province of Ontario since July, 1963.

Mr. COWARD: I have no comment in that connection.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think Mr. Coward would have the authority to produce that.

Mr. COWARD: May I apologize if I produced a document which should not have been produced.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Basford, Mr. Coward withdrew that document this morning and I do not think we should pursue that matter.

Mr. LLOYD: Agreed.

Mr. RHÉAUME: Madam Chairman, in order to set the record straight this document was not produced but waved in his hand, and the committee decided it would not give unanimous consent to have it produced. All of this nonsense could have been easily avoided.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I could not see because I was sitting at the desk. Are you finished, Mr. Gray?

Mr. GRAY: No, Madam Chairman, I have not had a chance to get started. With all due respect, my various colleagues on the committee raised very interesting points before the luncheon adjournment at 12.30 and some others have since, but perhaps I could complete what I started to ask about sometime ago.

Mr. Coward, I do not know whether or not I am putting this in the proper technical way, but have you any information for us on the effect your proposals will have on possible contribution rates 20 years from the time the fund or the plan goes into effect? To expand on that a bit, I gather under the present plan we are considering that by the time the plan has been in effect for about 10 years the contribution will not be sufficient to cover the amounts paid out under the proposed plan and the fund will begin declining. There have been suggestions that at some point we will have to have higher contribution rates. What effect will your proposals have on this situation?

Mr. COWARD: I have no figures to place before you, sir.

Mr. GRAY: I must say, Mr. Coward—and I say this in the friendliest sense—that I have been concerned with the fact that this brief has proposals which, on page 4, are referred to as concrete suggestions and changes that are considered desirable, and you have not come before us with the figures and the statistics which would help us to assess them. You may have had your own problems to prevent you from doing this but I would like to put that statement on the record.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you finished, Mr. Gray?

Mr. GRAY: With that question.

Mr. CHATTERTON: On a point of order, Madam Chairman, the Chairman ruled this morning that each person would be given one question on the first round. I put one question and then passed.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think I have heard Mr. Gray's question yet.

Mr. CHATTERTON: But he said he finished his first question.

Mr. GRAY: Now I have my supplementaries.

Mr. BASFORD: Mr. Gray was making a statement like Mr. Chatterton made this morning.

The CHAIRMAN (*Hon. Mrs. Fergusson*): We will pass on to Senator Croll; he has been waiting quite a long time.

Hon. Mr. CROLL: Mr. Coward, I understand now that Mr. Osborne has said that the cost of the proposed suggestions by the province of Ontario will be in the neighbourhood of \$385 million with a retirement test and \$562 million without a retirement test. Now, you had some figures, and I am sure you did some preliminary work on this, although it may not be exactly correct. But, you have no reason to disagree with these figures.

Mr. COWARD: I have not had a chance to examine them, but I have no reason to disagree with them I would like to remind you we proposed an increase in the contribution, which would mean the net cost of our total package would be less than \$385 million.

Hon. Mr. CROLL: I did some calculations on my own—I am not very good at that—and I came up with the figure of \$420 million. It surprised me that I could get as close as that. I wondered whether you had done some calculating; surely you must have. Did you not have some idea as to the approximate figure?

Mr. COWARD: Yes, sir. We did a number of experimental calculations, but I think you will appreciate that if you put different propositions together, the cost of the combined proposition is not merely the sum or the difference of the cost of the individual items going into it. With great respect for the committee I would prefer not to put our experimental calculations before you. I feel sure that when we will have examined the figures that were put to us by Mr. Osborne we will find them not inconsistent with our own, but I do not have any form of actuarial report or cost calculations to present.

Mr. RHÉAUME: Madam Chairman, before we go any further I want to make sure in my own mind that when we are talking about the basic principles of the Canada pension plan, Mr. Coward, Mr. Stevenson and I are on the same wavelength, or that we agree. I want to read to him a statement and ask him if that is a fair statement of what is the basic principle of the Canada pension plan. I am reading from the white paper. If we can agree there, we can start. The statement appears on page 5 of the white paper, and it reads as follows:

This is to establish a contributory pension plan ensuring that, as soon as is possible in a fair and practical way, all Canadians will be able to look forward to retiring in security and with dignity.

In order that this major social advance should be effective for everyone, it is not enough to have adequate pension schemes available in all parts of the country.

Then I skip one sentence. It goes on to read:

Therefore the pension plan should be nation-wide in character.

Is that the assumption of the Ontario government on which it bases its proposal and the basic principle which they are attempting to achieve with their plan?

Mr. COWARD: The Ontario government would support and endorse these words as expressing a very desirable objective for a new plan to aid the aged.

Mr. RHÉAUME: Inasmuch as that is the government's statement of the basic principles, I am trying to clear up the earlier discussion we had this morning that there is no quarrel between the basic principles which the government of Ontario feels should underlie a Canada pension plan and the stated objectives that the government of Canada has as its basic principle.

Mr. COWARD: I think there is no great quarrel on principles, but we have been concerned with a number of statements that have indicated that little or nothing in the plan by way of its benefit and contribution structure could be altered. These have been of considerable concern to us on a number of occasions.

Mr. RHÉAUME: My questions relate to a new area.

Mr. BASFORD: I believe that Mr. Rhéaume has had his question.

Mr. RHÉAUME: Nonsense!

Mr. BASFORD: Mr. Gray was just ruled out of order for making a statement and then trying to ask a question. Mr. Rhéaume asked a question. He asked for a comment on a statement in the white paper.

Mr. RHÉAUME: We spent 20 minutes this afternoon on arguments by Mr. Gray, Mr. Francis and Mr. Munro on what were the underlying basic principles. All I am trying to establish is that the government of Ontario has the same objectives as the government of Canada.

Mr. GRAY: Madam Chairman, on a question of privilege, I did not participate in the discussion Mr. Rhéaume spoke about.

Mr. RHÉAUME: We will leave you out on this one. My question relates to the administrative costs.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think Mr. Rhéaume was trying to establish something underlying his question.

Mr. RHÉAUME: This was solely to ensure that we were on the same wavelength. My question relates to the administrative costs which we have not discussed today. Your brief makes certain specific recommendations on how the plan might be changed, but we have not had an opportunity to discuss with you, Mr. Coward, whether or not this would result in some direct administrative costs. This is the area in which I want to ask my question and the supplementaries which will follow. In your opinion would the elimination of the \$600 minimum for the employed and the \$800 minimum for the self-employed reduce the administrative costs of the Canada pension plan?

Mr. COWARD: Yes, to a small extent, but with the capacity of modern computing systems I would not like to say to what extent. The cost of the administration has not been a major factor in our consideration. We think that understanding the plan is more important.

Mr. CHATTERTON: Madam Chairman, I have a supplementary question. Is the cost greater to the person submitting the application or to the central administration?

Mr. COWARD: I think there would be administrative costs to the central administration and also administrative costs to the employer, and there is, in a sense, a cost or nuisance value to the poor employee who has to claim a refund—which might be as much as \$10 in a year, but will mostly be a small refund.

Mr. RHÉAUME: This is my supplementary question in relation to administrative costs: Would the elimination of something in excess of one million claims per year for refunds alone result in a substantial administrative saving spread throughout the federal government, the employer and the employee?

Mr. COWARD: I think there would be some saving, but I cannot say what its magnitude would be. It seems to me, however, that we should just get rid of an exceedingly irritating and useless feature of the plan. A plan that is designed from the outset for over one million refunds is surely a plan that should be looked at again.

Mr. FRANCIS: I have a supplementary question: Would there be no refunds at all under your proposal?

Mr. COWARD: There would certainly be refunds to those who have incomes in excess of \$5,000 and who work for more than one employer; but there will not be the other refunds, the number of which was estimated at 1,058,000 by the federal officials. These refunds will be eliminated.

Mr. FRANCIS: Would you give a refund to a man who earned \$500 and paid his tax?

Mr. COWARD: No.

Mr. FRANCIS: Would you qualify him for a benefit?

Mr. COWARD: Yes.

Mr. FRANCIS: So that this plan would get everyone who theoretically earned a single dollar a minimum pension of \$25?

Mr. COWARD: They will count these earnings in their average as they would now count a year of zero earnings in their average, and they will all receive the \$25 minimum if applicable.

In connection with some of these groups with very minor earnings from whom collection could be very difficult and perhaps quite inexpedient, we would suggest that they might be exempted by regulation, as I think was proposed in the first version of the Canada pension plan.

Mr. RHÉAUME: My supplementary question, Mr. Coward, is this: In view of the inside information you have on the secret paper which has not been produced, would it, in your opinion, be possible for an employee without outside help to be able to properly fill out a claim for a refund in a year? I have asked you what would be the administrative costs of refunds, and you said nothing. In your opinion, would a person in the less than \$600 bracket in the case of the employed and less than \$800 bracket in the case of the self-employed be able to fill out a claim adequately?

Mr. COWARD: I think some would have difficulty, but the cases in which I think it would nearly always be impossible would include the case of a man with low earnings who has part of those earnings from employment and part from self-employment. I think that type of worker of low income would be quite incapable of filling the claim form. This is the more difficult case, where he has partly self-employed earnings and partly earned income.

Mr. RHÉAUME: My final question, which is really my first one, is as follows: I am trying to get from you an estimate of the possible savings in administration which your total package might present in comparison to the federal plan to offset some of the added expenditure which we know it would involve. I questioned you specifically on the elimination of the floor level of collections. You also proposed that the earnings index be abandoned and that the pension index be substituted for it. You proposed a method whereby it would be easier to integrate the federal plan with the existing private plans. You proposed an amalgamation of old age security and old age assistance, and you proposed a retirement test. Can you give the committee any assessment of the kind and extent of administrative savings which would result to offset some of the added costs?

Mr. COWARD: I am sorry to disappoint you but I do not think I could give you a figure in dollars or in percentage. I believe that it would be very appreciable, a worth-while saving, but I cannot give you a figure on it.

Mr. CHATTERTON: Mr. Chairman, as I interpreted Mr. Gray's question, it seems to me you have indicated you have not carried out calculations on your own to substantiate your recommendations. Do I take it you made your own calculations which led you to believe that these recommendations are feasible?

Mr. COWARD: We have made our own experimental calculations. We have used the excellent actuarial report of the federal government as a crutch and as a support on some features.

Mr. CHATTERTON: Are you satisfied that the experimental calculations that you made were sufficient for the government of Ontario to make these recommendations?

Mr. COWARD: Yes, we satisfied ourselves with the general feasibility of the program that we have suggested. There are some costs in respect of which we do not have sufficient figures or reports of sufficient accuracy. Therefore, we have a reasonable element of uncertainty with regard to the exact amount that should be filled in, the level of the flat addition in particular.

Mr. CHATTERTON: Thank you.

Mr. GRAY: May I ask a supplementary question? Do you think it really is safe from the point of view of the effect on the national economy, and so on, to make these recommendations without having reports available to you which, as you say, have sufficient accuracy?

Mr. COWARD: We have figures before us which we think are reasonably accurate. We have made a number of calculations. I feel this question could have been turned around, because some of the federal proposals were made in rather a firm form before definite actuarial results were available, at least to the public.

Mr. GRAY: Did you agree with that?

Mr. COWARD: No. It has been one of our criticisms that apparently the federal government has gone ahead and designed its plan before receiving actuarial and economic reports.

Mr. GRAY: Which is exactly what you have done in this presentation.

Mr. COWARD: No. We had some reasonable calculations which satisfied us in respect of the general soundness of what we have proposed. We left enough room, by not coming down with precise benefit figures, for an adjustment upwards or downwards if the costs were greater or less than we first believed.

Mr. LLOYD: Supplementary to that, I understand that the work task force of the federal civil servants—like your good selves—has been engaged in projecting the form of wage related plans for several years. This is my understanding, and I think this is generally agreed. Therefore, I think it might be fair to qualify your comments to the extent that if any economic studies have been made and if actuarial computations have been made by the federal government, at least they were not accessible to the general public. I think that is a fair statement.

Mr. COWARD: I think that might be fair. I believe it might be fair to suggest that the actuarial information we had when we made these recommendations is as sound as the actuarial information the federal government had when it first proposed the Canada pension plan.

Mr. LLOYD: I do not quarrel with you on this statement, but rather wish to eliminate some sensitivity on the matter.

Hon. Mr. CROLL: Very early in the game this morning, the first question I asked was what would (c) and (d) cost? I thought that was the crux of the whole business. At that time I did not press this because you thought you were not in a position to answer it. However, for the life of me, I cannot understand why this would not be the first thing you would get at, being a person as you are with a great deal of knowledge in respect of pensions. You suggested today this never had been put in this form before anybody. Having put it before us poor members of parliament in this form, was it not the proper thing to do to say, ladies and gentlemen, it will cost you X dollars approximately and that is it; are we not entitled to that?

Mr. COWARD: I regret I am not in the position to give you that simple answer. I wish it were easy to produce actuarial figures in that way, but it is not. Will you please bear with us because this brief was put in its final form at rather short notice. We had sufficient actuarial calculations done, by abbreviated methods, to satisfy us that this is not an unreasonable or absurd proposition in any way. The refinements we will leave for a little later.

Hon. Mr. CROLL: Mr. Coward, the only purpose in my asking that is, whether you know it or not, you have friends around the table who think as you think. We thought at least we would get some help from you to argue our case and to help us support you.

Mr. COWARD: The calculations I have are not in a form in which I could present them to the committee.

Mr. CAMERON (*High Park*): That was the answer Mr. Coward gave this morning for not giving the figures. Mr. Knowles wanted them in a particular form and he said he was sorry but he did not have them in that particular form.

Hon. Mr. CROLL: I did not ask for any form. I just asked for the figures.

Mr. GRAY: In your brief you say:

In making the above recommendations, Ontario is not raising new issues at the eleventh hour.

I wonder what you were doing in respect of preparing tables and calculations in the first ten hours.

Hon. Mr. CROLL: They have done a good job.

Mr. PRITTE: With regard to this matter of people earning \$600 and below, there are two things I would like to know. First of all, what additional revenue would this bring to the plan if these people were covered up to \$600 and \$800 for self-employed? I am wondering also whether these people can be identified in any way; it seems to me the suggestion has been made that in many cases perhaps these persons are marginal farmers, but I would suggest that in many cases they are housewives who work part time in stores. What I am pointing out is they may not all be people living at a poverty level, but that there may be many persons who are urban workers who do not earn more than this in a year. I am wondering what group of people earning \$600 or less make these returns, where they live, and who they are? Perhaps Mr. Osborne knows.

Mr. OSBORNE: I cannot answer the question with a degree of precision in respect of who the people are and where they live; but I have seen some figures which indicate the majority of the people are under age 25 and for the most part people earning less than \$500 a year either are the relatively young or the very old. Apart from age, we cannot indicate what kind of occupation they may hold.

Mr. CHATTERTON: As I understand it, this morning it was suggested certain types of casual employees might be excluded from contributing in this group that is now exempt, and yet you say that anyone contributing under the Canada pension plan will have a minimum pension of \$25 a year when he retires.

Mr. COWARD: Anyone, whether or not he contributed under the Canada pension plan will have a minimum pension from that plan of \$25 a month.

Mr. CHATTERTON: Without any regard to the age of 18 years?

Mr. COWARD: Without regard to his contribution record at all. It is our feeling that it is necessary to provide a benefit from this new fund that is being established to all who are in need. The evidence is strong that those who already are retired had lower earnings when working, had less opportunity of contributing to pension plans and are more likely to have exhausted their savings. Some are veterans, as you know. These people are likely as a

demographic group to be more in need than those with earned income who will come up to retirement in 10 or 20 years from now. The problem we are attempting to solve relates to the fact that under the present proposals the plan provides cross-subsidies to those who are in less need and escalation again favours those who are less in need.

Mr. PRITTE: This morning there was some discussion about the statement made by Premier Robarts and the word irrevocable was used. I do not know what changes to the Canada pension plan will be made, or whether Ontario's views will be incorporated, but it would appear that all their ideas would have to be incorporated before any changes were made in the Canada pension plan. I am referring to clause 115, subclause (4) of the bill where it says:

—which proclamation may not be issued and shall not in any case have any force or effect unless the lieutenant governor in council of each of at least $\frac{2}{3}$ of the included provinces, having in the aggregate not less than $\frac{2}{3}$ of the population of all of the included provinces, has signified the consent of such province thereto.

I would imagine that the province of Ontario would be quite pleased with that section, because it would mean in effect that there would not be changes in the future without your approval. Have you any comments to make?

Mr. COWARD: I would like to comment by referring to the statement made by Mr. Robarts on January 21, 1965, which statement has been put into your records, wherein he referred to the safeguards which had been put into the legislation. He said:

In this context, I have come to the conclusion that bearing in mind the safeguards which have been put in the legislation, it would be in the best interests of the people of Ontario and the best interests of Canada that we in Ontario accept the Canada pension plan in principle and bend every effort to make this plan truly national in scope for the benefit of all the citizens of Canada.

Mr. KNOWLES: Would you please read from the top of page five where he indicated how this section can be put in?

Mr. COWARD: Yes.

Of greatest importance to the people of Ontario, we requested safeguards in order to prevent unilateral changes in the provisions of the act, particularly in regard to benefits and contributions. As a result of our request, a section was inserted in the act which, in effect, provides for consultation with the provinces before any future changes may be made in the plan. As the plan now stands, no amendment of substance can be made until after a notice period of at least two years has elapsed; and such changes can be effected only if assent is given by two thirds of the participating provinces with two thirds of the population of the participating provinces. In effect, this gives the people of Ontario, through their government, a clear right to be consulted in the future and to decide upon the implications and desirability of any change that may be proposed. It provides an effective veto over changes of substance with which we may not agree.

Mr. KNOWLES: This also was one point which Ontario got as a result of discussions with the government of Canada.

Mr. COWARD: Yes, sir, and I have pointed out that we have been pleased with the amendments which have been made on several points in accordance with our request. But I have also pointed out that these generally do not relate to the benefits of retired persons and the contributions that will be paid.

Mr. KNOWLES: That was supplementary, and it was not my main question.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I know Mr. Monteith's name was down on the list, and when I called it, Mr. Chatterton asked to take his place.

Mr. FRANCIS: Perhaps Mr. Monteith should be given an opportunity now.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Your name was on the list; when I called it, Mr. Monteith, Mr. Chatterton asked to take your place. Do you wish to speak now?

Mr. MONTEITH: No, it does not matter.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Perhaps you may do so later if you like.

Mr. MONTEITH: All right.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think Mr. Munro is next.

Mr. MUNRO: Madam Chairman, this morning Mr. Coward was asked a question by myself and others regarding this proposal of \$25. I believe it was indicated that, though the specific proposal itself had never been made before we received this particular brief, during the course of negotiations in some six federal-provincial conferences and other negotiations between the federal government and the provinces, Ontario had been concerned regarding this general area of making flat benefits payable under the Canada pension plan. Is that a fair statement of your position to date?

Mr. COWARD: What I said was that on many occasions we had pointed out that the plan left out a large group of needy people. I do not think we said in these earlier briefs that there should be a flat benefit, sir. But we have pointed out on many occasions that there are gaps in the coverage which concerned us. Perhaps we might have made the implications a good deal clearer, but the way to fill a gap is to give some benefit.

Mr. MUNRO: Yes, but there is no proposal as to how it should be done.

Mr. COWARD: No, sir.

Mr. MUNRO: Madam Chairman, I would also ask the permission of the committee to table the two statements by the Hon. John Robarts of September 9 and 10, 1963, which were tabled in the house and the letter from the premier of the province of Ontario to the Prime Minister of Canada of February 13, 1964, which was also tabled in the house.

Mr. KNOWLES: These are all election speeches.

Mr. MUNRO: No, these are letters concerning the Canada pension plan.

Mr. KNOWLES: They are already public documents.

Mr. MUNRO: I would like to have them appended to the minutes here.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is there a seconder of the motion?

Mr. FRANCIS: I second the motion.

Mr. MUNRO: I think it should be noted that in both these letters from the premier of the province of Ontario to the Prime Minister of Canada that the premier of Ontario endorsed a contributory type of pension scheme and indicated his interest to see that it was national in scope.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Do you wish me to put the question of whether these should be placed on the records?

Mr. MUNRO: I am sorry, I did not notice that it had not been done.

The CHAIRMAN (*Hon. Mrs. Fergusson*): No, I did not have the opportunity. It has been moved by Mr. Munro and seconded by Mr. Francis that these documents be appended to the record.

Motion agreed to.

Mr. MUNRO: It endorses a contributory pension plan national in scope. I think that that is the point stated in both these letters. Would you agree that that certainly is an endorsement of the basic principle, although I would admit that there are a lot of variations from it.

Mr. COWARD: May I read from the letter of February 13, 1964? I believe it was the one which was just tabled.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes.

Mr. COWARD: It reads as follows:

To concentrate all extra benefits on persons with earned incomes while everyone now aged 70 or over is limited to a pension of \$75 a month is plainly inequitable and will surely lead to pressures for pension increases, involving a further rise in the old age security rates of taxation.

I agree with you that this did not suggest that these extra benefits come from the Canada pension plan, but referred to pressure for an increase in old age security. But there is very plainly stated the big gap which we felt existed in the proposals of the government.

Mr. MUNRO: The area of major departure here would be that at this time Ontario in effect is requesting that consideration be given to this suggestion developed much more specifically now in your brief. We make up this sum of \$400 million to \$500 million which has been given as an estimate out of the Canada pension plan in order to provide these benefits. I think that would be a fair statement, and it has never been advanced until this day.

Mr. COWARD: The figure in question would be \$385 million, not \$400 million or \$500 million. That excludes extra contribution income which we suggest should be received. What we are proposing in part which is new, as I have said, is that we should go back to a feature of the first version of the Canada pension plan by which part of the resources are used to finance flat benefits. We propose that you should go back to a feature which was in the Canada pension plan of July, 1963, and that the amount of the flat increase should start perhaps at \$25—or under a more refined calculation, it might be somewhat greater or lesser as an adjusted figure.

Mr. MUNRO: In the statement which has been tabled by Mr. Robarts of September 9 and 10, 1963, the only reference there in any further submissions which have been tabled as far as letters from the Premier of Ontario are concerned is in regard to an increase in the flat rate benefit, or an increase from \$65 to \$75. Let me refer you to page 2 of the premier's letter of September 10, 1963.

Mr. COWARD: I think you are right. Our thinking has moved on since September, 1963, and I think that all of us have changed our thinking over the course of the last year and one half.

Mr. LLOYD: I have a supplementary observation. It is in the light of this and other discussions that we are expected as reasonable-minded Canadians to do a reasonable job of work in recommending amendments. We well may make some recommendations to bring into effect some of the things we discover as a result of these public hearings and other evidence brought before us.

Mr. MUNRO: If your proposal would mean that it has all to come out of the Canada pension plan, it would have the effect to a great extent of doing away with the plan.

Mr. COWARD: No, sir. According to the evidence that has been previously given, and in our opinion, the fund would be lower, but it would still be one half the previous figure, let us say, when it reaches its peak.

Mr. FRANCIS: May I ask a supplementary? I believe Ontario estimates that in 1970, with contributions of something under three per cent, the rate

of increase in the fund would be—I am trying to check it here. It seems to me there were \$410 million difference on 3 per cent and \$420 million on 4 per cent. This certainly does not leave a very great margin for accumulation of a fund if we increase benefits in the order of \$370 million or \$385 million.

Mr. COWARD: To what figures are you referring?

Mr. FRANCIS: The actuary's report presented to the committee.

Mr. COWARD: And the actuary's report on page 16 shows that in 1970 the fund would receive \$519 million from contribution income.

Mr. FRANCIS: And benefits and expenses would be \$98 million on 3 per cent?

Mr. COWARD: Yes, and Mr. Osborne has suggested that the extra costs would be \$385 million. We have suggested that the extra contributions would result in an additional income of at least \$100 million.

This seems to me to be providing a fairly satisfactory rate of growth for the fund.

Mr. CHATTERTON: Did you say between \$100 million and \$120 million?

Mr. COWARD: I said, I think, between \$100 million and \$125 million.

Mr. FRANCIS: Has Mr. Osborne substantiated the figure of \$100 million in extra contributions?

Mr. OSBORNE: I said I would ask the chief actuary to estimate the extra contributions that might be collected, but I have not that information available.

Mr. FRANCIS: Madam Chairman, subject to this provision which can be filled by the estimates of the chief actuary, on the face of it there is something like \$420 million excess of income over outgo on the actuary's estimate. Against this there will be \$375 million less whatever income is received from the extra contributions which would be up to \$600 and up to \$800 for everybody?

Mr. COWARD: Yes.

Mr. FRANCIS: I hope we can come back to this when we get this gap in the information filled because it is important. I would not like to see the fund dissipated.

Mr. COWARD: This means that in that year the fund would be growing by something in the neighbourhood of \$136 million to \$150 million and, gentlemen, if this is regarded as an inadequate rate of growth—though I do not know what your yardsticks are—you can adopt a benefit which is somewhat less than the \$25 that we have mentioned.

Mr. STEVENSON: Madam Chairman, may I add one point to that? I do not like to get into figures when we have not placed figures before you, but the effect of the \$25 to recipients of old age security is something which will be felt with its greatest impact in the earlier years of the plan. In future years, the \$25 million to those reaching retirement age will not have such a great effect because to most people this will be paid out in Canada pension plan benefits anyway. So we have a sharper effect on the build-up of the fund using our proposals in the earlier rather than the later years. 1970 may be the year in which we would reach just about the maximum excess in outgo.

Mr. FRANCIS: The maximum would be in the first year.

Mr. CHATTERTON: What would be the maximum year of difference in cost?

Mr. FRANCIS: I would think that would be the first year.

Mr. STEVENSON: One thing was not spelled out this morning. In our own considerations we were envisaging the payment of the old age security benefit to people between the ages of 65 and 70 after a retirement test, in much the same way as the age reduced pension is considered in the present proposals. The idea is that it would become available to people of 69 next year and to

people of 68 the year following, up until 1970, which would be the first year when people aged 65 would be eligible to take the full old age security pension after the retirement test.

Mr. FRANCIS: Excuse me. Is Mr. Stevenson saying he supports the principle of an actuarially reduced pension prior to the age of 70 as proposed in the Canada pension plan?

Mr. STEVENSON: No, not at all. It is just that the introduction of the payment of old age security benefits upon a retirement test would come in gradually. It would be an option available to people aged 69 next year, to people aged 68 the year following, and so on.

Mr. FRANCIS: Is this in your brief?

Mr. STEVENSON: No, this is not in our brief, and this is why I said—

Mr. FRANCIS: You are bringing this to the attention of the committee for the first time?

Mr. STEVENSON: Yes. It is introducing the extra cost somewhat more gradually than it might appear.

Mr. FRANCIS: Has this been submitted to the government in discussions?

Mr. STEVENSON: No, it has not.

Mr. COWARD: May I just say this? Our brief—and if you look at paragraph 19 you will see this—suggests that a benefit of perhaps \$25 a month be paid under the Canada pension plan to all persons receiving old age security benefits.

Mr. FRANCIS: Yes.

Mr. COWARD: It was our idea that the qualification, the age at which they might first be received, would be the same as in your proposal. We did not mention a change in that feature.

Mr. FRANCIS: You would not have reduced the dollar amount of the pension but you would have staged the years at which the \$25 became available as an option?

Mr. COWARD: Precisely, sir.

Mr. MUNRO: Madam Chairman, may I continue? This, of course, would mean that if we tried to preserve the national scope of the plan—and it has been advocated not only by the premier of Ontario but, I am sure, by all—then if your proposal were to be adopted the Quebec government would also have to provide this additional \$25 out of the contributions made in their own province.

Mr. COWARD: We would hope that the province of Quebec might be persuaded by our arguments, and the arguments of other people who presented briefs to this committee, to modify their plan as you might modify yours.

Mr. FRANCIS: In the light of this does Mr. Coward not think another round of discussions would be called for with the provincial authorities for the adoption of these recommendations?

Mr. COWARD: I cannot answer that question. I do not think you will settle it this afternoon, obviously. I cannot engage, however, in the problems involving the government of Quebec.

Mr. MUNRO: The suggestion that is now being advanced in your brief would mean that there would be a heavier drain on the fund that would be accumulated in Quebec should Quebec see fit to adopt your suggestion.

Mr. COWARD: Yes, sir.

Mr. MUNRO: I think you would agree, would you not, that Quebec and other provinces have indicated quite an interest in having a fund accumulated.

Mr. COWARD: I do not know about other provinces, except Quebec.

Mr. MUNRO: And you do agree that they have been particularly interested throughout?

Mr. COWARD: Quebec has expressed its interest in having a fund.

Mr. MUNRO: Then, certainly, to preserve the national scope of the plan, as indicated in the recent address of the premier of Ontario, this is certainly a major consideration that will have to be taken into account by the members of the committee. Do you not agree?

Mr. COWARD: Certainly it is a major consideration. I hope this will not prevent our recommendations being considered favourably by this committee.

Mr. MONTEITH: May I ask a supplementary question?

Mr. LLOYD: May I ask a supplementary question?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Monteith.

Mr. MONTEITH: I think I am using your words, Mr. Coward, when I say that Ontario is looking for a sound practical plan which would assist the most people in the best possible way. You have presented many arguments in your brief, and I assume it is Ontario's position that in such a serious, long term proposition as a pension plan an effort should be made to get together with Quebec to come to some decision about meeting your requests.

Mr. COWARD: I think all I would like to say on that is that if any such meetings are arranged I am sure Ontario would be glad to participate, but it seems to me that we are now getting into a political area—

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think so too.

Mr. MONTEITH: There are a few more political areas I would like to get into, Madam Chairman!

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think we want to bring in that type of question if we can avoid it.

Mr. MONTEITH: I have one further point, and I do not think this is being political.

Has Premier Lesage not recently indicated at least an interest in Ontario's plan? I understand he made some statement to the effect that he was not going to introduce his legislation until the Ontario plan had been presented and examined.

Hon. Mr. CROLL: He said he would not do so until the dominion plan had been passed; that is what he said.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you anything to put on record in regard to that statement?

Mr. LLOYD: It was on record this morning.

Mr. COWARD: It appears in the *Globe and Mail* of January 30. The first paragraph reads:

Premier Jean Lesage said yesterday that Quebec's pension legislation will be introduced as soon as he knows how it may be affected by Ontario's entry into the federal plan.

Mr. KNOWLES: Presumably if that statement from the *Globe and Mail* is the gospel truth, the other one which was quoted today—the one that included the word "irrevocable"—is also gospel truth.

Mr. LLOYD: I will be brief. I am trying to keep the figures straight. I keep remembering what Mr. Coward always tells us. He says that when we are calculating the costs of the proposal we have to remember that in essence

—and I think these are the words you used, Mr. Coward—the elimination of the \$600 exemption gives us a very substantial increase in income. Is that not so?

Mr. COWARD: Yes.

Mr. LLOYD: It represents 3.6 per cent of \$600, in respect of every person who earns \$600 or more up to \$5,000. Is that correct?

Mr. COWARD: Yes.

Mr. LLOYD: Which is a very substantial sum of money. I think what you are suggesting to us, if I interpret your comments correctly, is that the cost of the increase in old age security will in substantial measure be made from the increased contribution by eliminating the \$600 exemption. Is that not what you are saying?

Mr. COWARD: I would have to vary that a little. The costs of the \$25 basic benefit will be high in the early years because we are providing it to those already retired who have no benefit from the Canada pension plan and this cost, other things being equal, will decrease as years go on, whereas the income from contributions on the first \$600 will tend to increase,—

Mr. LLOYD: And, continue.

Mr. COWARD: —so in the initial period the costs of the \$25 will be higher than the extra income. I think this may be reversed later on.

Mr. LLOYD: But your rough work sheet figures, as I recall them, would indicate to me that at the 3.6 per cent rate, bearing in mind all the other actuarial computations that have been made, it would still leave a substantial funding of the fund.

Mr. COWARD: It would still leave a substantial funding, yes.

Mr. MUNRO: Madam Chairman, may I continue? It seems that everyone has been putting supplementary questions.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I have other people on the list but if your question is supplementary, Mr. Munro, proceed.

Mr. MUNRO: In effect then, this proposal of doing away with the \$600 exemption and creating a drain on the fund would hit at the two areas on which the province of Quebec has been most insistent throughout the series of negotiations since the beginning.

Mr. COWARD: I am sorry but I was not present at these negotiations and I do not know what they insisted on.

Mr. MUNRO: I am talking about the stand that has been taken as a result of the position of all the provinces from public statements that have been made in respect of these conferences. I was not present either. But, surely you are not saying that you are not aware that these two areas were very close to the heart of the province of Quebec.

Mr. COWARD: It would result in a smaller fund and it would mean the elimination of the \$600 exemption.

It is our opinion that the average worker may be willing to pay this small extra contribution, not more than 90 cents a month, if he understands that this is providing \$25 a month for his grandmother who is now retired. In fact, in our discussions we have called this the “\$600 plus granny” proposition. The public will be asked to pay slightly higher contributions by basing them on all income, and this will provide extra flat benefit for the old folks in the case of many families, which would be very acceptable to the people of Canada.

Mr. MUNRO: Just in conclusion then, Madam Chairman, could I ask Mr. Coward this question. Assume this does form the basis of the two things

closest to Quebec's heart and because of our interest to preserve the plan as a national one as far as the provisions are concerned, would you be in favour, if your suggestions were adopted, of having the revenue to maintain the benefits you are recommending taken out of the old age security fund?

Mr. COWARD: No, sir. I think that the two plans should be integrated. You asked me for my opinion and this is my opinion. It would only postpone the day when the pressure would arise from old age recipients for increases which they would want to get from a multi-billion dollar fund, in which they have absolutely no part.

Mr. MUNRO: So, unless you get them out of the Canada pension fund you are not in favour of the recommendations being implemented?

Mr. COWARD: I would not go that far.

Mr. MUNRO: Well, presumably it has to come from the general revenue somewhere.

Mr. COWARD: You asked me if I would favour it coming from the old age security fund, and I said no, it is my opinion it should come from the Canada pension fund. And then you asked me if we should abandon the proposition altogether, if this happens to be impossible, and I am afraid I cannot agree with that.

Mr. MUNRO: If it is impossible for it to come from the Canada pension account what other source of revenue would you advise to maintain this benefit?

Mr. COWARD: If it is proven to be impossible we could go back and have further discussions with our task force. But, I think this is forcing us into a position in which I am unable to answer your question, for which I am sorry.

Mr. STEVENSON: If I could add a comment in respect of this point, this is one we have been discussing a good bit, and we ourselves are not absolutely sold on it.

This morning we were talking a little about the impact of financing welfare benefits solely from a payroll tax, and some of us may have ideas that there might be some greater integration of financing between the two; but, you have asked for personal opinions and here they are.

Mr. MUNRO: It just seems so strange that recommendations such as these would be made at this late stage in view of the general position known in respect of all the provinces and the efforts made to maintain a national scope; yet you have no alternative suggestions as to how it could be accomplished and—

Mr. COWARD: If I could interrupt, are we supposed to have alternative suggestions? I am sorry but I do not think it is reasonable to ask that we should come up with alternatives. We have suggested an alternative to the Canada pension plan, with alternative provisions, and if we have to have alternatives to our suggested alternatives I do not know where this thing would end.

Mr. MUNRO: I think you have to accept a certain amount of responsibility for recommendations so far as the means of implementing this is concerned.

Mr. COWARD: Yes, we accept the responsibility

Mr. MUNRO: You have known the position of one province and the problems we have encountered in an effort to get the other provinces to agree. You must have been fully aware of the implications as far as implementing your suggestion is concerned. I would think that over a period of one and a half years of negotiations if there was any sincerity with respect to these proposals they at least would have been made a good deal before this time, knowing as you do how it involves the interests of all concerned.

Mr. MONTEITH: This has been before us since last April or May.

Mr. AIKEN: Madam Chairman, there is obviously a deficient plan before us and surely someone can make suggestions as to how it can be improved upon. Suggestions have been made on many occasions that there are no such implications in this plan. It is deficient.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think we can accept your words that it is an obviously deficient plan; it may be subject to criticism, but it is a matter of opinion whether or not it is deficient.

Mr. AIKEN: It is completely deficient on the point that has been raised this morning. There is no provision for this large group of people, on whose behalf the province of Ontario has made recommendations time and time again. If the federal government does not put them in, then surely they cannot come along today, as Mr. Munro has suggested, and say: We did not do it; you should do it.

Mr. MUNRO: If you do think it is so deficient it seems very strange to me why you voted for it in principle in the house.

Mr. CANTELON: Madam Chairman, I am getting sick of this kind of talk. We did vote for it in principle, yes, but that does not mean we voted for everything that was in it.

Mr. MONTEITH: We were invited by the Prime Minister to make—

Mr. MUNRO: When it gets into areas such as this, it seems to me that we, as Canadians, know how this plan evolved and how some of these features were put in to make it a universal plan. Some of Ontario's suggestions have been incorporated; there has been give and take in all areas in order to maintain a universal scheme.

Mr. AIKEN: Madam Chairman, I have to object to Mr. Munro casting slurs at persons who come here and make suggestions. I think it is completely unfair. If he wants to go into the political arena he should go into it at some other time and not with this witness.

Mr. LLOYD: Madam Chairman, I think we will do much better if some of these adjectives that were used were forgotten about. When it was identified and when it became knowledgable to Mr. Coward and his working staff and to ours, and to the premiers and to the government or the cabinet is not really important. What is important is this; can we at this stage still hope to improve upon what is proposed? This is the spirit in which we should proceed. I accept that this is the spirit in which Mr. Coward approaches us.

Some hon. MEMBERS: Hear, hear.

Mr. LLOYD: We reserve the right and when the time comes to look at all the evidence, not only that of Mr. Coward and the province of Ontario, but the evidence of all the organizations submitted to us, and after getting the results from our staff in respect of costs and implications, we will make our recommendations.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You are quite right, Mr. Lloyd.

Mr. LLOYD: And then at that time, if necessary, we can take political positions.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think these arguments should be put to our witnesses. They are putting before us their ideas and the government of Ontario's ideas in respect of this bill and how it can be improved upon. Now, whether we decide it can be improved or not is for us to decide later on rather than to argue with them now.

Mr. MUNRO: I regret the remarks I made in that sense, Madam Chairman. I really rather felt, and probably I was carried away, that it would have

been nice to have had these suggestions over the last one and a half years, when we were negotiating with Quebec.

Mr. CHATTERTON: May I add to that that our thanks should be expressed for having finally received them.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, we are grateful you have brought them.

Are there any more questions? Mr. Knowles has already spoken but do you have another question to put?

Mr. KNOWLES: I am in your hands concerning when my next turn is to come.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You have asked some supplementary questions and I thought perhaps that took care of what you had in mind. I would like you to notice that time is passing and that we have other witnesses waiting.

Mr. KNOWLES: Madam Chairman, I have a little oil for troubled waters perhaps. Like Senator Croll, I would like to tell you, Mr. Coward, that there are some sympathetic ears around this table, particularly when you come before us and talk about the gaps in the total program with which we are dealing. You are not the first one to do that; we must have had at least a dozen, and most of us around this table are concerned about the gaps. You have identified two main gaps, as I read your brief: One is the position of people over 70 who have only the old age security pension to rely on, and the other is people between 65 and 70 who have nothing or very little of the Canada pension plan to go on. I am still trying to get the picture of what you are proposing as a way to fill these gaps; I am still trying to get your comments on one or two aspects.

May I again make an introductory statement? I think the impression has got around, since Mr. Robarts made the statement the other day, that Ontario was advocating what amounts to an increase of perhaps \$25 in old age security. Is it correct, as set out in your paragraph 19, that this \$25 extra would be paid to all persons from January 1, 1967 receiving old age security benefits, but that after that it would be paid only in those cases where no graduated pension is payable to persons receiving old age security, with the slight qualification in paragraph 20 that if these people are not getting enough Canada pension plan benefit to bring them up to \$100, then it would be brought up to that figure?

Mr. COWARD: No, the \$25 will be available to everyone subject to the minimum restrictions of 10 years in Canada if they have no contributions under the Canada pension plan.

Paragraph 19 states that those not entitled to any graduated pension, that is who get nothing from the Canada pension plan, will receive a flat benefit of perhaps \$25 a month.

Mr. MONTEITH: May I interject on this subject? Would this \$25 become payable to those on old age security on January 1, 1967?

Mr. COWARD: Yes, sir, and it will be paid from the Canada pension plan fund. Paragraph 20 in our brief says that all those who do receive any graduated benefit will have this made up, if necessary, to a minimum of \$25 or \$50 for a couple.

Mr. KNOWLES: In other words—to get this clear let us suppose that there is this couple some time in 1970 who are both drawing \$75 old age security. Between them they have \$55 or \$60 in Canada pension plan benefits. That couple would not get any of this \$25 extra. In other words, this qualifies the interpretation I made this morning when I said you were advocating a \$25 increase across the board for those 70 and over. You are really not doing so; you are advocating a supplementary amount to bring people up to \$100, but

if they get the \$100 by virtue of the basic \$75 plus the Canada pension plan benefit, then they do not get this extra. Is that correct?

Mr. COWARD: That is correct.

Mr. KNOWLES: Whether I agree or not, it is useful to have this point made clear.

Mr. COWARD: We would like it to be very clear.

Mr. KNOWLES: Now, with respect to the group of people 65 to 69 years of age, when I look at the paragraph having to do with that, paragraph 35, I see you recommend that the retirement test should be used for both the Canada pension plan and for the benefit under old age security. I presume that when you refer to the retirement test you refer to the test which is in Bill No. C-136. Is that correct?

Mr. COWARD: We are referring to it but we do not necessarily say that the figures would not have to be altered.

Mr. KNOWLES: You are aware that those figures are: up to \$900 no reduction, from \$900, a dollar for every two, and from \$1,500 up one dollar for one dollar. As I recall the evidence before this committee, the retirement test is worded in such a way that anyone taking old age security at the reduced rate does not have that money included.

Mr. COWARD: The retirement test does not apply to the old age security benefit at all.

Mr. KNOWLES: So that you would not apply it either?

Mr. COWARD: No, sir, we would apply it. We are suggesting that it is simply not logical to have one method of dealing with early retirement under the Canada pension plan and a totally different method under old age security. The first thing to do, to make this a united and integrated system, is to pay the benefits on early retirement before the age of 70 on the same basis in the case of the two programs. It is our view that they should either both be age reduced or both paid in full amount subject to an earnings test. After considerable debate we have come to the conclusion that an earnings test will be considerably better to apply the money where it is needed. The old age security benefit will not be reduced to \$51 if you take it at the age of 65 but will be made subject to an earnings test.

Mr. KNOWLES: In other words, people between the age of 65 and 69, if they need the earnings test we are talking about, can get a total of \$100 a month.

Mr. COWARD: Yes.

Mr. KNOWLES: But there is that difference between them and those over 70 that they have to submit to the retirement or the earnings test.

Mr. FRANCIS: That is the only difference.

Mr. KNOWLES: Have you not still quite a gap left when you have a retirement test, and are you not also leaving a gap for the people over 70 by virtue of the fact that in the course of time this \$25 supplement would disappear through being absorbed by the Canada pension plan benefit?

Mr. COWARD: It will only be absorbed by the Canada pension plan in the case of contributors, and there will always be persons who do not, for one reason or another, contribute to the Canada pension plan, as well as people with very small earnings who would need the \$25 minimum. It is not something that will completely disappear; it is something which will become less important.

Mr. KNOWLES: I have just one more question, and again I am asking a question that is sympathetic to the idea of filling these gaps: Would it not have been simpler, in this whole plan that Ontario is presenting to us, to have done what Ontario did a couple of years ago when you proposed the \$65 base be

raised to \$75 before the pension plan was built on top of it; that is, to propose a straight increase in the flat rate benefit without these retirement tests and absorption tests, and then have the Canada pension plan substantially as it is built on top of it?

Mr. COWARD: It would be simpler but it would have involved additional taxation for the old age security fund.

Mr. KNOWLES: Or the consolidated revenue.

Mr. COWARD: But we did not think it was appropriate for us to suggest something that would require additional general taxation.

Mr. KNOWLES: You would not be opposed to this kind of thing being looked at if the matter were considered further?

Mr. COWARD: We would not be opposed to it being looked at but I already expressed my opinion it would be better if the \$25 were paid from the Canada pension plan fund.

Hon. Mr. CROLL: We are getting down to the basics. I understand the only difference between our plan and the Ontario plan is the method of taxing the money. This is what you are saying. It is just as simple as that.

Mr. MONTEITH: Oh no!

Hon. Mr. CROLL: What you have said to Mr. Knowles now, when he asked you why you did not recommend an increase, is that it would involve taxation on the part of the federal government.

Mr. COWARD: No, there are other points beside this. I have mentioned that in my opinion if the old age security is increased and you still have a huge fund amounting to five or seven billion dollars to which one section of the population has no access or entitlement, pressures will develop.

Hon. Mr. CROLL: But we are politicians. There are all these pressures on us whether there is a fund or there is not. We have been here a long time.

Mr. COWARD: I am trying to help you by relieving you of them.

Hon. Mr. CROLL: That is not very convincing. The suggestion is worthy of consideration. When we finally got down to the differences between our pension plan and increasing the old age security section, you finally said that that would involve taxation by the federal government. Why would that concern you?

Mr. STEVENSON: Could I make one comment? Could I refer Senator Croll to paragraph 12 of our brief on page 7? We very carefully endeavour to avoid the question of making specific recommendations in the field of taxation. We say:

The government of Ontario believes that the proposed method of financing the Canada pension plan should not be regarded as immutable. If the royal commission on taxation were to find that the present proposals were greatly at variance with its recommendations for future development of the tax structure, it would be in the national interest to consider alternative methods.

Hon. Mr. CROLL: We can turn a deaf ear to any recommendation if we feel it does not fit into our plan. All you are doing is putting off the day of the royal commission on taxation; these things are ifs. You have impressed us with the fact that there are gaps. Somebody has to fill the gap, and it is always the government on behalf of the people. We are prepared to fill a gap here and try to do it in any way we can.

You come along with some suggestions and we are hungry for these suggestions because we are not in love with this original bill either. Then, finally when we get down to it we say, why cannot we do it in a way that will only affect the federal government and not affect the provinces. Finally, we say this will be a matter in which the government will have to impose taxation; is not that our responsibility; why should you bother about that?

Mr. STEVENSON: Because we do feel this is a very major royal commission which now is studying the tax structure, which will be reporting later in this year—I would think their preliminary recommendations already are being formulated—and I think it would be more than a shame if we suddenly introduced a large measure of increased revenue which is similar to taxation if it is at great variance to their own recommendation.

Hon. Mr. CROLL: Mr. Stevenson, the business of government does not stop waiting for recommendations of royal commissions. In fact, after they come in they have to be dust proofed, in any event, so it is a matter of some years no matter how good they are. We have business to attend to now, a pension plan to get ready, and we want help.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think you have made your point. Mr. Lloyd says he has a supplementary question.

Mr. LLOYD: I have an observation to make in respect of the terms of reference of the royal commission. I have in my hand P.C. 1962-1334. For the record, the commissioners are appointed, under Part I, to inquire into and report upon the incidence and effects of taxation imposed by parliament, including any changes made during the currency of the inquiry. In view of these terms of reference, in view of the fact that since these terms of reference were written before the royal commission started, and since we now have an economic council and since again we have the tax structure committee, I do not think there is any harm to say, whatever you do, do take advantage of the agencies available to you to further refine our own observations. That is really what you say and there is no harm in saying that.

The CHAIRMAN (*Hon. Mrs. Fergusson*): There are a few more persons whose names I have. If they have questions to ask which have not already been asked, certainly we want to hear them; we do not want to limit any questioning by members of the committee of the witnesses, and I am sure the witnesses do not wish it either, but we also have another delegation waiting to be heard. I hope you will bear this in mind.

Mr. CHATTERTON: I am interested in paragraph 26 where it is stated that:

The government of Ontario is of the opinion that the average Canadian believes that he will receive the full pension or something close to it at retirement.

I might make the observation that I have expended some ten days in my riding on this matter with some 15 groups and my information is there is an impression among many retired people that they will somehow benefit. I think the press has been remiss in reporting the proceedings of this committee. I believe the Ontario government received Bill No. C-136 about the same time we did.

Mr. COWARD: I think so.

Mr. CHATTERTON: And you have had the months of November and December in which to examine it and prepare some recommendations. In paragraph 12 you suggest the royal commission on taxation might be asked for a preliminary report. Would you not say in a plan as important as this that time should be allowed for such a recommendation by a royal commission?

Mr. COWARD: We feel very strongly that adequate time must be allowed to produce a good plan, but it is not our purpose to delay implementation of this plan. We will co-operate, and we will work as fast as we possibly can to help iron out these amendments and to get a good plan. For this reason we suggest the royal commission on taxation well might be willing to give you an interim report within a matter of perhaps ten days, or so.

In general, a pension plan is not a thing which has to be put in force very hastily because you can deal with those who already have retired, or who are

retiring in the meantime. I hope this is an adequate answer. We are not advocating delay so long as you have taken the steps that are necessary and so long as you are convinced the matter has been thoroughly investigated.

Mr. CHATTERTON: So many people across Canada are not aware of the details or the effect on them. Do you feel that the earnings over the last ten years would make it simpler for people to decide whether or not they should retire rather than having to go back to their wages 30 years ago.

Mr. COWARD: Yes, but it will not be an acute problem until the plan has been running for 20, 30 or 40 years. There have been at least three variations of the Canada pension plan; there have been two variations of the Quebec pension plan, and in Ontario we even have had two variations of the Ontario pension benefits act. It has been very hard for the public to absorb.

Mr. GRAY: What is the actual basis for the statement that the government of Ontario is of the opinion that the average Canadian believes he will receive the full pension, or something close to it at retirement? Has the government of Ontario taken a poll?

Mr. COWARD: No, but we have a Pension Commission which receives voluminous reports from all sorts of people. We have letters which clearly indicate that many people have misunderstood what this plan is doing.

Mr. GRAY: I suppose you have a lot of complaints about the Ontario pension benefits act, too.

Is it not a fact that although the bill before us did not have first reading until November, the white paper was available in August?

Mr. COWARD: There are some differences between the bill and the white paper. It is true a white paper was available in August.

Mr. GRAY: And the basic provisions of the plan also were a part of the correspondence contained in an exchange between Premier Robarts and the government of Canada in April.

Mr. COWARD: The benefit and contribution structure, yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I presume most of this correspondence would be from people in Ontario?

Mr. COWARD: Yes. Most of our correspondence is from Ontario, but we are in correspondence with companies outside Ontario who have a few employees in Ontario. Our pension benefits act in its practical effect is reaching outside Ontario to some extent.

Mr. MONTEITH: Roughly, how many pension plans are there in force in Ontario now?

Mr. COWARD: Approximately 7,500.

Mr. MONTEITH: Have you any idea how many there were in the United States at the time when the O.A.S.D.I. came into being around 1937?

Mr. COWARD: I do not carry that information in my mind.

Mr. MONTEITH: I am interested in paragraph 41 where you indicate in your opinion many of the amendments you are suggesting would make integration easier for those who were faced with the problem. Have you anything to say in expansion of your words here?

Mr. COWARD: Yes. I might remark there has been an impression that the only pension plans which need to be integrated are very generous plans. We are not entirely persuaded that these are the only plans which need to be dealt with. Apart from what I would call benefit integration, there is such a thing as cost integration where the employer and his employees together must find three or four cents an hour each for the Canada pension plan and are not prepared under prevailing conditions to pay that extra money and maintain their private plan. Integration therefore is a matter which concerns not only

the very generous plans, like the public service plans, but also some relatively ungenerous plans.

We have a number of items in our brief which will make integration easier. I am not saying that they will eliminate all the problems, but they will at least help. The 20 year transition period would have a significant effect, and would avoid cases which have been brought to the attention of this committee, where the pension exceeds the previous earnings—a very nice state of affairs if one can afford to apply one's money in that particular way, but one which is usually regarded as somewhat inefficient.

The exemption of the \$600 would also assist, and the provisions for treating retirement between 65 and 69 on the same basis under old age security and the Canada pension plan would be a further advantage here.

Mr. MONTEITH: Does Ontario at the present time have a widow's assistance or just a female assistance act after 60?

Mr. STEVENSON: Yes, I think it was last year that the widow's allowance was commenced at 60 rather than at 65.

Mr. MONTEITH: And in those cases, such as the one which Mr. Chatterton asked a question about this morning, concerning certain people who retired at 60 or were forced to retire at 60, I think some discussion took place at that time to the effect that they would automatically retire on their pensions at that time. But the Canada pension plan according to your ten best years of earnings would eliminate those five years as part of their period of earnings.

Mr. COWARD: Yes, they would not be penalized by having five years of nil earnings between the time they retired and the age of 65. And presumably they would not retire unless they had some income from a pension plan of some sort.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Now, Mrs. Rideout.

Mrs. RIDEOUT: I have been listening with a great deal of interest to all the information regarding your proposed changes and I am going to ask a question about something which leaves a little doubt in my mind. For instance, you may have a man aged 65 who has retired, and because he has retired, he is eligible to receive \$25 a month. But suppose you have a man who is 65 and he cannot afford to retire; he has to keep on working because of any number of reasons such as family illness, children to educate and so on, and he cannot afford to retire. So there must be continuing work for him. Do you think this is fair, when the man who has retired at 65 could be a millionaire?

Mr. COWARD: If he is a millionaire, a very large part of his benefit is taxed back.

Mrs. RIDEOUT: I mean the person who cannot afford to retire. What position is he in?

Mr. COWARD: Presumably he earns considerably more than \$100 a month, as he would otherwise not stay at work, so he is better off by continuing to work.

Mrs. RIDEOUT: He might not be working. He might prefer to be retired, but he is just in no position to do so.

Mr. STEVENSON: May I interrupt to say what I think under our recommendations such a person would be better off than he would be under the present provisions. A person who perhaps is retired at 65 may still have rather large needs. Under the present proposal he may have failed to receive a pension at that time, and would be able to receive only the aged reduced old age security. So he would have to try to find another job, something which is very difficult after the age of 65.

When you use an earnings test for people who receive old age security between 65 and 70, I think you face the question of need in this area, and you meet it much more adequately than you do under reduced old age security.

He would still be better off if he kept on working, but this is the same under the present proposal or under the proposal we have made.

Mr. COWARD: Under our proposal he will not be worse off than under that of Bill No. C-136.

Mrs. RIDEOUT: That is a matter of opinion, and I still think he would be.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any more questions.

Mr. CHATTERTON: I have a question in regard to the next paragraph.

Mr. GRAY: May I have my second round?

The CHAIRMAN (*Hon. Mrs. Fergusson*): I did not know there were any more wanting to speak. Do you have another question on the second round? If so, please go ahead.

Mr. GRAY: You may have done this, but I do not seem to recall whether you stated exactly what Ontario's position was in respect of the concept of funding. Do you indicate that Ontario might have resources of sums available to the provinces? Would you give us the views of those you represent here of the size of the fund which should be available?

Mr. COWARD: If you refer to the letter from the premier of Ontario to the Prime Minister of Canada of February 13, 1964, you will see that he says:

We are not opposed to partial funding. The fund clearly represents more than a working contingency reserve and yet falls far short of full funding in the conventional sense. There should be an established yardstick that will enable the actual progress of the fund to be compared from time to time with what has been budgeted.

And later on he said:

We therefore suggest that 90 per cent of the reserves should be made available to the participating provinces to be invested in their obligations or in such other manner as they may designate.

Mr. GRAY: What is the yardstick you are proposing?

Mr. COWARD: There are many yardsticks which could be established. I mentioned one or two this morning. Whatever yardstick is adopted should be one which is known to everyone so that we can see if we are going ahead or falling back.

Mr. GRAY: You have not come to us on behalf of the government of Ontario with a specific proposal in that regard.

Mr. COWARD: No, sir, we have not included that in our brief but this was mentioned in previous letters.

Mr. GRAY: Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think I have any other names.

Mr. CHATTERTON: In paragraph 32 you suggest that old age benefits and Canada pension fund benefits be indexed by use of the cost of living index rather than by the earnings index. Why not make use of the earnings index?

Mr. COWARD: Well, we are following the principle that has been established. Perhaps I should not use that word principle, but rather say we are following the method which has been used in the Canada pension plan proposal in which the cost of living index is used after retirement.

We have to a large degree replaced the wage index before retirement by our best 10 years concept. So we felt we should hang our hats on the cost of living index for this particular feature. The most essential thing is that you should use a single index. Otherwise you get difficulty with people of the same

history who retire at different times and who will permanently have different pensions, a matter which is very hard to justify in equity.

Mr. CHATTERTON: I wonder why you chose the consumer price index rather than the price index of cost. We have had evidence to indicate that in the two needs of those retired, and having regard to the over-all level of earnings of those working, the consumer price index has a greater tendency towards inflation than has the earnings index.

Mr. FRANCIS: Or vice versa.

Mr. CHATTERTON: If you were to use an index of earnings, there would be less inflation.

Mr. FRANCIS: Why? Is it not the opposite way around? I think there is a misunderstanding here, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is that all, Mr. Chatterton?

Mr. LLOYD: Why not let the witness answer the question? Let him straighten it out? He is well qualified in this field.

Hon. Mr. CROLL: I have one question arising from that, Mr. Coward. Is it fair to say that if we proceed on the basis of increasing the old age security section of this act, it will cost the federal government a considerable amount of money, and it will cost the province some money?

Mr. COWARD: It would cost the provinces something for old age assistance—

Hon. Mr. CROLL: Yes.

Mr. COWARD: —which, no doubt, would have to be increased correspondingly. The cost of old age security falls entirely on the federal government.

Hon. Mr. CROLL: At the present time your assistance in Ontario is \$20?

Mr. COWARD: We pay half the cost of the old age assistance, and we have certain supplements.

Hon. Mr. CROLL: Some provinces pay less and some pay nothing. Ontario pays \$20 I think.

Mr. FRANCIS: Yes, \$20.

Mr. STEVENSON: To bring it up to \$75.

Hon. Mr. CROLL: No, it is beyond \$75. It is \$75 plus the supplementary which, I think, in Ontario is \$20, half of which is paid by the federal government and half by the provincial government.

If we took the second portion of this plan and decided to fill those gaps, it would cost the federal government a considerable amount of money and it would also cost the provincial government some money.

Mr. COWARD: Yes, sir.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Croll, from my experience as a regional director administering the old age security, I am under the impression that the supplementary amount is paid entirely by the province and is not shared with the federal government.

Mr. MONTEITH: It is shared 50 per cent with the federal government.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I understood it was not.

Mr. MONTEITH: Yes.

Mr. STEVENSON: May I read from page 1622 of the proceedings of the special committee of the Senate on aging:

In Ontario, supplementary aid to recipients of any of the four maintenance programs may be granted under the General Welfare Assistance Act. This aid is administered by the municipalities and by the provinces in unorganized territory. The province reimburses the municipalities for 80 per cent of supplementary aid up to a maximum of \$20 a month.

Hon. Mr. CROLL: I remember that.

Mr. MONTEITH: Then you do get 50 per cent of that back from the federal government?

Mr. STEVENSON: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): If there are no more questions may I say that you will recall, Mrs. Rideout and gentlemen, that a form was given to us covering information that should be given and which had been circulated in the provinces but which was withdrawn by our witnesses. At that time it was stated that we could ask the department and Mr. Osborne to get the most up to date form which had been developed for the same purpose. I believe Mr. Shepard, the assistant deputy minister of national revenue, has this latest form with him and would like to put it in the record. I think he will explain it.

Mr. D. H. SHEPPARD (*Assistant Deputy Minister, Taxation Division, Department of National Revenue*): I might mention that what I have to table now are two documents which I will describe as the latest version of the basic information to be contained in forms that will ultimately be prepared. In the normal course of events, after the bill is passed this information, along with other relevant material, will be sent to our forms experts who will draft the forms and, if acceptable, they will be approved by the minister.

The first of these is called "An application for a refund under the Canada pension plan." Normally this would be attached by a contributor to his T.1 Short income tax return. That is the return filed by the salary and wage earner. The other is called "The calculation of self-employed contributions," and it would be filed by a person who is making a self-employed contribution.

I think the forms are self-explanatory. After the hon. members see them I will be glad to give them any further explanation they might wish.

Mr. FRANCIS: I move that these forms be placed on the record.

Mr. LLOYD: I second the motion.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It has been moved by Mr. Francis, seconded by Mr. Lloyd, that these forms be placed on the record and become part of the appendix to today's minutes. Is that agreed?

Motion agreed to.

Mr. PRITTE: May I ask a question? Has the committee passed a motion asking Mr. Osborne to supply the possible amount of contributions if the floor of \$600 or \$800 is removed?

Mr. FRANCIS: I believe this was done, Madam Chairman.

Mr. CHATTERTON: On this point, I would like to submit a request for other information. Is this the proper time?

The CHAIRMAN (*Hon. Mrs. Fergusson*): This would be the time.

Mr. FRANCIS: To clear the record, I think we did ask for the information for which Mr. Prittie has now asked.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I believe there was a request, but I do not believe there was any motion.

Mr. PRITTE: I so move.

Mr. FRANCIS: I second the motion.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It has been moved and seconded that we ask Mr. Osborne to prepare the information that has been mentioned.

Mr. CHATTERTON: But, Madam Chairman, with this difference: Mr. Osborne has presented us with figures on the Ontario proposal for one year only, 1970. I am going to request that addition information be given.

The CHAIRMAN (*Hon. Mrs. Fergusson*): May we have one at a time, unless they integrate.

Mr. LLOYD: Madam Chairman, I suggest you deal with and dispose of Mr. Prittie's motion.

Mr. CHATTERTON: Does this motion refer to 1970?

Mr. PRITIE: Let me hear your proposal and see if they can be integrated.

Mr. CHATTERTON: My proposal is that our staff provide us with figures similar to those in the actuarial report but based on the Ontario proposal, not necessarily for every year but for five years apart, that is, say, 1967 and 1971 and so on.

Mr. FRANCIS: Madam Chairman, the actuary gave us cost projections—high cost, low cost, intermediate cost, long range and short range. What does Mr. Chatterton have in mind? Does he want this on the same basis as the actuary's report?

Mr. CHATTERTON: Yes.

Mr. FRANCIS: Then I think it should be a request to the actuary.

Mr. CHATTERTON: I am requesting that this committee obtain this information from whoever is the applicable source; I guess it would be from the actuary. The information I want is similar to the information contained in the actuarial report, but using the Ontario proposal.

The CHAIRMAN (*Hon. Mrs. Fergusson*): When do we propose to meet next? Are we going to give the actuaries sufficient time to prepare this information? I would think it would take several weeks.

Mr. OSBORNE: It would take months.

Mr. KNOWLES: This is a different request from that of Mr. Prittie.

Mr. PRITIE: Mr. Osborne was asked to provide information showing costs for a particular year. I would like to know what the revenues would be for this particular year if the floor of \$600 or \$800 were removed.

Mr. OSBORNE: Mr. Gray and Mr. Prittie have asked for this information and I have made a note of it.

The CHAIRMAN (*Hon. Mrs. Fergusson*): And you will be providing it?

Mr. OSBORNE: I will be asking the actuary to provide it.

Mr. CHATTERTON: I am coming back to my request. The information we will be receiving will be for one year only, for 1970. Evidence has been given that the effect of the Ontario proposal will vary greatly with time. I think it is important that the committee should have the information for several years, maybe for 1970, 1975 and 1980, giving an indication of the variation in the Ontario proposal with time.

I do not want to impose a burden upon anyone, but if we could have information for three years—1970, 1980 and 1990, I think the information would be invaluable.

Mr. FRANCIS: With the same variations of high cost and low cost?

Mr. MONTEITH: The same as the information for which Mr. Prittie has asked.

Mr. CHATTERTON: I am asking for the figures for which Mr. Osborne has already been asked plus those three years. Those figures, with the revenue for those three years, would give us a good indication.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Has Mr. Osborne any idea how long this might take?

Mr. OSBORNE: If the request is restricted to the same kind of data as that which has been provided for the year 1970, I believe estimates could be made for the years 1980 and 1990, but to ask for a complete actuarial report would take several months.

Mr. CHATTERTON: That would suffice for now as far as I am concerned.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is that agreed?

Agreed.

Are there any further questions? I do not want to cut anyone off, but we have taken quite a long time over this.

Mr. Coward and Mr. Stevenson, I want to thank you on behalf of this committee for preparing your brief, and I want to thank your government, too, for having it prepared. We want to thank you for the evidence you have given before us and the patience you have shown in answering the very numerous questions that were put to you.

Your evidence has certainly been helpful to us because it has clarified and explained many of the points we were not clear about in the brief, and we certainly were glad to have you here. We want you to know how much we appreciate your coming.

Mr. COWARD: Madam Chairman, may I thank you for a very fair and full hearing.

Mr. MUNRO: Madam Chairman, may I move that the committee express its appreciation and gratitude to Mr. Coward and Mr. Stevenson, representing the Ontario government, for coming here all day to answer our questions.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It has been moved by Mr. Munro and seconded by Mr. Aiken that the committee extend its appreciation and gratitude. Will you carry this motion in the usual way.

The motion was carried by acclamation.

Mr. LLOYD: Madam Chairman, do you plan to go on with the Canadian Teachers' Federation or is it your intention to adjourn at this time and meet the Canadian Teachers' Federation this evening?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Lloyd, we have another delegation listed for this evening.

Mr. LLOYD: Oh, I see.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I would suggest that we go on as far as we can and if we have not finished with the Canadian Teachers' Federation by 5.30 this afternoon perhaps we can sit a little later, and then if we are unable to complete it we could take up their brief again at 8 o'clock this evening.

May I ask the representatives of the Canadian Teachers' Federation to come up and take their seats at the head table.

Mrs. Rideout and gentlemen, as you know, we have a brief from the Canadian Teachers' Federation. Mr. George MacIntosh, the president, is going to make a statement. As you will note, there is quite a large delegation; there are representatives from the Atlantic region, Ontario, and the western region. Someone will speak on behalf of each of these regions. I would ask Mr. MacIntosh to introduce these other witnesses.

I know that members of the committee are tired but, if you do not mind, perhaps we could continue a little beyond 5 o'clock, which is our usual time of adjournment, as Mr. MacIntosh has to leave. His wife is very ill and he is leaving by taxi at 5.45 this afternoon, if possible. So, if you do not mind going a little beyond the 5.30 adjournment time it would be helpful.

I will now ask Mr. MacIntosh, the president of the Canadian Teachers' Federation, to present the brief and introduce the various witnesses.

Mr. GEORGE MACINTOSH (*President, Canadian Teachers' Federation*): Thank you Madam Chairman. First of all, I should apologize to the members of the committee, but these are things that I am afraid happen over which we have no control. However, I think you probably all will be tired by 5.45 p.m. By catching a cab I can get to Montreal and later make a connection for a flight to the clinic

in Boston. So, there is no real problem. I am sure you are pleased to think you might indeed be finished by 5.45.

I would like at this time to introduce the members of the delegation. Perhaps we are a rather larger delegation than you might expect, but these people do represent the teachers' organizations in all of the provinces, so there are a few more witnesses than you normally would expect. So that you will know them, sitting next to me is Mr. Tom Parker from Nova Scotia who will speak on behalf of the Atlantic provinces. Miss Marie Duhaime, will speak on behalf of the Ontario Teachers' Federation. Then there is Mr. Robert Gordon from Manitoba who will speak on behalf of the western provinces. We have a number of others in the delegation as well, starting away down at the back. First is Mr. David R. Brown, a consultant with the Ontario Teachers' Federation superannuation committee; Miss Ruby McLean, chairman of the Ontario teachers' superannuation committee; Miss Nora Hodgins, secretary treasurer of the Ontario Teachers' Federation; Mr. Harry Cuff, assistant secretary of the Newfoundland Teachers' Association; Mr. Alfred H. Kingett, general secretary of the New Brunswick Teachers' Association; Mr. William Jones, assistant secretary of the Ontario Teachers' Federation; Mr. Norman M. Goble, assistant secretary treasurer of the Canadian Teachers' Federation, and Mr. Nason, secretary treasurer of the Canadian Teachers' Federation.

All these people will not speak but they are all here, and they have information which they are willing and able to offer. In this way we hope we will be able to give you answers to as many questions you would like to put.

The teachers of Canada are very appreciative of this opportunity for their representatives to meet with the joint committee. As you all know, teachers have been working with their provincial governments in the pension field for many years. During this time we have gained considerable knowledge about superannuation schemes and their operation. However, I would emphasize that we are not pension experts with specific training in this area. We have, therefore, had to maintain careful and continuous study of our pension plans over the years.

While we hope that our experience will enable us to make some positive contribution to your work as a committee, at the same time we hope to learn a great deal about the Canada pension plan from your comments. We are aware that you—both as members of the House of Commons and the Senate—and more recently as members of this joint committee—have studied carefully all aspects of Bill No. C-136; and we are grateful of the opportunity of obtaining first hand information that we can disseminate to our one hundred and forty thousand members.

We regret that our submission is not yet available in both English and French. It is our policy to conduct our affairs bilingually and our custom to prepare such statements in both languages. However, in the short time since we were advised of this hearing it has been possible to prepare our text in one language only. Our submission will be available in French very shortly and we shall be pleased to make copies available to the committee.

As a matter of fact, this work is in progress right now not very many streets away from here, and we shall be pleased to make copies available to the committee as soon as possible.

As you will have observed our submission actually comprises briefs by the provincial teachers' organizations with an introductory statement by the Canadian Teachers' Federation. This pattern is, of course, natural for the effects of the Canada pension plan will be felt directly in the provincial jurisdictions. C.T.F.'s part has been one of study so as to provide affiliates with information and coordination.

The C.T.F. introductory statement, therefore, includes some general observations about opinion in the various provinces. It also includes a number of queries, the answers to which will, in our opinion, provide the teachers of Canada with the insight necessary to appreciate the fundamental principles which have motivated certain sections of the act.

The three regional briefs raise in more detail a number of matters that teachers feel to be important in view of their knowledge about education and pensions in their respective provinces. As you will have expected, there are some similarities and some differences in these briefs representing as they do opinions of the teachers across Canada from Newfoundland to British Columbia.

Since teachers' pensions are a provincial matter, I would suggest that we deal first with the regional submissions. We could then return to the queries in the opening statement which are intended to provide clarity and basic background for the whole profession in Canada.

To this end and with your approval I propose to call for a very brief statement from Mr. Thomas Parker, speaking for the Atlantic organizations, Miss Marie Duhaime, speaking for the Ontario Teachers' Federation, and Mr. Robert Gordon on behalf of our Western organizations.

I would like to ask these people, if it meets with your approval, to speak in that order. I should perhaps add also that it may have sounded as if the teachers were ready to leave at a quarter to six. Of course they are not. The president, of course, is free to leave but they will stay as long as you want them to stay, for as many days as you want them.

Mr. GRAY: As a sort of detention.

Mr. THOMAS PARKER (*Executive Secretary, Nova Scotia Teachers Union*): Madam Chairman, ladies and gentlemen, I shall be very brief. I am speaking on behalf of the four teacher organizations in the Atlantic provinces. These four organizations include practically all the qualified teachers in the four provinces in the east.

We have six points, and I will go over most of them very quickly. We believe that consideration should be given to amending Bill No. C-136 so that teachers and others who have not completed their education at the age of 18 may continue to do so without being penalized as they would appear to be at present under the terms of Bill No. C-136. This is particularly important for teachers whose training for the most part requires that they continue well on beyond the age of 18.

The second point is that most of our pension plans in the Atlantic provinces provide for retirement at the age of 60. This is a full service retirement plan. We would hope that some amendment might be made to provide for an early actuarial equivalent for those who do retire on their own provincial plan at the age of 60.

The third point has to do with the orphans' benefit mentioned in Bill No. C-136. We would hope that this might be amended to include broader coverage of survivors. We are thinking in particular of the survivors mentioned under the Income Tax Act. We might mention there are persons who are continuing their education beyond the age of 18; we might mention there are people who are mentally and physically disabled and have been so during their entire life.

Our fourth point is one on which I would like to spend a longer period of time. It regards teachers, and this is true not only of teachers in the Atlantic provinces but it is generally true. Many of them have two positions during the year: from January to the end of June they are in the employment of one board. If their contract has been terminated, this means that they will be working for another board in the fall for the remaining five months. While

there is a provision for repayment of overpayment to the individual teacher, there is no provision to take care of overpayments being made by boards. We feel that this money could be used to better advantage in providing improved educational services.

At the present time there is no provision, judging from the readings of your committee's deliberations, for the employment board to get back the overpayment it has made. When I say board I am thinking, of course, of the school board. In addition, in at least one other province in the Atlantic area a teacher or a principal may be employed by two and sometimes three boards simultaneously, receiving pay from each one of the three boards. As we understand it, it is planned that each employing board may make deductions. We believe that this could be overcome by changing the act or the regulations in the act so that the province would be enabled to make payments on behalf of the board. This would eliminate overpayments as far as the school boards are concerned.

Our fifth point has to do with consultation. We believe that when any change or amendments are considered in the regulations the government should provide an opportunity for all interested bodies, including teachers, to present their views before those amendments are finalized.

Finally, the last point is that we believe that the governor in council should give consideration to appointing a representative of the Canadian Teachers' Federation to the advisory committee on the Canada pension plan.

Thank you, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Would the committee prefer to question the people who have already spoken at this point?

Hon. Mr. CROLL: Let them all speak until they finish.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I would think so also.

(*Translation*)

Miss DUHAIME (*President of the Ontario Teachers' Federation*): Madam Chairman, since the province of Ontario is a bilingual province I shall take the liberty of saying a few words to you in French. The members of our Committee and the representatives of the Ontario Teachers' Federation are grateful to you and thank you for having granted their application to discuss the pension plan with you. The brief that you have in hand was drawn up by our Ontario pension fund committee and by the Board of Management committee. It was only after serious and searching study that they submitted this brief to you. Madam Chairman, with your proposal, I shall take the liberty of reading only the first paragraph of our brief and the six recommendations which we are presenting to you.

(*Text*)

This I shall do in English. The Canada pension plan, as embodied in the provision of Bill No. C-136 raises a number of difficulties and complications for Ontario teachers. Many of these can be overcome by appropriate changes in the Ontario teachers superannuation act, but in a number of areas the federation believes that the changes in Bill No. C-136 would be desirable not only because of their effect on members of the federation but also in order to make the Canada pension plan a more satisfactory and equitable social program for all Canadians.

Specifically, the federation proposes: Firstly, that certain changes be made in the dropout provisions now contained in clause 48 of the bill.

Secondly, that the definition of contributory periods in clause 49 of the bill be changed to delete any reference to age 18.

Thirdly, that provision be made for the commencement of benefits on a reduced rate at an earlier age than 65.

Fourthly, that clause 6 (2) (e) be deleted or amended to make it clear that teaching members of religious orders may contribute to the Canada pension plan and receive benefits.

Fifthly, that the intention of clause 6 (2) (i) and 7 (1) (e) in their effect if any upon teachers, be clarified, and that some assurance be given that teachers employed by foreign governments under such programs as overseas aid would be permitted to contribute to the Canada pension plan during such employment.

Lastly, that certain administrative provisions of the bill, or proposed administrative arrangements for the collection of contributions, be modified. Madam Chairman, if it meets with your approval, I shall call upon Mr. Bill Davies to replace me in order to answer the technical questions.

The CHAIRMAN (*Hon. Mrs. Fergusson*): The next witness is Mr. Robert Gordon, assistant general secretary of the Manitoba Teachers' Society.

Mr. ROBERT GORDON (*Assistant General Secretary, Manitoba Teachers' Society*): Madam Chairman, the four western provinces have prepared a submission to present to the committee in respect of some of the improvements which they think could be made in the Canada pension plan which would be of benefit not only to teachers but also to other elements of the population. Some of these points have been covered by the other two submissions. You will realize these submissions were prepared independently.

We have four points we would like to bring to your attention. The first deals with the dropout period. We have suggested the dropout period be increased from 10 to 20 per cent or, if that is not possible that it be increased to 20 per cent over a period of time; that is, in the future, say 20 or 30 years from now, the dropout allowance be increased so that the people who are starting to work now will have almost the same benefits as those who will be employed at say age 35 when the plan comes into effect in 1966.

Another alternative would be to leave the dropout at 10 per cent, but to allow further deduction for time spent in educational institutions. Our brief deals with this in a little more detail.

We are concerned about the refund of contributions made in excess of the maximum death benefit in cases where the deceased contributes and leaves no one. We have in mind widows with no dependants. We would think there is a possibility of an escheatment here.

The further point is mentioned by the people from the Atlantic provinces; that is, the matter of collecting and remitting of Canada pension plan contributions. If it is not feasible to refund to employers, we would suggest that the government be allowed to make the contributions on behalf of plans that are administered by or supported by the government. As you probably know, the teachers' pension plans in the west are supported by the government. Manitoba is the only province where the trustees actually make a contribution.

Finally, we would like to see section 7 changed so that people who are employed in foreign countries under international organisations such as UNESCO or ILO are permitted to participate in the Canada pension plan if they so desire.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much. That completes the presentation on behalf of the delegation. I have a list of people who wish to ask questions. Mr. Cantelon is first.

Mr. CANTELON: Madam Chairman, I note that in all cases we have listened to so far there seems to be a great deal of concern over the fact that the government is supporting the teachers' plan, and this might lead to some difficulty. I also note in the first part of the brief by the Canadian Teachers'

Federation you say that generally the provincial governments make a contribution to teachers' pension plans. Do you consider this makes the provincial government the employers; would they be the people who would be with you to assist in negotiating integration of your plans with the federal government?

Mr. WILLIAM JONES (*Assistant Secretary, Ontario Teachers' Federation (Central Region)*): I think, for purposes of pension, in Ontario at least, the government in fact deducts the contributions on behalf of the school boards and it becomes a bookkeeping operation whereby they deduct the contributions which a board would make on behalf of its teachers. In Ontario's case, the government also contributes 6 per cent, the equivalent amount. In order to facilitate the handling they deduct this money from grants to the boards and transfer it to the superannuation fund.

Mr. CANTELON: I understand that the situation is somewhat different in some of the prairie provinces. I understand some of them do not actually make contributions at all; they guarantee the solvency of the fund, but they do not actually make a matching contribution. In fact, the teachers' pension plans are unfunded plans which they guarantee. In the Canada pension plan, as well as the teachers' 1.8 per cent, another 1.8 per cent now must be contributed by the employer, either the school board or the provincial government. Have you had any indication from the provincial governments which would be concerned in this in respect of their willingness to make these contributions?

Mr. GORDON: In the case of Manitoba, the trustees do make a contribution now on behalf of each teacher and there is a contribution from the government. In the other provinces I believe the trustees are not involved in the plan, but as we understand the Canada pension plan the trustees will be required to make a contribution of 1.8 per cent. What we have suggested is that the government be allowed to make these contributions on behalf of employers. As Mr. Jones has stated, this is simply a matter of deducting the money from grants.

Mr. CANTELON: I noticed your comment in that respect. I notice, also, your concern with the way in which the benefits are calculated on the long period of 42 years. I wonder whether, instead of increasing the dropout, as I think two of the presentations suggested, to I think 15 or 20 per cent, if you had a plan of using say the best 10 years to calculate the benefits it might be better.

Mr. TOM PARKER (*Executive Secretary, Nova Scotia Teachers Union*): I might answer that by saying all of the teachers' pension plans across Canada have some form of final earnings, whether this is the highest five years, or the last five years, or the last ten years. They are similar in that regard. I think that answers your question.

Mr. CANTELON: Yes. Do I take it that if such a plan were adapted using the best ten years it would eliminate the big disadvantage because of the fact that teachers often do not begin to work until 21 or 23 years of age?

Mr. GORDON: That is not as I understand it. I believe while it is true the average earnings may be calculated on a ten year basis, the amount of the pension that is to be paid will depend on length of service. Every plan is to be from age 18 to age 65, or 47 years. With a 10 per cent dropout maybe people still will not be able to get full benefit. Our recommendation is there should be some allowance for people who continue to improve their education. There is so much emphasis on this now from all points of government. The people should stay in school. We think age 18 is too early an age, or we believe the dropout period should be extended, or some allowance might be made for time spent in educational institutions.

Mr. CHATTERTON: Does not the proposal that the pension be based on the best ten years achieve your objective?

Mr. GORDON: No. It may give them a higher average earnings, but it will not do anything to give them an opportunity to get the full period of service. The pension is based on two things, earnings and length of service. If it is left as it is now, it is our belief that many of the people never will be entitled to a full benefit because the dropout period of 10 per cent is too low.

Mr. JONES: In the case of Ontario, on the page following the first green page in the brief, we offer two suggestions; one is that the contributions not begin until the person starts earning which would solve the problem for our people, or not start to teach until age 21, 22 or 25. Our second proposal is that the dropout provision might be increased 10, 15 or 20 per cent, and we were rather elated to hear that the premier of Ontario suggests the best ten. This is something we have been talking to the government of Ontario about for a number of years.

Mr. MUNRO: You have a lever in this.

Mr. JONES: We would be happy to see the government put in the best ten years, because we would like to take that home to him.

Mr. CHATTERTON: You feel the best ten years would achieve your objective?

Mr. JONES: Yes.

Mr. GRAY: What about a woman who teaches ten years or less before retirement; would you not need some type of a dropout period if the ten years come at the beginning of her teaching career?

Mr. JONES: I am sorry, but I am afraid I do not quite understand the situation.

Mr. GRAY: Let us assume a lady goes to teacher's college at the age of 18 and finishes at the age of 20. Then she teaches for six or seven years and then gets married. You do not have a dropout. In addition to the ten best years, that type of person would be penalized if you counted the time she spent at teacher's college as part of her ten year period. This would be the case, would it not?

Mr. CANTELON: There was one other problem, too.

Mr. KNOWLES: May I ask a supplementary question in the same field?

The CHAIRMAN (*Hon. Mrs. Fergusson*): All right.

Mr. KNOWLES: Witnesses have indicated their interest in the best ten year's proposition. Might I ask if you have any preference between increasing the percentage of the drop-out years or allowing specific years when they are out getting their education? If you allow specific years for education, problems will arise. What is a year spent in education? What do you do in a year when you are partly going to school and partly teaching school? Would you settle for a general increase of from 15 to 20 per cent on the drop-out provisions?

Mr. JONES: In the case of Ontario those years in which a teacher is not an active teacher, the superannuation commission has certain regulations governing them. I would think that if we integrate the plan, the same regulations that they use in determining whether a person may or may not contribute on behalf of his years outside of Ontario or outside of Canada might also be used.

Mr. KNOWLES: You mean there should either be specific years for education, or an increase in the percentage of the drop-out payments?

Mr. JONES: Yes, I would think so.

Mr. MACINTOSH: We are aware of the difficulties which Mr. Knowles has mentioned. You somehow or other have to define what it is, and this provides all sorts of complications. But these are alternatives which were suggested. There may be some instances when it is safe to say that the simpler of the two systems would increase this drop-out period, and that it makes better sense.

Mr. CANTELON: I wonder about that, because you have the years 60 to 65 in these cases which you will have to use automatically and have drop-out years, so they still have the best ten years. Do you think this would be preferable from your standpoint? I would like Mr. Parker particularly to answer this question. I am thinking of the teachers who probably change their employment on the first of July or the first of September, and consequently they may be working for two employers. If the total salary for those two periods, the two employments, is less than \$5,000 there would be the one proviso. But there are many teachers who now make \$10,000 or better. Of course it all depends on where you live. These people would be making double contributions. Of course, the same employer would get them back, but the employee would draw it. You have given us some discussion and we have heard arguments about this from many others who have been here too. I wondered if you would care to elaborate on it a little.

Mr. PARKER: Yes, in the first place I did not read the figures which you have in front of you. We have 20,000 teachers in the Atlantic area, and possibly 15 to 20 per cent of them are earning in excess of \$5,000. These are the ones who create the problem. There is no problem for those earning under \$5,000.

The turnover in teaching population shifts from one year to the other in the job provisions, and it is quite high. Therefore there would be many, many cases where a person employed in the school year let us say September to August 1 or July 31—this varies from province to province which have different cut-off dates—would be working in fact in one school from September straight through to the end of June, and then take another position the following September. As it applies to Bill No. C-136 in a calendar year this means that the teacher would be in employment, with one board from January on to the end of that school year which would be July 31, and then assuming she or he has taken employment elsewhere, he or she would be in employment with the school board for the balance of the year, the remaining five months or whatever it may be. On the basis of the first earnings, 1.8 per cent, depending on the sole salary, it would exceed the maximum contributions when the teacher left her first job be it he or she, as the case may be.

The employing board has to begin to make deductions, and it should not do so at all. This is a problem. I realize administratively that if this were applied to all occupations and all jobs it would be extremely difficult if not impossible. It is not impossible if the provincial government makes the payment on behalf of the board, because they have the records, and when a teacher has made the required contributions, then there is no need for the balance on the first part of the year or the second part of the year for any further contributions to be made.

Mr. CANTELON: It would be very much simpler that way.

Mr. CHATTERTON: Are teachers' contributions made by the provincial governments in all the provinces?

Mr. MACINTOSH: No.

Mr. JONES: On page 4 it is pretty much the same thing and it poses a problem. It may be answered or not, but we have included it for interpretation. It is where the teacher's pension is based on the months of contributory service. In Ontario we have a problem where the contract is an annual contract. Under the regulations of the school administration act it is required that the salary be paid in a ten month period. We wonder whether this would work to the disadvantage of our members. We are seeking some clarification on it.

Mr. FRANCIS: May I ask a question of clarification in that regard?

Mr. CANTELON: That was the one I was going to ask.

Mr. OSBORNE: So long as the teacher has been in the same employment, the fact that he does not work during the summer months should not affect the situation in any way.

Mr. MUNRO: And the two months off do not count as part of his zero earnings.

Mr. OSBORNE: No. The record is not kept on a monthly basis but on an annual basis.

Mr. FRANCIS: Does that reassure the delegation?

Mr. PRITIE: The question of teacher's pensions is probably only of academic interest to Mr. Cantelon who has retired. But it is possible some day after a general election it would be of real interest to me again, and even to Mr. Laverdière as well.

Mr. MUNRO: Do not be such a pessimist.

Mr. PRITIE: I am not worried about the next one. This is a rather interesting brief, and it raises quite a few questions which I think we will have to deal with. I noticed that at least one of the problems it raises is the same complaint that was presented by members of the firefighters' association, with too early retirements. This is a problem we will have to consider. We have made a general provision, but there are special employment groups which have a record of early retirements, and this is a very interesting point.

On page 3 of the Ontario brief they refer to clause 7(1)(e) of the act. This deals with the fact that the province will decide which people under this amendment will come under the Canada pension plan. I realize that teachers generally are not employed by the province but by the schoolboard. I would like to ask any one of the delegation if there is any real doubt in his mind about this point, that some province may declare that teachers are not employed persons within the meaning of the act.

Mr. JONES: Madam Chairman, the doubt is raised in our minds because, for purposes of pension, we are more or less under the Ontario government in that the board does deduct from our salaries the teacher's contribution. The government does contribute 6 per cent also, or at least an equal amount, to save confusion with some of the other provinces. It is for that reason that we seek clarification here. We are not taking any position on the question, as we say, but we are seeking clarification.

Mr. PRITIE: Have any of the teachers' organizations asked their provincial governments?

Mr. GORDON: We did not think it was necessary. We do not think we are government employees.

Mr. JONES: But Ontario is particularly concerned since it is a federal bill.

Mr. PRITIE: Where are you from, Mr. Gordon?

Mr. GORDON: I am from Manitoba.

Mr. CHATTERTON: I posed the question to Mr. Osborne and he gave me some information which perhaps he can repeat.

Mr. OSBORNE: May I know precisely what is the question?

Mr. PRITIE: On page 3 of the Ontario federation's brief we see this statement:

Fifthly, the federation would like clarification on two questions affecting participation of teachers in the Canada pension plan. First, section 6(2) (i) provides that "employment by Her Majesty in right of a province or by an agent of Her Majesty in right of a province" is excepted

employment, although section 7(1)(e) provides that the province may make an agreement with the governor in council to include such employment as pensionable employment. Without taking any position on the question, the federation would like some clarification as to whether these sections are to be interpreted as meaning that teachers employed by local school boards may only participate in the Canada pension plan if the province in which they are employed makes a special agreement therefor with the governor in council.

Mr. OSBORNE: Madam Chairman, as the teachers from Manitoba pointed out, they do not regard themselves as employees of the provincial government. The explanation given to the members of the committee by the draftsman of the bill at the time this clause was being discussed pointed out that clause 6(2)(i) was intended to exclude employees of provincial governments or employees of agents of the crown in the right of a province because, as he explained, the federal government has not the jurisdiction to impose taxes on provincial governments and could not let the employer share the tax. But he also pointed out that municipal school boards were not crown agents and were not exempt from federal taxes, and for that reason this section of the bill, section 6(2)(i), would not be interpreted to apply to teachers.

Section 7(1)(e) is simply a section which gives the governor in council power to enter into an agreement with a province whereby the province, of its own decision, would decide to cover provincial government employees in the Canada pension plan but the decision would be left up to the province.

Does that answer the question?

Mr. CHATTERTON: Did you not tell me that the interpretation placed by the officers of the Department of Justice was that as far as they were concerned the employees of school boards were not employees of the crown or provincial agencies.

Mr. FRANCIS: For the purposes of this bill.

Mr. OSBORNE: For the purposes of this bill or any other bill.

Mr. KNOWLES: For any purposes.

Mr. PRITIE: Presumably the provincial governments have agreed to this. If they have there is no problem.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Kingett from Fredericton has something to say.

Mr. ALFRED H. KINGETT (*General Secretary, New Brunswick Teachers' Association*): We have a report being considered in New Brunswick, and if it is adopted, as a result of one of its main recommendations the provincial government will be paying 100 per cent of the teacher's salary. In that case, could the provincial government collect from the federal government for the teacher's share?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Kingett, I noticed all the questions in your brief. There were a number of points about which you wanted to ask some questions. However, I do not know that this committee can answer your questions. It is really trying to find out things itself, and I doubt if there are any members on the committee who are in a position to answer your questions.

Mr. KINGETT: I think this gentleman said the federal government would not bill the provincial governments for contributions to their employees. While they also said that we will not be civil servants, they still will be paying us; so if an employer share was paid in New Brunswick and this goes in, it means the provincial government would be paying it. I wonder if this gentleman's interpretation would apply.

The CHAIRMAN (*Hon. Mrs. Fergusson*): This is Mr. Osborne, who is the consultant to the Canada pension plan committee. He is very knowledgeable, but I do not know whether he wants to undertake to reply to and clarify all the things you want to know. He may not feel he is in a position to give the answers.

Mr. PRITIE: Madam Chairman, this came up from the Ontario teachers' brief. The spokesman for the western associations says there is no doubt in their minds. It seems to me there may still be some doubt in the minds of the Ontario teachers. However, I will let it go at that. They will presumably have to consult the provincial government on that.

Mr. GRAY: If I may make a supplementary comment, there will be teachers in Ontario who would not come in the same classification as those who are employed by individual school boards. I refer to those who instruct in the provincial teachers' colleges and who work for training schools run directly by the provincial government. In that case, I think they would be in the same capacity as other civil servants in other fields of work.

Mr. OSBORNE: That is correct.

Mr. PRITIE: Do you wish to adjourn now, Madam Chairman? It is after 5.45.

The CHAIRMAN (*Hon. Mrs. Fergusson*): What is the wish of the committee. Is it your wish that we should adjourn now and reconvene at eight o'clock?

Mr. FRANCIS: Is that convenient to the delegation?

Mr. PARKER: That would be convenient to us.

The CHAIRMAN (*Hon. Mrs. Fergusson*): The committee stands adjourned and will meet again at eight o'clock in this room. Mr. Cameron will be in the chair.

The committee adjourned to reconvene at 8 p.m.

EVENING SITTING

MONDAY, February 1, 1965.

The CHAIRMAN (*Mr. Cameron*): Order, please. Dr. Nason has informed me the teachers' federation would like to make a statement before we proceed so I am going to ask Dr. Nason or whoever wishes to make the statement to do so at this time.

Dr. GERALD NASON (*Secretary-Treasurer, Canadian Teachers' Federation*): Thank you, Mr. Chairman. My statement really is only an effort to correct what may be a possible misapprehension or a sort of dismay to some members of the committee. I am sure you have observed, ladies and gentlemen, that in certain respects the representations from each of our different regions differ. I would ask the committee not to look upon this in any regard as an indication of weakness. We are a true federation, with all of its attendant problems, problems which I believe, are known to at least some degree by some of you in this room. We have autonomous provincial associations in our federation and they have different policies and situations in which to work, and they have different circumstances among their memberships. Each of the briefs before you which compose and comprise our submission was composed independently. I confess that I have some gratification that there is as much similarity among them as there is. We were hard put to prepare our briefs in the time we had. Quite frankly, we thought the time was all too short and, I am sure, some of you feel it was shorter than what you would have desired when considering the kind of statements which, normally, would represent our best thinking. But, we did

our best to meet the deadline and, naturally, we are offering you what it was possible to do in the limited amount of time that was available to us.

I think the teachers of Canada are conscientious citizens and they approach this committee with what might perhaps be a rather naive attitude. We approach the committee in a sincere effort to bring about improvement in certain features of the plan that we consider are not suitable, first of all, to teachers, because that is our profession, and that is the reason we have for asking to appear before you. Secondly, in some cases, these features also, of course, have implications for the wider range of citizens in the country. And so, Mr. Chairman, I would ask the committee respectfully to remember that these are individual submissions, and yet independence and variety within a unified profession. But, do not be astonished if you find some differences, and even some differences in policy. Thank you, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): Thank you very much, Dr. Nason. I am sure that your observations will be of considerable use to the committee. We believe in unity and diversity.

Mr. AIKEN: We also have some of it.

The CHAIRMAN (*Mr. Cameron*): Yes. It would be a poor world if we did not have some diversity.

I understand that Mr. Prittie had not completed questioning when we adjourned. You are the first on the list, Mr. Prittie.

Mr. PRITTIE: Mr. Chairman, I have two more questions. Does the C.T.F. or any of the provincial organizations have any statistics on the number of teachers who retired at age 60 and did not go back to work again except for the odd substitution work? Do they retire at age 60, and do you have any figures in respect of those who take other employment?

Mr. NASON: Could we take these by the different regions in turn. We will commence with the Atlantic region. Have you a comment in this connection, Mr. Jones.

Mr. JONES: Mr. Chairman, I do not know whether or not we have the answers to that question.

Mr. PARKER: Mr. Chairman, I do not think we can give you an answer to that or any statistics in respect of it.

In most of the Atlantic provinces it is possible to retire on full service pension at age 60 but in respect of how many of these people take other employment after they begin to receive their pension benefits we cannot say.

Mr. JONES: I cannot attach an age, Mr. Chairman, but in October, 1963, there were 5,882 teachers in Ontario on pension.

Mr. PARKER: But, you do not know how many of those were doing other work?

Mr. JONES: No. There is a further breakdown in respect of the type of pension which, to a degree, would give some indication of age, but this would not be accurate. This information would have to come from the superannuation commission.

Mr. KNOWLES: What is the minimum age for a full pension in Ontario?

Mr. JONES: It has just recently been changed, but the normal is age 62 after 35 years of service or 40 years of service at any age.

Mr. PRITTIE: Then, that problem which you brought up in respect of people going into retirement a number of years before the Canada pension plan becomes effective still remains?

Mr. JONES: I do not want to stray from the point but this concerns our point (c). Many boards in Ontario have age retirement bylaws which usually

specify 65 for men and 62 for women, and in many cases teachers are required to retire under those bylaws. We are particularly concerned where the age is stated as 62.

Mr. PRITTE: Thank you. I have one last question, Mr. Chairman.

Mr. PARKER: Before Mr. Prittie proceeds I think the information about Prince Edward Island might be pertinent in respect of an early retirement age. The superannuation act of Prince Edward Island allows a teacher to retire on a full pension at 55 years of age with 30 years of service, and a good many of them take advantage of it.

Mr. ALFRED H. KINGETT (*General Secretary, New Brunswick Teachers' Association*): Our female teachers also retire at age 55 with 35 years of service.

Mr. JONES: I would add also that the pension benefits act in Ontario has brought about changes in our plan, so a teacher with 10 years of service and age 45 may receive a reduced pension at age 55 based on those years of service for a full pension at age 65. For example, if he had 12 years of service he would have a pension at age 65 which would be 24 per cent of the average of the last 10 years. It is 2 per cent per year of service. Contributory service is the simple way of reaching the answer.

Mr. NASON: Mr. Chairman, could I ask if Mr. Gordon wishes to make a comment in respect of the western region.

Mr. GORDON: All the provinces have provisions for early retirement, which is based on length of service and usually in respect of a reduced pension it is an actuarial reduction. As to the number of teachers who would take advantage of this, I am not in a position to say. But, I do not think it would be too large a group.

Mr. PRITTE: I have one last question which I should have asked earlier. There was some discussion about the calculation of benefits under the Canada pension plan. Mention was made of the 10 best years and so on. Have the various members of the delegation looked at section 51 (1) of the act, of which the marginal note is "calculation of pensionable earnings for a month." Mention is made of three years; how does that relate to the problem presented?

Mr. NASON: Could I ask Mr. Goble to make a preliminary comment in that connection.

Mr. NORMAN M. GOBLE (*Assistant Secretary-Treasurer, Canadian Teachers' Federation*): Mr. Prittie, could I ask for some clarification in respect of your question. I am not clear on the application of this 10 year aspect of it.

Mr. PRITTE: Well, earlier there was some discussion arising from a point in your brief about the years which should be selected for pension purposes when arriving at the level of pensions under the Canada pension plan. Then there was some discussion as a result of a question by Mr. Cantelon, I believe it was, when mention was made of taking 10 years. Am I correct in this assumption?

Mr. CANTELON: Yes. The question was whether this would affect the drop-out years, for instance, in the five years of receiving education, which would be in respect of students ages 18, 19, 21 and 22 years of age, and then the five years from ages 60 to 65. I thought, and I still think, if the 10 best years were used the drop-out provision would not be too applicable. However, many others do not agree with me in that connection.

Mr. PRITTE: How does section 51 (1) relate to that problem?

Mr. GOBLE: The point is there are two components in assessing the amount of the eventual pension. One is the average salary to which the pension is to

be related and the other is the means by which you become entitled to part or whole of that average salary. Let us say the basis on which the average salary is calculated may be the average of the whole lifetime earnings or, as in many teachers' plans, an average calculated over 7 or 10 years, but this only gives you a basic figure on which a further calculation is made, and that further calculation is for every year for which you have taught you become entitled to a certain percentage of that figure. The change to a 10 year basis does not alter the difficulty of the overly long qualifying period of 90 per cent of 47 years and would not affect the point about dropout. It would certainly be an advantage in that it would give a higher average earnings figure on which the pension is related in the first place. But, it would not solve the problem of a teacher being able to reach the maximum when it is based on such a long period of service.

The application of section 51 is a further point which, I think Mr. Chairman, with respect, might be taking us too far into the hypothetical.

Mr. JONES: I understand in that regard that the Ontario government's proposal, when it talked of a 20 year period, was that it would entitle one to a full pension. And, taking the question which was asked before adjournment, what happens to a teacher who has 10 years under the Ontario government proposal, I understand that the teacher then would have ten twentieths of one half of the pension that she was entitled to based on the best 10 or the last 10 years of earnings.

Mr. LAVERDIÈRE: Mr. Chairman, first may I express my appreciation of this brief to some of my fellow teachers. It will enable the committee to understand the problems of teachers throughout the country.

May I also say that I am quite pleased that it is the policy of the Canadian Teachers' Federation, as Mr. MacIntosh has stated this afternoon, to use both languages as much as possible. I am sure that all the teachers' federations and associations in the country are of the greatest help in encouraging bilingualism.

I would now like to ask a few questions in French, if possible, and to address them to Miss Duhaime, the president of the Ontario Teachers' Federation.

(Translation)

Miss Duhaime, I would very much like to know whether, generally speaking, the Ontario teachers that you represent are in agreement on principle with Bill C-136.

Miss DUHAIME: Do you mean the teachers in Ontario itself?

Mr. LAVERDIÈRE: Yes.

Miss DUHAIME: They will be in agreement insofar as they know the content.

Mr. LAVERDIÈRE: I believe they have already had an opportunity to study this bill which was introduced in December. Could you indicate to us whether the teachers of Ontario approve the general concept and the bill as presented?

Miss DUHAIME: Up to a point, sir. I must say that we have studied the bill in our own pension fund committee, which is of our opinion. Sooner or later we shall inform our members, after we have an exact idea of it and better understand the content and the context of the bill.

Mr. LAVERDIÈRE: Thank you. Could I also ask—I believe it may be of interest to a fair number of committee members—whether your organization, the Ontario Teachers' Federation, has any fairly close relationship with the CIC, the Corporation des instituteurs catholiques du Québec?

Miss DUHAIME: As far as the CIC and the Pension Plan is concerned, considering that the province of Quebec—I would like my Committee to correct me if I am mistaken—

(Text)

I would like the committee to correct me if there is an error in what I say.

(Translation)

The province of Quebec opted out of the Pension Plan. So we were not interested in letting them know our opinion on it, considering that they were not covered, the province itself having opted out of the Canada pension plan.

Mr. LAVERDIÈRE: Just the same, Miss Duhaime, has there been any communication between the CIC and your Federation?

Miss DUHAIME: That is a question I can't answer, sir. I would ask one of our members if we have been in communication. We have had no communication whatsoever. Mr. Jones could answer it.

(Text)

Mr. JONES: Mr. Chairman, at a recent meeting the representatives of the Provincial Association of Catholic Teachers in Ontario and the Provincial Association of Protestant Teachers in Quebec did sit in on a discussion that we had. They sat in as observers, but of course they had a limited participation. They could have had full participation if they wanted to but they were interested in seeing what the implications of the Canada pension plan would be on our present teachers superannuation plan in Ontario because they felt that the Quebec plan would create similar problems for their present pension plan.

(Translation)

Miss DUHAIME: I could perhaps add to what Mr. Jones has just said that with the CIC in Quebec we have had no communication whatsoever.

Mr. LAVERDIÈRE: Would that indicate that the directors of the CIC, the Corporation des instituteurs catholiques du Québec, are wholly uninterested in the pension plan or, as we might more readily say, the retirement plan or the retirement fund in Quebec?

Miss DUHAIME: Are they not under the impression that they have a better system than the federal government?

Mr. LAVERDIÈRE: I shall desist from this line of thought and I am going to ask this, if you will allow me. This may assume a certain importance for the committee, considering the importance of the Quebec retirement fund, which is of interest to a good number of us. Does the present CIC pension system compare advantageously or not with the pension system, for example, of the Ontario Teachers' Federation?

Miss DUHAIME: Perhaps Miss Hodgins could answer that.

(Text)

Miss HODGINS: In my understanding—perhaps Doctor Nason can add to this—the plans are not comparable. Our plan in Ontario is a funded plan. As I understand it, the Quebec teachers' plan is not; it is simply under the auspices of the government.

Mr. NASON: If I might add a word through you, Mr. Chairman, to Mr. Laverdière, it should be made clear immediately that the Corporation des Instituteurs et Institutrices Catholiques du Québec is not an affiliate of the Canadian Teachers' Federation. You will notice their absence on the fly leaf of our submission. There have been negotiations, we will continue these and we expect hopefully that we will be able to demonstrate to the country very shortly an example of Canadian unity between the two languages and cultures. Nonetheless, we have continuously provided a liaison with them as professional colleagues on matters of common interest. We have done this on other affairs such as unemployment insurance, the Department of National Defence schools, and

other matters that come to the attention of the federal teachers and which are of concern to the teachers.

With regard to pensions, the intention of the province of Quebec to opt out, as Mademoiselle Duhaine has stated, has been made very clear for some period of time. As a result, our colleagues in the province of Quebec have only had a fringe interest in the matter.

If I may say so, Mr. Chairman, I think it would be inappropriate for us, since we do not officially represent our colleagues in the corporation, to make any comment at all on the adequacy of their plan and the possible impact on their plan of the Canada pension plan as found in Bill No. C-136. However, should the committee wish to have access to an opinion on this matter, I am sure this can be obtained very readily, and we would do everything possible to co-operate on such a matter.

(Translation)

Mr. LAVERDIÈRE: Thank you very much for that answer. That very clear reply makes it unnecessary for me to pursue that angle. Only one more point bothers me, that of religious communities. Your brief indicates to us that the religious communities are interested in joining in the pension plan. I would simply like to know, so far as there is any question of it, up to what point the communities have been consulted on what you mentioned in your brief?

(Text)

Mrs. HODGINS: I think we should make it very clear that when we speak of the religious teachers we are referring only to the religious teachers who are teaching in the state supported schools in the province of Ontario. We have no information at all in respect of the feelings of other religions in other provinces. We have consulted our own teachers who are members of religious communities, and they have stated they wish to be treated as Canadian citizens and wish to be committed to contribute to the Canada pension plan if it comes into effect, as they contribute to our own Ontario teachers' superannuation plan.

Mr. LAVERDIÈRE: Thank you. In respect of teachers in Ontario who belong to a community and a religious order, are they paid just the same salary as is any other teacher?

Mrs. HODGINS: They may be paid the same salary or they may, as a matter of policy, accept a lower salary. However, they are paid a salary.

Mr. PARKER: May I supplement this by citing the situation in Nova Scotia where we have a good many members of various orders teaching in the public schools. All of these teachers are paid exactly the same salary as any lay teacher, with no exception. They also contribute to our provincial pension plan on the same basis. We would therefore assume that any national plan affecting teachers would apply to them in the same way. Unlike Ontario we did not consult any of our members, for the very obvious reason that we had no time previous to this meeting.

Mr. LAVERDIÈRE: Do these same teachers who have, as you stated, the same salary as all other teachers pay the same income tax as do other teachers in your own province?

Mr. PARKER: That is a question I cannot answer authoritatively.

Mr. LLOYD: Not in Nova Scotia.

Mrs. HODGINS: In Ontario, and I presume in the other provinces, they are exempt under the provisions of the Income Tax Act. That is why we referred to the Income Tax Act in our brief.

Mr. LAVERDIÈRE: In Ontario, are these teachers who belong to religious orders paying some contribution to a kind of pension plan?

Mr. JONES: Yes.

Mrs. HODGINS: They pay exactly the same contribution to our superannuation plan as any other teacher—6 per cent of their salary.

Mr. NASON: The reason for the concern is that these members have been consulted and have expressed their wish to be included in the Canada pension plan. Indeed I understand, although this is not strictly within our sphere of activity, that many of the religious communities to which they belong also wish to be included.

We have sought legal advice, for whatever it may be worth, and the legal advice is that under the wording of Bill No. C-136 they will not be able to be included. We are not competent to suggest what should be done with the wording in question, but merely draw it to the committee's attention so that it perhaps may be referred to your legal experts for examination if you see fit to do so.

Mr. LAVERDIÈRE: Thank you. I do not know whether or not this is pertinent to the work of this committee, but because it is related in some way I would like to know if female teachers and male teachers, perhaps in New Brunswick, Nova Scotia, or Ontario, are paid for competence at the same rate of salary.

Mrs. HODGINS: In the west they are treated the same as any other group of teachers. We would bargain collectively for them; they are paid the same salaries, belong to the same pension plan, and have the same rights and privileges.

Mr. LAVERDIÈRE: In the Atlantic provinces also?

Mr. KINGETT: Yes.

Mr. LAVERDIÈRE: In Ontario is it the same?

Mr. JONES: Yes.

Mr. LAVERDIÈRE: Thank you very much.

Mr. KNOWLES: May I ask a supplementary question of Dr. Nason? Is the legal advice that was obtained based on the reference to these people being persons who have taken vows of perpetual poverty; is it your opinion that this blankets in everybody?

Mr. NASON: I believe, Mr. Chairman, this is related to the section of the Income Tax Act which contains exemption relevant to clergy.

Mr. KNOWLES: I wonder whether the wording we have in the act which you have quoted in the Ontario brief covers all persons in the religious order or only those persons who have taken vows of perpetual poverty?

Mr. NASON: May I ask Mr. Goble to provide some detail on this?

Mr. LLOYD: Before you go into that, while you were proceeding I inquired of Mr. Thorson on this subject, and I think it might be useful to have a brief statement from him.

Mr. D. THORSON (*Assistant Deputy Minister of Justice*): Mr. Chairman, under the provisions of the bill, the only categories that are related to this problem are those excluded from pensionable employment or members of religious orders who have taken vows of perpetual poverty. You will recall that under section 7 (1) (g) the governor in council may make regulation for excluding in pensionable employment any exceptable employment other than certain categories of employment that are not relevant to this particular point. That does not tell you an awful lot, except that there is a prima facie exclusion of members of religious orders; but in addition there is power to bring in certain classes of persons who otherwise are named as being in excepted employment.

Mr. NASON: Thank you. I think that is the very point that is before us in this present brief; that is, the request that consideration be given to appropriate regulations.

The CHAIRMAN (*Mr. Cameron*): I think probably that answers your supplementary question, Mr. Knowles.

Mr. LLOYD: Mr. Chairman, I have been interested in the summary of the recommendations. I will choose the Atlantic provinces because I am familiar with the problem there. I think it has general application. I am speaking particularly in respect of page 6, item 4, which I believe Mr. Parker dealt with earlier today; that is the section which is asking that in some way provincial government be permitted to collect or pay in some fashion what is the equivalent of the employer's portion. Is the employee's portion to be deducted, in your recommendation, by the boards of trustees? This item 4 confines itself solely to the employer's portion.

Mr. PARKER: May I make a comment on that?

The CHAIRMAN (*Mr. Cameron*): Yes.

Mr. PARKER: The proposal of the Atlantic provinces asks that the employer's contribution be paid by the provincial government on behalf of the boards. It also could be possible that the employee's contributions be paid by the provinces, any adjustments to be made later; but that it not what we are asking. The request from our area of the country simply has to do with the employer's contributions.

While I am on that, may I make a correction. Instead of section 91, which really has to do with regulations governing benefits, this should be section 41.

Mr. JONES: May I speak to that same point for Ontario? As I explained earlier, in Ontario the employing school boards send to the province the lists of teachers along with their salaries and along with the deductions that should be made for pension purposes. The provincial government then deducts these sums of moneys from the grants which would go to the school boards. They also contribute 6 per cent. That may be this same amount which comes from their funds, and these are transmitted to the superannuation fund.

What we are a bit concerned about is that we feel the act may prevent this administrative, or what seems to be an administrative, simplicity from occurring. We would prefer in order to have money and for a variety of other reasons to have this continued for the Canada pension plan refer to the policy that the provincial government, when they receive a list of the teachers and salaries, in the calculation of the 1.8 per cent would be allowed to deduct this from the grants if necessary and to send one big cheque on to the federal government.

Mr. LLOYD: I follow your explanation, Mr. Parker. In the Atlantic provinces do we not have for certain purposes a similar report of the information which is sent to the provincial board? This is the case throughout all the provinces?

Mr. GORDON: It is in the west, yes, payments are made for each school term.

Mr. LLOYD: Salary information on all teachers is centralized in every province in some way for some purposes. That is basic information from which to make deductions and then subtract from the various forms of grants which are paid to the municipalities. This is a universal set of circumstances which would make this workable.

Mr. GORDON: Yes.

Mr. LLOYD: Earlier today we heard observations and statements during our questioning of witnesses that by removing the \$600 floor or exemption we would do much to eliminate the necessity of refunds. But this still leaves the question of the employer's refund, and if you remove the \$600 floor. I think it was not generally appreciated, but I wish to make the observation now. So the point

raised by the teachers to a lesser degree is true, but nevertheless it will apply whether or not you were to remove the \$600 floor. Thank you.

The CHAIRMAN (*Mr. Cameron*): I have two more names, Mr. Francis and Mr. Aiken.

Mr. FRANCIS: I pass.

Hon. Mr. CROLL: Is the movement of teachers quite as important as you have indicated? It has been a long time since I have been in school, and it was not so active in those days. How important is it, because it goes to the core of the whole question. What is the incidence of it?

Mr. NASON: May we have a quick report from each of the regions? These people are more familiar with the situation in their own provinces.

Mr. PARKER: In the Atlantic provinces we have 20,000 teachers, taking in the four provinces. I would not be able to give you the percentage, but there would be literally thousands who change their jobs from one school-board, or one employing board to another employing board in any given year.

Mr. JONES: In Ontario we could supply an accurate figure on the concentration of population as such, but not the figure on those who may change their employment without moving, especially for example in the case of metropolitan Toronto which would have 25 per cent of all the teachers in Ontario. So our figures might range as high as 30 per cent.

Mr. GORDON: Of the 40,000 teachers in Canada probably 6,000 would change their jobs each year.

Mr. CANTELON: We found a great many going to British Columbia.

Mr. AIKEN: I would like to touch on another subject.

Mr. LLOYD: Before Mr. Aiken goes on may we ask one supplementary on the question of the movement between provinces? Have you any statistics on the movement between provinces in each year?

Mr. GORDON: In our province about 1,000 teachers came from other provinces, and we have lost about 1,000 Manitoba teachers to other provinces. That would not be in a year. That is according to the teaching force now there. It was about 160 last year.

Hon. Mr. DENIS: Suppose a teacher leaves one job and he gets from his actual employer or board a memorandum showing the contributions he has made which he carries to the next board, and then he goes out from there. Would that not correct the situation?

Mr. JONES: Yes, I think it would. I think that that is the point that Ontario makes on page 4 in between the two green pages, that this would correct the problem. But if deductions were made on his initial earnings starting in September for one board, or starting again in January for another board, this would create administrative problems.

Hon. Mr. DENIS: This adjustment could be made just the same.

Mr. JONES: We would hope so.

Mr. PARKER: This could be taken care of very easily by provincial governments. Any adjustments between respective boards could very simply be made by provincial governments when they pass the grants.

Hon. Mr. DENIS: Why could it not be done by the boards?

Mr. PARKER: Administratively it would be more accurate if done by the provincial government rather than by anywhere from 70 to 100 to 150, or how many boards you might have.

Mr. CANTELON: That is not my understanding of the act. I understood that the employer must deduct willy-nilly. Perhaps we might ask Mr. Thorson to comment on the question.

The CHAIRMAN (*Mr. Cameron*): I do not think that is a question to ask Mr. Thorson to answer. It is a legal problem. What is in the back of my mind is the idea suggested by Senator Denis and others here that you could carry a memorandum from one schoolboard to another, and they could honour it. But would it be strictly within the act? That is why I do not want Mr. Thorson to answer the question.

Mr. NASON: May I make a supplementary statement, if there is such a thing?

The CHAIRMAN (*Mr. Cameron*): There seems to be quite a few of them.

Mr. NASON: I thought I would try it. We have had supplementary questions and I thought that I would try a supplementary statement. I thought that our colleagues in the Canadian Schools Trustees Association with whom we have discussed this matter at great lengths would not think that I was saying anything unfair if I told you frankly we feel that part of the problem may well be that in some parts of the country some schoolboards are not particularly sophisticated. I will leave the statement at that point.

I think this creates part of our concern. The bearing of complicated records from one board to another adds an extra burden on those who already find themselves burdened with records which are quite enough for them to handle at the moment. The suggestion that has been made spontaneously and to me interestingly in these various regions is that some provision be made, but we do not know how this could be done. You are the people who will know.

For the provincial government to make the contribution on behalf of the employing board might very well, if it were carefully designed, overcome this very problem of teacher mobility and of deductions on a first earnings basis. If my memory serves me correctly, this is not implicit in Bill No. C-136, but rather in statements made before this committee by a representative of the Department of National Revenue, who could show how the thing could be done.

The province would have the salary figures, and the province could make the deductions so that for any one year there might be just one set of deductions made, if it were made on behalf of all employers during that year. This is just a possibility and I thought I might introduce it to you. Perhaps it would further the suggestion made by various of our regions that the provincial government be empowered to make the employer's contribution on behalf of the employing board.

The CHAIRMAN (*Mr. Cameron*): Perhaps Mr. Thorson might give us an answer. Could an agreement be made with the provinces to do that?

Mr. THORSON: You mean by the provincial governments?

The CHAIRMAN (*Mr. Cameron*): To make payments on behalf of schoolboards.

Mr. THORSON: I do not think it would solve the problem because the obligation rests on the person who stands in the position of the employer. It is not really relevant who pays the employer's contribution. What is relevant is who is the employer. It is that person on whom the obligation to deduct and withhold falls.

The CHAIRMAN (*Mr. Cameron*): Thank you.

Mr. CÔTÉ (*Longueuil*): I think I should add that in the province of Quebec that problem has been solved because there is only one pension plan for all the teachers in the province and they all contribute to the same fund. They can move to any board they want.

Mr. NASON: This is true in every province, but the problem here is that the added feature has been introduced that the employer must make the deduction, and the employer of the teacher is the employing board. By and large, the employing boards have never had anything to do with pensions; they have no set-up for handling them. Furthermore, they incur the difficulties that have been cited in other submissions to this committee where people change employers within a year.

If I may comment on Mr. Thorson's point, if I understand him correctly, he is saying that under Bill No. C-136 what we are suggesting is not possible. It is because we thought that was the case that we brought the situation to the attention of the committee in the hope that they would make it possible by adjusting Bill No. C-136.

Mr. LLOYD: The record is pretty well straight now.

Hon. Mr. LEFRANÇOIS: I left Quebec for one year to go to teach in St. Boniface.

The CHAIRMAN (*Mr. Cameron*): Is this supplementary to what we are discussing?

Hon. Mr. LEFRANÇOIS: Yes; it is supplementary to a question that was asked a few minutes ago.

Could the witness tell the committee how many teachers from Quebec go out each year to some of the other provinces to teach—to Ontario or to the maritime provinces?

Mr. NASON: I think it would be impossible to say without consulting the records of the dominion bureau of statistics, Mr. Chairman.

Mr. AIKEN: Mr. Chairman, I want to touch on another subject.

By way of introduction, I would like to say that the first people who approached me in connection with a pension plan, and the people who have been most persistent in their approaches, have been the teachers. They have been concerned about a subject which does not seem to have been touched upon in the brief, and that is the question of integration with existing plans.

This seems to me to have been the most serious concern of many of the teachers who have spoken to me about this. They have been concerned about the possibility that the existing plans might be interfered with by the Canada pension plan. I would like to ask whether this problem has been solved or whether there is still some concern about the question of integration.

Mr. JONES: Mr. Chairman, in Ontario this has been of great concern to us for some time. I think one of the things the committee here does not have to understand, because it is concerned with the Canada pension plan rather than with our problems of integration, is that in Ontario the teachers' superannuation act was established in 1917. I am not sure how they were able to receive such a benefit so early in the course of events. It was some 27 years later before they were able to get a teachers profession act. However, the thing has been so well established for so long that it immediately creates fears when something new crops up.

We, of course, are waiting for the final Canada pension act so that we can get down to business with the Ontario government to discuss these integration problems with them.

Mr. AIKEN: Mr. Chairman, I think this is the answer. In fact, the committee has been informed many times that the plan does not make any provision for integration at all. The reason I raised this was that it has been a concern of so many of the teachers.

Do I understand that you intend to solve this problem by negotiation?

Mr. JONES: In Ontario we have made a preliminary report. We did engage an actuary early last spring to help us with this question of integration. The

provincial government, of course, is not in a position to discuss it with us until they know the final form of the bill.

Just last week the minister of education in Ontario suggested that we should get together fairly soon, and we would hope that he will carry through with this initial response and that we will be able to participate in the discussions on integration.

Mr. NASON: Mr. Chairman, may I add to that? I think it is fair to say that while the teachers—as with all other employees, and indeed employers—are not exactly looking forward with keen anticipation to the problems that will be raised by being faced with integration. We are prepared to accept those and to work them out mathematically because it has been pointed out very clearly and fairly that the Canada pension plan will have nothing to do with the way in which the private plans are integrated. So our calculations are all our very own. This would bring us some comfort, however, except for a point which has been raised in the Atlantic regional brief regarding a worry about the extent to which our present say in the pensions that we have will continue.

I think perhaps Mr. Parker could best speak to that if you would permit it.

Mr. PARKER: We have it in substance on page 2. It is very simply this: At the present time we have negotiated with our government for benefits which we will receive in return for 6 per cent of our salary. Over a period of years, all provinces have succeeded in getting a high degree of co-operation in negotiations with their respective governments. The problem we now face is that with integration, if we are to continue to pay no more than our present 6 per cent, and if part of what has been our 6 per cent now goes to another plan, the Canada pension plan, we will be left with a correspondingly small amount over which we can negotiate as far as future benefits are concerned, or any change in future contributions. We will be left, more specifically, with only a 4.2 per cent area of contributions and corresponding benefits on which to negotiate. This is our concern. It is not so much a concern at the present time but—and we all expect this—if and when contributions to the federal plan increase from 1.8 on up, as the actuaries say they will, this will leave a smaller and smaller area for negotiations for respective teachers' organizations.

Mr. CANTELON: May I ask a supplementary question?

I was doing a little figuring for my own satisfaction. In Saskatchewan it would mean that for that 1.8 the province would have to contribute roughly \$675,000 each year to the Canada pension plan. This would be more, if my memory serves me correctly, than they now contribute to match the full 6 per cent of the teachers, since the plan is not a funded plan. I am afraid the government of Saskatchewan is not going to look with much favour on contributing that amount of money for just 1.8 per cent.

Mr. JONES: This is a problem we face in Ontario particularly where the teachers request their leaders to negotiate a decking system whereby they put the Canada pension plan on top of our present pension plan. The committee may be aware that under the present pensions benefits act the government is required to pay the interest on the deficit where the actuarial plan exists, and this interest will be in the order of about \$14 million per year. The provincial contribution to the Canada pension plan, if it were decked also, would be in the order of \$3 million to \$4 million. At the present time, the government contributes approximately \$19 million and the teachers contribute approximately \$19 million. If you add the \$14 million plus the \$4 million to the \$19 million the government is presently contributing, you will see that you have a provincial political problem.

Mr. GORDON: We are more optimistic out west, I guess. We think we can integrate the Canada pension plan to provide a better over-all pension for our members; and certainly this is our objective. We do not plan to have a pension

plan which is inferior to the one we have now. We think through integration—and, this is a local matter—that has to be worked out through negotiations so we can provide a better over-all pension.

Mr. KNOWLES: That is the way to speak of the province of Manitoba.

Mr. AIKEN: In summary, I take it that the answer from all the regions is that they are quite satisfied with the fact that there is no integration in the plan and they are satisfied it can be negotiated to integrate with the existing plan.

Mr. GORDON: We would hope so.

Mr. NASON: I think, Mr. Chairman, in the interest of accuracy, we would have to agree our people are satisfied that they can work out an equitable arrangement for combining or decking, as may be appropriate to their provinces, the two plans. I think we must not lose sight of the fact that at least in some of our organizations there is a concern in the future, in view of the predicted increase in contributions, that the integrated portion of the Canada pension plan contributions will represent a growing proportion of the integrated plan, and the Canadian pension plan area will be an area which does not come within the negotiable procedures that have long been established.

Mr. PRITTE: That is why you asked for a representation on the advisory committee, among other reasons?

Mr. NASON: Yes.

Hon. Mr. CROLL: I gather what will happen is that you will have to be rather stiff regionally, and that you lay down some principles which could apply later on.

Mr. NASON: But, Mr. Chairman, I think our people are confident that they can work out a good arrangement with the governments, with whom they have co-operated. This is not their concern, but an increasing portion of their pension is going to be removed from the area of arrangement between themselves and their provincial governments and this is going to be decided at the federal level. In this way they will not have direct access to changes and discussions in that connection unless, of course, some of the other recommendations are accepted.

Mr. GRAY: Dr. Nason, you are appearing here in the capacity of a full time officer of the national federation and surely you will have in the future, as you have now, access as such to any arm of government to whom you wish to make representation. I think your suggestion in respect of representation on the advisory committee is very sound. Even if that does not take place you and your associates, as spokesmen for the C.T.F., will be able to make representations to cabinet or to individual members and so on, and you will be able to take part in negotiations arising out of these representations to the fullest extent of any other national group.

Mr. NASON: Yes, and I would like to tell the committee at this time that we look forward to continued opportunities to present our points of view to all levels of the federal government. But, you see, at the moment teachers' pensions are decided provincially, and if I may say so, they are tailored provincially, and the adjustments, henceforth, in the portion representative of the integrated plan which is represented by the Canada pension plan will only be able to be made at the federal level, and this applies to all. It will be removed from the area of provincial jurisdiction and negotiation.

Mr. GRAY: But, is it not also a fact in respect of your dealings with the province that your dealings are really only in the form of discussion or negotiation and that you do not have a voice in the sense of a vote, so to speak?

Mr. PRITTE: It is really bargaining, is it not?

Mr. LLOYD: At this point I would like Mr. Parker, for my benefit, to tell us whether or not pension benefits and pension rates as well as the question of sharing is the subject of negotiation under your acts in the province of Nova Scotia?

Mr. PARKER: There is no legal provision for negotiations. What we said earlier was that over a period of years we have been able to establish a very sound working relationship with our respective governments. We request changes and they are given very serious consideration.

Mr. GRAY: What is the situation in the province of Ontario? Is there any legal obligation there?

Mr. JONES: In respect of the province of Ontario any changes are usually discussed with the executive of the Ontario Teachers' Federation, and the executive having made its views known to the minister he then proceeds with his legislation. The teachers may or may not be in agreement with the legislation that comes forward; but, they have had a chance to talk to him about it.

Mr. KNOWLES: Do you have a member on any advisory board?

Mr. JONES: We have members on the commission but the commission—and I stand to be corrected—administers the plan.

Hon. Mr. CROLL: Would I be right in assuming from what you have said that the pension plan in the areas vary and that there are some better than others?

Mr. JONES: Yes, Mr. Chairman.

Hon. Mr. CROLL: The answer to that is yes?

Mr. JONES: Yes.

Hon. Mr. CROLL: Then is there some hope that there may be a more unified basis as a result of integrating these plans?

Mr. PARKER: With the Canada pension plan?

Hon. Mr. CROLL: Yes.

Mr. PARKER: No, I would say that would have no effect on it except that it will bring about one feature which we have all wanted and which only three provinces presently have, and that is some measure of portability.

Mr. GRAY: Will you expand on that. I intended to ask you a question in respect of that later on. Specifically, what is the situation if a teacher wants to leave the province of Nova Scotia and come to the province of Ontario to teach? What happens to the superannuation benefits in Nova Scotia?

Mr. PARKER: I will speak very generally, sir. There are only three provinces which have any arrangement in respect of portability; these are British Columbia, Alberta and Ontario. I believe Saskatchewan has permissive legislation. Nova Scotia has permissive legislation. We are working at the present time to try to establish portability within the Atlantic area. Now, for the details I would refer you to the province of Ontario in respect of British Columbia, Alberta, Ontario and, as I am told, most recently Saskatchewan.

Mr. JONES: It is not exactly portability; it is a reciprocal arrangement. There are certain regulations that apply; a teacher has to be in one jurisdiction and in another jurisdiction for certain lengths of time. But, the province of Ontario has a reciprocal arrangement with England and Wales as well as with the provinces of British Columbia, Alberta and Saskatchewan. I understand that the province of Manitoba is on the list for this year. The Ontario superannuation commission has been actively engaged in this and they have brought about these reciprocal arrangements. But, it is not true portability.

Mr. GRAY: So, if this plan comes into effect it may be very helpful to those members of the teaching profession who wish to seek opportunities in any part of Canada.

Mr. JONES: As far as the Canada pension portion is concerned, yes, but as far as the provincial portions are concerned, no.

Mr. PRITTE: Mr. Gray should know there are other obstacles in respect of moving from one province to another to take up teaching.

Mr. NASON: We should add that the Ontario pension plan portion remains portable.

The CHAIRMAN (*Mr. Cameron*): Have you a question, Mr. Francis?

Mr. FRANCIS: I would like to put one question in respect of the advisory board. I note from the recommendations that the teachers' federation would like to be represented on the advisory board, and I would like to ask do you think the advisory board should be set up on an occupational basis. Should this be the basis on which we establish an advisory board and, if so, how many professions should we consider for membership on the board?

Mr. PARKER: I knew someone would ask that question. We assume that in setting up an advisory board you will not neglect organized labour, for example, and I hope you do not neglect the teaching force, which is organized in quite a different way from the other professions. Finally, I hope you would consider us on the advisory committee because in coming into the Canada pension plan, if we integrate, we lose, as Dr. Nason has said, a certain area which previously we had for negotiations, and the only way to compensate might be to have some voice at the federal level.

Mr. FRANCIS: I have a great deal of sympathy with this but I think the teachers' federation must realize there are practical limitations in the number of groups which can be represented on this board.

Mr. NASON: May I add that it was only after a great deal of discussion—and I can assure you of this because I was president—that it was decided to include this because I think these briefs bear witness to the fact that the teachers are indeed reluctant to ask for privileges that would not be equally available to others in the same situation. And, this is precisely the point; surely when the federal government is about to set up this advisory committee it will not consider vocations so much as pension situations. We may be very wrong but we think it is for the committee and the government to decide. But, after thinking the matter over we came to the conclusion, rightly or wrongly, that we were indeed in a rather unique pension situation, and if this is so then this would justify our requesting a seat on the advisory committee.

Hon. Mr. DENIS: Anyway, you have nothing to lose.

The CHAIRMAN (*Mr. Cameron*): On that happy note may we conclude. Has anyone else any further questions?

Mr. BASFORD: Mr. Chairman, I hope that Dr. Nason's delegation, with only one member from western Canada, does not represent the view of the Canadian Teachers' Federation in respect of Canadian geography, and I hope there is no misapprehension in respect of the western region.

Mr. KNOWLES: There is one member from Manitoba.

Mr. NASON: For some reason unknown to me, and perhaps it is the wind that blows over the prairies, I find it is possible to become easily united on many of these matters.

The CHAIRMAN (*Mr. Cameron*): Nothing remains then, Doctor Nason, but for me to express on behalf of the committee our thanks to you and to the members of your delegation from the Canadian Teachers' Federation and its affiliates for the brief that you have presented which, by the way, will be

included in full in our minutes, and for the presentation that you have made as well as the manner in which you have submitted yourself and answered our questions.

Mr. FRANCIS: I would like to move that a vote of appreciation for the delegation and for their efforts be included in the minutes.

The CHAIRMAN (*Mr. Cameron*): It is moved by Mr. Francis and seconded by Mr. Laverdière that we move a vote of thanks to Doctor Nason and the delegation for their presentation here tonight. All those in favour?

Motion agreed to.

Mr. NASON: May we thank the committee for hearing us at the end of a very arduous day. We appreciate the very serious consideration that has been given to our brief. We understand that some of the points and questions that were raised in our brief perhaps did not lend themselves to full discussion at this time, but we would commend them to the consideration of the committee when it comes back to look over the many submissions that have been made in these quarters.

The CHAIRMAN (*Mr. Cameron*): I call the committee to order. We now have the delegates from the Canadian Construction Association before us. Mr. P. D. Dalton from Toronto is the national vice-president of the association. He will introduce the other members of the delegation. Mr. A. Trottier of Quebec, the national vice-president, unfortunately had to go back to Quebec so he is not here.

Mr. Dalton, would you mind introducing your delegation?

Mr. P. D. DALTON (*National Vice-President, Canadian Construction Association*): Mr. Chairman and members of the joint committee, the Canadian Construction Association is appreciative of having the opportunity of appearing before you and presenting our brief and answering any questions that you will see fit to direct to us.

As the Chairman said, we are sorry that our leader, Mr. Armand Trottier had to return to Quebec and is not with us, but I will introduce the other members of our delegation. Beside me is Mr. Peter Stevens who is director of labour relations. Next to Mr. Stevens is Mr. Stafford, the representative of one of the largest subcontractors in Canada and also chairman of our labour relations committee. Next to Mr. Stafford is Mr. Desmarais from Montreal. Mr. Desmarais is well versed in pensions having been recently connected with the pension plan covering some 60,000 construction workers in Montreal. Next to Mr. Desmarais is Mr. Chutter, general manager of the Canadian Construction Association in Ottawa.

Mr. Chairman, our brief has been reviewed widely by our affiliates and it is believed to represent the main points of concern to our industry. Indeed, we have restricted our comments and recommendations entirely to construction issues. Copies of our brief have been distributed both in English and French, but it is so brief that we propose to read it, if the procedure is agreeable to you, sir. This, we think, will be a time saving process. There are only six pages of this brief, and, with your permission, Mr. Chairman, we will read it.

The CHAIRMAN (*Mr. Cameron*): I think the committee will agree to that.

Mr. DALTON: Mr. Chairman, our industry operates in all sections of the nation and all parts of our vast country. In 1964 the value of construction put in place will likely have reached \$8.6 billion and estimates for 1965 indicate a volume well in excess of \$9 billion. This activity provides on site jobs for a year round equivalent of about 600,000 Canadians and for an even larger number off site.

On site employment conditions in our industry have often been described as unique by industrial relations specialists inasmuch as they are normally governed by the rare combination of these three factors:

- (a) Constant employee mobility from one employer to another,
- (b) Constant employee mobility between locations of work sites—often many miles apart, and
- (c) Traditional organization of employees on craft lines rather than on an industry basis.

These circumstances thus create some unusual requirements in any pension plan to be applied to our industry.

Mr. Chairman, you will notice that our submission takes a positive approach to Bill No. C-136, and only deals with those aspects of the proposed plan which are of direct concern to the construction employees. These I have already mentioned to you. Are there any questions which the committee members might like to direct to us?

The CHAIRMAN (*Mr. Cameron*): It would be a good idea if you read the summary of your recommendations which is a summary of what has gone on before.

Mr. DALTON: The summary of recommendations is as follows:

- (a) Retention of Canada-wide portability feature of any contributory pension plans,
- (b) Provision for automatic annual refunds to both employees and employers of any overpayments by them, and elimination of the annual basic exemption,
- (c) Offer of an option to "contract out" to existing portable, contributory pension plans, and preferably also to all employer-employee units, able to obtain equivalent benefits at lesser cost. Elimination of indexing features and extension of the transition period to twenty years to make this feasible, and
- (d) Earliest possible public clarification regarding the integration of certain benefits already being provided under existing compulsory government operated plans such as Workmen's Compensation Acts.

Mr. Chairman, with your permission, Mr. Desmarais would like to add something to that in French.

(*Translation*)

Mr. DESMARAIS (*Member, Labour Relations Committee, Canadian Construction Association*): I will read section 4:

The Canadian Construction Association gives it fullest support to freedom of enterprise. In consequence, it believes that in all those instances where employees are already covered by existing contributory portable pension plans offering equivalent benefits, an opportunity should be provided to offer these employees and employers an option between participation in a governmental portable contributory pension plan and the continuance of the existing plan to avoid the possibility of being faced with total pension contribution payments in excess of that required in the proposed legislation. Such an option would clearly be guided by which plan offered the better protection. It would, moreover, likely avoid many of the difficult integration problems facing existing plans. This point is raised because our industry already operates a few portable, but very sizeable contributory pension plans which should be given the choice to "Contract out". This change would become feasible if the indexing features were eliminated and the transition period extended over 20 years.

Better still, perhaps, such a choice might be granted generally, as is the case in the United Kingdom under its plan. In this manner, truly competitive conditions would be created for the benefit of the general public and the maximum administrative efficiency of all plans would best be assured.

(Text)

That is about all I have to say.

The CHAIRMAN (*Mr. Cameron*): Thank you. Does Mr. Dalton wish to say something?

Mr. DALTON: I do not think so, Mr. Chairman.

Mr. LLOYD: Mr. Chairman, I am interested in the summary of recommendations, page 6, item (b) in the last part. The association advocates the elimination of the annual basic exemption. I presume, in recommending this, you do not suggest we reduce the upper limit from \$5,000 to \$4,400. Should the \$5,000 still remain?

Mr. DALTON: I will ask Mr. Stevens to reply.

Mr. P. STEVENS (*Director of Labour Relations, Canadian Construction Association*): Mr. Chairman and Mr. Lloyd, our point is merely one concerning the elimination of the \$600 basic exemption as stated in our brief. Nowhere in our brief have we opposed the \$5,000 limit as such. I think this might be the opportunity, Mr. Chairman, to enlarge on the extreme mobility of the construction labour force, not only from place to place, but from one employer to another employer, which continuously carries on throughout the year in our industry as a regular condition of employment. This is a specific problem. You already have heard about the mobility of teachers; they might move once a year. Our people might work for as many as half a dozen employers in the course of a year, and perhaps even more. Who is to figure out the basic exemption at the beginning of the year when you have half a million construction workers who might work one place for six days, or for a shorter period, and then be somewhere else in winter months, and then be cut off because of inclement weather and that type of thing.

Mr. LLOYD: It has been recommended to us by others that the \$600 exemption be eliminated, and presumably it would eliminate some administrative problems in respect of refunds to some degree with regard to those whose salaries are less than \$5,000; for those over \$5,000 you would still have problems. I think also you must have appreciated, as employers, that this will cost you some more money, because if you keep it at \$5,000 and you include now \$600 more of earnings it would cost you, as your employer's contribution 1.8 per cent for every person who would enjoy such an exemption. You are aware of that and despite that you would still prefer the \$600 be eliminated?

Mr. STEVENS: Yes. You will note in our brief, in the summary, item (b), that it is tied in with the provision for automatic refunds to both employees and employers. If you look at pages 2, 3 and 4 of this brief you will find we are unhappy about the fact that employers in our industry, with this extreme mobility, will be overpaying considerably in the course of a year for an individual who exceeds \$5,000 annual income limit, and there will be very considerable numbers of these. We have statistics from the dominion bureau of statistics showing that a considerable proportion of the construction labour force in the course of a year earns in excess of that amount. We feel this will more than compensate for the elimination of the \$600 limit.

Mr. LLOYD: I am glad to hear you say this. However, because this is such a complex matter, I led you into an answer, not to catch you or anything like that, but to make sure you had fully appreciated the fact that there would be additional cost to you if we keep the limit at \$5,000 and remove the \$600 floor.

Mr. STEVENS: With the excess payments we will be making, and with refunds to employers, we will be compensated in our particular situation.

Mr. LLOYD: You see quite readily the difficulty the government is in in respect of refunds to employers as distinct from employees because you have a large number of people moving from job to job and numerous employers in the course of a year. As you say, in so far as the construction industry is concerned, this kind of answer seems to be the only solution.

Mr. STEVENS: Our recommendation in respect of elimination of the \$600 basic limit is tied in, as it is in the brief, with the elimination of the non-availability of refunds to employers.

Mr. LLOYD: Thank you.

(Translation)

Mr. CÔTÉ (*Longueuil*): You say on page 2, paragraph 2, on the matter of national portability:

The Canadian Construction Association considers that complete portability, from one end of the country to the other, is an essential feature of any contributory pension plan set up by the federal government or by any other body.

What do you understand by any other body?

Mr. DESMARAIS: You have, for example, sailors who move around fairly often. Can you follow me now?

Mr. CÔTÉ (*Longueuil*): I understand you, but it is the interpreters who do not understand.

Mr. DESMARAIS: Seafarers and those who work in ports change jobs fairly often.

Mr. CÔTÉ (*Longueuil*): Those are not pension plans on the government's scale, they are private plans.

Mr. DESMARAIS: Actually they are private plans.

Mr. CÔTÉ (*Longueuil*): What do you believe the federal government can do as regards portability of private pension plans?

Mr. DESMARAIS: Mr. Stevens will answer your question.

(Text)

Mr. STEVENS: Mr. Chairman and gentlemen, the mobility of the construction labour force has become such that—and this might interest Mr. Basford—construction workers from Vancouver, during the recessionary periods in 1961 and 1962, went as far afield as Sudbury, Ontario, in order to find work. From our point of view there is a constant flow of labour at the moment between Alberta and British Columbia. This interprovincial countrywide portability is of the utmost importance to the construction industry and construction employers.

Mr. CÔTÉ (*Longueuil*): We understand it is a good thing; but it is a matter of provincial legislation, I think, to make the portability of the private pension plan. I do not think the federal authorities can do anything about it.

Mr. STEVENS: But here in the last sentence we say we hope "it will be possible for this important feature of the plan to be retained as an essential one", because even Quebec provincial workers have for long periods found themselves in Newfoundland and Labrador on construction projects of several years duration, in the iron mine development, and so on.

Mr. CÔTÉ (*Longueuil*): It is already certain that people from Quebec or from any other province in Canada, even if they have their own plan in the province, still are going to have to have portability.

Mr. STEVENS: I think you will recall that the C.M.A. made a similar recommendation to us in our industry namely that this must be retained.

Mr. CÔTÉ (*Longueuil*): So far as private pension plans are concerned, are you going to make any representations to the different provinces to see whether they will pass legislation to make the private pension plans portable?

Mr. STEVENS: That would be a matter for the various provincial organizations and federations of construction employers, since the provinces are concerned.

Hon. Mr. CROLL: Recently in Ontario they held a meeting with half a dozen provinces for the purpose of doing exactly that; they have had some consultations on it.

Mr. STEVENS: We are not aware of any such discussions.

Hon. Mr. DENIS: What would happen if one of your employees changed his employment to an employer who has no private pension plan at all?

Mr. STEVENS: Which section of the brief is the senator speaking about?

Hon. Mr. CROLL: You are talking about opting out of the Canada pension plan.

Mr. STEVENS: The reason we have included this item is that our industry, I think, is proud of the fact that it has been more progressive in this regard probably than any other industry.

We have had a contributory portable pension plan for the entire region of Montreal and Quebec City for the construction industry, and also with portability between Quebec City and Montreal.

Hon. Mr. DENIS: There is nothing in the present bill which forbids you keeping these portable pensions. You can go on having your portable pensions.

Mr. STEVENS: Yes, but with a plan which meets almost all the conditions as they exist now, either a Quebec provincial plan or a federal pension plan should not be superimposed on it. You will note in that situation that integration will become more difficult in one way and also more unnecessary in another way, because from the worker's point of view you will get to the point in our situation where the worker will be putting more out of his pay package each week into pensions than he himself would want to see.

Mr. CÔTÉ (*Longueuil*): Suppose an employee works for one of the firms which belongs to your association which has a pension plan which is portable between different provinces, and he wants to change his trade or to go into another job because he is out of work in your trade and he does not have the Canada pension plan. He will surely lose out under the plan that he has, under your pension plan.

Mr. STEVENS: His benefits will stay to his credit even if he leaves the construction industry to go into another industry; those credits will remain with him until he qualifies for his pension.

Hon. Mr. DENIS: But it would not increase; it would stop.

Mr. STEVENS: No, but he would come under the Canada pension plan.

Mr. GRAY: If your suggestion was adopted—and I appreciate the constructive spirit in which you have presented this brief to us—and if that happened, would not the employee who would now be under the Canada pension plan be prejudiced in various ways because he would not have an earnings record under the Canada pension plan for the period in which he is contributing to one of your industry's plan?

Mr. STEVENS: I think this feature is protected in other countries such as the United Kingdom. I do not think the problem is one which cannot be overcome, because it is overcome over there, and as I have said before, the credits

that he had in the construction industry plan would remain to his credit until he became of pensionable age, and the records would be available to any government.

Mr. GRAY: I understand that in the United Kingdom most of the employees who are under the pension plan for which they have been opting out are employees of various types of state authorities or municipalities, or are various types of civil servants.

Mr. STEVENS: Some of them undoubtedly are.

Mr. BASFORD: The evidence we have had is that the overwhelming majority are in the case of state agencies.

The CHAIRMAN (*Mr. Cameron*): Does that conclude the supplementaries?

Mr. AIKEN: I presume that the portability to which you refer in your brief concerns mainly the portability of the Canada pension plan. Now are you satisfied at the moment with the degree of portability between the Canada pension plan and the Quebec pension plan?

Mr. STEVENS: We have seen the third version of the Canada pension plan and now we are still not certain what the final document will be, and we have not yet seen the Quebec bill. So I do not think we are in a position to comment on that at this time.

Mr. AIKEN: Would you suggest that further efforts be made to bring Quebec into this plan to make it fit the portability requirements across the country?

Mr. STEVENS: I think we maintain the position as outlined on page 2, paragraph 2.

Mr. KNOWLES: You will be interested to be made aware that Ontario is going to stay in.

Mr. BASFORD: Recognizing that you have not seen the Quebec bill, and that we have not seen it either, and assuming that Quebec is going to stay out, you are satisfied with Bill No. C-136 and with its provisions for portability between two different provinces and the rest of Canada.

Mr. STEVENS: We are very happy to see it. We wholeheartedly support it and we want you to make sure that it is maintained.

Mr. FRANCIS: I want to ask the delegation a question on page 6, recommendation 6(c), regarding the "offer of an option to 'contract out' to existing portable, contributory pension plans, and preferably also to all employer-employee units, able to obtain equivalent benefits at lesser cost."

I have a rather keen recollection of some vigorous representations made by the insurance industry who complained about the windfall features of our plan and so on; and this remark as I read it suggests that some private plans can offer better pensions dollar for dollar than the Canada pension plan. As an association do you mean this? Do you really believe that there are private plans which are offering more for the dollar than the Canada pension plan is offering? I am very serious in my question.

Mr. STEVENS: Mr. Chairman, this is tied in with the second sentence which Mr. Francis did not read.

Mr. FRANCIS: I did not intend to distort it.

Mr. STEVENS: I realize that, but one is tied in with the other. Perhaps I might cite an example. The staff at the Construction House of this Association happens to be a very young staff in average pension age, and it is a small group; and for similar small groups of very young age I think the situation can be created. Let us take the electronic industry where you have a lot of young people in a new industry, newly trained just out of school or university,

and you could have smaller units where you might have very young people of average age in a particular group.

Mr. FRANCIS: Have you had actuarial advice to this effect?

Mr. STEVENS: Yes, we have had actuarial advice on the basis that this is not completely unrealistic.

Mr. FRANCIS: It surprises me, and I would like to think that the delegation would probably have checked this before making such a statement.

Mr. KNOWLES: Did Mr. Francis read the other sentence? If it is taken out of context can the benefit of the Canada pension plan be reduced by it?

Mr. FRANCIS: I am trying to make the point of it a possibility. In effect you say that indexing features should be abolished and a long transition period retained. I appreciate that this plan has been subject to a number of federal-provincial conferences. The province of Ontario said that it has participated in six federal-provincial conferences in discussing this matter. So it does raise some fundamental questions in terms of the plan. My question to you is this: Are you very serious about this contracting out feature? Do you think it is possible without a changed situation?

Mr. STEVENS: We have had actuarial advice in this matter, as I stated, and the advice was on the basis of these changes to the basic concepts of the plan. The main reason for our inclusion of this item in our brief is the existence of the fact that our industry, as I have already stated does offer the closest plan in existence of privately negotiated plans covering tens of thousands of construction workers, something like 75,000 construction workers already with more features in it similar to Bill No. C-136, than any other existing negotiated plan.

Mr. FRANCIS: Do you contend that a plan with a very large membership like this can still give better value dollar for dollar than the Canada pension plan? Surely when you grow to a large membership, the advantages of age which you describe will not hold, because the larger the membership the closer to average you will become. Is it still your contention that there are plans with large and significant membership which offer better value dollar for dollar?

Mr. STEVENS: Our actuarial advice was that better features are provided when the period is spread to 20 years, yes.

Mr. FRANCIS: We cannot have everything. If we must make a choice would you not go along with this position of the Canada pension plan that develops private escalation and complete portability, even though it is not consistent with contracting out?

Mr. STEVENS: We would have to consider our position when we know what the findings and recommendations of this committee are.

Mr. FRANCIS: Thank you.

Mr. BASFORD: I take it from your brief that approximately one eighth of your employees are within some private pension plan.

Mr. STEVENS: That is what it really amounts to at the moment, yes.

Mr. BASFORD: Where are they located? Because in my experience in British Columbia I do not know anybody in the construction business on a pension.

Mr. STEVENS: In British Columbia I think at least two trades in the negotiations of last spring have agreed on the establishment of a pension plan. But whenever one does this in the course of negotiations, as I am sure certainly Mr. Knowles will be aware, it takes time to get the necessary actuarial advice and actually establish the plan. In the course of negotiations at least two trades

did negotiate for pensions last spring in Vancouver. These will be implemented once the details of the plan itself have been finally worked out and agreed to.

Mr. BASFORD: So, if I understand your position correctly, on behalf of one eight of your employees you are asking what is really a very fundamental change in the plan. Is that right?

Mr. STEVENS: Yes, but it is a plan, as we have already stated, which is closer to Bill No. C-136 than any other plan we know of or of which the insurance industry can tell us; it is known and has operated successfully for several years in Canada right now.

Mr. BASFORD: How would you deal with people who—and I believe this has been answered but I did not quite understand your answer—come in and out of the construction industry, which I think is quite a common experience in that business.

Mr. STEVENS: The answer given, Mr. Chairman, was that any pension credit benefits that may have accrued stay with them, and once they reach pensionable age they will be qualified to draw that pension.

Mr. BASFORD: Does this not put a very great administrative burden on the government? They would have to deal with people constantly coming in and out of the Canada pension plan.

Mr. STEVENS: I think other countries which have the opting out feature have been able to handle it.

Mr. BASFORD: I am not sure that I accept that, because our evidence is that in the other countries where they have contracting out, the experience has been that the contracting out is in industries where the employment is extremely stable and where there is very little movement in the industry or even in and out of the industry which, of course, is not so with construction.

Mr. STEVENS: The mobility in construction is between one employer and another employer and one location and another location. A man who is a bricklayer or a carpenter will stay with the industry as long as the industry can offer him an income.

Mr. BASFORD: But in an industry such as the construction industry, which is also subject to considerable fluctuation, I think it is also common that people come in and out of it quite a lot. If things are slow in the construction industry they find something else to do; they go fishing or logging.

Mr. STEVENS: Mr. Chairman, we made representations jointly with the construction unions, to the cabinet committee on employment only last February asking for statistics on occupational mobility. We are hopeful that these statistics will be soon available for Canada. At the moment we do not have any statistics. This was an effort jointly between labour and management in our industry, asking the government to provide that type of information so we might be better informed on the factual situation.

Mr. BASFORD: I was hoping you would give me factual information now.

Mr. STEVENS: It is not available.

Mr. BASFORD: My observation would be that it would be very high, but I may be prejudging the situation.

The CHAIRMAN (*Mr. Cameron*): Are there any further questions?

Mr. Dalton, Mr. Stevens, Mr. Stafford, Mr. Desmarais, Mr. Chutter, we wish to thank you for the brief you have submitted to the committee and for the manner in which you have presented your recommendations. We thank you for the very frank and open way in which you have answered our questions.

Mr. STAFFORD: Mr. Chairman and members, we would like to thank you for the way you have received us and especially for the prebriefing session we had in the Senate; we appreciated it very much, and we enjoyed it.

Mr. KNOWLES: Mr. Chairman, I hope that, now reference has been made to it on the record, Senator Fergusson will not mind if one of the members says that we too appreciated her very kind hospitality this evening.

Some hon. MEMBERS: Here, here.

Mr. BASFORD: May I move a motion of thanks to the Canadian Construction Association for their appearance here and for their very constructive brief in pointing out areas which are of special concern to them?

Mr. CÔTÉ (*Longueuil*): I second the motion.

The CHAIRMAN (*Mr. Cameron*): Mr. Basford has moved, seconded by Mr. Côté, that we pass a vote of appreciation to your committee for the presentation here tonight. How is it received?

Motion agreed to by acclamation.

The committee is adjourned until ten o'clock tomorrow morning.

APPENDIX A37

Answers to Questions raised by Mr. Knowles, Mr. Cantelon, and Mr. Aiken on December 3, 1964, and January 15 and 20, 1965

1. *Question:*

What would happen in the event of an employer becoming bankrupt and not leaving an estate sufficient to cover both what he deducted and did not remit on account of contributions under the Canada Pension Plan and what he deducted but did not remit on account of taxes under the Income Tax Act? (p. 217)

Answer:

While the Bill, as mentioned in the Minutes of Evidence on page 216, does not purport to assert any express priority for claims under the Canada Pension Plan over other Crown claims such as claims for unemployment insurance deductions and income tax deductions, the actual priorities of such claims would depend, in the first instance, on whether the various amounts that the employer was required to deduct and keep separate and apart from his own funds were in fact so kept separate and apart. To the extent that they were, there would probably be no problem, since they could be turned over to the Crown by the persons administering the estate as soon as they were identified.

If, however, the moneys in question had not in fact been kept separate and apart from the employer's own funds, a different situation would exist. In this connection, it would be noted that subsections (3) and (4) of section 24 of the Canada Pension Plan are somewhat different from the corresponding provisions of the Unemployment Insurance Act and the Income Tax Act. Under the provisions in question of the Canada Pension Plan, the amount of any pension contributions deducted but not remitted by an employer is deemed to be separate from and form no part of the estate in bankruptcy "whether or not that amount has in fact been kept separate and apart from the employer's own moneys or from the assets of the estate". The words in quotation marks do not appear in the corresponding provisions of the Unemployment Insurance Act and the Income Tax Act. In the result, a claim for pension plan contributions would probably be treated as having to be paid before any of the other Crown claims mentioned, because the other Crown claims, in any case where the various amounts that should have been remitted have been merged with the other assets of the estate and cannot therefore be separately identified, would probably have to be treated by the person administering the estate as claims against the estate itself, to be dealt with in accordance with the priorities set out in section 95 of the Bankruptcy Act. In accordance with the priorities set out in that section, a claim under the Unemployment Insurance Act, which comes under paragraph (h) of section 95, would be entitled to priority over any claim under the Income Tax Act, which would presumably be treated as coming under paragraph (j) of that section along with any other claims of the Crown not previously mentioned.

2. *Question:*

What is the average difference between the ages of husband and wife across the country? (p. 992)

Answer:

It is not possible to determine the average of the differences in age between husbands and wives across Canada, since no Census tabulation was devised to record the *differences* in the ages of husbands and wives. Only the actual ages themselves were recorded; these have been averaged for various age groups. It is possible to say that for husbands aged 65 to 69, the median average age of their wives was 62.8 years in 1961. If it can be assumed that the average age of these husbands was 67, then the difference between the age of the average husband in this group and the age of the average wife of this group of husbands would be 4.2 years. The difference between the average age of all husbands and the average age of all wives was 3.5 years.

Bulletin 2.1-11 of the 1961 Census of Canada provides a table entitled "Husband - Wife Families showing Age of Husband by Age of Wife" (Table 95). The following averages can be developed from this table:

	Median Age (years)
Wives of Men Age 65-69	62.8
Wives of Men Age 70 and Over	70.0
All Wives	39.5
All Husbands	43.0

3. *Question:*

(a) What would be the amount of the old age security benefit of \$75 a month available at age 70 if its actuarial equivalent were payable at age 60?

(b) What would be the amount of the maximum Canada Pension Plan retirement benefit (\$104 a month) available at age 65 if its actuarial equivalent were payable at age 60?

Answer:

The following actuarially equivalent annuities were calculated by the Department of Insurance in accordance with the mortality rates of the Canadian Life Table, 1960-62, males or females, as applicable, and interest at 4 per cent per annum. Annuity payments were assumed payable monthly in arrears.

(a) Monthly amount of annuity payable at age 60 equivalent to \$75 per month payable at age 70—

Males	\$26.75
Females	\$30.53

(b) Monthly amount of annuity payable at age 60 equivalent to \$104 per month payable at age 65—

Males	\$64.88
Females	\$68.88

APPENDIX A38

SUBMISSION OF THE GOVERNMENT OF ONTARIO TO THE
SPECIAL JOINT COMMITTEE OF THE SENATE AND HOUSE OF COMMONS
ON THE CANADA PENSION PLAN

Toronto, January 21, 1965.

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SUBMISSION OF THE GOVERNMENT OF ONTARIO TO THE
SPECIAL JOINT COMMITTEE OF THE SENATE AND
HOUSE OF COMMONS ON THE
CANADA PENSION PLAN

A. *Introduction*

1. Ontario has given careful and serious consideration to the several proposals of the Government of Canada for a nation-wide contributory pension plan. The Ontario Government has been most concerned in the light of its constitutional position to carry out fully its responsibility to the people of Ontario. *The Government believes that the adoption of Bill C-136 as it stands would result in the acceptance of a plan deficient in achieving the most desirable results for an expenditure of the magnitude involved.* This submission indicates what some of these shortcomings are and provides suggestions for improvements.

2. Although the Government of Canada has indicated on several occasions *that the basic principles of the Canada Pension Plan are unchangeable, the Government of Ontario is not prepared to accept this policy as the last word and hopes that the Government of Canada will be persuaded to give favourable consideration to the constructive suggestions offered by Ontario.*

B. *Basic Criticisms*

3. Ontario's principal criticisms of the Canada Pension Plan are:

- (a) *Adequate advance consideration does not appear to have been given to the full financial and economic implications of the present proposals and possible alternatives, and*

- (b) *The lack of co-ordination between the Canada Pension Plan, Old Age Security and other government welfare and social security programmes results in inadequate provision for those most in need.*

C. Summary of Recommendations

4. Ontario has voiced its comments on the Canada Pension Plan at six federal-provincial conferences since July, 1963. In addition, the Prime Minister of Ontario has exchanged letters on the subject with the Prime Minister of Canada and Ontario officials have met with federal government officials on numerous occasions. Consistent with the principles to which Ontario has adhered throughout these exchanges, the following recommendations are made:

- (a) *The Federal Government should obtain the opinion of the Royal Commission on Taxation on the implications of the Canada Pension Plan on fiscal policy and the incidence of taxation. If the Tax Commission finds that the proposed method of financing the Canada Pension Plan is inconsistent with its own recommendations, alternative methods should be considered. (paragraphs 11 and 12)*
- (b) *The Old Age Security and Assistance programmes and the Canada Pension Plan should be treated as a single programme geared to the needs of older people. (paragraph 15)*
- (c) *A flat benefit of perhaps \$25 a month should be provided under the Canada Pension Plan from January 1, 1967 to all persons receiving Old Age Security benefits. (paragraph 19)*
- (d) *A minimum pension of perhaps \$25 a month should also be paid to all persons qualifying for benefits under the Canada Pension Plan. (paragraph 20)*
- (e) *The 42-year earnings base should be abandoned. In its place, a shorter period, perhaps the ten last or ten best years of earnings, should be used. (paragraph 27)*
- (f) *In cases of early retirement, certain years between retirement and age 65 should not be counted in calculating the earnings base. (paragraph 30)*
- (g) *The Earnings Index should be abandoned and the Pension Index based on the cost of living substituted for it. (paragraph 32)*
- (h) *A retirement test should be used to determine entitlement for both Canada Pension Plan and Old Age Security benefits for persons between the ages of 65 and 70. (paragraph 35)*
- (i) *The exemption of contributions on the first \$600 of earnings should be eliminated. (paragraph 37)*
- (j) *A transition period of twenty years rather than ten years should be adopted for the Canada Pension Plan. (paragraph 40)*

5. *In making the above recommendations, Ontario is not raising new issues at the eleventh hour. It is merely making concrete suggestions as to how its previous criticisms can be met in order to clarify its position for the Special Joint Committee of the Senate and of the House of Commons. Ontario has no desire to raise insuperable difficulties that would make the plan impossible. It is convinced, however, that changes proposed in this submission are desirable to achieve what the Minister of National Health and Welfare has described as "a comprehensive plan to apply to as many people as possible in this country."*

6. *These recommendations are submitted in a spirit of co-operation and in the hope that the Committee and the Federal Government will act on them. Ontario believes that they will correct some serious shortcomings in the Canada Pension Plan as proposed in Bill C-136. In view of the profound im-*

pact that the Canada Pension Plan will have on the welfare of Canadians and the future development of this country, it is essential that the best plan possible be adopted.

7. The Government of Ontario appreciates that previous discussions have resulted in some notable improvements in the Canada Pension Plan since it was first introduced. In particular, it welcomes the inclusion of survivors' and disability benefits, made possible by the constitutional amendment which Ontario supported. It welcomes the safeguards to ensure that significant changes in the pension plan are made only after agreement with the provinces and to allow a province to withdraw from the plan after two years' notice. In addition, the availability of the reserve fund to the provinces meets one of Ontario's previous criticisms.

D. Financial and Economic Considerations

8. There is no evidence that the present version of the Canada Pension Plan was preceded by a comprehensive study of the needs of Canadians or of the financial and economic implications of the proposals. Changes that have been made in the plan since July, 1963 have been almost entirely the result of compromise, apparently without sufficient regard to basic improvements in what the plan seeks to accomplish.

9. Actuarial and economic reports were completed for the Federal Government in November and December of 1964. These reports were prepared in the main, after the provisions of the plan had been set out and therefore could have little or no influence on its development. There is no evidence that any alternative plan was considered by those who studied the plan's economic and financial implications. Above all, there appears to have been little regard given to the relative priorities appropriate for major programmes of social welfare and national development.

10. The Government of Ontario has expressed concern in the past as to whether the proposed method of financing the Canada Pension Plan is in the national interest. Contributions will constitute, in effect, a major addition to direct tax burdens. In 1966, excluding collections under the Quebec Pension Plan, approximately \$426 million will be raised.

11. The Royal Commission on Taxation has been engaged for more than two years in the most comprehensive study of our tax structure yet undertaken in this country. The Tax Structure Committee, established late last year, will also be studying the availability and allocation among the levels of government in Canada of the various tax fields. In view of the magnitude of contributions to the Canada Pension Plan, Ontario suggests that the Federal Government obtain at least a preliminary opinion from the Royal Commission on Taxation on the implications of the Canada Pension Plan for fiscal policy and the incidence of taxation.

12. The Government of Ontario believes that the proposed method of financing the Canada Pension Plan should not be regarded as immutable. If the Royal Commission on Taxation were to find that the present proposals were greatly at variance with its recommendations for future development of the tax structure, it would be in the national interest to consider alternative methods. It should not be necessary to wait for the final report of the Royal Commission to obtain its opinion.

13. Ontario is concerned about some of the immediate economic effects of the proposed method of financing. For example, the substantial contributions contemplated for 1966, with no offsetting pension payments, will tend to

act as a brake on economic growth. Any possible tax cut in the federal budget would have to exceed the amount of contributions to exert a stimulating effect on the economy. The net result is some loss in the flexibility of fiscal policy.

E. Lack of Co-ordination with Related Programmes

14. The Government of Ontario strongly believes that any social security programme for the aged must take into consideration the needs of both those now on retirement and those who will retire in the future. It is also concerned that something be done both for those with earned income and those without. The most serious criticism of the Canada Pension Plan is that it does not do this.

15. Ontario submits that the Old Age Security and Assistance programmes and the Canada Pension Plan should be treated as a single programme geared to the needs of older people. In such an integrated system, no groups would be forgotten and inequities between one group and another would be kept to a minimum.

16. There is some co-ordination between the two systems in the proposals which are before you. The modification of widows' and disability pensions when Old Age Security pension becomes payable, and the use of a pension index based on the Consumer Price Index for escalating Old Age Security, are indications that the two programmes are not treated as completely isolated entities. Nevertheless, these are minor compared to the areas where real improvements could be made.

F. Flat Benefit Pension

17. No provision has been made for those already on retirement beyond the minor effect of the escalation of Old Age Security benefits by the Pension Index. Nearly one million Canadians are now receiving Old Age Security benefits, all of whom are excluded from the Canada Pension Plan. It is estimated that out of 1,481,000 persons in Canada aged 65 and over in the year 1965, only 131,000 will ever receive any benefit from the Canada Pension Plan and that the benefit for the small group that receive anything will average only \$33 per month. The evidence is convincing that these people will be no less in need than those who retire in future years and who will qualify for Canada Pension Plan benefits of much greater amount. The inequity of the exclusion of those now retired will be most marked eleven years from now when some of those retiring with ten years' contributions under the Canada Pension Plan will be receiving maximum benefits, while their neighbours who retired in 1965 will receive nothing beyond the flat rate Old Age Security pension.

18. The development of a large pension fund, to which more than one million retired Canadians will have no access, will lead to strong pressures to modify the structure of the Canada Pension Plan. After ten years of the plan's operation, only about one-third of the population over age 65 will receive pensions, which will average under \$50 a month, and about two-thirds will receive no pension whatsoever. At that point, the fund will have reached \$5.0 billion (excluding Quebec), and still be increasing.

19. Ontario recommends that a flat benefit of perhaps \$25 a month be paid under the Canada Pension Plan from January 1, 1967 to all persons receiving Old Age Security benefits. The same flat benefit would be paid to those qualifying for Old Age Security in future in cases where no graduated pension is payable to them or to their spouses.

20. Ontario also recommends that this amount should constitute a minimum pension for all people who qualify for graduated benefits under the Canada Pension Plan. In the case of married couples, the benefit for the couple would be \$50 a month or the combined graduated benefit if greater.

21. These two recommendations will go a long way towards meeting the real needs not only of those already retired but also those who will retire in the future with small wage-related benefits. Certain measures are recommended later which would help finance these proposals from Canada Pension Plan contributions.

G. *Earnings Base*

22. Under the proposed Canada Pension Plan, relatively few contributors will ever receive maximum benefits. The age group which will be retiring shortly after 1975 may, in fact, be the only one with a substantial proportion of pensioners receiving maximum benefits. Those who retire in later years will find their earnings base reduced through reasons of sickness, travel, further education, apprenticeship, etc.

23. When the Canada Pension Plan is mature and a 42-year period (i.e., all the years between age 18 and 65 minus 10 per cent of such years) of maximum contributions will be needed to obtain full benefits, many inequities will arise. Any person who is still at school after the age of 18 may be penalized severely by this 42-year contribution requirement for calculating pension benefits. This also applies to people who retire prior to age 65. It does not appear fair, for example, to require persons who can be employed for only three or four months of a year to count such earnings as a full year's income. Many people will be unable to qualify for maximum benefits although they will be contributing in aggregate much more than those who retire in the years immediately following 1975 and who will be receiving maximum benefits.

24. For example, let us take the case of an industrial worker now aged 20 who, after five years of low earnings which are dropped out, earns an average of 60 per cent of the ceiling (now \$5,000) from age 25 to 45 and 100 per cent of the ceiling from 45 to 65. His pension will be 80 per cent of the ceiling (i.e., \$83 per month based on present wage and price levels). Someone now aged 45, with similar earnings in future will receive the maximum pension (\$104 per month based on present wage and price levels). The younger man would thus receive a smaller pension despite much greater aggregate contributions.

25. In order to qualify for full pension at age 65, the worker must have earned above the ceiling (which itself is well above the national average wage) in 9 out of every 10 years since age 18 or since the plan started. Few wage earners who are now young will be able to achieve such a record.

26. The Government of Ontario is of the opinion that the average Canadian believes that he will receive the full pension or something close to it at retirement. The examples in paragraphs 23, 24 and 25 have been provided to show how mistaken he may be.

27. Ontario believes that the inequities created by the 42-year earnings base are serious enough that it should be abandoned. In its place Ontario recommends that pensions be based on a shorter period, for example the ten last or ten best years' earnings, which in the average case will bring pensions to or close to the maximum. A similar period is in use in the United States Old Age, Survivors and Disability Insurance programme for those currently retiring.

28. In Canada as in other developed countries, there is a steady trend towards earlier retirement. At the present time, the average retirement age

for males is closer to 65 than to 70 and is lower for females than males. If current trends continue (and with the rapid pace of technological change it is expected they may accelerate), the average age at retirement may be considerably less than 65, even before the Canada Pension Plan reaches maturity. Even now there are large groups who are required to retire before they reach age 65. In Ontario, for example, many teachers retire several years before reaching 65.

29. Under the Canada Pension Plan, any years after retirement and before age 65 must be counted as years of zero earnings in calculating the earnings base. This can be manifestly unfair. It provides a great incentive for people to try to find additional work after they have already retired. Such a situation is in direct opposition to the long-term adjustments being made by society in response to rising living standards and the acceleration of technological change.

30. To alleviate potential hardship in cases of early retirement, Ontario recommends that certain years following retirement but prior to age 65 not be counted in calculating the earnings base.

H. Pension Index

31. The proposed Canada Pension Plan contemplates using two different indices: one based on the cost of living—which would be used to adjust the contributory earnings base in the period prior to 1975 and also to escalate all pensions after payment has commenced—the other based on average wages and salaries—which would be used to adjust the earnings base after 1975.

32. If Ontario's recommendation that the earnings base be the last or best ten years of earnings is accepted, there would be no necessity of retaining an index based on average earnings because increases in productivity would be largely accounted for. After commencement of payment, the benefits under the Canada Pension Plan and Old Age Security are both escalated by an index based on the cost of living only. This same index could also be used in place of the Earnings Index. This will make the plan simpler to operate and far more understandable to the average citizen.

I. Payment of Pensions Between 65 and 70

33. Because of the fact that no attempt was made to integrate the provisions of the Canada Pension Plan and Old Age Security, two conflicting methods of determining the size of benefit for those going on pension between the ages of 65 and 70 will be used. Under the proposed legislation, Old Age Security benefits may be paid in future years on an age-reduced basis so that in 1970 people aged 65 may begin collecting a flat Old Age Security benefit of \$51 a month for life. On the other hand, pensions to people between the ages of 65 and 70 under the Canada Pension Plan will not be age-reduced, but will be dependent on an earnings test to ascertain whether or not a prospective pensioner is retired.

34. Under the proposed system, it is logical to assume that those people who would be in real hardship after the age of 65 would elect to take an age-reduced Old Age Security pension. Since people electing this option would be likely those receiving little or nothing under the Canada Pension Plan, they could be worse off after age 70 than they are now. To assist in needy cases of this type, the federal and provincial governments would have to make substantial revisions to the Old Age Assistance programme.

35. Ontario recommends that the retirement test should be used for both the Canada Pension Plan and for determining entitlement to Old Age Security benefits to Canadians between the ages of 65 and 70. This would be not only more logical and less confusing but also better related to actual need. Less

adjustment to the Old Age Assistance programme would be involved because people going on Old Age Security prior to age 70 would receive the full flat benefit.

J. Exemption of First \$600 of Earnings

36. The exemption of the first \$600 of earnings from contributions is another complicating feature of the Canada Pension Plan. It is estimated that the exemption would result in more than one million refunds a year in cases of over-contribution. The amount of saving to contributors (90¢ a month) which the exemption provides is so small that it hardly qualifies as a substantial benefit to low-income groups.

37. Ontario recommends that the \$600 exemption be eliminated. If the resultant saving were applied towards increasing benefits to those already retired and to establishing a minimum pension, a simpler and more equitable arrangement would be achieved. This would be of greater benefit to low-income groups than the contribution exemption.

K. Transition Period

38. In the original Quebec Pension Plan, a transition period of twenty years was envisaged. Representatives of both Ontario and Quebec argued strongly that twenty years was preferable to the ten-year transition period proposed for the Canada Pension Plan. This short transition period results in large cross subsidies to persons aged 50 to 60 whose position is extremely favourable compared with persons either older or younger and also provides a strong incentive to postpone retirement during the transition period since each additional earnings year has a marked effect on the pension.

39. A person aged 55 on January 1, 1966, in order to purchase privately a pension equal to the Canada Pension Plan pension he is entitled to receive in 1976, would have to pay monthly premiums aggregating \$11,688. He and his employer will in fact pay only \$1,784. The difference of \$9,904 will be paid by and on behalf of younger people who will themselves seldom qualify for a maximum pension. The magnitude of this cross subsidy, which will be aggravated by the indexing, is a direct result of the short transition period.

40. Ontario recommends that a twenty-year transition period be adopted for the Canada Pension Plan. This proposal would result in savings to the plan which could be applied to the minimum benefit, which will be immediately available to those now on retirement. This minimum benefit would eliminate the main argument for a short transition period in the Canada Pension Plan.

L. Integration with Private Plans

41. Over the course of the past 18 months, Ontario has pointed out some of the complications which the Canada Pension Plan presents for the integration of present and future private pension plans and for the 63 per cent of the Ontario paid workers who are employed in organizations that have pension plans. Most of the aspects of the Canada Pension Plan which have been discussed in earlier sections of this submission contribute to this difficulty. The amendments which Ontario recommends would have the effect of simplifying the Canada Pension Plan and thereby making integration with private plans much easier.

42. The longer transition period, the elimination of the exemption on the first \$600 of earnings, the elimination of the Earnings Index, and the use of only one method of determining pensionability between ages 65 and 70 would solve many of the integration problems pension experts are now facing.

APPENDIX A39

STATEMENT MADE IN THE ONTARIO LEGISLATURE
BY THE HONOURABLE JOHN ROBARTS,
PRIME MINISTER OF ONTARIO,
REGARDING THE CANADA PENSION PLAN,
Thursday, January 21, 1965.

The question of an adequate pension plan for the citizens of Canada has been the subject of debate for nearly fifty years. In more recent history, this Government established a committee five years ago to investigate the possibility of providing for the residents of Ontario pensions that would be both compulsory and portable. This Committee received many briefs, held public meetings and prepared draft legislation.

Finally, as a result of three years' research carried out by the Committee, Bill 110, "An Act to provide for the extension, improvement and solvency of pension plans and for the portability of pension benefits", was presented to this Legislature on April 26, 1963. It was the first legislation of this type in Canada and, in essence, it established the principle of compulsory pensions and the principle of portability of pensions. The objective of this Government in conducting this research and in introducing this legislation was to devise a pension plan which would provide assured pension provisions for the residents of this province.

Subsequent to the introduction of this Bill, the Federal Government proposed to introduce a universal old age pension. Through what was, in my view, very bad judgment indeed, this idea in a most primitive state, was injected into the provincial election campaign of September 1963. This precipitate action served merely to prevent the logical development of a pension plan which could be understood by the people of Ontario and the people of Canada. It was an action that has led to many misunderstandings.

After three complete revisions, there is now before the Parliament of Canada and a special joint committee of the Senate and the House of Commons a bill known as Bill C-136, which is "An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada, payable to and in respect to contributors". Clause 3 of this Bill provides that any province can establish its own "comparable" plan, effective not later than January 1st, 1966, if it signifies its intention to do so within thirty days after Royal Assent has been given to Bill C-136. No precise definition of "comparable" has been laid down but I think common sense would indicate that a provincial plan, at least at the outset, would have to have substantially identical levels of benefits and contributions in order to meet this test of comparability.

The Province of Quebec has already indicated, by resolution of its legislature, that it intends to exercise its prerogative under this section and will pass an act establishing its own pension plan under which the benefits and contributions will be in all respects similar to Bill C-136. Since the right to do this clearly extends to each province in Canada, Ontario must choose between two options. It must either operate its own "comparable" plan, or participate in the Canada Pension Plan.

We have had these alternatives under careful study for many months, particularly since last November when the full particulars of Bill C-136 were made public.

With regard to the alternative of operating our own plan, may I say that our studies clearly indicate that it would be entirely feasible for the Government of Ontario to do so; indeed, there are substantial arguments in favour of our so doing.

We would then have a plan which could be operated to our satisfaction, both efficiently and economically, for the benefit of the people of this province. We would preserve the constitutional rights which are ours under the British North America Act. We would have complete control over all the funds generated in this province. We would have complete control over any future amendments respecting contributions, benefits and other financial aspects. Such considerations appear particularly important when we view the lamentable history of the Unemployment Insurance Fund. In addition, although a provincial plan must be comparable to the federal plan, I am convinced that we could make improvements and simplifications in benefits, contributions and administrative features of the plan if we were to devise and operate our own.

On the other hand, the Province of Ontario and this Government have traditionally worked for national unity and national standards of social services. We have participated in national social security programs and in many other instances have provided support in the interests of national standards and national stability. In the present circumstances, if we were to propose a plan in which there were any marked differences, even though "comparable", we might seriously impair the principle of national portability of pensions, which has been one of our goals for many years.

As I have said, some very broad and important changes have been made in the various versions of the plan put forward by the Federal Government over the period of the last year and a half. The most basic of these changes were made last April, after a federal-provincial conference in Quebec City. They resulted from intensive consultation between the Government of the Province of Quebec and the Government of Canada. Subsequently, there were discussions between officials of the Government of Ontario and of the Government of Canada and these resulted in several basic and important amendments which are now incorporated in Bill C-136.

While at no time surrendering our right to operate our own plan, we have put very forcibly to the Federal Government a number of objections, some of which, as I have said, have now been met by the provisions of Bill C-136.

Of greatest importance to the people of Ontario, we requested safeguards in order to prevent unilateral changes in the provisions of the Act, particularly in regard to benefits and contributions. As a result of our request, a section was inserted in the Act which, in effect, provides for consultation with the provinces before any future changes may be made in the plan. As the plan now stands, no amendment of substance can be made until after a notice period of at least two years has elapsed, and such changes can be effected only if assent is given by two-thirds of the participating provinces with two-thirds of the population of the participating provinces. In effect this gives the people of Ontario, through their government, a clear right to be consulted in the future and to decide upon the implications and desirability of any change that may be proposed. It provides an effective veto over changes of substance with which we may not agree.

Secondly, in order to protect our constitutional position, we asked that the legislation provide that we should be able, at any future time, to leave the Canada Pension Plan and to be placed in precisely the same financial position as if this province had operated an identical but separate plan from the outset. This suggestion was accepted and Bill C-136 allows such opting out with transfer of assets upon at least two years' notice, and on condition that the province assume all obligations to persons who have contributed in the province.

Thirdly, when it was first decided that the plan should be partially funded, only 50 per cent of the funds generated as security for future payments out of the fund were to be placed under the control of the province in which the funds originated. I suggested that this be increased to 90 per cent. To our satisfaction, the provisions of Bill C-136 provide that virtually the whole of the funds generated under the plan will be made available for the use of the provinces, in proportion to the amounts contributed in each province.

Fourthly, we maintained from the beginning that the plan should provide benefits for surviving dependents and disabled persons. This, too, has been provided for in the Bill following agreement on a constitutional amendment which was necessary to make this possible.

Thus, it is obvious that some of the major objections which we had in principle to the original legislation have been met by the Government of Canada. Their concurrence in our requests in these areas has been of great importance in assisting us to reach the decision that we must make and to which I have referred in the earlier part of this statement, namely: the decision as to whether the Province of Ontario should operate its own pension scheme or participate in the Canada Pension Plan.

The first duty and responsibility of the Government of this Province is, of course, to look after the interests of our own people. This is our primary objective. On the other hand, our position with respect to the whole of Canada and its people is one of which we are proud and which we have traditionally maintained. Thus, the decisions we make must be made in the broad context of what is best for the Canadian nation, as well as for the Province of Ontario.

In this context, I have come to the conclusion that bearing in mind the safeguards which have been put in the legislation, it would be in the best interests of the people of Ontario and in the best interests of Canada that we in Ontario accept the Canada Pension Plan in principle and bend every effort to make this plan truly national in scope for the benefit of all the citizens of Canada.

In coming to this decision, I am well aware that the Government of Quebec has indicated that it intends to administer its own pension plan, which will be comparable to the Canada Pension Plan and, it is hoped, will not seriously impair inter-provincial portability. This decision by the Province of Quebec is based on the determination of its government to administer its own social welfare legislation. While I can sympathize with this decision, I nevertheless do not despair that in the future the Government of Quebec may see fit to enter into the national plan, which will be so similar to its own. If this could come to pass, we would achieve our ultimate goal of a truly national pension plan that would go far toward setting the pattern for future, nation-wide, social welfare legislation.

Agreement in principle, however, does not preclude our right to offer constructive criticism or take issue with certain aspects of the proposed federal legislation. We believe that the present federal plan can be improved in several important areas. In one form or another, these suggestions have already been placed before the officials of the Federal Government during the formulation of the plan. In order that we may once again place our point of view in regard to these matters before that government in detail and as forcibly as possible, in the hope that further modifications to produce a better plan will be undertaken, it is our intention to present a Brief dealing with these points to the Special Joint Committee of the Senate and House of Commons, which is now receiving submissions in Ottawa. Since some aspects of the discussions contained in the Brief are highly technical, I shall not read it at this time but shall arrange to have copies distributed to all Members of the Legislature.

Our most serious criticism of the plan is that it makes no provision for the needs of those of our people who are now on retirement and those who will retire during the next ten to fifteen years, who, for one reason or another, such as sickness or unemployment, are unable to contribute to the plan.

Nearly one million Canadians are now receiving Old Age Security benefits, all of whom are excluded from the Canada Pension Plan. It is estimated that out of 1,481,000 persons in Canada aged 65 and over in the year 1965, only 131,000 will ever receive any benefit from the Canada Pension Plan and that the benefit for the small group that receive anything will average only \$33 per month. The evidence is convincing that these people will be no less in need than those who retire in future years and who will qualify for Canada Pension Plan benefits of much greater amount. The inequity of the exclusion of those now retired will be most marked eleven years from now when some of those retiring with ten years' contributions under the Canada Pension Plan will be receiving maximum benefits, while their neighbours who retired in 1965 will receive nothing beyond the flat rate Old Age Security pension. In the Brief, suggestions are made as to how these shortcomings may be overcome.

In reaching the decision that Ontario should accept the Canada Pension Plan in principle, we have kept uppermost in our minds the primary interests of the people of this province and we are satisfied that these will be adequately protected by the safeguards which, as a result of our earlier submissions, are contained in the Bill. With our interests protected, it is possible for us to join with the Government of Canada and with our sister provinces, with the exception of Quebec, in promoting what is at least substantially a national pension plan. As a result, we shall achieve uniformity of contributions and benefits, and portability from coast to coast, which has been our aim since the beginning of our studies in the field of pensions.

I hope that the proposals which we shall make to the Joint Committee and which will ultimately be placed before the Government of Canada, will be given due consideration in order that we may achieve the best possible pension plan for the people of Canada.

APPENDIX A40

ANSWER TO QUESTIONS RAISED BY MR. BASFORD
AND MR. CANTELON ON JANUARY 21, 1965*Question*

What will be the effect on the rate of pension otherwise payable, to say teachers and firemen, of the extension of education beyond age 18 or retirement from the labour market prior to age 65?

Answer

The following table indicates the effect, on the pension otherwise payable, of selected periods of zero earnings assuming either a level wage throughout and no escalation by the wage index or a wage which is a constant percentage of the earnings ceiling and assuming that the contributor has no earnings after retirement, i.e. after the higher age shown on each line below:

RETIREMENT BENEFITS BASED ON SELECTED CONTRIBUTORY PERIODS

Age in 1966	Contributions made from Age to Age	Permissible Drop-out (Years)	Years of Zero Earnings (Years)	Pension Payable at Age 65 as Percent of Full Pension
18	18-62	4.7	3	100.0
18	20-62	4.7	5	99.4
18	23-62	4.7	8	92.3
18	18-60	4.7	5	99.4
18	20-60	4.7	7	94.7
18	23-60	4.7	10	87.6
35	35-62	3.0	3	100.0
35	35-60	3.0	5	92.6
35	35-55	3.0	10	74.1
45	45-62	2.0	3	94.4
45	45-60	2.0	5	83.3
45	45-55	2.0	10	55.6
55	55-62	Nil(a)	3	70.0
55	55-60	Nil(a)	5	50.0

(a) Transitional period.

APPENDIX A41

ESTIMATED VALUES OF CANADA PENSION PLAN BENEFITS
TO A MAN AGED 40 IN 1966*Request*

During the morning session of the Committee on December 1, 1964, Mr. Knowles asked for an estimate of "the actuarial or insurance value of the protection afforded, say, to a 40 year old person".

Estimates

The values shown in the schedule below may be considered to be applicable to a man aged 40 on January 1, 1966, who contributed under the Canada Pension Plan at any time during his subsequent working lifetime. Actually, the values are average values attributable to all males aged 35½ to 44½ on January 1, 1966, in Canada excluding Quebec, who would eventually qualify for benefits under the Plan.

In general, the values were determined in accordance with the assumptions used for the estimated described in the actuarial report dated November 6, 1964. Clearly, immigration has no effect on the group under consideration and, thus, populations resulting from "net" immigration after 1965 were excluded from the calculations. Also, fertility has no effect as respects any benefits except orphans' benefits for which it was assumed that the average of the high and low fertility rates would apply.

The values in the schedule designated as A were based on benefits determined in accordance with the assumptions that the Pension Index would increase from 1967 onwards at an annual rate of 1½% to 1975 and 2% thereafter and average earnings would increase at an annual rate of 4%. The values designated as B were based on benefits determined in accordance with the assumptions that the Pension Index would increase from 1967 onwards at an annual rate of 1½% and average earnings would increase at an annual rate of 3%. The rate of interest assumed for discounting amounts of benefits payable in future years back to 1966 was 5% per annum to 1975 and 4% per annum thereafter.

ESTIMATED AVERAGE VALUES, AS AT JANUARY 1, 1966, OF
CANADA PENSION PLAN BENEFITS TO A MAN AGED 40

Type of Benefit	A	B
Age retirement pension	\$ 5,143	\$ 4,145
Disability pension	444	413
Widow's pension	2,716	2,193
Orphans' pensions	195	190
Death benefit	270	225
	<hr/>	<hr/>
Total	\$ 8,768	\$ 7,166
	<hr/>	<hr/>

Department of Insurance,
Ottawa,
January 29, 1965.

APPENDIX A42

ESTIMATED COSTS OF ONTARIO PROPOSAL

A pension of \$100 a month paid to all persons 70 and over in 1970 would cost \$1,257.6 million.

A pension of \$100 a month paid to all persons 65 to 69 in 1970 would cost \$688.8 million.

A pension of \$100 a month paid to all retired persons 65 to 69 in 1970 would cost \$511.2 million.

Total cost of Ontario proposal, without retirement test, \$1,946.4 million; with retirement test, \$1,768.8 million.

Present OAS benefits in 1970 will cost \$974.5 million.

Proposed OAS benefits (Bill C-136) will cost \$1,306.1 million.

Extra cost of Ontario proposals over present OAS benefits, without retirement test, \$971.9 million; with retirement test, \$794.3 million.

Extra cost of Ontario proposals over proposed Bill C-136 benefits, without retirement test, \$640.3 million; with retirement test, \$462.7 million.

Savings to Federal Government re, CPP retirement pensions, \$30.3 million; OAA payments, \$47.7 million.

Total: \$78.0 million.

Net cost of Ontario proposals over Bill C-136 benefits, without retirement test, \$562.3 million; with retirement test, \$384.7 million.

APPENDIX A43

STATEMENT BY THE HONOURABLE JOHN ROBARTS,
PRIME MINISTER OF ONTARIO,

at the

FEDERAL-PROVINCIAL CONFERENCE ON PENSION PLANS
Ottawa, September 9th-10th, 1963.

At the outset may I make it crystal clear that Ontario will co-operate with the Federal Government to the fullest extent in initiating and implementing a sound and equitable pension plan for the people of Canada. We are prepared to join with our sister provinces and the Federal Government in working out such an agreed plan.

It is well understand that any province has the power to initiate and operate a pension plan—even one such as proposed by the Federal Government—but we recognize that a pension plan that is nationwide has advantages. The extensive studies leading to the enactment of The Ontario Pension Benefits Act, 1962-63, have always emphasized the desirability of a plan national in scope. The Federal Government can count on the fullest support from Ontario in working out such a plan.

This is not new policy but one which has been enunciated from the very commencement of the Ontario studies. My predecessor, in 1960 underscore the desirability of a plan on a national scale when he said:

“There are serious disadvantages in a province proceeding unilaterally to establish a plan of its own.”

In 1961 he stressed that such a plan should be developed

“in unison with other provinces or the Government of Canada”

and that provisions for amending the Constitution should be worked out to permit Federal participation and action.

I have taken the same position.

On April 6, 1962, on introducing in the Ontario Legislature the first draft of The Pension Benefits Act, the Assembly was informed by me that:

“I indicated to the Prime Minister of Canada that Ontario would not object to a constitutional amendment to achieve a contributory wage-related plan with survivors' benefits.”

Our desire to co-operate is demonstrated by the invitation extended to officials of the Federal Departments to attend meetings of the Ontario Portable Pensions Committee and early in 1962 two senior members of the Department of Finance did attend meetings of our Committee. Then at public hearings conducted by the Ontario Committee last fall, official observers from the Federal Government and six other provinces were present at my invitation as Prime Minister of Ontario. I have consistently emphasized not only Ontario's willingness, but Ontario's desire, to co-operate fully with the Dominion Government. Last May I said that:

“we would be glad to sit down with the Federal Government officials at any time and the sooner the better.”

Again, on July 26th last, at the Federal-Provincial Conference I emphasized that this was our position. At that time I indicated that I was in

complete agreement with and endorsed, the starting point being a \$75.00 basic pension. Moreover, I stated clearly and beyond any question of doubt, and I now reaffirm, that Ontario would co-operate by immediately making the necessary provincial contribution so that all segments of our present system, including Old Age Pensions, Old Age Assistance, Disability Allowances, Blind, and other pensions, would be raised to \$75.00. This can be done at once, and should be done with the least possible delay. On all other features we will give wholehearted and complete co-operation aimed at making available to the people of Canada and Ontario the very best contributory plan in effect anywhere in the world.

What is now termed "The Ontario Plan"—the plan embodied in The Pension Benefits Act, 1962-1963—arose out of most meticulous studies that commenced in 1960. In addition to these studies, public hearings were held, briefs were submitted by labour unions, employers, insurance companies, individuals, actuaries and other elements in our Province and given careful consideration. The plan itself was introduced in the form of two draft acts in 1961 and 1962 and, after a further year's consideration, in the spring of 1963, the plan was enacted into law with the unanimous approval of the Ontario Legislature, including that of the leaders and members of all parties. The Ontario plan, which was the first of its kind in Canada, not only obtained the approval of the Legislature just four months ago but has received widespread support and approval from all parts of the Province.

In giving this recital of facts I by no means wish to imply that we have counted our pension plan as the last word, or that it should be confined only to Ontario. We have always emphasized the desirability of a pension plan involving federal-provincial co-operation national in its scope and coverage. I would add that the intensive studies instituted by the Province in 1960 under the guidance of the Ontario Portable Pensions Committee produced information which had never before been available. These studies also disclosed problems which in fact had not previously been contemplated. It may be that knowledge of the problems which were disclosed and which I believe were successfully surmounted in the Ontario legislation would be of assistance in the development of a plan sponsored at the Federal level. I shall describe briefly some of these problems, but before doing so may I first say that all of the information assembled by the Ontario Portable Pensions Committee is freely offered to the Federal Government together with the co-operation of the very able committee which conducted this enquiry.

Previous to 1960, little information was available concerning the nature and extent of pension plans already operating in Ontario. The studies to which I refer revealed that there are over 5,000 pension plans, affecting close to one million Ontario employees in Ontario today. These pension plans vary greatly. In many cases they are the outcome of employer-employee negotiations and, therefore, have the sanctity of contract. Very early in these studies it therefore became apparent that the solution of the problem was not as simple as merely enacting legislation providing for universal pensions within the Province; it was complicated by the necessity of integrating such legislation with the plans already in operation and affecting the vested and important rights of several hundred thousand Ontario employees.

A few of the outstanding problems involved are set out in the following. Others will emerge from a study of the proceedings of the Ontario Committee's deliberations.

1. As a large number of the plans at present in operation are the result of employer-union negotiations, the greatest care had to be taken in preparing the Ontario legislation so that it would not violate, but rather preserve, the sanctity of these contracts. It follows that there must be some means of integrating a basic Ontario or Federal plan with existing pension agreements.

2. Many of the 5,000 or more plans in existence in Ontario today have benefits far in excess of the minimum provisions of the Ontario plan or of the benefits provided under the new proposed Federal plan. We thought nothing should be done which would destroy or imperil the benefits available under the multitude of existing plans. The Ontario legislation was drafted to avoid this danger, and any Federal plan should do the same.

3. One of the most fundamental problems was that of avoiding double contributions. The over 5,000 Ontario plans vary greatly with respect to terms of payment, levels of benefit and rates of contribution. A few plans are employee-supported, others entirely supported by the employer. A common rate of contribution is 5 per cent of salary by the employee and a like contribution by the employer. Taking this as an example, it was considered unwise to impose a further 2 per cent to support the minimum pension under the Ontario plan. Thus the legislation was drafted to enable the two plans to be integrated.

It was the complexity of this problem which led to provisions in the Ontario act to guard against this double impost. I should point out that this same problem exists in connection with the proposed Federal plan. The proposed Federal plan calls for an initial contribution of 2 per cent but it is contemplated that this rate will rise to at least 5 per cent within the foreseeable future. The experience of the United States is a case in point. The Old Age Security plan in the United States which provides much lower benefits than the proposed Federal plan commenced with a payroll levy of 2 per cent. It now requires a rate of $7\frac{1}{4}$ per cent and this is scheduled to rise to $9\frac{1}{4}$ per cent by 1968. I think it would be expected of me as Premier of the Province to ask for the fullest of protection for the hundreds of thousands of Ontario employees and their employers who can be very vitally affected by a double impost which is avoidable if care is taken in drafting the plan.

4. In formulating the Ontario pension plan, great care was taken to ensure that it would not inhibit the growth in savings and capital for investment and the development of the economy. It was felt that, at this time when Canada is in such great need of investment capital, everything that reasonably could be done should be done to enhance savings and make additional capital available for continuing industrial growth. This was one of the basic considerations underlying the decision to have a funded plan.

5. A fifth consideration was to devise a plan under which benefits would be related to contributions. Under our existing Federal and Federal-Provincial flat pension system—which in many ways is a very good system—everyone receives the same pension, irrespective of income, the number of years worked, or of tax contributions to the pension fund. We concluded that any second deck or supplementary pension provided over and above this basic flat pension should closely relate benefits to contributions. It seemed to us to be inequitable to establish a plan in the supplementary pension area that would provide the same pension for a person who had worked and contributed to the plan for thirty, forty or fifty years as that which would be payable to a person who had worked and contributed to it for only ten years. We sought to achieve maximum equity under our plan by actuarially relating pensions to contributions.

To the above five considerations others could be added. As I say, however, I shall make available to this conference and to its technical advisers representing the Federal Government and other provinces, all of the information upon which the Ontario Portable Pensions Committee made its recommendations and, as well, the personnel of that Committee and of our Pension Commission who, I am assured, will be only too glad to assist as required.

While the Ontario plan and the Federal proposals deal with the same subject, they need not be in conflict but, in fact, could be made complementary

and compatible. With understanding and goodwill which we pledge, and which we have exercised throughout the whole matter, I am confident that a plan can be developed that embodies the best features of both plans and, while affording protection to employees and employers, will at the same time give to the people of Canada a plan of outstanding merit.

I do not come to this conference to magnify difficulties, but rather to find ways and means to give to our people the very best contributory plan which can be devised. I have already indicated that I would approve in principle a pension system operated by the Federal Government, and I am prepared to recommend the amendment of the Ontario plan to conform with such an agreed national system, subject to the protection of Ontario workers from double imposts. In other words there should be ample time and provision for integrating the new plan with existing employee-employer pension plans and contracts.

I am approaching this conference with the object of making progress. However, with the experience I have had with the Ontario plan, I can quite understand that there will be matters that require to be negotiated and settled. We are dealing with a problem of crucial importance to employees and employers and indeed to all Canadians. I am sure that if we approach this problem as Canadians anxious to understand the viewpoints and problems of one another, and anxious to find their solutions, we can agree upon a plan which will be a credit to ourselves and the Governments we represent and withal make a vital contribution to the progress and development of Canada.

APPENDIX A44



ONTARIO

PRIME MINISTER AND PRESIDENT OF THE COUNCIL

Toronto, Ontario, February 13, 1964.

Dear Mr. Pearson:

I thank you for your letter of January 11th and for the memorandum outlining revised proposals for the Canada Pension Plan. This has been studied carefully and I am pleased to offer my comments on the proposal as it now stands.

The matter of pensions has been the subject of discussion at three federal-provincial conferences held in July, September and November of last year. Undoubtedly good progress has been made during this period towards a better understanding of the issues by all concerned. The Government of Ontario appreciates the willingness of the Federal Government to consider revising its proposals and to enter into further discussions on them. For our part, we have announced a delay in implementing the part of The Pension Benefits Act which requires the compulsory establishment of pension plans for groups of 15 or more employees. This action will avoid a possible conflict with the federal pension plan and allow time for it to be adequately discussed and considered.

While appreciating the willingness of the Government of Canada to entertain changes, the Government of Ontario regrets that they fall far short of what we had hoped. While changes have been made, they are little in accord with the representations that we have made. One of our main concerns throughout has been the impact of the Canada Pension Plan on existing private pension plans in this province and the adverse effect on the formation of investment capital upon which the growth of our economy so greatly depends. The changes made in the Canada Pension Plan since the last conference do not set at rest our anxiety on these matters.

Your memorandum mentions that one of the features regarded by the Government of Canada as essential is that any disturbance to private pension plans should be kept to the practicable minimum. We are fully in accord with this principle. We recognize, of course, that some disturbance to private plans is unavoidable when major social welfare measures are being considered. However, we are convinced that the Canada Pension Plan will cause major disturbance to existing pension plans, and in your proposals no suggestions are made as to how the plans are to be integrated.

The extreme difficulty of integrating a plan such as the Public Service Superannuation Act of Canada or the Teacher's Superannuation Fund of Ontario, or the Public Service Superannuation Fund of Ontario with the Canada Pension Plan is apparent, and the information that the Government undertook to provide on how this would be done has not yet been forthcoming. These and other difficulties centre round three features of the Canada Pension Plan, namely, the *short maturity* period before maximum benefits are paid, the *large sub-*

sidies to those retiring in the early years, and the automatic adjustment of pensions according to an earnings index.

Many of the difficulties would be ameliorated if there were a closer relation between contributions and benefits as we have suggested on previous occasions. Since the flat Old Age Security system is a welfare plan which quite properly subsidizes the poor and needy, it is appropriate that any additional pension plan should be based on a closer regard for individual equity. The revised plan has not succeeded in eliminating many gross inequities during the transition years, which could be reduced by extending the period during which the plan reaches maturity.

Moreover, the adjustment of benefits (but not of contributions) according to an index number of average earnings raises serious implications which require further study. The question arises whether if indexing is right for the graduated benefit is it not even more appropriate for the flat universal Old Age Security Benefit? In addition it is evident that such an upgrading of benefits under the Canada Pension Plan favours those who need it least because they have the best earnings records, these being precisely the people who have already received the largest subsidies from the plan.

Under the new proposals there appears to be no closer relation between benefits and contributions than there was in previous versions. Our proposals would have gone a long way in this desirable direction. To concentrate all extra benefits on persons with earned incomes while everyone now aged 70 or over is limited to a pension of \$75 a month is plainly inequitable and will surely lead to pressures for pension increases, involving a further rise in the Old Age Security rates of taxation.

Under the new proposals a very substantial fund will be built up in the early years of the plan amounting to over 2½ billion dollars at the end of ten years and still rising rapidly. We are not opposed to partial funding. The fund clearly represents more than a working contingency reserve and yet falls far short of full funding in the conventional sense. There should be an established yardstick that will enable the actual progress of the fund to be compared from time to time with what has been budgeted. For instance, your memorandum proposes scheduled contribution increases that may be deferred under certain circumstances. How big should the fund be to justify such a deferment?

In view of the great magnitude of the reserve fund, and the fact that it is built up from premiums collected in Ontario from our industries and our employees, the investment of half in federal securities is grossly excessive. We therefore suggest that 90% of the reserves should be made available to the participating provinces to be invested in their obligations or in such other manner as they may designate. The Federal Government would still have a reserve fund in federal securities at the end of 10 years of the same magnitude as in the July proposal.

Among the matters that deserve very careful investigation is the new proposal to adopt a retirement test for the graduated benefits, while the Old Age Security payments may be paid from age 65 to 70 on a reduced basis at the sole option of the individual. The operation of an earnings test constitutes an additional administrative task of formidable dimensions.

The Province of Ontario is strongly in favour of retired employees and other old people receiving the most generous pensions possible. Indeed pensions in this province are in fact higher in amount and more widespread than in other parts of Canada. We have devoted time, energy and money to studies of ways of improving pensions, including portability of pensions for those who change their jobs. We are, however, concerned that a pension system may be brought in before the problems have been fully investigated, since the system apparently involves substantial inequities and great administrative complexities.

We note that the Federal Government has decided for the time being not to proceed with the plan to extend benefits to survivors and dependents. We regret this since the existing provision for these people is clearly inadequate and we remain ready to agree to any constitutional amendment that may be required to permit legislation in this area.

We offer these comments in a spirit of co-operation and have agreed to amend our Ontario legislation to conform to an agreed national pension plan. At the same time we believe it is essential that pension legislation should not conflict with other broad aspects of national policy. Pensions should not be over-emphasized to the detriment of other programs merely because the full cost can be deferred into the distant future and contributions are relatively easy to collect. Indeed, the plan must be soundly designed at the outset, for the real defects of the plan will not show up for many years and therefore many people will at first be unaware or not alarmed by its weaknesses.

I welcome your assurance that the plan will receive the fullest possible public discussion in order that the benefit of all relevant points of view may be obtained before the legislation is enacted. A full and thorough public enquiry into the plan and its relation to provincial plans and proposals in the welfare and pension field is an essential preliminary.

Yours very truly,

(Sgd.) JOHN P. ROBERTS.

The Right Honourable Lester B. Pearson, P.C.,
Prime Minister of Canada,
House of Commons,
Ottawa, Canada.

APPENDIX A45

DEPARTMENT OF NATIONAL REVENUE—TAXATION DIVISION
CANADA PENSION PLAN

Application For Refund Under the Canada Pension Plan

To be completed by—

- A person who paid Canada Pension Plan Contributions while employed in any province except Quebec during a year.
- A person who paid contributions to the Canada Pension Plan and Quebec Pension Plan and was resident in a province other than Quebec on the last day of the year.

NOTE: This form is NOT to be used by persons who were in receipt of self-employed earnings during the year.

Employer's Name	Total Wages Per T4 and TP4 Slips	Contributions Per T4 and TP4 Slips
_____	\$	\$
_____	\$	\$
_____	\$	\$
_____	\$	\$
	_____	_____
	Totals	
	\$	\$
Less:		
Basic Exemption	\$ 600.00	

Wages Subjected to Contribution (Maximum \$4,400)	\$ "A"	

Required Contribution of 1.8% of amount opposite "A" above		\$ _____
Your refund is the amount of Contributions per T4 slips in excess of the required contribution		\$ _____

Special instructions would be available to contributors to assist them in preparing the return if, during the year, they reached 18 or 70 years of age or died, etc.

APPENDIX A46

CANADA PENSION PLAN

CALCULATION OF SELF-EMPLOYED CONTRIBUTION

FOR USE BY INDIVIDUALS:

- Resident in Canada other than residents in the Province of Quebec on December 31, 1966, whose contributory self-employed earnings for the year are \$800 or more or whose combined contributory salary and wages and self-employed earnings for the year are \$800 or more.
- Who elect to make additional Canada Pension Plan contribution on salary and wages for the year which were subject to over-exemption and the total of salary and wages amount to \$800 or more.

Self-Employed Earnings for the year \$-----

COMPLETE THIS AREA IF YOU RECEIVED EMPLOYMENT INCOME DURING THE YEAR

Total Salary and Wages per T4 Slips..... \$-----

Less: Amount subjected to Contribution per T4 and TP4 Slips..... \$----- "A"

*Balance on which no contribution made..... \$-----

*Insert this balance in the outer column if it is \$600 or less. If it is more than \$600 insert \$600 unless you elect to contribute on the excess and, if you do so elect, insert the full amount. ▶ \$-----

TOTAL \$-----

Deduct: Basic Exemption for the Year..... \$ 600.00

Amount of Earnings upon which a Contribution may be Payable.... AMOUNT "B" \$=====

Maximum Contributory Earnings for the Year..... \$ 4,400.00

Deduct: Salary and Wages subjected to Contribution as in "A" above..... \$-----

AMOUNT "C" \$=====

Amount Subject to Contribution. Enter Lesser of Amount "B" or Amount "C".... \$=====

Contribution Payable 3.6% of Amount Subject to Contribution..... \$=====

REFUND APPLICATION

If Amount "B" or Amount "C" is a minus quantity and you have made a contribution as an employee, you may claim a refund calculated as follows:

—CALCULATION OF REFUND—IF APPLICABLE—

*Total of Self-Employed Earnings..... \$-----

Total Salary and Wages..... \$-----

Total—(Maximum \$5,000) \$-----

Deduct: Basic Exemption..... \$ 600.00

Balance Subject to Contribution..... \$=====

Required Employee's Contribution at 1.8%..... \$-----

Deduct: Contribution per T4 and TP4 Slips..... \$-----

Balance Refundable \$=====

*This amount is not to be inserted unless the combined salary and wages and self-employed earnings amount to \$800 or more.

Special instructions would be available to contributors to assist them in preparing the return if, during the year, they reached 18 or 70 years of age or died, etc.

APPENDIX A47

SUBMISSION

to

THE SPECIAL JOINT COMMITTEE OF THE SENATE AND
THE HOUSE OF COMMONS CONSIDERING BILL C-136,
THE CANADA PENSION PLAN

by

THE CANADIAN TEACHERS' FEDERATION
AND ITS AFFILIATES

February 1, 1965.

444 MacLaren Street, Ottawa 4, Ontario

ORGANIZATIONS AFFILIATED WITH THE CANADIAN TEACHERS'
FEDERATION

Newfoundland Teachers' Association
Prince Edward Island Teachers' Federation
Nova Scotia Teachers Union
New Brunswick Teachers' Association
Provincial Association of Protestant Teachers of Quebec
Provincial Association of Catholic Teachers (Quebec)
Ontario Teachers' Federation
 Ontario Secondary School Teachers' Federation
 Federation of Women Teachers' Associations of Ontario
 Ontario Public School Men Teachers' Federation
 Ontario English Catholic Teachers' Association
 Association des Enseignants franco-ontariens
Manitoba Teacher's Society
Saskatchewan Teachers' Federation
Alberta Teachers' Association
British Columbia Teachers' Federation
Northwest Territories Teachers' Association

This Submission includes:

1. AN INTRODUCTORY STATEMENT BY THE CANADIAN
TEACHERS' FEDERATION
2. A JOINT BRIEF BY THE TEACHERS' ORGANIZATIONS
IN THE ATLANTIC REGION
3. A BRIEF BY THE ONTARIO TEACHERS' FEDERATION
4. A JOINT BRIEF BY THE TEACHERS' ORGANIZATIONS
IN THE WESTERN REGION

AN INTRODUCTORY STATEMENT

by

THE CANADIAN TEACHER'S FEDERATION

The Canadian Teachers' Federation is the national voice of its twelve autonomous affiliates. The total number of teachers thus represented is over 140,000—virtually all of the elementary and secondary teachers in the ten provinces and the Northwest Territories with the sole exception of the French Catholic teachers in Quebec.

CTF affiliates are strongly represented on the bodies which administer and advise on the pensions of their membership. In order for their representation to be effective, it has been necessary for our organizations to study continuously the adequacy of our various pension plans and to keep abreast of developments in the field of pensions generally. It is our sincere hope in making these submissions that the experience we have thus gained will enable us to make a positive contribution to the work of the Joint Committee.

By way of background, it may be useful to note that, although provincial pension plans for teachers have certain similarities, there are also marked differences. Generally speaking, the plans are of a compulsory joint-contributory type with the teacher contributing a predetermined percentage of salary and the provincial government—not the employing board—making a contribution which varies from province to province. No single principle is followed in determining the amount of retirement allowance, but it is generally based on some combination of service, salary and contributions. The predominant ages of retirement without penalty are within range of 60 and 65. Amendments to these plans have customarily been made only after full consultation with the teachers' organizations concerned. Through their representation on the bodies administering their plans, teachers have an effective direct voice in the management and control of their retirement funds, as well as in the consideration of any changes.

In late December, the Joint Committee notified CTF that it would accept submissions only from the national organization and regional groups of our affiliates, rather than from each individual organization. In the brief time available since we were advised of this decision, briefs have been prepared by the organizations in the Atlantic Provinces and in the Western Provinces, and by the Ontario Teachers' Federation in the Central region. The intention of Quebec to opt out of the national plan has been made very clear and so, although the Quebec affiliates were consulted by OTF, they are not co-authors of the brief from the Central region.

The three regional submissions may be found in the pages following these introductory remarks by the Canadian Teachers' Federation. The similarities and differences between our provincial pension plans for teachers are reflected in these briefs and illustrated in the major points they raise, which may be summarized as follows:

1. All three briefs show a professional concern over the fact that the Canada Pension Plan, in its present form, would penalize those who seek to continue their education past age 18. The Atlantic and Ontario briefs recommend that years of full-time education in a recognized institution be deducted from the contributory period when computing the pension. (OTF adds that wage-earners under the age of 18 should also be expected to contribute.) The Western brief suggests that the situation could be improved by increasing the "drop-out" for those continuing their education and makes specific suggestions about the amount of adjustment.

2. All three briefs show concern over the complications for local school boards which could result from the stipulations of C-136 regarding collection of contributions, the keeping of records and the remitting of employer and employee contributions. All three recommend that some arrangement be made for the provincial government to make the employer's contribution on behalf of the school board and the Western brief suggests that, at the very least, refunds of excess payments should be provided for employers as well as employees.

3. The Atlantic and Ontario organizations recommend that actuarially reduced pensions be made available to those who retire before age 65.

4. The Ontario and Western briefs show concern for teachers and others who work for a period of time in a foreign country. It is recommended that these individuals be allowed to make contributions so that such periods of service could be counted as pensionable employment.

5. Certain provisions of C-136 regarding survivors' benefits are questioned in the Atlantic and Western briefs. The Atlantic organizations recommend that survivor benefits be extended to cover all who are classed as dependents under the Income Tax Act. The Western organizations recommend that, on the death of a contributor with no dependents, all contributions be refunded to the estate or beneficiary.

6. The Ontario Teachers' Federation, having consulted spokesmen for their members who are in religious orders, recommend that clear provision be made for the inclusion of these teachers under the Canada Pension Plan. They also seek clarification of the status of teachers with regard to the exclusion provisions for those employed by an agent of Her Majesty in right of a province.

7. The Ontario brief seeks clarification of the situation of teachers who are paid on a ten-month basis, the fear having been expressed that such individuals might be penalized by losing two months per year in the calculation of benefits.

8. The Atlantic brief specifically recommends that all interested parties be consulted prior to the finalizing of regulations under, or amendments to, the Act. It further requests that the Canadian Teachers' Federation be represented on the Advisory Committee on the Canada Pension Plan, a request that would appear to be endorsed by the concern expressed by the other two briefs.

From our experience with our own pension plans, teachers' organizations know that a full understanding of specific points such as those referred to above can only be achieved through an understanding of the principles which are fundamental to the plan concerned. In the short time available, it has not been possible for us to achieve a clear understanding of some of the fundamental principles of the Canada Pension Plan as outlined in Bill C-136. We are anxious not only to gain this understanding, but also to convey it to our members in order that they may view the plan in its proper perspective. We would, therefore, be grateful for any observations the Committee would care to make on the questions listed below:

1. What factors have convinced the Government that this partially funded contributory plan is a better answer to our needs than the increased provisions under the Old Age Security Act which have been recommended in a number of other submissions to the Committee?

2. In view of the emphasis that has been placed on portability—a feature which all of our teachers' organizations would heartily endorse—why have provinces been permitted to opt out of the plan, thus raising the possibility of reduced portability due to the constitutional obstacles in the way of the Federal Government exerting any control over the provincial plans thus evolved?

3. Why are the requirements for opting out restricted to comparable *benefits*, with no stipulations being made about such features as contribution rates, levels of basic exemption or contributory years?

4. Why are opted-out provinces to be permitted to have a weighted vote according to their population on any amendments to the Canada Pension Plan which may subsequently be proposed?

5. Why are the provinces to be allowed in effect to veto decisions of Parliament with regard to amendments to the Canada Pension Plan?

6. Why is it necessary to delay proclamation of approved amendments for at least two years?

7. Why are the provisions for dispensation of information collected in the course of administering the Canada Pension Plan (Section 107(3)) so much broader than those customarily made under other taxation legislation?

In closing we wish to reiterate that, in making this submission, we have no purpose other than improvement of the proposed national pension plan so that it may more appropriately serve the public interest. Naturally, we have some concern about our own pension plans, for even where they are to be integrated with the CPP it seems apparent that we could very well lose our direct voice in the portion of the integrated plan that is represented by the CPP. This voice is one that has been dearly won and jealously guarded by our profession. We trust that after the Canada Pension Plan has become a reality, the Government will lend a sympathetic ear to any request from our profession for representation on the Advisory Committee referred to in Section 117.

We are grateful for the opportunity that has been made for our profession to present its views on C-136. We sincerely hope that the observations and recommendations made in the course of these submissions from the Canadian teaching profession will receive serious consideration when, first the Committee, and later Parliament, re-examine the Bill with a view to improvement before it is finally passed.

Respectfully submitted,

THE CANADIAN TEACHERS' FEDERATION

A. George MacIntosh, President.

SUBMISSION TO THE SPECIAL JOINT COMMITTEE
OF THE SENATE AND THE HOUSE OF COMMONS

on

THE CANADA PENSION PLAN

by

THE TEACHERS' ORGANIZATIONS IN THE ATLANTIC REGION

The teachers' organizations of the four Atlantic Provinces welcome the opportunity to present a brief to this important committee. Teachers' organizations have had a long history of concern for the security of their members and have spent much time, effort and expense on establishing and improving their own pension plans. Although we do not claim to be experts, we do feel that we are knowledgeable in pension matters. We recognize that those who have no contributory private pension plans need security. We further recognize that the provision of pensions as a form of social security for the aged is a worthy and worthwhile endeavour. However, we do have serious reservations about some aspects of the national pension plan presented in Bill C-136.

We believe that a national pension plan should in no way jeopardize existing pension plans. The teachers in the Atlantic Provinces have succeeded over a period of years in negotiating, with their respective provincial governments, pension plans providing benefits which on the whole compare favourably with those in the civil service and in larger industries. We have little need for the type of plan proposed. If, however, such a plan is deemed necessary for the welfare of other citizens, we are prepared to accept it. Nevertheless, we are fearful that the establishment of the Canada Pension Plan could result in a loss of benefits to those who have been successful in establishing and improving private pension plans. Consequently, we urge careful consideration of the Bill, since the actuarial studies supporting the Canada Pension Plan indicate that over the years costs will rise. This could well result in an increasing diversion of funds from private plans to the Canada Pension Plan. In such an event, private plans would be faced with the alternative of reducing benefits or increasing contributions.

Certain features of C-136 have caused us a different kind of concern. As teachers we have a professional interest in the quality and effectiveness of public education. Some clauses in the Bill appear to discourage Canadian citizens from continuing their formal education beyond 18 years of age. Surely, this is not in the public interest. Other clauses could well weaken the delicate structure of school finance by putting new pressures on school board budgets.

It is essential, then, that the four teacher organizations, representing virtually all elementary and secondary teachers in the Atlantic area, re-emphasize at this time that the implementation of a Canada Pension Plan must not in any way threaten:

- 1) the welfare of Canadian education;
- 2) the benefits now available to teachers under the provincial plans currently in operation;
- 3) the voice which teachers now have in pension decisions.

Having made these general observations, may we direct your attention to certain features of Bill C-136. We shall deal with five major points.

1. Consideration for Continued Education

First of all, we are concerned about the age at which citizens must begin participation in the plan; that is, eighteen. Recently the Economic Council of

Canada and numerous economists have been stressing the importance to the Canadian economy of increasing the level of education of Canadian citizens. Is it not reasonable to suggest that if our citizens are to become better educated they must spend a longer period at university or in other forms of post-secondary and advanced education? This is particularly true of teachers whose preparation, according to the second Canadian Conference on Education, should include a minimum of four years of academic and one year of professional training beyond the secondary level. It would appear that the Canada Pension Plan is designed to offer security to school drop-outs and to those who enter the labour force immediately on graduation from secondary school, and to penalize teachers and others who continue their education.

We therefore recommend that all years of full-time attendance at a recognized educational institution be deducted from the contributory period as defined in Section 49, and excluded as a factor in the determination of the retirement pension. This would mean that for any such individual the contributory period would be shorter than stipulated under Section 11, but that the 10 per cent drop-out stipulated under Section 48(3)(a) would still be applicable within this shorter period.

2. Retirement Before 65

Teachers' pension plans now in effect in the Atlantic Provinces permit a teacher to retire on a full-service pension at age 60 and, in some cases, even earlier. We understand that there are similar pension provisions in other occupations. We believe that the Canada Pension Plan should in no way discourage these persons from taking advantage of this opportunity for earlier retirement. We also believe it should be possible for these persons to elect to take an actuarially reduced pension under the Canada Pension Plan at the same time as they retire on a service pension under their provincial or private plan.

We therefore recommend that an additional category be provided in Section 44(1) of C-136 to enable persons to retire before age 65 with an early actuarial equivalent.

3. Dependents' Benefits

Existing teachers' pension plans and a number of other private plans now provide benefits to a broad range of dependents of contributors or of pensioners who die. The exemption clauses of the Income Tax Act also recognize that many kinds of dependents must be provided for. We believe that C-136, in limiting its survivors' benefits to orphans, is unnecessarily restrictive. In many families there are dependents such as the mentally or physically infirm, and the non-educable.

We therefore recommend that Section 44(1)(f) and related sections be amended so that survivor benefits will cover all dependents as defined under the Income Tax Act.

4. Provincial Payments on Behalf of School Boards

The 1963-64 DBS Report on Salaries and Qualifications of Teachers in Public and Elementary Schools gives the total number of teachers in the four Atlantic Provinces as 19,949. It also indicates that, of this number, 3,175 or 15 per cent were earning salaries in excess of \$5,000. Some of these teachers whose earnings exceed \$5,000 receive their remuneration from two or more school boards. They may be paid by a regional board, a town board, and a municipal board, all at the same time. Bill C-136 would seem to require each of these boards to make the stipulated 1.8 per cent deduction from the teacher's salary and to contribute a like amount from its own budget.

Many of the teachers in this group earning over \$5,000 also resign at the end of the school term in June and accept another position starting in

September, frequently in an altogether different area of the province and under a new employing board. Under these circumstances, and as a result of the difference between the school year and the calendar year, each of these teachers will have more than one employer in the contributory year. Because the salary of the teacher is in excess of the ceiling for maximum pensionable earnings (initially \$5,000) the deductions for both the board and the teacher will exceed the required payments. While the teachers may reclaim their over-payments, the lack of a similar provision for school boards will mean that, in addition to the required 1.8% contribution, a board will be contributing to the Canada Pension Plan additional sums which could otherwise be used to support and improve its educational program.

We submit that this injustice can be remedied by allowing the provincial government to make payments on behalf of school boards.

We therefore recommend that Section 9 of C-136 be amended to enable a province to make payments on behalf of local employing boards or that Section 91 be amended to include or permit a regulation allowing a province to make payments on behalf of local employing boards.

5. Consultation and Representation

It is to be expected that the enactment of national pension legislation will be followed from time to time by considerations of, and proposals for, changes in the Regulations (Section 91) and amendments to the Act (Section 115), involving revisions in existing rates of contributions, benefits, and administrative procedures. We believe that when any change is being considered and before any regulation or amendment is finalized, the Government should give all interested parties an opportunity to present their views. While such a provision cannot be written into an Act, it is hoped that the Government will adopt this procedure which would guarantee consultation before action.

We also believe that the teachers of Canada through their national organization, the Canadian Teachers' Federation, should be represented on the Advisory Committee. Section 117 of C-136 outlines the duties of the Advisory Committee as follows: "to review...the adequacy of coverage and benefits under the Act". We assume that the Government will include on this Committee representatives of organized labour and other large national bodies. The teachers of Canada, themselves, form a substantial group not included in any other national group.

Therefore, we recommend that the Governor in Council give consideration to appointing a representative of the Canadian Teachers' Federation to the Advisory Committee.

SUMMARY OF RECOMMENDATIONS

In summary the teachers' organizations of the four Atlantic Provinces recommend:

1. That all years of full-time attendance at a recognized educational institution be deducted from the Contributory Period as defined in Section 49, and excluded as a factor in the determination of the retirement pension.
2. That an additional category be provided in Section 44(1) of C-136 to enable persons to retire before age 65 with an early actuarial equivalent.
3. That Section 44(1) (f) and related sections be amended so that survivor benefits will cover all dependents as defined under the Income Tax Act.
4. That Section 9 of C-136 be amended to enable the province to make payments on behalf of local employing school boards, or that Section 91 be amended to include or permit a regulation allowing a province to make payments on behalf of local employing boards.

5. That when any change in C-136 is being considered, and before any regulation or amendment is finalized, the Government give all interested parties an opportunity to present their views.

6. That the Governor in Council give consideration to appointing a representative of the Canadian Teachers' Federation to the Advisory Committee on the Canada Pension Plan.

Respectfully submitted by:

The New Brunswick Teachers' Association

(Mr. E. M. Lynch, President)

The Newfoundland Teachers' Association

(Rev. Bro. A. F. Brennan, President)

The Nova Scotia Teachers Union

(Miss Florence I. Wall, President)

The Prince Edward Island Teachers' Federation

(Mr. Thomas Hall, President)

SUBMISSION TO THE JOINT PARLIAMENTARY COMMITTEE

on

THE CANADA PENSION PLAN

by

THE ONTARIO TEACHERS' FEDERATION

The Canada Pension Plan as embodied in the provisions of Bill C-136 raises a number of difficulties and complications for Ontario teachers. Many of these can be overcome by appropriate changes in the Ontario Teachers' Superannuation Act, but in a number of areas, the Federation believes that changes in Bill C-136 would be desirable, not only because of their effect on members of the Federation but also in order to make the Canada Pension Plan a more satisfactory and equitable social program for all Canadians.

Specifically, the Federation proposes that

- (a) certain changes be made in the "dropout" provisions now contained in section 48 of the Bill;
- (b) the definition of "contributory period" in section 49 of the Bill be changed to delete any reference to age 18;
- (c) provision be made for the commencement of benefits on a reduced rate at an earlier age than 65;
- (d) section 6(2)(e) be deleted or amended to make it clear that teaching members of religious orders may contribute to the Canada Pension Plan and receive benefits;
- (e) the intention of sections 6(2)(i) and 7(1)(e) in their effect, if any, upon teachers, be clarified and that some assurance be given that teachers employed by foreign governments under such programs as Overseas Aid will be permitted to continue contributing to the Canada Pension Plan during such employment;
- (f) that certain administrative provisions of the Bill or proposed administrative arrangements for the collection of contributions be modified.

Section 48(3) provides that in the calculation of pensionable earnings, 10% of the contributory period with the lowest earnings shall be excluded. The Federation believes that there are circumstances where a higher proportion would be proper, e.g. a contributor who ceases contributing temporarily in order to further his education or improve his professional or vocational qualifications through training or retraining programs; or a contributor who is sufficiently disabled by illness or injury as not to be able to pursue his regular occupation, but who nevertheless does not qualify for disability benefits under the Canada Pension Plan, either because he is able to earn something from part-time work or work in some other occupation, or because the nature of his disability is otherwise not such as to qualify him for Canada Pension Plan disability benefits.

The Federation, therefore, proposes that the "dropout" proportion be increased from 10% to 15% or even 20%. This should help to remove the unfair hardship on many cases of "partial" disability which would result from the 10% provision. At the same time, it would diminish the possible disadvantage of the present dropout provision to workers, business men and professional people who, frequently from necessity as much as from choice, forego their regular earnings for a period of further education or training.

The Federation's second proposal is that section 49 of the Bill be changed so that the contributory period of a contributor will begin on January 1, 1966 or at the time he first makes a contribution (irrespective of his age at that time), whichever is later. As a corollary of this proposal, section 11(1) would be amended to remove the exception made there from contributory salary and wages of income received before a contributor reaches age 18. The use of age 18 for the commencement of the contributory period for future contributors seems somewhat arbitrary, and definitely works to the disadvantage of those who delay their entry into the labour force in order to complete or improve their education and/or professional qualifications. Again, with the increasing importance of education to the country's welfare and the increasing value to the country of a well-educated citizenry, it would be unfortunate if any provision of the Canada Pension Plan operated to discourage individuals from obtaining all the education and vocational training they could profitably absorb. On the other hand, there seems no logical reason to exclude from participation in the plan those who do enter the labour force before age 18.

An even more direct way to overcome the disincentive to forego earnings for further education would be to provide in the act that anyone "in full-time attendance at a school or university as defined by regulation" (to borrow a definition from section 43 of Bill C-136) be permitted to add such period of attendance to the "dropout" period provided in section 48(3). This would be helpful for both the initial period of education where it extends beyond the beginning of the contributory period (however defined) and in those cases where a contributor returns to school or university later in life for further education.

The Federation's third proposal is to make retirement benefits available in a reduced amount at an earlier age than 65. Such benefits would still be subject to the retirement test up to age 70 and could be granted to any contributor meeting the minimum qualifying period for a disability pension, as defined in section 44(2). Election of the early retirement benefit would disqualify the contributor for any subsequent disability benefits. The principle of reduced benefits on early retirement is already implicit in the proposals to make the flat-rate payments under the Old Age Security Act available at any time after age 65 but in a reduced amount if such payments begin before age 70. In fact, if early retirement benefits were to be permitted under the earnings-related Canada Pension Plan after, say age 60 or age 62 (as in the United States Social Security program) a logical corollary would be to pay Old Age Security payments, at the contributor's option, from the same age on the basis of reductions from the \$51 per month available at age 65.

The reason for making early retirement benefits available before age 65 is that for a substantial number of contributors, retirement will come in the normal course of events not at 65 but at some earlier age. Many teachers are already subject to compulsory retirement by local school boards at ages earlier than 65. Quite conceivably, the proportion of contributors in this position will grow in future as the impact of automation on retirement practices increases. Ideally, full retirement benefits should be made available under such circumstances, but because of the heavy cost of reducing the "normal" retirement age under the Canada Pension Plan and because age 65 is still at present probably the commonest "normal" retirement age, the much less costly proposal of early retirement benefits at a reduced rate is all that is practicable.

Fourthly, the Federation requests that section 6(2)(e) be deleted or amended. This provision excludes from participation in the Canada Pension Plan "employment of a member of a religious order who has taken a vow of perpetual poverty and whose remuneration is paid either directly or by him

to the order". The teaching members of religious orders who are members of the Federation have asked that it be made clear to the joint parliamentary committee that they do not want to be excluded from participation in the Canada Pension Plan. Possibly these teaching members could be included by regulation under section 7(1)(g) but in any event the Federation would like to have some assurance that participation in the Canada Pension Plan will be open to them.

A further problem in connection with participation by teaching members of religious orders may result from the definition in section 11(1) of contributory salary and wages. This definition refers to the Income Tax Act. Although income tax may not be paid by a teaching member of a religious order, he is a contributor to the Ontario Teachers' Superannuation Fund. His contribution is based on the salary paid by a school board to him or his religious community. The Federation asks that provision be made for those members to contribute to the Canada Pension Plan.

Fifthly, the Federation would like clarification on two questions affecting participation of teachers in the Canada Pension Plan. First, section 6(2)(i) provides that "employment by Her Majesty in right of a province or by an agent of Her Majesty in right of a province" is excepted employment although section 7(1)(e) provides that the province may make an agreement with the Governor-in-Council to include such employment as pensionable employment. Without taking any position on the question, the Federation would like some clarification as to whether these sections are to be interpreted as meaning that teachers employed by local school boards may only participate in the Canada Pension Plan if the province in which they are employed makes a special agreement therefor with the Governor-in-Council. The second question above coverage relates to teachers employed temporarily by foreign governments under such programs as Overseas Aid. It appears from section 7(2)(b) that it is intended to make regulations excepting such employment from pensionable employment. If this were done, the definition in section 49 of "contributory period" appears to have the result that such a period of excepted employment would simply be counted as a period of zero earnings. This penalty to participants in programs like Overseas Aid seems patently unfair, and the Federation, therefore, urges that arrangements be made to have such employment included in pensionable employment.

The Federation also has objections to certain practical or administrative features of the plan. According to the statement of the Deputy Minister of National Revenue before the joint parliamentary committee, contributions are to be on a "first earnings" basis, that is, a contributor's contributory income will not be rated over the year but contributions will be made on the first \$5,000 earned in the year, so that contributions for a person earning, say, \$1,000 per month will be made for the first five months of the year with nothing thereafter unless he moves to another employer, in which event he must start contributions afresh and claim a refund of any overpayments. This arrangement seems to be designed mainly for the convenience and protection of the plan and its administration, notwithstanding its inconvenience and unfairness to contributors. While the arrangement proposed may be the only feasible one for contributors with volatile earnings (such as salesmen on commissions and construction workers) it does not seem fair to impose it on contributors in salaried employment. The Federation, therefore, urges that arrangements be made for spreading contributions across the whole year for contributors in salaried employment instead of concentrating them on the first earnings up to the maximum amount. Also, the Federation is concerned with the possible effect of the "dropout" provision on teachers whose salary is paid on a ten-month basis. Since the dropout applies to the *months* of lowest earnings, it

appears that such teachers would use up their entire dropout in disposing of the two months each year in which they have "zero" earnings. Such an interpretation is somewhat arbitrary, since a teacher might in fact be continuously employed by the same employer for many years and it would only be because that employer is required by provincial law to pay the year's salary over ten months instead of twelve that the teacher would be considered as having any months of zero earnings. It should not be beyond the ingenuity of the legislators and those administering the plan to devise some means of preventing this unfair hardship on teachers in this position.

Lastly, the Federation believes that the provisions of Bill C-136 for the collection of contributions is unduly cumbersome and complicated as it would operate for school boards and teachers in Ontario. Under the Ontario Teachers' Superannuation Act, both employer and employee pension contributions are withheld by the provincial government from its grants to the school boards, and the amounts so withheld are then transferred to the pension fund. The Federation believes that if some similar arrangement could be made for contributions under the Canada Pension Plan on account of Ontario teachers, it would be far more satisfactory to all concerned than having the respective school boards make deductions and report contributions directly themselves. This will be even more true if amendments to the Ontario Teachers' Superannuation Act are enacted calling for some form of integration of contributions with Canada Pension Plan contributions. However, such arrangements do not seem to be permissible under section 22 of Bill C-136, and the Federation, therefore, suggests that this section be amended to permit, by regulation, such arrangements for the remittance and reporting of contributions as may be agreed to by the Minister, the employers and the provincial government.

Respectfully submitted,

The Ontario Teachers' Federation

January 22, 1965

SUBMISSION TO THE SPECIAL JOINT COMMITTEE
OF THE SENATE AND THE HOUSE OF COMMONS

on

THE CANADA PENSION PLAN

by

THE TEACHERS' ORGANIZATIONS IN THE WESTERN REGION

INTRODUCTION

In making this submission the professional organizations of the teachers of the four Western Provinces of Canada recognize that Bill C-136 is intended to provide a comprehensive program of old age pensions and supplementary benefits for all the people of Canada. Consequently, our suggestions, while they refer to teachers and conditions under which teachers are employed, are, in our opinion of equal concern to many other groups of people and individuals in Canada. The following recommendations are put forth in a sincere belief that their incorporation into Bill C-136 at the time of enactment would make the Canada Pension Plan more equitable for all those who will contribute to it:

1. We believe that the number of "drop-out years" allowed in Subsection 3 of Section 48 in calculating "average monthly pensionable earnings" is too limited. At present, many people must take lengthy periods of training and indications are that longer periods of training for a greater percentage of the work force will be required in the future. Again many find they cannot continue working to age 65 for various reasons. Furthermore, many people 35 years of age or over as of January 1, 1966 will find it relatively easy to qualify for maximum pension at age 65 by contributing for 10 to 27 years depending on present age. People who are 18 years of age or less will find it increasingly difficult to qualify for maximum pension either because of many years spent in training or because of many years of low salary in their early earning years. The inequity that we are concerned with in this paragraph could at least be partially removed by making it possible to deduct up to 20% of the total number of months in the contributory period, or at least allowing deduction of 10% of the total number of contributory months and a further deduction for a limited period of time spent in educational institutions when calculating "average monthly pensionable earnings". If a 20% deduction is considered too great in the early years of operation of the plan, 10% might be allowed for those qualifying for pension during the first years of operation increasing to the full 20% for those who qualify at age 65 some 45 years hence. It seems completely wrong to be requiring periods of training of increasing length and at the same time to be penalizing the person who takes such training by reducing the pension he can anticipate under the Canada Pension Plan.

2. It would appear that under Section 55 and with the commencing "year's maximum pensionable earnings" set at \$5,000, the corresponding maximum death benefit becomes \$500. Almost all private and government pension plans now provide for a refund of all contributions upon the death of the contributor. It would appear that where a deceased contributor leaves no one eligible to receive an allowance, the most that would be refundable would be \$500 (some seven years of contributions at maximum level) and any additional contributions would not be returned to the beneficiary or estate of the deceased contributor. This seems to be in complete violation of commonly accepted practice in contributory pension plans. Furthermore it would appear that this is a loss for participants that would be most difficult to avoid when integrating private or government administered pension plans with the Canada Pension Plan. We

respectfully recommend that, where a contributor to the Canada Pension Plan dies leaving no dependant to receive an allowance, the entire amount of his contributions be refunded to his named beneficiary or his estate.

3. Some concern is evident among teachers and school boards regarding the method of collecting and remitting Canada Pension Plan contributions. Since teachers' contracts almost always commence at July 1 or September 1 and since, as a consequence, a great many teachers accept employment with a new school board in mid year, it is likely that such teachers will pay in the calendar year considerably in excess of the required contributions and that school boards collectively will remit excess amounts annually. Bill C-136 makes provision for a refund to the teacher but fails to make provision for any refund to the employer. In effect, the employee in these cases—or, in fact, the whole group of employees—is likely to be burdened with part or all of the penalty of overpayment by the employer, since he will probably seek to compensate for or recoup the greater portion of contributions made by him to the Canada Pension Plan by resisting justifiable increases in salaries of employees. We recommend that provision be made in Bill C-136 for refunds of excess contributions to employers as well as to employees. An alternative procedure which might be provided for, where teacher plans are government administered, would be to have government make the required employer contributions on behalf of school boards.

4. We also have some concern regarding the clauses of Section 7. Many technicians and professional people accept temporary employment in foreign countries. Frequently, they do so under an agency or department of the Government of Canada or under sponsorship of some International Organization such as Unesco or the International Labour Organization. We would recommend that Section 7 be strengthened to provide that such people be given an established right to have such periods counted as pensionable employment, subject to payment of the required contributions. When it is so urgent that we use every possible means of improving international understanding we should take every possible step to see that the people who undertake goodwill assignments do not suffer any loss of rights as Canadian citizens.

CONCLUSION

While the interests of members of the teaching profession are naturally uppermost in our minds in making this submission, we sincerely believe that the recommendations we have made above would be in the best interests of Canadians generally. We are not seeking any special privileges for the members of our profession. We sincerely believe that the recommendations made herein would strengthen the Canada Pension Plan and make it more equitable for all. We trust that our suggestions will receive the careful and earnest consideration of the Committee, as merited by a matter as important as the Canada Pension Plan.

This statement has been prepared by the Saskatchewan Teachers' Federation in consultation with the teachers' organizations of the other three Western Provinces and is respectfully submitted on behalf of:

The Manitoba Teachers' Society
(Miss E. F. Redmond, President)

The Alberta Teachers' Association
(Miss L. J. Scott, President)

The British Columbia Teachers' Federation
(Mrs. I. A. Cull, President)

The Saskatchewan Teachers' Federation
(Mr. R. A. Richert, President)

APPENDIX A48

SUBMISSION OF THE CANADIAN CONSTRUCTION ASSOCIATION
TO
THE SPECIAL JOINT COMMITTEE OF THE SENATE AND
THE HOUSE OF COMMONS CONSIDERING BILL C-136,
THE CANADA PENSION PLAN

December, 1964

Construction House, 151 O'Connor St., Ottawa, Canada.

1) *Introduction*

The Canadian Construction Association welcomes the opportunity to advise this Committee of the two Houses of the special problems which implementation of Bill C-136 will create for employers in Canada's largest single industry—Construction.

The Association, officially recognized for almost fifty years by the Federal Government as one of the four most representative employers' organizations, speaks for a direct membership of over 1,000 leading firms and more than 10,000 construction enterprises through over seventy affiliated local and regional construction associations.

Our industry operates in all sections of the nation and all parts of our vast country. In 1964 the value of construction put in place will likely have reached \$8.6 billion and estimates for 1965 indicate a volume well in excess of \$9 billion. This activity provides on-site jobs for a year-round equivalent of about 600,000 Canadians and for an even larger number off-site.

On-site employment conditions in our industry have often been described as unique by industrial relations specialists inasmuch as they are normally governed by the rare combination of these three factors:

- (a) Constant employee mobility from one employer to another,
- (b) Constant employee mobility between locations of work sites—often many miles apart, and
- (c) Traditional organization of employees on craft lines rather than on an industry basis.

These circumstances thus create some unusual requirements in any pension plan to be applied to our industry.

2) *National Portability*

The Canadian Construction Association considers it absolutely essential that governmental and any other contributory pension plans provide for complete country-wide portability. As already indicated, our labour force must be continuously mobile across all parts of Canada. Non-portable pension plans will inevitably restrain such worker mobility and thereby retard somewhat the rate of economic growth of our country so largely dependent on construction. The Association therefore welcomes the built-in, nation-wide portability of pensions provided by Bill C-136. It hopes that it will be possible for this important feature of the plan to be retained as an essential one.

3) *Contributions*

Your Committee has already been made aware of the fact that Bill C-136 appears to contain an inequity regarding the manner of contribution by em-

employers as against employees to the plan. We refer here to the contemplated procedure regarding refunds. This is inequitable since it offers all employees an opportunity to have overpayments refunded, but fails to do so to employers in cases concerning employees who have worked for more than one employer in the course of any given year. We have noted with concern that Section 9 of the Bill (governing amount of employer's contribution) fails to parallel that of Section 3 (governing amount of employee's contribution) inasmuch as it lacks the provisions for defining "Overpayment" as given under Sub-section (2) of Section 8, even though Sub-section (3) of Section 39 does provide for refunds of overpayments to both employers and employees.

According to the Dominion Bureau of Statistics 1961 Census, incomes of construction employees in many parts of Canada are now often well in excess of the yearly maximum pensionable earnings of \$5,000—above which no further contributions are required by employer or employee. (See Sections 15 to 19). As already stated, rather extreme mobility of construction employees between different employers in the course of any given year is a requirement of the industry. Under these circumstances, construction employers under the present provisions of Bill C-136 will encounter serious difficulties in knowing at what point any of their employees may have reached his year's maximum pensionable earnings. Similarly, difficulties would be experienced regarding the basic annual exemption of \$600. As a result, many employers in our industry will have no option but to make contributions over and above those envisaged and justifiable under the concept of the Plan for equal employer and employee contributions.

Construction employers have a decided interest in the welfare of their employees and in principle fully support the concept of a national contributory portable pension plan. They therefore object to any plan which has the effect of turning their contributions into a "Tax" since this is the true effect of the inequitable refund procedure.

It is understood that the Department of National Revenue will exercise its financial control over contributions in combination with its administration of the Income Tax Act. In these circumstances, we would therefore respectfully urge that Bill C-136 be amended on the recommendation of this Committee to provide for the automatic annual refunds to all employers, as well as to employees. To employers these refunds should be paid on a proportional basis when several are concerned with the same employee in any given year. Such a change would guarantee the concept of equal contributions on the part of both groups of contributors, would eliminate the need for making and processing refund applications and would seem to be a fair task to be assigned to a highly sophisticated computer system. We would further urge that the annual basic exemption be eliminated.

4) *Protection of existing plans*

The Canadian Construction Association gives it fullest support to freedom of enterprise. In consequence, it believes that in all those instances where employees are already covered by existing contributory portable pension plans offering equivalent benefits, an opportunity should be provided to offer these employees and employers an option between participation in a governmental portable contributory pension plan and the continuance of the existing plan to avoid the possibility of being faced with total pension contribution payments in excess of that required in the proposed legislation. Such an option would clearly be guided by which plan offered the better protection. It would, moreover, likely avoid many of the difficult integration problems facing existing plans. This point is raised because our industry already operates a few portable, but very sizeable contributory pension plans which should be given the choice to "Contract out". This change would become feasible if the indexing features were eliminated and the transition period extended over 20 years.

Better still, perhaps, such a choice might be granted generally, as is the case in the United Kingdom under its plan. In this manner, truly competitive conditions would be created for the benefit of the general public and the maximum administrative efficiency of all plans would best be assured.

5) *Benefit overlap and duplication*

Several benefits to be provided under Bill C-136 could duplicate or overlap similar ones already payable under existing compulsory government-operated Workmen's Compensation Acts. These circumstances have already been reviewed in past federal-provincial discussions on this Bill and it is understood that amendments to those other Acts have been agreed upon to provide for their respective integration with the new and similar benefits to become available under the Canada Pension Plan. Our Association considers it desirable that your Committee assure full public clarification of this matter before it submits its report.

6) *Summary of recommendations*

It will be noted that this submission takes a decidedly positive approach to Bill C-136 and only deals with those aspects of the proposed plan which are of direct concern to construction employers. In summary, these recommendations are:

- (a) Retention of Canada-Wide portability feature of any contributory pension plans,
- (b) Provision for automatic annual refunds to both employees and employers of any overpayments by them, and elimination of the annual basic exemption,
- (c) Offer of an option to "contract out" to existing portable, contributory pension plans, and preferably also to all employer-employee units, able to obtain equivalent benefits at lesser cost. Elimination of indexing features and extension of the transition period to twenty years to make this feasible, and
- (d) Earliest possible public clarification regarding the integration of certain benefits already being provided under existing compulsory government-operated plans such as Workmen's Compensation Acts.

It is sincerely hoped that these recommendations will commend themselves to the Committee.

All of which is respectfully submitted,

S. D. C. Chutter,
General Manager.

D. H. Jupp,
President,

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

SPECIAL JOINT COMMITTEE OF THE SENATE
AND OF THE HOUSE OF COMMONS

Appointed to Consider and Report upon Bill C-136, An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors.

Joint Chairmen: Senator Muriel McQ. Fergusson and Mr. A. J. P. Cameron (*High Park*).

MINUTES OF PROCEEDINGS AND EVIDENCE

(Meetings held during the adjournment of the Senate and of the House of Commons, as of January 12, 1965.)

No. 22

TUESDAY, FEBRUARY 2, 1965
WEDNESDAY, FEBRUARY 3, 1965

WITNESSES:

Dr. Joseph Willard, Deputy Minister of Welfare; Messrs. J. E. E. Osborne, Technical Adviser to this Committee; Tom Kent, Policy Secretary, Prime Minister's Office; D. Thorson, Assistant Deputy Minister of Justice; D. Sheppard, Assistant Deputy Minister of National Revenue; E. E. Clarke, Chief Actuary, Department of Insurance; J. A. Blais, Director of Family Allowances and Old Age Security Division, Department of National Health and Welfare; Wallace R. Joyce, F.S.A.; Edward Ruse, F.S.A.; Cuthbert Scott, Q.C. and *from the International Association of Fire Fighters*: Messrs. Bernard Bonser, Vice-President, Chairman, Pension Committee; Richard Chamber, International Representative; O. Bolton, President, Toronto Fire Fighters' Association; John Jessop, Vice-President, Toronto Fire Fighters' Association; Ernest Haché, President, Ottawa Fire Fighters' Association, Wes Chatterton, Vice-President, Ottawa Fire Fighters' Association.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

MEMBERS OF THE COMMITTEE FOR THE SENATE

Honourable Senator Muriel McQ. Fergusson, *Chairman*,
and Honourable Senators:

Blois	McCutcheon
Boucher	Smith (<i>Queens-Shelburne</i>)
Croll	Smith (<i>Kamloops</i>)
Denis	Stambaugh
Flynn	Thorvaldson
Lefrançois	

MEMBERS OF THE COMMITTEE FOR THE HOUSE OF COMMONS

Mr. A. J. P. Cameron M.P. (*High Park*), *Chairman*
and Messrs.

Aiken	Laverdière
Basford	Leboe
Cantelon	Lloyd
Cashin	Macaluso
Chatterton	Monteith
Côté (<i>Longueuil</i>)	Morison
Enns	Munro
Francis	Perron
Gray	Prittie
Gundlock	Rhéaume
Howe (<i>Wellington-Huron</i>)	(Mrs.) Rideout
Knowles	

(Quorum 10)

Maxime Guitard,
Clerk of the Special Joint Committee.

(Meetings held after adjournment of the House)

MINUTES OF PROCEEDINGS

TUESDAY, February 2, 1965

(46)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:05 o'clock a.m. this day. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Blois, Boucher, Croll, Fergusson, Lefrançois, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh (8).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Cameron (*High Park*), Cantelon, Chatterton, Côté (*Longueuil*), Francis, Gray, Howe (*Wellington-Huron*), Knowles, Laverdière, Lloyd, Monteith, Munro, Prittie (15).

In attendance: Messrs. Wallace R. Joyce, F.S.A.; Edward Ruse, F.S.A.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Joint Chairman invited Mr. Joyce to make a preliminary statement before being questioned thereon.

In accordance with a motion passed at a previous meeting, the brief of Mr. Wallace R. Joyce, F.S.A., is printed as an appendix to this day's Minutes of Proceedings and Evidence (*See Appendix A49*).

The Committee having completed its examination of the witness, the Joint Chairman thanked Mr. Joyce who retired.

Then Mr. Edward Ruse was called, made a preliminary statement and was questioned thereon.

Mr. Ruse's brief is appended to this day's Minutes of Proceedings and Evidence, in accordance with a motion passed at a previous meeting (*See Appendix A50*).

The examination of the witness being completed, the Joint Chairman thanked Mr. Ruse and he withdrew.

On motion of Mr. Lloyd, seconded unanimously,

Resolved: That a vote of thanks be extended to Mr. Ruse for his contribution.

On motion of Mr. Monteith, seconded by Mr. Munro,

Resolved unanimously: That the name of Mr. Aiken be substituted for that of Honourable Monteith on the Subcommittee on Agenda and Procedure of the Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan.

At 12:43 o'clock p.m. the Committee adjourned until 2:30 o'clock this afternoon.

AFTERNOON SITTING

(47)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reconvened at 2:33 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Blois, Boucher, Croll, Ferguson, Lefrançois, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh (8).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Howe (*Wellington-Huron*), Knowles, Laverdière, Lloyd, Munro, Prittie (16).

In attendance: Mr. Cuthbert Scott, Q.C., and from *The International Association of Fire Fighters:* Messrs. Bernard Bonser, Vice-President, Chairman, Pension Committee; Richard Chamber, International Representative; O. Bolton, President, Toronto Fire Fighters' Association; John Jessop, Vice-President, Toronto Fire Fighters' Association; Ernest Haché, President, Ottawa Fire Fighters' Association, Wes Chatterton, Vice-President, Ottawa Fire Fighters' Association.

The Joint Chairman introduced Mr. Bonser, who in turn, introduced the members of his delegation. Then Mr. Bonser made a preliminary statement before being questioned thereon, assisted by the other witnesses.

In accordance with a motion passed at a previous meeting, the brief submitted by the International Association of Fire Fighters is appended to this day's Minutes of Proceedings and Evidence (*See Appendix A51*).

The examination of the witnesses being concluded, the Joint Chairman thanked Mr. Bonser and his delegation, and they retired.

On motion of Mr. Francis, seconded by Mrs. Rideout,

Resolved unanimously: That a vote of thanks be extended to Mr. Bonser and his delegation from the International Association of Fire Fighters for their contribution.

Then Mr. Cuthbert Scott, Q.C. was called and examined.

In accordance with a motion passed at a previous meeting the brief submitted jointly by Chesapeake and Ohio Railway Company, Great Northern Railway Company, Midland Railway Company of Manitoba, New York Central Railroad Company, Norfolk and Western Railway Company, and Northern Pacific Railway Company is printed as an appendix to this day's Minutes of Proceedings and Evidence (*See Appendix A52*).

The examination of the witness being completed, the Joint Chairman thanked Mr. Scott, who retired.

On motion of Senator Croll, seconded by Mr. Knowles,

Resolved unanimously: That the charts used by Mr. Edward Ruse to illustrate his brief at this morning's sitting be annexed to Mr. Ruse's brief already authorized to be appended to this Committee's Minutes of Proceedings and Evidence of today (*See annexes Nos. 1 and 2 to Appendix A50*).

At 3:50 o'clock p.m., on motion of Mr. Cantelon, seconded by Mr. Lloyd,

Resolved unanimously: That the Committee adjourn until 10:00 o'clock a.m. on Wednesday, February 3, 1965.

WEDNESDAY, February 3, 1965.
(48)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:03 o'clock a.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Blois, Boucher, Croll, Fergusson, McCutcheon, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh (8).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Francis, Gray, Knowles, Laverdière, Lloyd, Macaluso, Munro, Prittie, Rhéaume (16).

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare; Messrs. J. E. E. Osborne, Technical Adviser to this Committee; Tom Kent, Policy Secretary, Prime Minister's Office; D. Thorson, Assistant Deputy Minister of Justice; D. Sheppard, Assistant Deputy Minister of National Revenue; E. E. Clarke, Chief Actuary, Department of Insurance; and J. A. Blais, Director of Family Allowances and Old Age Security Division, Department of National Health and Welfare.

The Joint Chairman asked the Clerk of the Committee to read the Minutes of Proceedings of the Subcommittee on Agenda and Procedure meeting held on Tuesday, February 2, 1965:

SUBCOMMITTEE ON AGENDA AND PROCEDURE
MINUTES OF PROCEEDINGS

TUESDAY, February 2, 1965

SEVENTH REPORT

The Subcommittee on Agenda and Procedure of the Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 3:50 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present: Senators Fergusson and Croll and Messrs. Aiken, Cameron (*High Park*), Chatterton, Côté (*Longueuil*), Knowles, Munro.

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare.

Your Committee agreed to the following decisions and recommends:

1. That the Subcommittee be authorized to prepare a draft report to be considered by the main Committee.
2. That the main Committee sit *in camera* on Thursday afternoon, February 4, 1965.
3. That the following briefs be printed as appendices to this Committee's Minutes of Proceedings and Evidence, namely:
 - (a) The Senior Citizens' Advancement Committee. (*See Appendix A53*).
 - (b) Age and Opportunity Bureau. (*See Appendix A54*).
 - (c) United Fishermen and Allied Workers' Union. (*See Appendix A55*).

4. That the Communist Party of Canada be invited to submit its brief, as soon as possible in order that it be appended to this Committee's Minutes of Proceedings and Evidence.

Respectfully submitted,

A. J. P. Cameron (*High Park*),
Chairman.

On motion of Senator Croll, seconded by Mr. Chatterton,

Resolved unanimously: That the Seventh Report of the Subcommittee on Agenda and Procedure be adopted as read.

Mr. Chatterton moved, seconded by Mr. Aiken,

That the Committee request that the Royal Commission on Taxation be asked whether or not they are prepared to present a preliminary report on the implications of the Canada Pension Plan for fiscal policy and the incidence of taxation.

The Joint Chairman ruled that motion out of order.

Thereon, Mr. Chatterton moved, seconded by Mr. Aiken,

That the Government be requested to determine whether the Royal Commission on Taxation is prepared to submit a preliminary report on the implications of the Canada Pension Plan for fiscal policy and incidence of taxation.

The Joint Chairman ruled that second motion also out of order.

Then Dr. Willard was invited by the Joint Chairman to make a statement before being questioned thereon.

The Committee having completed its questioning of Dr. Willard and the other witnesses, the Joint Chairman thanked them and they withdrew.

At 12:30 o'clock p.m. the Committee adjourned until 2:30 o'clock p.m. on Thursday, February 4, 1965.

Maxime Guitard,
Clerk of the Special Joint Committee.

EVIDENCE

(Please note, that all the evidence adduced in French and translated into English was recorded by an electronic recording apparatus pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.)

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mrs. Rideout and gentlemen, we have a quorum and I will call the meeting to order. One witness this morning is Mr. Wallace R. Joyce, originally from British Columbia, but who now makes his home in Toronto. Mr. Joyce is a Fellow of the Society of Actuaries. He graduated from the honour course in mathematics and physics at the University of Toronto. He has served as a member of the Ontario Welfare Council's committee on public welfare policy—economic needs and resources of old people. I know a very thorough study was done by this committee. For some years Mr. Joyce has been a member of the social security committee of the Canadian Association of Actuaries and at the present time is chairman of that committee.

Mr. Joyce, I presume after listening to some our hearings you realize we do not ask the person making a presentation to read the brief, but rather to summarize it if possible and then submit himself to questioning by the committee.

Mr. WALLACE R. JOYCE (*Fellow, Society of Actuaries*): Thank you, Madam Chairman.

My brief is a short one. Perhaps not a great deal of it is new, although I hope some of it may be presented to you in a slightly different way from some of the other material which has been placed before you. I venture to inflict my personal views on you because I have studied the matter considerably in my profession as an actuary.

Of course, you know an important part of an actuary's training has to do with pensions in one field and social security generally in another. I might have mentioned that currently I am the consultant to the education and examination committee of the Society of Actuaries on that phase of is examinations having to do with Canadian social security.

In the first part of my brief I make some comments on the actuarial report. I state why I think the intermediate cost figures might be chosen towards the high cost figures in the actuarial report rather than in the direction of the low cost, although the intermediate cost figures actually shown in that report in fact are weighted in the direction of the low cost figures. I point out one important omission in the actuarial report, or at least what to me seems to be an important omission. Bill No. C-136 includes a part IV which covers amendments to the Old Age Security Act, yet no estimate of the cost produced by this part IV has been included in the actuarial report. I feel it is important that parliament should know these costs when considering the bill.

I also suggest it would be very helpful to present total combined costs of federal pensions for the aged at the time the bill is being considered by parliament. I feel very strongly that the total costs of the plan are not well understood by the Canadian public, nor even by many members of parliament.

I do think this committee can perform an important function in bringing these costs to the fore in their deliberations and presentation to parliament. I specifically referred to the expression of the old age security costs as a percentage of payroll to give some relationship between the costs under the old age security plan and the proposed Canada pension plan. I suggested that the figures should be obtained from the government actuaries, but in the light of their previous actuarial report dated August 30, 1963, it appeared that the present \$75 old age security benefit might cost something in the order of 5 to 7 per cent expressed as a payroll tax.

In the second part of my brief I suggest that the benefit structure of the Canada pension plan is poorly designed to meet the social needs in Canada. The principal benefits are granted to those best able to provide for themselves. The people who gained the most are those who are fully employed throughout normal working years at middle or high earning levels. Those earning lower wages benefit less. Those who have suffered periods of unemployment for whatever reason have their benefits sharply reduced. Many casual and low paid workers will receive nothing at all under the plan. The chief beneficiaries under the plan are today's wage earners at relatively high wage levels. The persons who need assistance most are those aged whose working years were in the low wage era of the depression years and the war years. Those already retired have had none or few of the good years in which to provide for their retirement. The provision they did make has been diluted by post-war inflation. I submit that these are the persons to whom the government should direct its assistance under a government welfare plan.

Then I point out that one of the reasons advanced for the Canada pension plan was the inability of the flat benefit old age security to meet the variations in cost of living between different regions in Canada. However, in my service on the Ontario Welfare Council committee I had a distinct impression from the welfare officials with whom I was in contact at that time that there were two particularly important areas in which a flat benefit did not help the particular needs. One of these areas was in the field of medical and nursing care costs which, of course, are matters of individual need; it depends upon the individual situation, and a wage related benefit does nothing to help in this matter. The other important area of divergence between different areas—urban and rural—or different geographic areas, was in rental or housing costs.

There may be some relationship between wage levels and the cost of housing, but it is not very direct. I am suggesting perhaps it might be much more appropriate to meet this major differential in need by some direct approach, possibly a specific social assistance provision. I particularly suggest that the actual income needs of the aged should be studied in depth so that the extension of social welfare in this area may be related to the real need. I recommend delay in implementation of the Canada pension plan until such a study has been made. I do not think this is too much to ask in a plan which promises to cost more than \$500 million a year of taxpayers' money. I think the government has the facilities and means to produce essential statistics that would relate actual needs of the aged to the actual incomes that the aged in groups do possess. The basis of this study, I would hope, would enable plans to be designed that would more specifically meet the needs in these areas.

In the third part of my brief I suggest that the plan has basic instabilities which will invite political pressures unless these are removed. I know you have heard a good deal about this point. I do not condemn political pressures which have wrought much social justice, but I believe it is folly to introduce a plan which inherently contains the seeds of discontent. The public is quick

to sense injustice and will not tolerate obvious subsidies, unmerited either by social need or by personal contribution.

I note a reaction to the Canada pension plan proposals already has forced three recommended changes in the old age security structure. I wonder whether anybody here, after hearing the Ontario brief yesterday and knowing about the \$25 monthly increase in old age security that already has been suggested in parliament, really believes you can get through another session of parliament without very strong pressure to increase the flat old age security by another \$25 monthly? The Ontario proposal suggests that this might be provided under the Canada pension plan and some integration be achieved with this benefit which, in effect, would provide a certain minimum to everybody, and then the Canada pension plan would take over the wage related benefit for those people to whom it provides a benefit in excess of \$25.

I firmly believe that parliament is going to be faced with adding a \$25 old age security as a flat addition to the present old age security system unless something of the nature of the Ontario proposal is adopted.

I then go on to cite my personal situation in order to point up the fact that there are very important unjustified subsidies in this plan. I consider myself one of the well-off members of society, for I shall be getting a clear gift from the government of not less than \$14,499 on the basis of the present proposal. This subsidy might be substantially increased by the effect of the pension index.

In other words, it is to my personal advantage to have the Canada pension plan introduced in its present form. But I feel strongly that this is not in the interest of Canada.

The final portion of my brief comments very briefly on the inequities in the Canada pension plan, and says that they are not temporary but are aggravated by the effect of the indexing benefits.

I wonder indeed if at any time in the foreseeable future the plan can really be secure in the sense that the retired individual may be subject to have actually paid in contributions which are the actuarial equivalent of his benefits, even interpreting actuarial equivalent in its greatest terms. I think it would be interesting to put this question to the chief actuary of the government.

I urge removal of the indexing feature in the Canada pension plan. I feel that it has no place in wage related benefits. I think there is a much better case for inserting a pension index or some other means of automatic adjustment in the flat benefit old age security. I believe that is all I have to say.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much, Mr. Joyce. I see that Mr. Chatterton has a question. Referring to the example you raised in your case, does it take into consideration the supplementary benefits?

Mr. JOYCE: No. I am speaking strictly of the old age pension benefits.

Mr. CHATTERTON: It would be much greater if you considered the supplementary benefits, would it not?

Mr. JOYCE: Yes.

Mr. KNOWLES: You want the idea of both benefits, that is, of the added benefits also?

Mr. JOYCE: No.

Mr. CHATTERTON: Normally you would have to consider only the supplementary benefits.

Mr. JOYCE: Yes. My example was rather simplified. I did not take it into account, and I really did not take into consideration present values. I took in merely contributions in and payments out.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is that all?

Mr. CHATTERTON: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Now, Mr. Lloyd.

Mr. LLOYD: I do not know why I react to this constant reference of what is called clear gifts or windfalls by so many actuaries in criticizing the plan. They all seem to want to measure the benefit structure of the Canada pension plan in terms of an actuarially calculated fund.

I notice you do the same thing here, and to use your own words:

This represents a clear gift from the government (or rather from future taxpayers in the Canada pension plan) of not less than \$14,499.

This is in the instance which shows the illustration.

Mr. JOYCE: Yes, sir.

Mr. LLOYD: Now, are you suggesting that if the government is going to enter the field of social insurance it should do so purely with an actuarially funded operation?

Mr. JOYCE: I suggest that the windfall is going to the wrong persons, the persons who do not need it. This is the point of my illustration, I believe.

Mr. LLOYD: There are no windfalls in this category of private pension plans to which you refer, are there?

Mr. JOYCE: I think not.

Mr. LLOYD: Such as for past service contracts, for example?

Mr. KNOWLES: Are there any windfalls to persons who do need them?

Mr. JOYCE: They are lesser to the people who do need them, and there are none at all to some of the people who need them the most.

Mr. LLOYD: I am only trying to reconcile my own thinking with yours.

Mr. JOYCE: Yes, surely.

Mr. LLOYD: I may be woefully wrong, but I am trying to do my job as a member of parliament and to see all sides of this question.

Mr. JOYCE: I appreciate that.

Mr. LLOYD: We are all faced with this. For example, if I were writing a critique of the system, I would do so in slightly different words. I would say that for all persons who receive benefits from the Canada pension plan, which is not funded, in fact, in proportion to their earnings during their lifetime, there is a capital sum to pay future benefits. But when you pick out one thing in isolation, you do not show any relationship to everybody else. Why did you use this method in making your case?

Mr. JOYCE: I did so because I felt that by giving a personal example of a case where a subsidy was not needed, or where the subsidy was so very apparent, it would bring home the point that the subsidy was being granted in the wrong place.

With respect to your question about windfalls being present in private pension plans, I think my answer to that is negative, that the contribution by the employer which is considered in lieu of salary plus the employee's own contribution is normally in private pension plans actuarially equivalent to the benefits being provided.

Mr. LLOYD: Let us take into account the fact of tax exemption of contributions, and contributions to past service funds. Surely there is an element of windfall in the existing arrangement under private pension plans in the sense that you use it.

Mr. JOYCE: Yes, I must admit that if you wish to consider tax exemption as a grant from the government, this is so.

Mr. LLOYD: It is so, is it not? Your colleagues in your field, who would question the present tax laws in respect of deductibility of all past services,

or contributions, you would agree, point out the effect that this would have as against those who have not. But getting right down to the question of financing the Canada pension plan in principle, what you are saying is that we are asking people to contribute through the tax system which is slightly different from private contracts with private companies and contributions.

Now, if we were to subtract from what somebody has called a payroll tax to provide pensions, a great deal of money for flat benefits under the O.A.S., would we not get into trouble everywhere? Sooner or later we might find that we had gone too far with it and would have reached a point where we abandoned the philosophy of benefits related to lifetime earnings.

Mr. JOYCE: Yes, I agree.

Mr. LLOYD: So there must be adjustment between the two, and in that light this reference to windfall is less critical, is it not?

Mr. JOYCE: I think you have to look at the whole benefit structure to see just who does receive the windfall under the plan and how much of the windfall goes to each person. I believe that an examination of this particular plan as presently proposed illustrates that as a social welfare plan it is providing a subsidy to the people who need it the least.

Mr. LLOYD: You speak of a social welfare plan which is wage related to a pension scheme or to a publicly sponsored pension plan. But let us be honest about it. Everybody uses a lot of terms such as publicly sponsored pension plan, but in a sense it is following what is the general practice of relating benefits to lifetime earnings.

Mr. JOYCE: I feel strongly that there is no reason for the government to be sponsoring a plan at all for such social welfare purposes. I heard quoted yesterday a basic principle enunciated—I believe it was a quotation from the Prime Minister which was read into your proceedings yesterday when questioning the Ontario delegation.

This enunciation of the basic principle, if I understand it correctly, defined the purpose of the government to fill a social welfare need.

Mr. LLOYD: No, I do not believe those were the terms that were used.

Mr. AIKEN: I think that is roughly the expression that was read.

Mr. FRANCIS: The record will speak for itself.

Mr. LLOYD: I do not think it was social welfare.

Mr. AIKEN: There were several expressions used, all of which were used to express the same idea.

Mr. LLOYD: To keep the record straight, if one were to comment on this subject which Mr. Aiken has raised in commenting on yesterday's proceedings, one would say that the federal government originally proposed a scheme that Ontario now agrees with, which is roughly a pay as you go plan, a certain proportion of the payroll deductions to be used to improve old age security benefits.

Mr. AIKEN: That is one feature.

Mr. FRANCIS: That was the original idea.

Mr. LLOYD: That is right; that was the original proposal of the government. Then Ontario wanted funds at one time. That is why I say we will not get anywhere by trying to fix in time who said what under certain circumstances.

Mr. AIKEN: I agree to that.

Mr. LLOYD: So we get on to two different propositions. One is that the payroll deductions and the payroll taxing—if you like to call it that—for the contributions to establish a scheme of wage related pension benefits, if utilized solely for that purpose, are in addition to the existing pension opportunities

that the private sectors supply. But for some reason the private sector has failed to reach many many people. It is to fill that need that I think everyone agrees we should make a step or undertake a measure, or undertake the Canada pension plan.

Then it gets confused with the old age security, which is a flat rated benefit which was definitely designed with a pension plan as a social welfare measure; there is no question about that. The old age security is a social welfare measure. To avoid means tests we compromise and say we will pay it to everyone at a certain age and then subject it to taxation.

Mr. KNOWLES: That is no compromise; that is the basic principle.

Mr. LLOYD: You can call it a principle if you like.

Mr. JOYCE: The purpose of the Canada pension plan was enunciated as a supplement to the old age security that would allow all Canadians to live in retirement in dignity and reasonable comfort, or something to that effect.

Mr. LLOYD: Is it a fair statement to put to you that you join those who do not think that government should be in competition with the private field and that we should leave the private field to supply all wage related pensions?

Mr. JOYCE: I feel it would be unnecessary for the government to enter the wage related field if they were to attempt to fill a social welfare need more directly.

Mr. CHATTERTON: May I ask a supplementary question?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Chatterton.

Mr. CHATTERTON: In respect to this question of basic principles, on July 18, 1963, the Prime Minister made this statement:

The purpose of the government proposed legislation is to ensure that as soon as is possible in a fair and practical way all Canadians will be able to retire in security and with dignity.

Then again, on September 9, 1963, the Minister of National Health and Welfare made this statement:

The purpose of the Canada pension plan is to make it possible for all Canadians to retire in security and with dignity.

Do you think the proposed plan meets the purpose of those two statements?

Mr. JOYCE: These were the quotations I had in mind, Madam Chairman. I think there is no question that the Canada pension plan fails to assist all Canadians; and "all Canadians" is the term used in both those quotations.

Mr. LLOYD: If one were to take the full context of the statement that is made I think one would get the proper interpretation. When taking it out of context one can interpret it in any way one likes.

Mr. AIKEN: I would like Mr. Joyce to refer to the question of indexing.

You stated that you felt indexing should be removed. Do you feel that this should be both as to earnings and cost of living or as to one only?

Mr. JOYCE: I would remove all indexing in a wage related plan if I had a say in the matter.

Mr. AIKEN: What are your reasons? The one that has been raised most often in the committee is the question of built-in inflation, if you would call it that, and the fear of many people that it might lead to inflation.

Mr. JOYCE: This is one reason, but the other reason why I feel it has no place in the wage related plan is that of the inequities, the social inequity of this benefit structure of the plan, the fact that the wage related plan gives the higher benefits to the people who have the higher earnings and therefore are in a better position to look after themselves.

It is for this reason that I suggest the indexing should not give further higher benefits to the people who are best able to look after themselves. I feel there is a very good case for making provision not necessarily for indexing but perhaps for periodic review by a committee for the flat old age security benefit. I would certainly recommend removing in all indexing from the wage related plan, however.

Mr. AIKEN: Do you believe that the pressures which you have mentioned on the people in parliament would keep the benefits in some relation to the cost of living, and that changes should be made by periodic review either by legislation or by administrative order rather than by indexing?

Mr. JOYCE: I suppose fundamentally I feel you are trying to ride two horses in having a wage related plan in which the contributions really do not provide for the benefits. This is the reason why the inequities occur—the obvious inequities—in this plan. If you produced a wage related plan in which there was an actuarial equivalence between the individual's contributions and the individual's benefits, then you could index it or do anything you liked as long as you preserved that actuarial equivalence, because you would not be giving any further subsidy to any individual. But because this plan does not have actuarial equivalence, I think it is wrong to build in a factor that aggravates the inequitable subsidies.

Mr. AIKEN: I would like to turn to this other question that has been raised quite often in the committee, that is the type of plan that this Canada pension plan is. There have been efforts made to categorize it as a social welfare legislation and so forth. I understood you to say this morning that you are basically in agreement with the Ontario proposition that there should be a minimum payment for all Canadians who are on old age security of perhaps \$25, as it was put yesterday. Is this your statement?

Mr. JOYCE: I feel the situation has already reached the point at which we are inevitably faced with an increase in the flat benefit old age security of an amount which may very well be \$25 a month, and that if this is not provided under the Canada pension plan and integrated with the Canada pension plan, as has been suggested by the Ontario government, then the political pressures will make it inevitable that it will have to be provided as a straight flat addition to whatever may be provided under the Canada pension plan. Therefore I think it is much more appropriate that the integration should be considered very seriously by this committee and might be recommended to parliament.

Mr. AIKEN: Would you say it would be out of keeping with the type of legislation that we have for us to introduce the social welfare benefit that was suggested?

Mr. JOYCE: No. Something of the kind was suggested in the first version of the Canada pension plan, and I think the basic principles that were mentioned certainly give you scope for including something of this kind.

Mr. AIKEN: So your belief is, as I understood your earlier statement, that the government should have some reason to be in this type of business beyond merely providing what private institutions could themselves provide?

Mr. JOYCE: Yes, I do believe that.

Mr. AIKEN: And, this, therefore, would include a welfare element, which the \$25 minimum would provide.

Mr. JOYCE: Yes.

Mr. AIKEN: Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Would you proceed, Mr. Knowles.

Mr. KNOWLES: Mr. Joyce, may I commence where Mr. Aiken left off. If I understood him correctly, Mr. Aiken asked you if you felt it would not be out

of keeping to provide a social welfare element along with the Canada pension plan. I thought he was talking about the \$25 or some such increase in old age security. If I understood you correctly, you say no, that such would not be out of keeping.

Mr. JOYCE: That is correct.

Mr. KNOWLES: Is not the reverse of that then also true, that it is not out of keeping to provide along with a flat rate benefit an earnings related scheme such as this set out in the Canada pension plan? Have you not, in effect, said that a two stage kind of plan is the proper business of government?

Mr. JOYCE: Well, I personally am not trying to suggest that the wage related portion of the plan should be entirely thrown out. I do not think at this stage it is feasible. But, I do think that the extent of the wage related benefit in respect of the flat rate benefit should be geared to the actual needs, the actual income needs of the aged in Canada, and this is why I recommend very strongly that in a plan that promises to spend more than \$500 million a year of the taxpayers' money the actual needs should be studied first, and that the plan should be devised to actually meet the needs that are known.

Mr. KNOWLES: In view of the statement that you have just made, that you do not think this kind of plan should be thrown out the window altogether, is it fair to assume then that you feel there is a place in government operations for enabling all the people to provide themselves on an insurance basis with more pension than can be provided on a flat rate basis?

Mr. JOYCE: I think if you are asking me if I favour a wage related benefit in the government plan I must say no.

Mr. KNOWLES: The reason I am looking at you is that I am thinking about the answers you have given to two or three questions. But, we will let the record speak for itself. I have one other question. You have stated that if we report this bill back to the house in its present form without doing something for those now aged 70 and over, there will be pressures brought to raise the old age security. I can assure you that you are right; I will see to it that your prediction is carried out.

Mr. FRANCIS: You are giving supporting evidence now in this committee's hearings.

Mr. KNOWLES: I am in support of the position from top to bottom and right to left.

Mr. FRANCIS: That is very reassuring.

Mr. KNOWLES: You suggested there would be such pressures. You also urged that we delay this bill. You have said you do not propose we throw out the thing completely but that we delay the bill. If we so recommended would there not be pressures in one case brought to increase old age security at this time, even if we did not bring back this bill, and would not we have the same round again next year or the year after, whenever we bring in some kind of earnings related plan? I put this question because I recall two years ago the government brought in a proposal for an earnings related plan when old age security was \$65 a month. It admitted itself that it could not do that and leave the \$65 where it was, and it had to raise it to \$75. Is it not inevitable that at whatever point an earnings related plan is brought in for those still working something has to be done for those already retired? To follow an old adage: Why not do it now?

Mr. JOYCE: I believe that is the case. When I say "delay" I am not suggesting it should be delayed for a matter of one or two years, but I believe that the Ontario government suggested, reasonably, I think, that you might get some advance information from the royal commission on taxation to give

some help with the tax structure of the plan. And, I believe the government has the facilities to get this further information about the needs of the aged in Canada. And, it would be very helpful to parliament to know that the plan as it is ultimately introduced is something that is properly filling the social welfare function that we hope it will fill.

Mr. KNOWLES: To a degree, whatever we do in the earnings related plan, we have to do something with the people already retired. Do you not agree?

Mr. JOYCE: I do.

Mr. KNOWLES: Thank you. Those are all my questions for now, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you a question Mr. Francis?

Mr. FRANCIS: Yes, Madam Chairman. Mr. Joyce has made many references to actual needs. Does he think that social assistance should play a part in determining needs and case work in individual circumstances?

Mr. JOYCE: Well, social assistance has nothing to do with the needs; it is a provision for the need.

Mr. FRANCIS: I am sorry; did you say that social assistance has nothing to do with need?

Mr. JOYCE: Well, it is something that comes after the event, surely. Is not the social assistance provided to fill the need?

Mr. FRANCIS: Well, surely case work in social assistance will determine need in individual circumstances, would it not?

Mr. JOYCE: Yes.

Mr. FRANCIS: Do you believe in this as a form of social welfare, because it seems to me when you talk "need" you must indicate the kind of measures you consider most appropriate to deal with need?

Mr. JOYCE: I think we face in any social welfare structure the fact there is some place where one draws the line and perhaps it always has to do with the percentage of the population that require the assistance. Now, when this percentage gets up to a very large portion of a particular group, perhaps 90 or 95 per cent, then sometimes it is more practical and less costly to blanket in the whole group, and overlooking the fact that 5 or 10 per cent of this particular group who do not really need it on the basis of the needs test are still getting some assistance. But then, as the need gets down to a lower percentage, maybe down below 50 per cent or 25 per cent, you are faced with the reality of the cost of the situation for this smaller percentage that is in need of some social welfare and this perhaps has to be provided on some sort of a means test. "Needs" is rather a bad word, I am sure, to everyone. I do not like it. I do not think any of the welfare officers like it. But, in the area of pensions that we are talking about I think the criterion might be a simple income criterion that could be administered through the income tax department or through the Department of National Revenue.

Mr. FRANCIS: In other words, you are in favour of the retirement test?

Mr. JOYCE: I think I would favour an income test.

Mr. FRANCIS: What I am trying to establish is this. I gather you just do not believe in a wage related plan as public sponsored. Is that about the size of it?

Mr. JOYCE: Fundamentally, no.

Mr. FRANCIS: All right, if you do not believe in that what do you think we should be doing? Do you think a flat rate provision is more desirable or that we should strengthen social assistance, or both? What do you think we should do?

Mr. JOYCE: I think the flat rate old age security has served Canadians very well and if properly increased will continue to do so. I feel that some additional social assistance might very well be applied in specific areas where the need is evident.

Mr. FRANCIS: But you have not discussed this in your brief.

Mr. JOYCE: Only in a general way.

Mr. FRANCIS: Well, I will come to my last question. If you believe in the flat rate benefit approach are you in general agreement with the proposals that were put before us by the province of Ontario yesterday, to which you were apparently listening at the time?

Mr. JOYCE: Yes. I believe the proposals put forward by the province of Ontario would be a substantial improvement on the Canada pension plan.

Mr. FRANCIS: They would add something like \$375 million a year in benefits being paid out in 1970, according to the estimates placed before us. Am I correct in saying you are in favour of building up benefits at about that rate?

Mr. JOYCE: I think that is realistic. I think not to provide these benefits will merely have the effect of promising ourselves and promising the future working generation a pension on their retirement that we are not willing to provide to the people who are in or close to retirement at the present time.

Mr. FRANCIS: Presumably the economy could afford more in the future than it can right now, but if you feel that this is what we should be doing I can only say that I am concerned about the cost and I am astonished that so few people who have come before this committee are concerned about the cost and what it would do to the economy to build up benefits on the scale of a universal benefit pattern. I am delighted if Canada can do it, if our productivity and our economy permit it, but it seems to me that a race to see who can recommend the largest form of universal benefit the soonest is, to say the least, most unwise. It is very nice for other people to make recommendations. The provincial authorities are probably in favour of the federal authorities spending, and I suppose the federal authorities are in favour of the provincial authorities spending. This process cannot go on like this without doing some serious harm to the country. At some point or another we have to be responsible in terms of the level of benefits that can be realistically provided.

Mr. JOYCE: I could not agree with you more, but what I am suggesting is—and I think this is very evident to an actuary—that the costs are there in this wage related scheme but they are deferred so far in the future that too many people only see the benefits and think it is not going to cost them anything while in fact it is going to cost the country something. Just look at the way that this fund builds up and then starts to fall off and goes into a negative position.

Mr. FRANCIS: It is no substitute to pay out all the money right away as we did with the unemployment insurance fund and then face the crisis shortly afterwards. Is your recommendation not going to do that, get all the money paid off and then have no funding?

Mr. JOYCE: I am suggesting that you should be realistic and face the cost now instead of pretending it is not there and then come upon it in the future.

Mr. CHATTERTON: I have a supplementary question to Mr. Joyce. In my last question I quoted the additional cost in Ontario's proposal for 1970 at \$380 million. Did not Mr. Coward indicate yesterday that he estimated the additional revenues to be \$120 million?

Mr. JOYCE: I do not recall his figure, but I do recall that there would be additional revenue under his recommendation. I have suggested very strongly that this cost is going to be there as a result of political pressures whether you granted the pension in the form proposed by Ontario or not.

Mr. CÔTÉ (*Longueuil*): I have a supplementary question, Madam Chairman. Mr. Joyce, you said you were not in favour of the government providing a pension plan, but did you ever at all deal with the unemployed during your career? Were you on any welfare committee at any time?

Mr. JOYCE: What do you mean by "deal with them"?

Mr. CÔTÉ (*Longueuil*): I mean trying to find jobs for people who are not working.

Mr. JOYCE: No, I have not had that experience.

Mr. CÔTÉ (*Longueuil*): If you had had, you would have found it very hard and almost impossible to find work for people who are about 45 years of age, because many firms will not take them owing to the additional costs involved in the pension plan.

Mr. JOYCE: I have heard that argument advanced, and I believe that is very often used as an excuse for not accepting older people rather than as a reason.

Mr. CÔTÉ (*Longueuil*): It is a reason because it would cost a lot more to those private plans if those firms employed older people rather than younger people.

Mr. JOYCE: But they do not have to provide under their plan for the people that they have.

Mr. CÔTÉ (*Longueuil*): Many firms say that all their men retire with good pensions and they are proud of it.

Mr. JOYCE: I understand their argument. There is an element of truth in it, but I do think that it has been advanced as an excuse and not as the real reason for not hiring those people.

Mr. CÔTÉ (*Longueuil*): You should know that about 90 or 99 per cent of the people who come and ask us to try and help them find a job tell us that this is what they hear. I know some very well qualified people who cannot get a job in such a firm because they are over 45 years of age and this would cost the pension plan too much. I think we have to deal with the people who are in the working force now, so that they can move from one firm to another and become more independent. Many people have to stay in a job and stay in it all their lives even if they are not happy in it because they have their pension plan and they are waiting for their pensions. They are not independent any more, they cannot move away from their jobs and find other work. Do you not think we have to think of these people also?

Mr. JOYCE: Certainly.

Mr. CÔTÉ (*Longueuil*): This is one of the problems, and probably the main problem and the reason for bringing in this legislation.

Mr. JOYCE: I feel that the flat benefit old age security does look after these people to the extent that the government plan should.

Mr. CÔTÉ (*Longueuil*): Only when they retire at the age of 70, but people want more than that; they would like to be able to change jobs while they are working.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any more questions? If not, on behalf of the committee, Mr. Joyce, I would like to thank you very much for submitting this brief and having come from Toronto to discuss it with the committee. I am sure that we will give a great deal of thought to your arguments when we make up our minds on our report.

Mr. JOYCE: Madam Chairman, may I say that I appreciate very much the opportunity to make this presentation to you. I am grateful to the committee for subjecting me to these questions which were very pertinent. I have been very impressed with the thorough manner in which you are receiving your

witnesses. I was present here as an observer yesterday and I was very much impressed with the thorough manner in which you conducted your proceedings at that time. Thank you very much.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Ruse is here and he will present his brief. Mr. Ruse, will you come up to the main table, please.

Mrs. Rideout and gentlemen, the next witness, as I mentioned, is Mr. Ruse. I would like to speak a little bit about him. You would be interested to know that he was born in Japan and came to Canada at the age of seven. He went to the University of Manitoba and majored in mathematics and economics. He is now a fellow of the Society of Actuaries. I was interested to see in his brief that during world war II he served at the European theatre as a tail gunner in the R.C.A.F. Mr. Ruse is employed as a research actuary by a Canadian life insurance company, and I am sure that we will find his arguments very interesting.

I think I should say that as Mr. Ruse's brief only reached the members of the committee this morning we were not able to give it the thorough study that we have been able to and have done with all the other briefs that were presented to us before. In view of that, although our custom is to ask for a brief summary from the witness, I think I should ask Mr. Ruse to be sure that in making such a summary he brings out all the points in his brief so that we can hear them, because, not having had an opportunity to read the brief before, we might find that certain points were raised in it on which we would like to ask questions.

Mr. Ruse, I really think that I should bring to your attention one statement that you made in the second paragraph of your presentation in which you refer to the government officials who prepared this brief. I think you also refer to it on page 2 of your brief. As I understood this reference, you are of the opinion that the government officials have a political interest and have drawn up this Canadian pension plan with this in mind. I assure you that our civil servants do not have any bias one way or the other. I am sure I can speak for all our Canadian civil service, and we are all very proud of them. When they receive a request from the government to put certain things into effect, they do it as well as they possibly can, but they do not decide on the policy and they do not try to influence it politically or otherwise; they simply do what they are asked to do. I thought I should make that clear to you. I think that all the members of the committee are quite clear on that.

Mr. RUSE (*Actuary, Toronto, Ontario*): Yes, Madam Chairman, I agree with you on that point in general. There are certain things that make me wonder as a citizen and sometimes I am concerned whether the government has not decided, as a government or a political party, that they do have, you might say, a group of very sincere and very capable hard core planners. They come up with the various ideas in many phases of our civic and national life; they lay down a policy, go to our appointed officials, and these appointed officials incorporate them into a plan.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I am sorry, I have to disagree with you on that. I do not think the civil servants lay down the policy.

Mr. RUSE: I mean the political party.

Mr. AIKEN: I do not think the witness has used the word civil servants anywhere. I think when he referred to government officials he meant ministers of government, parliamentary secretaries, and so on.

Mr. LLOYD: Members of parliament of all parties and everybody included.

Mr. RUSE: Yes.

Mr. LLOYD: I am sure the witness, having made rather generous observations, will anticipate our need for specific explanations of these generalities in the conclusions he has drawn. I think he has come prepared to do this and he will bear in mind your remarks, Madam Chairman, concerning civil servants.

The CHAIRMAN (*Hon. Mrs. Fergusson*): If you will present your summary, we will ask you questions on the different points.

Mr. RUSE: May I, with your permission, go over these various sections? I have seven sections in my brief. I will do it without actually reading the brief in detail. In the brief I have a short biography which Madam Chairman has kindly related to you. I have emphasized the fact that these views are my own. I might say I am extremely sincere. I may be misguided, and I may be wrong. However, these views are sincere and are views which I have held for some time, so much so that in a sense from time to time I have lived with this thing. I have spoken to friends and have spoken to strangers. I have given one or two talks on this. I spoke to a public service group over a year ago. The views I expressed to them were based on the feeling I have that the people of Canada would not really be served by a wage related plan, but would be better served by an improved old age security plan.

The third section is very strong. I might mention that I do realize I have been very accusative in a sense in some of these things, or at least sound accusative. Actually, I am trying to bring out the lack of knowledge on the part of the mass of the public in respect of just what this plan will and will not do.

In the fourth section, I feel that what I have termed the less sophisticated public have been misled. I do not mean this has been done deliberately, but that the press and some of the statements from what I have termed government spokesmen have fallen a little short in telling both sides of this plan.

During the Ontario election campaign, I think in the province of Ontario at least, the people picked up ideas with reference to what this plan would do for them, for their loved ones, and for their friends which were not exactly what this plan is going to do. This is a matter of grave concern to me because I believe in our type of society we must make abundantly sure that the people know what we are going to do before we enact a piece of legislation which, once enacted, is ir retrievable. Therefore, I make the point that I am utterly convinced the less sophisticated public does not know what the plan will and will not do for the people of Canada today and in the future.

I have given you a brief outline of the history of O.A.S.D.I. in the United States. As you know, four or five years ago disability benefits were introduced there, although basically it has been a pension and old age survivors' insurance plan. I am very frightened that that same thing is going to emerge in the long term future in Canada. Although I know there are many who will disagree with me, personally I feel it is not a good thing for Canada. As I say, I have no particular pipe line to the font of knowledge, wherever it may be, but in my own humble and sincerest opinion I do not like for Canada what I see in the United States. As you know, the tax rate now is $7\frac{1}{2}$ per cent. It is slated to go to $8\frac{1}{2}$ per cent in 1966 and $9\frac{1}{2}$ per cent in 1968. I know this committee knows these things and I hope you will excuse me for going over them. It may be that this upper age limit may be increased.

It is my contention that the younger entrants into the United States labour force are being required, with their employer, annually to put a sum of money into their scheme which they could better put into something else; I do not care whether it is pensions or not. There are many, many ways for a man and a family to provide for and accumulate wealth. It can be done through pensions, but there are many other ways, such as through the ownership of a home, stocks, bonds, whatever you will. There are many ways in

which this can be done in a community or in a nation such as the United States or Canada in a free enterprise system. It is a capitalistic system and private property is very much in the nature of this community. They have the opportunity to do it. I do not like what I see there. I do not think it suits Canada. I believe the younger labour force and the younger people who are around now are paying more for the benefits than if they had the money themselves. However, the trouble is that the younger people will not save for retirement in the sense that the private carriers would like them to do, and like the Canada pension plan, in a sense, is actually saying they should do. They will have to do it; we will make you do it and you will not become a charge on society; this is a good thing.

However, that is aside from the point so far as I am concerned. I am most sincere in this. I would like to make the point that I am not ascribing to myself any great knowledge on this matter. You may think I am saying that my judgment in these things is better than yours. Of course it is not; you study these things in political parties and in government, and you are deeply concerned.

I think we are and for years have been moving in the right direction, and to a degree have an aggressive free enterprise system in which those who have should help those who have not, partly in many instances through mental or physical incapacity; I do not mean they are broken physically or mentally, but they have a hard time.

I come to the very sincere but terribly strong conclusion that we should not have this wage related plan but that we should improve on the old age security plan. Indeed, I think it should be reenacted under the name the Canada pension plan. It is a wonderful name; it is for Canadians. There are certain improvements which can be made in here. I think it is the responsibility of the government to devise ways, recommend, and look at it.

If I may, I could give you a suggestion which might be looked at. I do not mean that this is the answer, and I think I have a bit of a price attached to it. I think if you took the age of a person 70 or over and used that as the number of dollars, he would get \$70 at age 70, \$75 at age 75, and you would add a flat \$20 to it. This would be for a single person. If it were a married couple, one of them would have it and you would add \$60 to it. This is a very convenient and simple formula. Do you get the idea?

Hon Mr. CROLL: Just a minute. At age 70—

Mr. RUSE: At age 70 you give \$70 to a single person plus \$20.

Hon. Mr. CROLL: \$70 plus \$20. That is \$90.

Mr. RUSE: Yes. At age 80, you would pay \$80, plus \$20—\$100. At age 90, you would pay \$90 and \$20, which would be \$110. In my humble opinion, this would serve a great social need in this country.

Hon. Mr. CROLL: You have not read all of the minutes. It is not your fault. This is a dandy suggestion, and a couple of members around the table already have made it.

Mr. RUSE: That is very interesting. Do you mean precisely in those terms?

Hon. Mr. CROLL: Almost in those terms.

Mr. RUSE: I think as I grow older, even if I had worked as a modest clerk I might have owned my home and have had a bit of a nest egg whether I were in a pension plan or not. I could scrounge along for a while because I would be able to do things for myself physically and mentally, but as I became older I would become more and more unable to do things for myself and I would have to pay other people to do them for me I think something of this character would be a very useful thing.

But then I would add a flat \$60, and by adding it thereby at the age of 70, a couple would be getting \$150 just as they are getting it now. I would like to see them have more. This marriage contract, these lovely old people would have \$150 and going up year by year; and if one of them should die—it is inevitable that one of them will die first, unless they are both killed in an automobile accident, and we have too many of them, of course—then it is not cut in half, it just drops to \$60; in other words, at 90 you would have \$110 for one person plus another \$60; then it would drop down to only \$110 if one of them died.

I think this is a more realistic approach to the needs of our older people. It is my estimate, for I do not have a lengthy amount of statistics; and I have done all this work in my own spare time. I am not an important person in the insurance business, although as an actuary I seem to be able to command a good wage. I have paid my own fare to come here, and my hotel bill. This is a personal vendetta, if you like.

I think this cost might be somewhere around 15 to 20 per cent over and above our present \$1,000,000,000 that we are now currently paying for the O.A.S. I think it is well within the means of this community to make that simple change. I feel it is a much more extensive benefit to make it younger, and to have it start younger. I am all for it, but I feel we must bring assistance through the province, and the municipality to bear between the ages of 65 and 69. Mr. Joyce used the term income test. But I shall stick to the old fashioned, words of means test. I do not think it matters what we call it, but anyway let us have it between those ages. I do think that a person between 65 and 69 might well be given through an amended O.A.S. act renewed under the name of Canada pension plan, \$60 a month.

This is an additional element which would come after the age of 70, and that it would be to help out with the problems of the aged. We really get into big money now. Roughly speaking I think that this would cost, from the obvious relationship with a number of people of 65 to 69, and 70 and up—this might cost us from 40 to 50 per cent of the \$1 billion we are now paying, but again I think they should have it as a right.

I think that taxability in this sense is something, as Mr. Francis said, which is a very powerful element here. I hope the reporters will not mention these names, and just say that these are some affluent people. I will not mention any names. But you know the type of person who is taxable at the top bracket. In his income tax he would be paying from 50 to 60 to 70 per cent. But of course a great deal of it comes back to us.

This has been a very brief outline of what I have here and I just wanted to lead into the whole thing. A very strong point with me is that I do not like to see us legislating today for our children and for our children's children to do things for their aged that we are not prepared to assume today.

This is a very strong point with me and again I speak as only one person on a matter of judgment which might well be wrong, but I am most sincere about it. I think this concept is one which is well expressed by the old English philosopher, Jeremy Bentham who used some words which I have cribbed about the living forever being in bondage to the dead.

Let me say at this moment that this is an illustration which I did not prepare myself. A good friend of mine in the office did it for me. I merely sketched it out. I believe that you and I and the government, as well as the political parties, must ask ourselves whether we have the right to impose a tax of 3.6 per cent upon ourselves today, and whether we can stand it. But are we doing very much for the people who are now disabled?

This plan does not do anything for them, neither does it do anything for the widows with dependant children who are now in our society, and neither does it do anything for the orphans who are in our society today; and it just does not do anything for many of the unfortunate wage earners in this country.

I think sometimes that we have to go back and realize that in 1961 according to d.b.s. statistics, if you were to add up the wages and supplementary income of the labour force, and add to it the wages of the armed services and those of incorporated farm businesses and other unincorporated non-farm businesses—this is not investment income, but of course there is some in there, I realize, but it is not a very substantial amount—and if you divide that by the population in 1961, the average per capita income from wages, you might say, or earnings, would be under \$1,250.

If you look through the d.b.s. statistics—as I know you have, and please forgive me for speaking to you like a lecturer—it is astounding to see how many wage earners make less than \$2,000 and \$3,000. But these people are struggling to bring up our future Canadians, and they are struggling awfully hard.

There are many married men with two or three children and a wife, and if you divide that number into \$2,000, what do you have left?

I sometimes wonder if we have not gone overboard in looking after the aged. I think we are getting carried away with it, although I am all for it. But everything in its priority.

This nation spends something like \$4 billion now through the three levels of government on welfare, and when you look at the components under welfare such as the social welfare assistance programs, and all the other things, do you not think it is about time we sat down and said: "I wonder if this amount of \$4 billion is being spent in a way which will do the most good, and where it is most needed"?

I do not think this can be so when we have so many different pieces of legislation all competing with one another. I do not know anything about it, but as I look at so many pieces of legislation I wonder about this big business. I do not think any private business could operate with so many different sets of little bylaws. The thing has to be integrated.

We are going to a third step and pay 3.6 per cent, but we are not going to do very much about the presently disabled. We are going to wait for another day for that one, or for the present orphans or the present widows with dependant children and so on, and the people who have no earned income.

I am thinking of a poor old man who comes to help my wife to do the floors. He is a fine little fellow, and he is my own age. My wife had him do some work for her while she had to go out. He called up in the evening and asked for her. He said: "Mrs. Ruse left me too much money. It did not take me that long".

This man will not get anything under the Canada pension plan. We are going to have some kind of philosophy which to me is completely false, but to you it apparently is not, and say: "We will not do this when we are quite young." Now the actuary's report is a projection. I did read a bit of it, and I think it is abundantly clear that the projection of funds and the cost of this Canada pension plan is a very difficult thing for an actuary or anyone to work out because there are so many imponderables involved in it. But we are going to say that we are prepared to take a chance to the extent of 10 per cent. I do not think we have any right to legislate today with a piece of legislation which might have a 10 per cent chance. I do not care whether it is only a 10 per cent chance, but I do not think we have the right

to do it. I do not think I have that right to do it to my own people, or to my own children, and I think it is abundantly wicked that the thing should be so bluntly done. According to the publicity concerning the Canada pension plan everything seems to stop at the end of 20 years.

Hon. Mr. SMITH (*Queens-Shelburne*): I wonder if the witness would mind explaining his chart to us, and what is significant about it. We cannot see it too well.

Mr. RUSE: I am very sorry. I shall do so. I had hoped to get it duplicated but it would have cost so much that I stopped there. These are percentages, one, two, three, and so on up to 10. This is the combined employer and employee tax rate which starts at 3.6 per cent, and I have for the sake of this chart assumed that it will continue for 10 years, because this is an assumption which I believe Ontario has included in its material.

He then gives projections of possible low cost and high cost percentages. He gives a lower limit and an upper limit, and that of course is escalated according to formulae. He says that it could be as low as is shown on this graph. The graph shows the 3.6 level, which would rise to over 5.0. That seems to flatten out at somewhere just under 5 per cent. That is the low cost line on the graph. This is associated with the 3 per cent increase in the earnings level, with which I know you are all familiar.

Then you will see the line for the high cost projection. I think the contention of the actuary is that the truth perhaps lies somewhere between the two, but he still does not know; and you do not know, nor do I.

The chief actuary is a very capable actuary. I do not know Mr. Clarke very well, but I know he is reputed to be a very sophisticated and excellent actuary. We are most fortunate to have him as chief actuary of Canada and as adviser to this committee. He says it could be there; that is his contention.

Actually, most of the statements made by government spokesmen speak of a projection of 20 years or so, and you will see the graph is marked and shows what happens or what is projected to happen when 20 years have passed. Most of the comments made by government spokesmen stop there. The public do not know about this other side of the graph, which is a projection of what will happen after 20 years.

There have been references to this plan, of course, in the press, and we have seen that the figure could be raised by about one third in 20 years time, and it may be somewhere around $4\frac{1}{2}$ per cent. Nothing has been said about the possibility of it being increased to 10 per cent some day, but one should keep that possibility in mind.

Mr. FRANCIS: And it might be less also.

Mr. RUSE: It could be less also, yes. It is unpredictable, sir.

I think the actuary has probably to compromise somewhere. He says, "This is my high cost; this is my low cost", and these are shown on the graph. I would think that perhaps as good a guess for you gentlemen and for the government—and for the opposition parties too—would be that it could be half way. I leave it to your imagination to see what might happen in that chart.

Then on this chart one sees the four funds that have been projected by your chief actuary. Again, these are shown in billions of dollars. There is a zero line in the middle, and there is the plus \$14 at the top and minus \$14 at the bottom. These charts really tell us what will happen if the rate of contribution continues at 3.6 per cent.

As I have stated, government releases about the Canada pension plan have usually mentioned a period of up to 20 years from now, 1985, which is about the peak point—and, again, I think our provinces can well use the money for social capital. We do need more schools and hospitals and such things. But

I wonder if it is any wiser for government than it is for you or me to say that, as family units, we will go deeply into debt for 25 or 30 years and then, thereafter, pay it back very quickly. We will have to pay it back very quickly or we will have to raise the contribution rate. I do not think that is right for us. I do not think it is morally right for us by legislation, to impose, that sort of burden on our children.

What the public has its eye on is, in our society, a combination of improved old age security, reenacted through the Canada pension plan, and other things. This is what the public has its eye on and, indeed the vote in the house on the second reading was a clear indication from a political point of view of the fact that it is impossible to go back; but from the point of view of the public I think it is abundantly clear that we must go back, and in my own heart I think it is necessary to go back on this. This is no more a good thing for a government to do than it would be for you or me or anyone else; it is not good to accumulate great debts over 25 or 30 year periods and then to suddenly say, "We'll now have to pay them back quickly." By legislation passed today we will be saying that our children or our children's children will have to pay 25 per cent.

Again, I have gilded the lily and perhaps exaggerated the figures, but here are the actuary's figures. In 20 years time it will be 5 per cent or it could be 6 per cent, but later on it goes shooting up. This is what is happening to the United States system, you know.

I have to beg your indulgence. I am very sorry for the bluntness of my presentation. However, I feel there is no other way, Madam Chairman, Mrs. Rideout and gentlemen, to get my point across. I have been much more blunt and I have been much more rude in this matter than is my wont, but I have to make the point to you at least to satisfy my conscience that I have done my best and said what I can say.

I thank you deeply for the opportunity you have given me to appear before you so that I have been able to get this off my chest, because it has been there simmering for some two years. I am frightened of this thing. I think in our type of society, a free enterprise society, a laissez-faire, aggressive society, a society whose strength lies in that aggression which makes a bigger pot of money to be divided among all of us, this upside down approach to take care of the aged is wrong. I do not think it is the function of government. Government has other things to do—and what a complex and demanding job you have. Government's job is to make the productive capacity of this country high. We should be concerned with enabling people with low wages to bring up a family, because they are not getting enough. When you think about it you will realize that the old people now get \$900 under old age security—and I would like to see them get more, but when you compare that with the per capita income of many, many very important people with their productive capacity toward the gross national product, you will realize that this is a rather shameful situation. No, I withdraw that, I will say rather that we should concern ourselves with other things.

We have done a lot with old age security; let us do some more, but let us not get to the point where we are going to have government cheques going out to the most strong economic groups, the union force who are making \$5,000 or more, the foundation of the industrial capacity, the automobile workers and workers in other big factories. They are going to get cheques for \$179 whereas poor old Joe is going to get \$75. That does not seem to me to be the function of government.

I do humbly apologize for the bluntness of my presentation. I used to be a Liberal; I will be frank with you. I was a Liberal and I changed to Conservative—and I may change back to Liberal again if you will just abandon this thing!

I have to fight for this and all I can do is ask you to consider my views. I do not think this is a socially desirable thing. You have the idea—and I think it is a great tribute to the private carriers—that a group pension approach to the problem of old age is a matter for government. You thought that they have done a wonderful job, you said it was a wonderful thing they have done, but they have not picked up the poor people. You are going to pick them up with your plan, but you do not pick them all up. The less money people are making, the smaller pension they will be getting; the thing just does not make sense to me. I think it is a wicked thing, frankly, and I say this to you bluntly. So I now lay myself open to being ripped right apart.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much, Mr. Ruse. I am sure we are all very much interested in what you have said. Your great interest in the subject you are discussing is very evident to us. We realize this is a very unselfish point of view you are taking.

Mr. RUSE: May I make one more comment?

I would like to tell you that I became so concerned about this thing that I did something that does not come very easily to me. I am probably the funniest looking witness you have had—

Hon. Mr. CROLL: I thought the most handsome!

Mr. RUSE: How nice of you; thank you, sir. That has never happened to me before so excuse me if I am unable to go on for a minute.

I have made it my business to talk to the little man on the street. This is what counts. As a matter of fact, I came over from the Lord Elgin in a taxi and I talked to the taxi driver today. I have been doing that sort of thing for two years. I talk to the man on the street.

Mr. FRANCIS: Some of the rest of us have done so too.

Mr. RUSE: The man on the street does not know about this. I never put myself up as an expert. I am a threadbare looking type usually, but of course, I am well dressed for this committee today; usually I am quite a common looking person. I say to them, "Good morning. The weather is good today", and then I can tell whether it is an approachable type or not. I only have a minute's conversation or so, I say, "What's all this about the Canada pension plan? Is it a good idea?" "Sure it is a good idea", they say. You see, any marrying of the words "government" and "pension" is a good idea to those people. It is to me too, but I get a little more sophisticated about it, and I hope you will too. So then I say, "I have a friend who I think knows things about this, and you know what he tells me? He tells me this is not going to pay anything to all the old folks. You know, there are about a million of them getting \$65 a month." It was \$65 when I started this thing. Then I used to get, in the simplest terms, two answers. One would be "Nuts", and the other, "They wouldn't do it."

I did not carry on the conversations; all I wanted was opinions. I might say to someone else, with the same sort of lead in, "You know, the funny thing is that a friend of mine tells me they are going to tax my first dollar of wages—and yours too." Of course, now you have the \$600, which I think is lousy, but still it is better than nothing. "They are going to put the money in the pot and divide it up among the population in such a manner that the Joes who made the most money and had the best jobs and the best job security are going to get the biggest cheques. The guys who have less are going to get smaller ones. As a matter of fact, my friend tells me there are a whole bunch of people like the people you see here, people in little jobs who are not going to get a cent out of it." Again, the same answer; basically, you get the same answer: "Your friend is nuts" or, "They would not do it." The odd time they have said: "It is not going to hurt me; I am all right."

Hon. Mr. CROLL: Well, if enough people say your friend is nuts do you not start to believe it?

Mr. RUSE: Well, sometimes I think I am nuts. A lot of people think I am overly worried and concerned about coming here; they say: "The thing is established; what are you worried about?" I do not know, perhaps I am crazy, but I felt I had to say what I have.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much, Mr. Ruse. Some members wish to put questions to you at this time.

Have you a question Mr. Chatterton?

Mr. CHATTERTON: I too commend you for the honest sincerity with which you have made your submission. Not often has evidence been given that people generally do not understand the plan. I too have found out that people do not know what the plan provides. I am impressed and very much concerned that very many of the old people think they are going to get some benefit out of this.

Mr. RUSE: Yes.

Mr. CHATTERTON: Are you aware of any statements made by members of the government—and I am referring to public statements—clearly showing that this plan does not help those who are retired or those who are widowed.

Mr. RUSE: I am sure that this is being done. If I might use the words "government spokesmen" I am sure that there are some who have been quite honest about this. As a matter of fact, I read an account in the press—and I cannot remember the name of the government spokesman in this particular instance—of one who was quite frank when speaking to a group of older people, when he said there was nothing in it for them as such, directly; he was referring to the present aged.

Mr. CHATTERTON: But I am referring to your opinion, generally speaking.

Mr. RUSE: But, generally speaking, that is so. A lot of these reports are not made with any intent to be unkind or to be accusative; it is a fact of life that the press have reported on certain aspects of this. I spoke to two editors of newspapers some time ago and I was amazed that neither of them really knew what was going on. These were two different editors for whom I have the most sincere admiration but they just did not understand the plan. And, I doubt sometimes whether the feed out from government sources has been quite as complete as it might be in this regard, as a result of which you run into this sort of thing.

I have a number of clippings, with which I do not wish to bore you. I have a four page series, which was going to analyse the Canada pension plan for the man on the street. Written in a popular newspaper was a big headline: "What will the Canada pension plan do for you?" or something to that effect. There was a lot of text and underneath it there was this question—as I say, under this big headline, which people always read: "Who is covered?" This only happened this year. The answer was: "Everyone in Canada". Now, what kind of an impression does that create. Now, you really cannot blame the editors and the newspapers for doing this sort of thing when we have such statements made as have been quoted here today.

Mr. FRANCIS: I have a supplementary question. I wonder if this statement was made at a time when the plan was first proposed, when there was going to be \$10 a month added on the old age security as part of the measure.

Mr. RUSE: This is in the August, 1964 white paper, too. Exactly the same words are repeated in there.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you a question Mr. Côté?

Mr. CÔTÉ (*Longueuil*): Yes, Madam Chairman. When you retire at the age of 70, Mr. Ruse, and you get \$70 or \$75 plus \$20, as you propose, would you be happy to live on that amount?

Mr. RUSE: I would think that my children and children's children would have done a very good thing for me. I think that would have been very nice. I like the broad basis of old age security. I do think that invading the first dollar or the first dollar after \$600 is a good thing. As the tax foundation puts it, it is the last remaining source of taxable income. I do not think it is a legitimate one. I think these people are having too hard a time as it is. But, I am not answering your exact question.

Mr. CÔTÉ (*Longueuil*): I am asking if you personally would be happy when retiring at the of 70 to receive \$75 plus \$20, as you have suggested, without any other pension plan or other sources of revenue, or something of that nature. Would you be happy to live on that amount?

Mr. RUSE: Well, it is difficult to answer that because it is very difficult for me to project myself into that situation. I would say if I were a poverty stricken person and arrived at that point with no wealth whatsoever of any kind that I would feel that \$75 was not very much and that I should get more.

Mr. CÔTÉ (*Longueuil*): Would \$95 be sufficient?

Mr. RUSE: But, at the same time I think you will have others saying: "This is fine; I can get along all right on that amount." But, perhaps this is a person who has been receiving money from his family.

Mr. CÔTÉ (*Longueuil*): I am referring to people in your category with a good income all their lifetime. And, I am sure you must have a private pension?

Mr. RUSE: Yes, I have a private pension. This makes me a poor person perhaps to speak in this connection.

Mr. CÔTÉ (*Longueuil*): But you would not be happy to live on \$95 a month?

Mr. RUSE: I would have to try if I had nothing else, and this is being done everywhere. I was rather impressed with one of these television documentaries where they go into various homes with television cameras. I am thinking of one in Winnipeg where they went into homes and spoke with retired couples. In one case they went into a men's club where these gentlemen were having a nice time passing the evening, as it were, by playing cards and so on. This man interviewed them about the adequacy of \$75 a month—although I believe it was \$65 then—and mixed reactions were given. There was a married couple who were most grateful for it. They said they were getting along fine but they were worried if something were to happen to either of them, physically or mentally, any serious illness. But, they said: "We get along." This particular couple have a modest little place with a refrigerator and a gas stove.

Mr. CÔTÉ (*Longueuil*): I think perhaps I had better put my whole question so that you can give a complete answer at the one time.

Mr. RUSE: Yes.

Mr. CÔTÉ (*Longueuil*): There are many categories of people; there are the poor people, those who do not earn \$600 a year.

Mr. RUSE: Yes.

Mr. CÔTÉ (*Longueuil*): They will be very happy to receive more money. If they get a pension in the amount of \$75 or \$95 they will live better on that amount than they have lived during their lifetime.

Mr. RUSE: It is quite possible, yes.

Mr. CÔTÉ (*Longueuil*): And, the wealthy people have enough to take care of themselves and they do not care. They are happy, or I assume they are.

Mr. RUSE: No, they do not care.

Mr. CÔTÉ (*Longueuil*): They are not concerned with the \$75 or \$95.

Mr. RUSE: No. We tax it away from them.

Mr. CÔTÉ (*Longueuil*): It does not bother them at all. So, old age security does not do anything for them. And, the poor people during their lifetime who do not earn \$50 a week or something of that nature are taken care of by the government.

Mr. RUSE: Do you mean through their working years?

Mr. CÔTÉ (*Longueuil*): Yes. In many situations where the people are unemployed or are receiving very low wages assistance is given to them by way of payment of their hospital and doctor's accounts and so on. The provinces take care of them while they are living.

Mr. RUSE: Yes.

Mr. CÔTÉ (*Longueuil*): But, there are the people in between who make \$5,000, \$6,000 and \$7,000 a year.

Mr. RUSE: Yes.

Mr. CÔTÉ (*Longueuil*): They experience a great deal of trouble. Perhaps they might have some bad luck. However, because they do have a certain earnings capacity the government does not help them so much.

Mr. RUSE: That is true.

Mr. CÔTÉ (*Longueuil*): And they have to pay for all their debts.

Mr. RUSE: Yes.

Mr. CÔTÉ (*Longueuil*): And they are unable to put any money aside for their old age.

Mr. RUSE: Yes.

Mr. CÔTÉ (*Longueuil*): I myself was on the labour force for 20 years before I was a member of parliament.

Mr. RUSE: Yes.

Mr. CÔTÉ (*Longueuil*): I have worked for many different firms and I have worked for myself; I was my own employer but I never had a chance to contribute to a pension plan.

Mr. RUSE: No.

Mr. CÔTÉ (*Longueuil*): Now, I am a member of parliament and I have a pension plan, but it will be 30 years before I receive any benefits. But, just the same, do you not think that we have to think of the people in the middle class who will retire one day with nothing, and they will have to be satisfied with \$75 or \$95. Do you not think we can give them a plan that will have them retire with \$179 a month and that we will then have done something for that category of people?

Mr. RUSE: Well, I appreciate that that is one of the underlying philosophies or objectives of the plan. But, it is not one with which I agree, and I do not think that any amount of philosophy would persuade me to believe it. I believe that a man who is making \$5,000 a year is one of our more fortunate members of society. On the average many of us or probably most of us are fortunate. I am not saying that I have not any sympathy for a man who is making \$5,000 and has a wife and two children. That is a pretty tight budget to work within. But I would suggest to you that this government, or was it

the preceding government—I forget which—in 1957 amended the income tax and put in section 79 (b) to allow those people who were not in a pension plan to get practically the same concessions and privileges which employees receive in a group pension plan. That was a very wonderful thing that was done in 1957. But, strangely enough, it seems that after that not as many people took advantage of it as should have.

Mr. CÔTÉ (*Longueuil*): Because employers do not pay part of it.

Mr. RUSE: This is quite true.

Hon. Mr. CROLL: You are talking about the savings plan.

Mr. RUSE: This is a retirement savings plan; that is true. I think it is a very wonderful thing you did. I do not know how far a government should go in caring for people who earn above \$5,000, which is above the average earned income in Canada.

Hon. Mr. CROLL: Mr. Ruse, that amendment was put in mostly for the professional people who reached a peak and then did not have an opportunity to make any savings because they were then on their way down and their taxes were such that they were unable to save. That was its purpose. As a matter of fact, it is almost exclusively used by professional people; it does not touch the sort of people Mr. Côté is talking about.

Mr. RUSE: That may be true. I have not seen any analysis of the occupation of the participants in that plan, but those were the people who said, "We have a problem." By solving the problem for themselves they opened up a new avenue. The man who makes \$5,000 a year would have a taxable income of probably \$3,000, or \$2,500 if he has two children. If he makes \$5,000, he gets \$1,000 for himself, \$1,000 for his wife, and how much does he get for his children?

Mr. CÔTÉ (*Longueuil*): Three hundred and fifty dollars for each child.

Mr. RUSE: Let us say he makes enough so that his taxable income is \$2,500 a year. He pays around 22 or 25 per cent. That is a considerable saving to him.

Hon. Mr. CROLL: Yes, but he is on a very tight budget.

Mr. RUSE: All right. I do not think that that particular aspect has too much to do with it. I will withdraw my observation.

Mr. CÔTÉ (*Longueuil*): But this category of people are Canadians just the same. They are paying income tax, they are working, and so on. Do you not think they have the right to ask the government to make legislation to help them in their old age?

Mr. RUSE: Do you think the government should compel a man who makes an above the average wage in the community to get into a plan? Do not forget this is not just for today, it is for ever and ever. If you look towards the United States you will see that their rate is now $7\frac{1}{4}$ and it is going up to $8\frac{1}{4}$ or $9\frac{1}{4}$, and probably the ceiling will go up. You are not legislating just for those people today; you are legislating for the worker who will be making \$5,000 in the future, 20 or 30 years from now. The actuaries show you what happens.

Mr. CÔTÉ (*Longueuil*): Everybody who participates in the plan will have benefits.

Mr. RUSE: Make it voluntary.

Mr. CÔTÉ (*Longueuil*): Why?

Mr. RUSE: I do not see why the government should be their brother's keeper to a person who has above the average income.

Mr. CÔTÉ (*Longueuil*): It is not only designed for those who have above the average income.

Mr. RUSE: Mr. Côté, you and I have completely different opinions on this matter. There is nothing I can say to change your mind and there is nothing you can say to change my mind. We can go on debating all day. I do not want to be rude.

Mr. CÔTÉ (*Longueuil*): All the witnesses that have been before this committee, the unions, the teachers' associations, the workers' associations, have been in favour of this plan.

Mr. RUSE: They do not know these things. Nobody told them these things.

Hon. Mr. CROLL: Were you here last week? Were you here last night?

Mr. RUSE: No, sir.

Mr. AIKEN: I do not think Mr. Côté made a proper observation.

Hon. Mr. CROLL: The Canadian Manufacturers' Association who represent a million and a half employees, the teachers' federation who were here last night, the construction people who were here last night, they have all employed actuaries who have advised them. We can also say the Canadian Congress of Labour, as well as all the others, have employed actuaries. They have come and said so when we asked them questions. They have walked in here and they hip hip hoorayed. They said "There are a few things the matter with it but, go ahead."

Mr. RUSE: I do not think that my being an actuary has anything to do with my observations other than that it enables me to be a little more sophisticated than the man in the street. I do not like what I see and I am concerned about it. I think it is monstrous. I think it is dangerous. I think it is complex and expensive. Those adjectives are selected with the greatest care. If you like me to elaborate on each one, I will.

Hon. Mr. CROLL: I do not think there are any left.

Mr. AIKEN: Madam Chairman, I think Mr. Côté, though probably not intentionally, misstated facts when he said that a lot of the witnesses have come here and have said that this plan is just fine. I do not know of anyone who has come here without some criticism.

Mr. CÔTÉ (*Longueuil*): I said they were all in favour.

Hon. Mr. CROLL: In principle they are in favour.

Mr. MUNRO: Can I ask a supplementary question? I think Mr. Ruse has continuously referred to the \$5,000 being well over the average.

Mr. RUSE: I do not think I did so continuously, sir, but Mr. Côté raised the point and I said that \$5,000 was above the average today.

Mr. MUNRO: My information would indicate that if we look at the figures, excluding females and the non-fully employed people and leaving only those males who work steadily throughout the whole year to support their families, the national average wage for 1964 was well over \$5,000.

Mr. RUSE: I admit that too. Let us take the average wage given to us by the actuaries.

Mr. MUNRO: When you refer to the fact that we should not be providing for people who are well over the average it is worth while to know just how this average is made up.

Mr. RUSE: This is a very valuable observation, I admit. If I may humbly suggest, I do not think you should knock down the \$5,000 figure being above the average. If you look into the year book and do some mathematics, divide a figure by another figure, it will give you this.

Mr. MUNRO: When you look at this figure, you will see that \$5,000 is less than the average for males who support families and work full time all

the year. You yourself have indicated, in answer to Mr. Côté, that even a man making \$5,000 a year with two children is having a pretty tight squeeze. There are many more children than that in many families. When you consider these two points, surely you must feel that provision should be made for such cases.

Mr. RUSE: I do not. I myself believe that in this great country of ours there are opportunities of accumulating wealth for a man who would put even \$100 away in a sensible manner and according to his own taste and his own abilities. This does not have to be provided through a pension plan. There are lots of people who are going to retire in much better circumstances than I. I put a lot of money into a pension plan and into insurance so that I may be independent in my old age, but there are many people who have not approached it this way and who are going to be much better off than I in their old age. This is hardly a comparison. If you think I am suggesting that my fortunate situation has a parallel with those whom you are referring to, then I do not mean it that way.

Mr. FRANCIS: I have a supplementary question for the record. I want to refer to the discussion appearing on page 1,615 in the report of the committee of the meeting held on Friday, January 22. We questioned Mr. Andras who represented the Canadian Labour Congress on what were the average payroll earnings. You will see in the proceedings a fair amount of detail regarding the average earnings, and I thought I would like to insert it at this point.

Hon. Mr. CROLL: What did he say?

Mr. FRANCIS: He pointed out that this is a good round figure as concerns the different categories in the manufacturing industry. In 1963, for a composite number of 750,000 people the average was \$4,400. In September 1964 it went up to \$4,600. He felt that projecting forward to 1966 the figure of \$5,000 would be the average figure for the annual earnings in the manufacturing employment in Canada. This plan is not designed for the low income areas. I feel that other measures have to be devised to tackle the problem of rural poverty and other such problems. However, in this particular area of urban employment the pay-rolls of the manufacturing industry showed that the figure of \$5,000 is defensible as the average figure for the period we are projecting.

Mr. RUSE: May I conclude from what you are saying that the government's objective is basically to institute a plan of this kind which is designed to provide pensions for those people?

Mr. FRANCIS: Up to average industrial earnings.

Mr. RUSE: You were referring to 750,000 people.

Mr. FRANCIS: I would be happy to set it straight.

Mr. RUSE: You are suggesting that the government's plan is designed to take care of them.

Mr. FRANCIS: I am quoting the previous testimony of a previous witness, and for the record I would like to make it clear that in my opinion the plan should aim at portable pensions to supplement other measures for persons earning in the manufacturing industry up to the average earnings. I think that the figure of \$5,000 projected for 1966 at the beginning of the plan is a good average figure for this type of employment.

Mr. RUSE: I accept that.

Mr. FRANCIS: The plan is designed for this situation; it is not designed to tackle the problem of rural poverty, urban poverty or poverty in the Atlantic regions. I think that other supplementary measures will be necessary for these things, but the Canada pension plan is not designed for that purpose.

Mr. RUSE: I like the words "up to", Mr. Francis. Again I am sorry but my figures are reliable statistics based on the 1961 census. The male population as

a whole earning under \$500 was 4.6 of the total wage earners. Nine point six per cent earned under \$1,000, and 20.6 per cent earned just short of \$2,000, while 36.2 per cent earned up to \$3,000. Over on the female side, 76.6 per cent and up to but not exceeding earned \$3,000. Those are the people with whom the government, in the kind of society in which we live, should be concerned primarily. This should not be "up to" but "down to". The emphasis should be on the "down to".

Mr. CANTELON: Madam Chairman, I have a supplementary question to Mr. Francis' comments.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It should be supplementary to Mr. Côté's questions.

Mr. CANTELON: I think it is.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Go ahead.

Mr. CANTELON: I will ask it later.

Mr. CÔTÉ (*Longueuil*): I have one last question, but first I want to say it was very flattering to members of the Liberal party for the Conservatives to say we legislate for many years ahead—

An hon. MEMBER: But not well.

Mr. CÔTÉ (*Longueuil*): I wonder now if you are still going to change parties because you suggest we should give flat benefits in this plan? It was for the opposition to take the flat rate benefits out of the plan during the last session.

Mr. RUSE: Were you posing a question to me?

Mr. CÔTÉ (*Longueuil*): Yes.

Mr. RUSE: Would you put it a little more precisely?

Mr. CÔTÉ (*Longueuil*): I just want to know if you are still going to change your party?

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think this is a question which should be asked of the witness.

Mr. FRANCIS: I hope you will follow the vote of everybody on this committee very carefully before making up your mind on it.

Mr. CANTELON: I would like to ask Mr. Ruse whether he agrees with Mr. Francis' comments that this plan in effect is not designed to assist—if I have not misunderstood what he said—the people who will be aided by the ARDA program and people in the low income areas.

Mr. FRANCIS: I think I said there were problems of poverty in rural areas and that there may be some but not many people assisted in ARDA areas and in the poverty stricken Atlantic areas. Other measures will have to be designed for these people.

Mr. CANTELON: Do you agree that the pension plan does not assist these people?

Mr. RUSE: If they do get assisted, of course, it would be in proportion to their wages. It is the contributors, as it were, to the plan who will benefit from the plan. So, it would have to be a conditional yes. I think my answer would have to be sort of a conditional yes and a conditional no.

Mr. CANTELON: I was under the impression that one of your criticisms to the plan was that these people were not very much helped by the Canada pension plan.

Mr. RUSE: The trouble is I am not sophisticated enough about what ARDA does; if this is a poverty group, it does nothing for them. I think those are the people, and I am very heartily in agreement with Mr. Francis. I do not know whether or not you are talking about people below or above retirement age. If you are talking about people below retirement age, it will not do any-

thing for them for many years, but they are going to be in need of help. This is what ARDA, and so on, does for them.

Mr. FRANCIS: You are saying we should be doing other things rather than this?

Mr. RUSE: Yes. The Liberal government over the years has done quite a good job in trying to pinpoint the needs of the people. This is the first important area in which I have seen the Liberal party move away from the principle that what we are concerned with is poverty and unhappiness today.

Hon. Mr. CROLL: You must talk of parliament and not the Liberal party, because this is a parliamentary measure rather than a Liberal measure.

An hon. MEMBER: No, no.

Mr. AIKEN: The bill is a government measure.

Mr. FRANCIS: The government is a minority government.

Hon. Mr. CROLL: It came here from parliament on an unanimous vote. If my friends think I am moving them a little too close to the bill, it is because I thought they wanted to be joined to it.

Mr. RUSE: I thought this was not perhaps intentional, but that it was at least an unintentional form of blackmail. I think this discussion should have taken place before the second reading. I am being frank with you. I hope you will respect me for being frank. I may be misguided, but I must be frank.

Mr. AIKEN: The official opposition tried to have it referred to a committee before second reading.

Mr. FRANCIS: Nobody held a gun to your head when you voted.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is this in answer to a supplementary question?

Mr. CAMERON (*High Park*): It is an interjection.

Mr. GRAY: If what Mr. Aiken says is true, I am surprised to see you had so little strength of character.

Mr. RUSE: I must apologize. It is my sincere opinion. I did not say it was intentional. With this uninformed feeling across Canada in favour of the Canada pension plan, I think it would have been most difficult for any politician of any party not to have voted yea on the second reading, because that would have been completely misunderstood. I did read some of the proceedings. They pile up and I do not read them all, but I did read a bit of this. There were some excellent views expressed by people who I know voted yea at that time, but who at the end of the day said they did not know whether they believed in it but they could not afford to vote no because the public would have misunderstood them.

Mr. AIKEN: I have a point of personal privilege in respect of certain remarks made by Mr. Gray, if I heard them correctly, and I hope he will withdraw them. They were the most unpleasant remarks which have been made in this committee. I do not take offence, but he made remarks, as I heard them, which were offensive.

Mr. GRAY: If you consider them offensive, I withdraw them.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think we should continue with our questioning. Mr. Lloyd is next on the list.

Mr. LLOYD: Mr. Ruse, may I say I thoroughly enjoyed your approach to this problem. I think you are speaking to us more as sort of a practical social scientist rather than as an actuary.

Mr. RUSE: Absolutely.

Mr. LLOYD: You really are not quibbling with the calculations made by the staff in their effort to provide this plan?

Mr. RUSE: I think they have done a wonderful job. I think the bill is a wonderful job, although it is very difficult to read.

Mr. LLOYD: You have given your observations on the whole question of social assistance as you see it and your concern is that the relationship between wage related benefits and public social assistance programs may get out of alignment. What you are saying in effect is that we should be doing more for the poor people of Canada right now than we are doing and that the \$75 a month is inadequate. Are you saying that?

Mr. RUSE: I would not like to say it is inadequate, because I think you are a better judge. I do interest myself in it. I would like to see it larger, but I think the whole problem is one of priorities. As I see it, this is a leading question. The point is that our society is riddled with people in need of help. They are not just the people getting \$900 at age 70 or over.

Mr. LLOYD: At the moment we finance primarily the cost of old age security with a 3 per cent sales tax, 3 per cent on private incomes and 3 per cent on corporation taxes.

Mr. RUSE: Yes.

Mr. LLOYD: This yields a certain volume of funds and was designed roughly to equate the cost of providing the old age assistance. Are you saying that if the government feels it can justify additional taxes on individuals and on employers equally that this money should be used first to improve old age security? That must be it.

Mr. RUSE: Conditionally, yes; it is a priority if we are going to do something more for our older people which I favour very much. Frankly, I very much like the thought I had that it get a little larger as you become older, more senile and more dependant on other people. I make a very good salary, but I never inherited any wealth in this country. I do not have anything except that which I gained myself as a salaried employee. Somehow or other I never have been very venturesome. However, when I go visting up in Muskoka I see people who have earned income of much less than my own, and I see they have a cottage, an expensive motor boat, and belong to the Muskoka Golf Club. I know they do not make as much as I do. I think this Canada pension plan is tapping wages and so on; I think it is lacking and that we have to make it more balanced.

I think we are feeding this by taxing the poor labourer. If a capital gains tax is the only way, we do not want it. The only way we can get it is through a sales tax.

Mr. LLOYD: Whatever be the way, suppose you were the minister of finance and you chose the sales tax. You are still avoiding my question which is a very simple one. I say: If there was a political possibility of acceptance with additional taxes in some fields it would produce money for the treasury of the national government, and you say that that money should go towards old age assistance.

Mr. RUSE: Yes, and not for the Canada pension plan.

Mr. LLOYD: You say it should not be used for a wage related plan.

Mr. RUSE: That is correct.

Mr. LLOYD: In effect you are against the government engaging in any wage related pension plan.

Mr. RUSE: That is right.

Mr. LLOYD: Is that not in essence your submission, and therefore any gaps which might exist between a private pension plan and the social assistance program should at least not be occupied by the government.

Mr. RUSE: I say that a wage related plan of the kind we have here is not the function of government.

Mr. LLOYD: Do you know of any kind that we should adopt?

Mr. RUSE: I know of no wage related plan presently envisaged, because if you have a fully funded plan it means the accumulation of billions of dollars in resources which are away beyond this thing, and basically there is nothing to it. It is all right if we could get into it, if we had a fully funded plan, but you would have to invest that money, the billions which had been built up; it would have to be invested in private industry and you would, therefore, have government controlling private industry, and that is something which is repugnant to our type of society. So if anything is to enter the field of welfare, it should be on a pay as you go basis every day with the qualification that you are not going to legislate benefits for your children and your children's children which will require them to pay relatively more than I am asking myself to pay.

Mr. LLOYD: You have made yourself clear without the additional observations of how the fund should be invested. That is beside the point. But how do you view the provincial government's efforts to achieve portability with private pension plans? Do you think this is a good thing?

Mr. RUSE: I do not know. I have come here with a brief which has to do with my theory concerning the Canada pension plan and its bearing on O.A.S. Must I traverse into the provincial field?

Mr. LLOYD: No. One of the purposes of the Canada pension plan is to provide portability to workers in Canada. Do you agree that portability of pensions is a good thing and that the government should be concerned with it, or are you against portability?

Mr. RUSE: I am all for portability. But I wonder if you are inviting me to say yes in order to make it seem that I was giving a blessing to the Canada pension plan.

Mr. LLOYD: No, I am not trying to do that at all. Perhaps I can convince you that I am not trying to trap you in my questions. I happen to come from a part of Canada where unemployment is very high. When I come to parliament from the maritime provinces I do not forget about conditions in that part of the country.

Mr. RUSE: I am sure you do not.

Mr. LLOYD: And when I am pursuing my questioning of you I am trying to do what I can for that part of the country in concert with the rest of the nation. I am not trying to catch you in my questions.

Mr. RUSE: I must be careful that I do not, for the records, sound if I were giving a blessing to the Canada pension plan.

Mr. LLOYD: All right, we have cleared that up. May I ask you if you would care to do this for me: I have noticed that there are two kinds of funding of private pension plans; there is the underwriting operation, and there is also the trustee plan. In the case of the trustee plan, if I understand it correctly, the contributions of the employer and the contributions of the employee, except for the cost of administration, are fully invested, and each individual eventually is identified with the fund and with the accumulation, to receive annuities in fact, or to receive a pension. Is this not precisely the same way in which the life insurance companies operate their funds, or do they do it differently?

Mr. RUSE: They do it precisely that way. I take it you are speaking of group pensions.

Mr. LLOYD: Yes, I am speaking about underwriting plans which they conduct in exactly the same way.

Mr. RUSE: I would say yes to that, although I am not a group pension man.

Mr. LLOYD: But you do represent some insurance company.

Mr. RUSE: Yes. But as we get big, we become pretty specialized, and I am not involved in that. It is quite correct that the contributions of employer and employee after expenses are held in the fund, and each employee within the fund would have his share.

Mr. LLOYD: In the case of the underwritten plan, suppose there are capital gains. Where do these funds go? Are they treated as profits to the underwriters? I refer to the net of capital gains and losses.

Mr. RUSE: This is in the investment transactions of the insurance company.

Mr. LLOYD: But the underwritten plan, whether it be conducted by an insurance company or by any other type of company, would have to do it in the same way.

Mr. RUSE: Any capital gains or costs or losses for that matter are part of the growth in the funds for the company as a whole and normally these, of course, would be shared by all the participants and policyholders and group pensioners.

Mr. LLOYD: If there were to be a capital gains tax, the insurance companies would find themselves in trouble, would they not?

Mr. RUSE: I do not know what you are getting at. I do not think it has any bearing on this particular issue. I do not like the Canada pension plan, but please do not get cross with me.

Mr. LLOYD: I am not being cross. Do not get that into the record.

Mr. RUSE: You act as if you were mad at me from your facial expression.

Mr. LLOYD: I have found out, and I am sure my colleagues will share this observation, that what appears in that piece of paper may often do one an awful lot of good which he does not deserve, and that sometimes it does him a lot of damage which he does not deserve, because the demeanor in which things are expressed and all the good will and the smiles do not appear on the printed page. I do not want you to put into the record the idea that I am cross with you.

Mr. RUSE: Then please do not put it in.

Mr. LLOYD: I honestly say quite frankly that I do not agree with the conclusions you have drawn.

Mr. RUSE: I would be delighted to pursue your line of reasoning if there were some relationship between it and the particular problem I am dealing with having regard to the Canada pension plan. Is there some similarity?

Mr. LLOYD: One actuary who came before the committee attacked the government's funding of the operation and said it was wrong. I think in essence he criticized a publicly financed pension scheme.

Mr. RUSE: Yes.

Mr. LLOYD: And he tried to indicate there were no funds to cover a future liability and therefore it was actuarially unsound, and therefore it was a wrong thing.

Mr. RUSE: Really I do not look at it that way. I just say that a pay as you go plan, as a government plan, would aid the unfortunate. Now, if you wish to classify people who are making \$5,000 a year as being unfortunate, that is your privilege. But the function of government in this area is to finance it on a pay as you go basis.

Mr. LLOYD: In other words, you would like the Liberals to go back on what they originally proposed.

Mr. RUSE: I would like to see the Liberals go back to the 1950 King-Lesage discussions and say: "We think we can give more and do it better in the field of old age security, and give it the name of Canada pension plan, and let it be financed by the resources of this nation and not from the first dollar of wages of the poor people in your constituency.

Mr. LLOYD: With a 3.6 per cent split between the employer and the employee. Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Now, Mr. Aiken.

Mr. AIKEN: Madam Chairman, I have a number of questions arising out of Mr. Ruse's statement, and I would like to ask him one question. I see it is getting late. I address my question to him as an actuary not as an humanitarian as he has presented himself to the committee today. One of the things you have raised which has not really been pointed out before is the long range economic, or at least the long range actuarial, results.

Mr. RUSE: Are you referring to this?

Mr. AIKEN: Most witnesses have discussed this problem with us, projecting it to 20 years, but very few have gone beyond that period of 20 years. Do I understand it is your belief that after roughly 20 years there will be a drastic change in the financing of this plan, necessarily—an increase in premium or else a deficit position? Is that what I understand from your graphs?

Mr. RUSE: That is correct.

Mr. FRANCIS: I think it was indicated that it was unpredictable, also.

Mr. RUSE: Yes, that is right. I think that is a very good reason for government to be very frightened of it. Your actuary has made a prediction of a low cost and a high cost. I think he is a very sophisticated and excellent actuary, and I think he knows, but he has no pipeline to the Almighty who can predict what is going to be happening 20, 30 or 40 years from now about fertility and immigration and all that. We may be on pills by that time!

Mr. AIKEN: You base your conclusions on actuarial tables and partly on the experience of the United States with OASDI? Is it your opinion, regardless of what has been presented by other witnesses, that after 20 years there necessarily will be an increase in premium?

Mr. RUSE: In the rate of contribution?

Mr. AIKEN: Yes.

Mr. RUSE: Definitely. Definitely, but I would not like to say that the government spokesman, Mr. Gordon, did not say this. He said it here. He said that somewhere around the end of 20 or 25 years of operation, or something like that, there would have to be a readjustment upwards, not necessarily in excess of one third of 3.6, in other words 4.5. What bothers me is that Mr. Gordon stopped there. He is a man I greatly admire and I enjoyed his book very much; and I wrote and told him so. I objected strenuously, however, to the idea of loaning money to provinces. The provinces are having a tough enough time now with municipalities in keeping their heads above water. The urban municipalities are going into debt too fast.

I do admire Mr. Gordon. He is a very, very able man. But that does not mean I agree with him. I enjoyed his book. He stopped after 20 years and never told the house what would happen after 20 years. I do not think he actually needed to do so because I think the house could have obtained the actuary's report and read it, and that part of the actuary's report is really quite simple.

I have not even bothered to try to follow his numerous pages of appendices.

I read the first part of it, and that was enough to tell me that I do not like this. I do not like it at all.

Mr. AIKEN: You yourself believe that after the 20 year period which has been so clearly outlined, when this becomes somewhat a pay as you go plan there will be a crisis in the plan?

Mr. RUSE: Absolutely, and a very, very significant one too. You see, the United States is now jumping its tax rates because the fund grew like Topsy. It has been in force 30 years. It grew like Topsy, and then it started to level off, and now it is going to go down. They cannot afford to let it go down. I certainly do not feel that a provincial government can afford to let it down—nor can the federal government. They are a partnership. They will have to raise the rates but they may not raise them soon enough, and therefore it will become more difficult later.

The substance of my objection is that however it happens, some increase will be required in the rate, and I say that you and I and all of us have no right to legislate something that will require a higher rate of tax on future generations than that which we are prepared to pay today.

Any wage related plan that matures gradually, such as this plan and such as the old age security, is bound to create that problem. I think that instead of looking south of the border and saying in a humble way what a wonderful job they have done, looking up to it, we must remember that they walked into it and enacted it in the depth of the depression in a heck of a hurry. And once you have done it you have to live with it. You will not find any citizen of the United States criticizing the plan openly, but when you get to 9 per cent or 10 per cent, \$500 a year with maximum benefit of \$127 pension, the employer and the employee could do a lot more just by putting it away into business or bonds or stocks. To heck with the insurance companies. There are many many ways in which people save money. It is a serious problem. They have lived with it and it is accepted as the American way of life, but I do not think we should do the same.

Mr. LLOYD: I thought we were confined to the Canada pension plan.

Mr. RUSE: I am confined to my brief.

Mr. LLOYD: I respected your desire to stick solely to the Canada pension plan and I dropped my line of questioning that went outside that plan. I would ask the witness to do precisely the same now.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any more questions?

Mr. RUSE: This is in my brief.

Mr. LLOYD: Then I am sorry I did not read the brief more carefully. I would not have let you off the hook so easily!

The CHAIRMAN (*Hon. Mrs. Fergusson*): We did not have time to read the brief, Mr. Ruse.

Mr. RUSE: I am sorry it was late.

Mr. KNOWLES: You have made it very clear that you are opposed to the Canada pension plan. I will not try to force you to say anything else. You have also made it very clear that you like the old age security act. You like the job the King-Lesage committee did in 1950. Senator Croll and I never miss an opportunity to enjoy these remarks. He and I can both tell you that it was not easy in that committee to reach the recommendations that came out of the committee.

What does interest me is the number of people who have sat in that chair and have preached a measure of good, old time socialism. You have declared yourself as a free enterpriser, and yet you like, in old age, the equality of old age security. There have been many like you. It is a very attractive proposal. As I say, as a long time socialist I welcome you to the club.

Mr. RUSE: Well, thank you.

Mr. KNOWLES: What I would like to ask you—and perhaps I should have put this question to everyone who has been extolling the virtues of equality in old age—is why do we not continue this and do it right across the board? Why do we not stand for equality in working years as well?

Mr. RUSE: I see. I would suggest to you, sir, that my view or my estimate of the great strength of our free enterprise, capitalistic, private property type of community is in the aggressiveness of this type of community.

Mr. KNOWLES: And in the inequalities of producers?

Mr. RUSE: May I fill in that gap later? I would suggest to you it is a rather harsh sort of society in a way, but it is a very effective type of society in creating the gross national product, if you like, or the bread-basket or whatever you like to call it—the automobiles and so on. This is what it does. Therefore, there is more to share. But in the process of doing this I believe we have injured a lot of people, although not intentionally. They just have not been mentally and physically alert enough or strong enough or aggressive enough or dedicated enough.

I have put myself through university, and there are hundreds of others who have done the same. I worked overtime during the summer holidays to do that; and so have many others. My father wanted me to be a farmer, but if I had stayed in southwestern Manitoba—where the oil wells are, but our property did not have any—I would have done none of the things that I have done in my life. I came from a part of southwestern Manitoba where they turned the buffalo grass over in 1835; it just blew. So, we were very very poor. However, let me get back to my point. I think we have injured these people.

If that is socialism, I am for it—that is, if you do have the free enterprise fight and the man gets the food from the point of view of his wages and what he can do in this society through investing in property or whatever it may be. But in that process he must take care of certain things. It is a form of Christianity.

Mr. KNOWLES: You have told us that this type of free enterprise society is harsh, that it does injury. You want to correct this injury in old age; but I hope you will carry the socialism further and correct is at a much earlier age.

Mr. RUSE: That is a very pontifical observation to make. I am not a very good Christian. I try to be a good Christian but I do not think I am a very good one. I fight with my wife!

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any other questions?

Mr. Ruse, I would like to tell you that we appreciate having had an opportunity to hear you present your brief. I think we appreciate your tremendous enthusiasm in support of your own individual reaction to the Canada pension plan. Some of the things you brought out were of special interest. As Senator Croll told you, we have had other witnesses suggest to us that higher benefits should be paid to people as they increase in age, but I do not think that anyone ever suggested the exact formula you have suggested, and I am sure we are interested in it and would probably like to think about it.

We have enjoyed having you. You have certainly brought a lot of life into the committee. We thank you.

Mr. LLOYD: Madam Chairman, I would like to claim the privilege of moving a vote of thanks and appreciation to Mr. Ruse for his complete and very lucid explanation of the position he takes. I want him to leave this committee with the assurance of all the members that we will take into serious consideration the view points he has put forward. While the result may not be in agreement with his ideas, there is bound to be something in his observations that will reside with us, and we will give them every consideration.

(Acclamation)

The CHAIRMAN (*Hon. Mrs. Fergusson*): This acclamation shows the agreement of the committee to Mr. Lloyd's motion.

Mr. RUSE: Madam Chairman, Mrs. Rideout, hon. senators and members of the house, I most grateful for the privilege of appearing before you. I have not followed every word of the proceedings because I have not had time, but I know you are very busy and very tired, and I am amazed at the alertness and sharpness you have shown. I do thank you for this privilege. I know it was very difficult for you to make room for me to come, and I am grateful. I hope I am speaking for the little guy on the street. I am not speaking as an actuary; I am not speaking for insurance companies. I am sure each one of you wishes for the success of your political party and the success of your government, and in just the same way I am interested in the success of my company, but at some time or other we must rise above that and think about humanity.

Mr. MONTEITH: Madam Chairman, as I will be out of town for some time I wish to move that Mr. Gordon Aiken replace me on the steering committee.

Mr. MUNRO: I second the motion.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It is moved by Mr. Monteith and seconded by Mr. Munro that Mr. Gordon Aiken replace Mr. Monteith on the steering committee.

Will all those in favour please indicate. Opposed?

Motion agreed to.

Hon. Mr. CROLL: I understand that that will be on a permanent basis, I hope.

Mr. CHATTERTON: Madam Chairman, could you tell us what the procedure is for this afternoon?

The CHAIRMAN (*Hon. Mrs. Fergusson*): This afternoon we are having the International Association of Fire Fighters at 2.30.

Mr. LLOYD: Madam Chairman, this raises a question with which I am concerned. We will be having a steering committee meeting on Wednesday.

The CHAIRMAN (*Hon. Mrs. Fergusson*): No.

Mr. LLOYD: Like Mr. Monteith, I have a problem early next week.

Mr. MONTEITH: The steering committee meets today.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, this afternoon.

Mr. LLOYD: I have some commitments to meet which I have stalled off for some time.

Mr. KNOWLES: Well, if you do not ask too many questions of the fire fighters this afternoon we would meet that much sooner.

Mr. LLOYD: Then I will take your advice and not put any questions.

Mr. CHATTERTON: Madam Chairman, are those people scheduled for tonight appearing?

Mr. CAMERON (*High Park*): The group which were scheduled for 8 o'clock tonight are not coming.

Mr. KNOWLES: Then the International Association of Fire Fighters is the last delegation appearing before us, unless the steering committee advises otherwise.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes.

AFTERNOON SITTING

TUESDAY, February 2, 1965.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, we have a quorum. Today we have with us the International Association of Firefighters. Mr. Bernard Bonser is the vice president of the association and chairman of the pension committee, which means, of course, that he is very knowledgeable about pension matters. I have explained to him that his brief will form part of the record today and that it is not necessary for him to read it. He will explain to us his problem and his solution and we will give every consideration to them. I also told him that he and his delegation will probably be asked a number of questions about the brief and about their problem. I will ask Mr. Bonser to start now and to introduce the other members of this delegation, and then we will proceed.

Mr. BERNARD BONSER (*Vice President, International Association of Firefighters*): Thank you, Mr. Chairman and members of the committee. I certainly want to express our deep appreciation for being afforded the opportunity to appear before you and to express the views of the Canadian professional firefighters in respect of the Canada pension plan. The representatives of our association attending this meeting with me today are the president of the Toronto Firefighters Association, Orville Bolton, and Mr. Haché who is president of the Ottawa Firefighters Association. We also have a few additional delegates out there to give us a little support if the going gets a little rough, as it did this morning.

There is one qualification to what the chairman said that I wish to make. He suggested that I was qualified to speak on pension matters—I assure you I am not. However, we are deeply concerned with the composition of pensions. Our members have been participants of pension plans for many, many years, some of them dating back prior to the turn of the century. We are therefore trying to keep abreast of the complex changes in pension plans, and we have made a few observations in respect of the Canada pension plan and how it will affect our members.

First of all, I think I would like to point out one or two observations we have made. The first one, of course, is that the plan does not make provision for an early retirement for firefighters. In most of our pension plans provision is made for retirement at the age of 60. In a few isolated cases we have pension plans that take effect at an age earlier than 60. We feel that the Canada pension plan as presently formulated penalizes the firefighters who are required to retire before the age of 60. We have noticed that in the bill there is provision for certain selective groups of people who retire at an earlier age than 65. In most cases this seems to be done by exemption from the plan, such as in the case of the R.C.M.P. and the armed services. These groups are unique because usually their term of service and pension starts at an earlier age.

In making this presentation the firefighters are requesting that consideration be given to the years between 60 and 65. These years, which I understand have been referred to as zero years in the previous presentations, are the years with which we are basically concerned. We submit for your consideration possible suggestions on how we feel that amendments to the bill could be brought about, therefore alleviating what we think is a unique problem in regard to the firefighters profession.

In one of the clauses of the bill, I believe it is clause No. 44, "Benefits Payable", we would suggest that instead of the requirement for the attainment of the age of 65, an additional provision be made to provide that, except in the case of a contributor engaged by an employer as a firefighter in which case the retirement pension shall be paid when he has reached 60 years of age, provided that he is retired from regular employment. What this would

do is to permit the firefighter who retires at the age of 60 to receive his pension at that time.

There is an alternative to this suggestion which we have outlined in the brief. We are bringing this before you because at first we had thought to propose to this committee that you amend the bill to provide for retirement of firefighters at the age of 60. However, we are aware of the unique representation that has been made on the bill. We are anxious to see the bill approved to provide a pension for all workers across the country, and therefore we are reducing our suggestions to as minor an adjustment as we could possibly propose. We have therefore suggested that the contributory period in the case of firefighters be set at the age of 60.

In clause No. 49 which deals with the contributory period we suggest that a suitable solution would be to provide that where firefighters engaged by an employer reach the age of 60, provided that they are retired from their regular employment, a deferred type of pension be paid to them at the age of 65. This would have the effect that when a firefighter retires and goes on pension—this is only in cases where he actually retires and ceases making contributions to the Canada pension plan which he would of necessity have to do if he did not take other employment—these years would not be counted as zero years against his time. What would happen is that when he reached 60 years of age the pension could be assessed at that date; however he would not receive it until the age of 65. We think this is a fair disposition of the unique problem that we believe we have in the firefighters field.

As I have indicated, there are situations where firefighters retire at an earlier age than 60. One of our representatives from Toronto can attest to the fact that we have in Toronto a plan which provides for retirement after 30 years of service. The employment age is in general between the age of 21 and 26, therefore a man is eligible for retirement at the age of 51 or 56. In between these years he will have completed thirty years of service. He is not required to leave at that time but we found that the average age at which people retire is 59.6. Of course, in most cases the possibility of a firefighter taking other employment after having reached the age of 60 is very slight. As I have indicated in the brief, the possibility of a firefighter going into business for himself would be rare considering the money he would accrue over the years. We are therefore suggesting that some relief should be given in regard to this five year period.

Let me give you a typical example of the type of plans that prevail with a 60 year maximum compulsory retirement age. We have indicated in the brief that the Ontario municipal retirement system provides for retirement of the police force and firemen at the age of 60. As a result of this, most municipalities are adopting a 60 year maximum age limit for firefighters. Ottawa is a typical example. They have a 60 year retirement age for firefighters. Throughout the west coast and in the province of British Columbia they have a municipal plan which also provides for a 65 retirement age for other employees and a 60 retirement age for the police and firemen.

The maximum retirement age in Vancouver and in most cities in British Columbia is 60 years of age. Even if we look at some of the eastern provinces we find that, for example, in Montreal the maximum retirement age is 60. The same applies in Halifax, Nova Scotia. I think it is pretty well the case across the country as respects firefighters. We do therefore sincerely request that you give consideration to this matter. I do not think we are requesting too much in respect of the years between 60 and 65 because, basically firefighters are covered by adequate pension plans. I hate to use this word which some people might dislike to see in print at a later date, and particularly some of our own people. However, in most cases we are covered by adequate pension plans. Therefore, the Canada pension plan would in most

cases be integrated with our present plans. We feel that it would be pretty difficult for the employer sitting at a collective bargaining table to agree to the Canada pension plan being an addition to whatever pension benefits we have at the present time.

Mr. MUNRO: Be careful, this is going on the record.

Mr. KNOWLES: He meant "relatively adequate".

Hon. Mr. CROLL: Basic truths should be encouraged.

Mr. BONSER: That is the unfortunate part of being a firefighter. This is the type of proposal we have. I have indicated that I think it is more or less the rule rather than the exception for municipalities to desire firefighters to retire at an earlier age. In fact, it is more or less in line with the general attitude of the public. I think they do not believe that it should be anyone else but a young, dashing firefighter who runs up the ladder and rescues a damsel in distress, so we would be running in strict competition with the national firefighters underwriters who request the firefighters to retire at an early age. This is more or less the policy that has been adopted by the municipalities. If we found ourselves in a position where our pension plan was being affected by the fact that we had to work until a later age, we would have no alternative but to go against our own conviction and bargain with the municipalities to have the retirement age of firefighters altered to 65. Of course this is something that we as an association do not desire to do, but we would have no alternative if we were placed under the Canada pension plan and we found some areas in which our people would not be receiving equal benefits.

That is basically the things I have to say to the committee, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): Thank you, Mr. Bonser, for your presentation. It has been indicated to me that Senator Croll, Mr. Chatterton, Mrs. Rideout, Mr. Munro, Mr. Basford and Mr. Lloyd wish to speak. They will ask you some questions.

Hon. Mr. CROLL: Mr. Bonser, it is a pleasure to see someone coming from my end of the country sounding like a breath of fresh air after what we had this morning.

There is something I do not quite understand. Why is the age of 60 fixed as the retirement age for firefighters? Why is 60 the age limit? You tell us that the British Columbia municipal employees pension plan provides for it, as well as the Ontario plan. What is the reason for it? This seems to be a very early age.

Mr. BONSER: I think it is basically because of the physical aspect of our occupation. There are not sufficient jobs within the fire department to give enough of our people a desk job after they reach age 60; they would just as soon get us out. I think that is the answer.

Hon. Mr. CROLL: I thought you played dominoes.

Mr. BONSER: That is after age 60.

Hon. Mr. CROLL: Were you here last night?

Mr. BONSER: No.

Hon. Mr. CROLL: The teachers presented us with exactly the same problem.

Mr. BONSER: So I understand.

Hon. Mr. CROLL: Therefore, we have the problem before us in exactly the same form and we will have to deal with it later.

Mr. BONSER: I would suggest that there is one difference, I think, in our submission. We are quite aware that the teachers made a submission. The Canadian Labour Congress also made a submission and made reference to our

specific group, I understand, along with the police and the teachers' federations. However, in our occupation there is the matter of the physical problem. We find many of our people are subjected to medical examination. In fact, we have a unique circumstance which has come about in the federal pension scheme whereby a person working as a firefighter can go on to age 65 so long as other employment can be found for him. I am talking about federal firefighters in installation at naval bases, in the air force, and so on. At age 60, if they cannot find a job for him doing some other occupation he has no alternative but to go out. Most municipalities will not give you this option. Once you reach age 60 they figure the door is open for retirement.

Hon. Mr. CROLL: Is it age 60 with any number of years of service?

Mr. BONSER: In most municipalities it is 60 years period. In Toronto after 30 years of service the man may retire voluntarily.

Hon. Mr. CROLL: Would they take you on at age 50?

Mr. BONSER: No. I would say that in 95 per cent of the departments the maximum age is 30, and in some cases it is lower than that.

Mr. ORVILLE BOLTON (*President, Toronto Firefighters Association*): In the city of Toronto it is age 26.

Hon. Mr. CROLL: What is it for the police?

Mr. BOLTON: For the police I believe it is age 30.

Mr. ERNEST HACHÉ (*President, Ottawa Firefighters Association*): In the city of Ottawa it is age 25 maximum.

Mr. CÔTÉ (*Longueuil*): Is that on account of the pension plan?

Mr. HACHÉ: Yes, I would say so, and also because of the physical requirement for service.

Mr. FRANCIS: I would not wish Mr. Haché to be misunderstood. There are persons who do enter the pension plan in the city of Ottawa at ages higher than this.

Mr. HACHÉ: No, sir. Are you referring to the fire service entering the pension plan?

Mr. FRANCIS: I think the firemen of the city are participating in a joint plan with other employees of the city.

Mr. HACHÉ: Yes, sir.

Mr. FRANCIS: And many employees of the city are placed in the pension plan for the first time at an age higher than that.

Mr. HACHÉ: Yes, but not on the fire forces. It is not the pension plan that causes the problem, but rather the procedure and policy.

Mr. FRANCIS: Which are laid down for firemen?

Mr. HACHÉ: Exactly.

Mr. FRANCIS: I do not think it is the pension plan.

Mr. CHATTERTON: Mr. Chairman, Mr. Bonser did you read or hear the Ontario brief?

Mr. BONSER: No, I am sorry, but we did not.

Mr. CHATTERTON: Among other things, they asked, instead of basing the pension on the average earnings during the earnings period and allowing a percentage dropout that the pension be based on the last ten years or best ten years of salaries. Would that solve your problem?

Mr. BONSER: We would have no objection to it so long as we did not have to go to age 65.

Mr. CHATTERTON: I am not critical, but in British Columbia, in any event, in order to compensate for the compulsory early retirement at age 60, the municipality—the employer—increases the contribution considerably to 12 per cent.

Mr. BONSER: I do not know. I know in the Ontario municipal retirement system, the contribution for employees and employers is 5½ per cent for all persons except the police, for whom there is an additional one per cent on the part of both the employer and the employee. I do not think there is any question that the firefighters are not prepared to pay the equal share toward it.

Mr. CHATTERTON: In British Columbia I think the employee pays for 5 per cent and the employer, after a certain number of years, increases his contribution. This does not solve the problem.

Mr. BONSER: No.

Mr. KNOWLES: Before you say categorically that the last ten year proposal would solve your problem—I thought Mr. Chatterton asked if this would solve your problem. At any rate, would it not be a fact that if you had the last ten year basis there would have to be some other provision in respect of how many years you get credit for before you would know what your pension would be; in other words, you would have to know all the angles.

Mr. BONSER: This is the qualification I was going to suggest. It is pretty difficult, unless you can see the whole context of what is intended in the pension plan. Most of our plans are general so that an employee will go out on 50 per cent of his rate. If we are not prepared to participate for long enough to get that rate, it would not be a good plan.

Mr. CHATTERTON: The matter you raise is the period of five years of no earnings. If your pension was based on the best ten or the last ten years, that particular objection would be overcome, would it not?

Mr. BONSER: As the plan reads now, it still would not be effective until age 65.

Mr. CHATTERTON: It does not change that. The five years of no earnings would not mitigate against you.

Mr. BONSER: It would certainly be better than the present arrangement; I would say that.

Mrs. RIDEOUT: Mr. Chairman, I would like to say to the International Association of Firefighters that as a damsel who looks forward to one day being rescued by a firefighter I have no objection if he is over 60.

Mr. KNOWLES: That is a long time away.

Mrs. RIDEOUT: I would like to ask a question for my own personal interest. I am thinking of the pension plan as related to a pension plan for railway employees. I very well could be wrong, but I think probably I am right; when a railway employee is forced to retire before age 60 because of health reasons—he may not be incapacitated; he may be able to work at some other job—he is not permitted to take another job. Is it the same situation for firefighters?

Mr. BONSER: This would be the case in respect of workmen's compensation coverage when people are injured in the line of duty and are required to go off on workmen's compensation. Usually the workmen's compensation board has to be assured that the man is incapable of doing other employment.

We have the age factor. It runs as high as 30 in some municipalities; both in Toronto and in Ottawa the maximum age is 26. They still have to be 25 in order to be hired. The physical requirements enter into it and the standards are fairly severe. When a person gets up in the later years, in the late fifties—I hate to say that—in some municipalities he is required to undergo medical examination. We find ourselves in a position where many of our people even

before the age of 60 are required to retire. This is of great concern to us, because if a man is physically unfit to carry on as a firefighter, say at age 58, his chances of getting other employment in any other occupation are very remote. I think it is almost impossible for someone who has spent a lifetime as a firefighter to adapt himself to any other vocation.

Mrs. RIDEOUT: I am wondering whether you work a 24 hour day and are off 24 hours. Is that the way it is?

Mr. BONSER: No.

Mrs. RIDEOUT: Where I come from our firemen are on duty 24 hours and off duty 24 hours, and in some cases they have jobs which supplement their jobs as firemen.

Hon. Mr. CROLL: You mean moonlighting?

Mrs. RIDEOUT: I did not say that.

Mr. BONSER: Of course, this could be true in some areas. The larger municipalities have restrictions against this; they have municipal bylaws and regulations which prohibit this.

Mrs. RIDEOUT: I was going to suggest they might have a little experience which would aid them procuring a job once they are retired.

Mr. BONSER: Usually in the major cities we find that the fellows are not in a position to be able to do that.

Mrs. RIDEOUT: Thank you very much.

Mr. MUNRO: Under the average private pension plan that you have between the firemen and the municipality, the contribution rates are fairly rich, fairly high, are they not; one example, as mentioned by Mr. Chatterton, is something like 5 per cent by the employees and 5 per cent by the employers. Perhaps you are getting up around a 10 per cent contribution. In the usual case with which you have had experience, what would be the retirement pension for a fireman retiring at age 60? Say he commenced employment at the required age of 26 or 30, depending on the municipality; would you give us some general idea?

Mr. BONSER: This is extremely difficult, actually, because of the different plans that are in existence in every different province. Some have a provincial plan, such as British Columbia. Ontario now has contracted out a new plan which is a provincial plan.

Mr. MUNRO: Do you know what the Ontario plan provides?

Mr. BONSER: It provides on the basis of 2 per cent times the man's years of service, times his career salary. It is based on a career type of salary from the time he starts until he finishes.

It could conceivably be. Let us say for example it is 35 times 2, which is 70 per cent; but that would be of his career earnings. We estimate the average pension to be about 50 per cent of the man's salary when he retires. That is a rough estimate.

Mr. MUNRO: Suppose a man receives 50 per cent of his salary at the age of 60. You are quite concerned about the interval of five years until he qualifies under the Canada pension plan. Is this not in the area of a problem which could be worked out between the firefighters and their employer as far as integration is concerned?

With the Canada pension plan in operation a change could be made in your private plans whereby you could pay richer benefits than 50 per cent for this five year period, from 60 to 65, and when the Canada pension plan comes into operation perhaps the benefits under the private plan could be correspondingly less, so that you would have the same level throughout.

I wonder if the firefighters do not anticipate that perhaps through the bargaining process and negotiation they might work out some type of integration which would allow the private pension plan to take care of the intervening five years that you are concerned about.

Mr. BONSER: That is right, but we would prefer that the Canada pension plan should apply to firefighters at the age of 60. However, as an alternative we suggest that we could do the very thing that you suggest on the basis of leveling out the pension payment from the time the firefighter retires at the age of 60 and his coming up to the average level of 65. However if the provisions of the bill were amended to take care of these five zero years we would then have our people getting average earnings over the time that they contributed.

If there were only one, two or three plans to be negotiated with municipalities, there would be no problem. However we estimate that we have several hundred plans in existence across Canada and it would be very difficult to get all the municipalities to agree to the type of proposition that you suggest.

Mr. MUNRO: The 10 per cent drop-out feature does assist you somewhat as far as the five years of zero earnings are concerned. Firefighter employment relatively has to be compared to other types of employment, and it is of a very steady nature. Probably a 10 per cent dropout would take care of those five years of zero earnings, but it would not be calculated to make them come up to the figure of your average zero earnings.

Mr. BONSER: I agree that there is some slight relief in the 10 per cent dropout. However a firefighter would have to carry on for 50 years if fully employed in order to get the advantage of those five years. Is that not true? Ten per cent would have to work for 50 years to give them the full amount. The average length of working time of a firefighter is 35 years, and this is our problem. We suggest it would be an easy alternative to amend this section so that instead of having to take advantage of this 10 per cent dropout, we might not have to take advantage of any of it by the fact that we would be permitted to take a deferred pension based on the age of 65.

Mr. MUNRO: Your continual dropout partially takes care of one half of the five year of dropout earnings. I suppose if there is an increase in your earnings it would increase the dropout feature, and you would be in favour of it, to increase the percentage of dropouts.

Mr. BONSER: I would be. The only thing I would be concerned about is that I do not think we really require the dropout period. As you say, I think you have more or less hit the problem on the head. We are not a group usually subject to unemployment. We are a group who have joined the firefighting service as a career type of proposition, and we are aware of this when joining the service at an early age.

I happen to live in a municipality which says we are too old at 60 to carry out young damsels down a ladder. They feel that 60 is a little old, and I have to agree with them too. I think we could recognize that we have a problem rather than trying to patch it up by giving some little extra consideration for the dropout period, and I would prefer to have consideration given on the basis of the feature at the age of 60 if the firefighter is retired. We have a few municipalities which allow the firefighters to continue on to 65, and in that case there is no problem, so this provision would take effect in such a case.

Mr. MUNRO: Outside of the type of course you recommend I can well understand why you like it, I mean outside of taking that particular course. But an increase in the dropout would certainly be beneficial in this particular problem.

Mr. BONSER: If it were increased above the 10 per cent level.

Mr. MUNRO: Thank you.

Mr. BASFORD: Mr. Munro has asked most of the questions I would have asked. I am happy to have the firefighters here, because I have been corresponding with the British Columbia ones for 18 months, and I put some material on record the other night on behalf of the British Columbia firefighters. But just to get their position clear, I take it you really are not asking that pension benefits become payable at an earlier age than they are at the present time?

Mr. BONSER: We would like them to be, but we would rather come before the committee with a valid proposal rather than with something which is new and would not be bona fide. So rather than that we would prefer to see a five year allowance credit granted to our profession.

Mr. BASFORD: If we should give you some special attention how would you define a firefighter?

Mr. BONSER: Under the British Columbia plan they define the firefighters as someone engaged by an employer as a firefighter. Policemen and firefighters go together in that regard. The Ontario system also makes provision for someone engaged as a firefighter. If an employer engages someone as a firefighter, that is the definition. But I think the problem in this area arises if a person retires at an age earlier than 65. If a person was not a firefighter then the municipality would not permit him to retire prior to the age of 65.

Mr. BASFORD: Would you say that all firefighters were full time men?

Mr. BONSER: We are only speaking on behalf of full time firefighters. There are voluntary firefighters, but we would not be concerned about them, because they might work at some other vocation.

Mr. BASFORD: I am thinking of the completely volunteer firefighters. Would they not have some part time employment?

Mr. BONSER: Not to any great extent to my knowledge. In most cases they would have a full time man and supplement him with a volunteer staff.

Mr. PRITTE: Are there any firefighters in the private employment of large companies, and if so, do you represent them?

Mr. BONSER: No, we do not represent them if they are in private industry. I think they would be regarded as being on the same basis as security people, and that sort of thing.

Mr. BASFORD: I think you will find that there are some in British Columbia.

Mr. GRAY: Do you have any contact with full time firefighters employed by the federal government in the Department of Transport?

Mr. BONSER: Yes, we have some contact with them. One of the company's regulations which our people in the Department of Transport find to be repugnant is the provision that at the age of 60 they have to be taken out of active firefighting duty and if possible given employment in some other department. This has not worked out very satisfactorily.

Hon. Mr. CROLL: Is that in the federal statute?

Mr. BONSER: Yes.

Hon. Mr. CROLL: It is 60.

Mr. BONSER: The pension requirement may be 65, but they have to cease active firefighting at 60 and take some other job. There is a list of occupations they can transfer them to, but from our experience at the Halifax dockyard, we have found that there have been few positions open to them. We will find a man sweeping floors for his last five years, and I do not think this is a good position to put such a man in. So very often he will go out with a reduced pension. This is one provision for which we hope to get some relief from the federal government in the near future.

Mr. BASFORD: Do I take it from your answers to Mr. Munro that allowing for the 15 per cent dropout, this would be of considerable assistance to you?

Mr. BONSER: I do not think it is grappling with a solution to the problem. I think it would be going around the problem. I would prefer to see it done in a manner which recognizes that here we have a group of people who are required to retire at 60, and therefore we should make the deferred pension payable at 65 on that basis.

Mr. BASFORD: This exemption would have to apply in fairness to policemen as well. There has been evidence given particularly in connection with female school teachers.

Mr. BONSER: In all fairness I would say it should apply to any occupational group which has a unique employment regulation regarding early retirement. I think the committee would have to recognize that it is something different from the average worker and I think it should be so considered. I think all occupational groups in all fairness should be considered.

The CHAIRMAN (*Mr. Cameron*): Mr. Lloyd.

Mr. LLOYD: Mr. Bonser, we have had this suggestion put to us in other ways. It has been pointed out in answer to other questioners by other groups of employees. It is the question of what you do with persons retiring at the age of 60 and having either zero earnings or lesser earnings than \$600 a year in the last five years prior to the opportunity to take a pension at age 65 under the Canada pension plan.

Can you tell us what benefits generally your firefighters' plans provide in the field of dependants' benefits or survivors' benefits? I know what they are in Halifax but I have to speak now in general terms.

Mr. BONSER: I think in the largest percentage of the plans there is some provision for survivor benefits. However, here again, as I say, the pension plans are very different across the country. When you look at a pension plan in one province as compared to a municipal plan in another, you will see there are variations. We only have two provinces, British Columbia and Ontario, in which more or less standard pensions have been set up though in Ontario we only have 50 per cent of the municipalities in which we have firefighting departments participating in the O.M.R.S. plan. So 50 per cent are participating in O.M.R.S. plan with a regulated type of pension plan with survivors' benefits and then we have another 38 per cent approximately with municipalities. So it is difficult to suggest that there is a good survivor clause, because in most cases I do not think it is adequate.

Mr. LLOYD: This is the one matter on which you are really concentrating.

Mr. BONSER: Yes.

Mr. LLOYD: What you are really saying is that by retiring at age 60 your average earnings will be lower by virtue of the fact that you do not usually earn in the five years between the age of 60 and 65? That is what you really say?

Mr. BONSER: Yes, that is right.

Mr. LLOYD: I take it, then, that you have studied the problems of integration and also the advantages. With integration you might be able, through your existing plan and this plan, to accomplish some gains which you have been trying to achieve in other ways. I know there is a case in Halifax where there is a trustee plan which has now been the subject of reappraisal, and the survivors' benefits are being reviewed. They are trying to seek improvements in the survivors' benefits.

Because you did not say it, I presume in fact you are aware that integration of the Canada pension plan with your plan offers an opportunity for improving benefits.

Hon. Mr. CROLL: Mr. Chairman, may I point out to Mr. Lloyd that he ought to be more careful in choosing his language. He has repeated the word "integration" at least half a dozen times, and I notice that one of the fire-fighting units is in Birmingham, Alabama. It will not go down well at all there.

Mr. LLOYD: I am well aware that the problem of integration is not the same there as it is in the senator's riding and as it is in the province of Nova Scotia, but I do thank you for drawing attention to it.

Now, to get back to the firefighters—and, incidentally, we even solve that problem with the fire department in Halifax—I just wanted to be sure that in concentrating on this five year gap in earnings, the five year period of zero earnings about which you are speaking, in fact you have studied the problems of integration and that you do not have anything to say with respect to it at this time.

Mr. BONSER: I would say—and I may have indicated this at the outset—that we as a group of employees believe in the principles of the Canada pension plan. However, it would be a distinct advantage, we believe, if we were actually exempt from the provisions of the Canada pension plan. We believe the provisions that the majority of the firefighters have in their present plans could be secured through the process of collective bargaining. However, we recognize that not everyone is in the unique position we are in of having an effective weapon at the bargaining table for securing these benefits, and therefore we would subscribe to the principles of the Canada pension plan.

Several Hon. MEMBERS: Hear, hear.

Mr. LLOYD: You provide me with an opportunity to say something I should not say. I would be distinctly out of order if I were to offer you some advice and suggest that you examine your position with regard to going out.

Mr. KNOWLES: I would not say that after the excellent statement the witness has just made.

Mr. LLOYD: He started with one position and ended with another.

Mr. BONSER: We have representatives here from Ottawa who are participating in a plan in which the employees are paying 8 per cent. They have bargained through the collective bargaining process over the table to secure this type of plan. In the city of Toronto, as we have indicated, we have employees who are able to take a pension after 30 years of service even prior to the age of 60. If the provisions of the Canada pension plan jeopardize these pensions, then I would suggest that our people are concerned.

Mr. LLOYD: Frankly, I do not think they will.

Hon. Mr. CROLL: May I ask one question?

Mr. LLOYD: I have almost finished now and then you can go on.

Hon. Mr. CROLL: The question I wish to ask results from something the witness said to you which I think was important, something he said when he spoke of their ability to take care of themselves at the bargaining table.

My recollection—and I could be wrong—is that policemen and firemen under the Ontario act have no right to strike.

Mr. BONSER: That is quite true.

Hon. Mr. CROLL: Then that is a different picture. You are just good bargainers; that is all.

Mr. LLOYD: I think from my questions I am fully satisfied that they are concentrating on one request, and that is the matter of the five years.

The CHAIRMAN (*Mr. Cameron*): Are there any more questions?

Hon. Mr. CROLL: I am just as curious as a cat here. What does a fireman do when he is in good health and quits at 60? What are we getting into here? What do they do in the main?

Mr. BONSER: I think they run for civic office!

Mr. MUNRO: Senators are very sensitive about early retirement!

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles, do you have a question?

Mr. KNOWLES: I have just one question, and I ask only one because obviously we have enjoyed this presentation.

You said, Mr. Bonser, that perhaps you had a preference for getting the Canada pension plan benefit at the age of 60, but you were being reasonable and realistic and were prepared to settle for deferred pension at the age of 65.

I do not want to force you into an opinion that you may not want to associate yourself with, but I wonder if you have been aware of the evidence several witnesses have placed before this committee to the effect that as people get older they actually need increases in their income.

I wonder if what you are asking for as something you are prepared to accept might not be considered as something good; that is, if you go on pension at 60 and if your plan is accepted and you have the knowledge that you will have the addition? In other words, it might not be second best but it might be something good if we can get it for you.

Mr. BONSER: People are optimistic that there will be not be too much conflict with our present plans, and we would be quite pleased if this did happen.

Mr. KNOWLES: This would be an addition that you could look forward to five years later?

Mr. BONSER: If it came about, but we are back in the situation of additional contributions by the employer, and we are always concerned when the employer is required to make an additional contribution. We are concerned about the stand he is going to take in respect of our present plan.

Mr. MUNRO: But you are good bargainers!

Mr. BONSER: Well, we hope we have done a good job here today.

Mr. KNOWLES: Wou have.

The CHAIRMAN (*Mr. Cameron*): I have just one question.

How many persons are represented by your group, in numbers?

Mr. BONSER: We have approximately 13,000 firefighters. We have almost 100 per cent representation of professional firefighters.

Mr. CHATTERTON: I have just one more question.

In the statement in the third last paragraph you say you are in favour of the objectives of Bill No. C-136 which will provide pension benefits for all workers.

Are you aware of the fact that the group which comprise the lowest earnings workers in Canada are not covered by the Canada pension plan?

Mr. MUNRO: That statement should certainly be qualified. I think we are aware that anyone who earns less than \$600 a year is not covered.

Mr. CHATTERTON: You may put it in your way but I put it in mine.

Mr. MUNRO: One is the right way and the other is the wrong way.

Mr. FRANCIS: I am not aware that there are any firemen in this category.

Mr. CHATTERTON: I was not referring to firemen.

Mr. FRANCIS: I am sorry; I thought this witness was testifying on behalf of firemen.

The CHAIRMAN (*Mr. Cameron*): If you wish to ask your question Mr. Chatterton, go ahead.

Mr. BONSER: I appreciate from what I have read in the paper and from the context of the bill that there are some people who will not be covered, but it will be a decision for you and not for me whether or not they will be covered.

Mr. KNOWLES: If you had your way they would all be covered?

Mr. BONSER: Certainly.

Mr. BASFORD: There is one man running for civic office!

Mr. CANTELON: Mr. Chairman, I also would like to comment that I am very pleased to have heard this brief because it is nice to know that besides the teachers in the dominion, who want to draw back from 65 to 60 there is also the firefighters' group as well. I think while the teachers do not suffer from the same physical disabilities as firefighters do, they do sometimes suffer from physical disabilities that do not make it possible for them to continue with their work. As I say it is nice to know that one more group has the same argument as the teachers have presented.

The CHAIRMAN (*Mr. Cameron*): On behalf of the committee, we want to thank you gentlemen for your appearance here today. We would like to advise your association that we do appreciate very much the frank discussions of your problem and I can assure you your submission will receive consideration by the committee. Thank you very much indeed.

Mr. FRANCIS: Mr. Chairman, I would like to move a vote of thanks, to be recorded in the minutes, and I am particularly happy that there is such a fine Ottawa representation in the delegation.

Mrs. RIDEOUT: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It has been moved by Mr. Francis and seconded by Mrs. Rideout that a vote of thanks be extended to Mr. Bonser and his associates for their appearance here this afternoon and for the manner in which they presented their brief. All those in favour will please signify in the usual manner.

Motion agreed to by acclamation.

It is a pleasure to have had you with us, gentlemen.

Mr. BONSER: Mr. Chairman, on behalf of our deputation and the Canadian Fire Fighters Association may we say that we do appreciate the comprehensive and the fair manner in which you have listened to our presentation today. We really appreciate it.

The CHAIRMAN (*Mr. Cameron*): I had been informed in respect of the brief presented by the Chesapeake & Ohio Railway Company that they were content to leave it with the committee and not make a personal appearance. But I understand now that Mr. Cuthbert Scott, Q.C., is here and desires to say a few words at this time.

I would ask Mr. Scott to please come forward. We will be glad to hear from you at this time.

I should tell you, Mr. Scott, that what is contained in your brief will be included as part of today's proceedings. It will be completely printed in the record. So, if you will then in a summary way tell us what your problem is and what your solution is we would be pleased. Then there probably will be a few questions directed to you.

Mr. CUTHBERT SCOTT, Q.C., Ottawa (*Solicitor for Great Northern Railway Company, Midland Railway Company of Manitoba, The New York Central Railroad Company*): Mr. Chairman, ladies and gentlemen. I appear for the United States railroads that operate in Canada and, hence, employ Canadian employees. There are six such railroads and they are enumerated in the brief.

I should explain, as your Chairman just mentioned, that my clients were prepared to come here with railroad officials from the United States as witnesses together with persons who are thoroughly familiar with the United States legislation; but, we were led to believe that your committee was running out of time, and while we knew we would be heard if we insisted we thought it would perhaps be a kindness if we submitted our written brief and did not make a presentation to you at this time. Then, just yesterday I heard that you caught up on your time a little bit and I thought rather than have no appearance at all that it would be better if I came and attempted to make a short statement and then answer some questions.

I should say that I do not really represent all the railroads, although I do this afternoon; there are other Canadian lawyers who participated in the written brief who are not here this afternoon because they are engaged elsewhere.

The brief is fairly complete and I do not think it is necessary to read it. Of course, there are one or two excerpts which perhaps are succinctly put there.

In the first place, all the United States railroads are required under the two statutes, the United States railroad retirement act and the United States railroad unemployment insurance act to include their Canadian employees under both these acts. Now, all employees who are members of unions or not must be included therein. Canadians have been included since the passage of the railroad retirement act of 1937. The retirement benefits received vary according to the range of service and anyone with more than 10 years of service is entitled to benefits. And then, Canadians are eligible under the United States social security act, which is a third statute and which covers them in part prior to their 10 years period.

Perhaps I should state here what the basis of our submission is. The American railroads operating in the United States are required by the laws of the United States to contribute to those pension plans in force there and it would be unbearable if they were required to contribute with respect to their Canadian employees also because the Canadian employees are getting the benefits of the United States pension legislation.

As it is mentioned at the end of the brief, our submission is that the American railroads should be exempted. But, before coming to that there are one or two other points I would like to mention.

If past experience is any guide the United States railroad retirement and unemployment benefits will be increased in the future. It has been estimated that benefits for the average worker will run between \$300 and \$400 a month within a very short time. The railroad retirement act also provides for death benefits in case the employee should die before retirement age. The funds are administered by the United States railroad retirement board, an agency of the United States government. No part of the fund is under the control or management of the railroads. In addition, Canadian railroad employees receive unemployment benefits pursuant to the United States statute, which is paid for by a tax levied on the employer only. Under this law it is also mandatory to include Canadian employees.

The retirement and unemployment benefits are completely portable within the United States railroad industry and are co-ordinated with the United States social security system. Incidentally, the Canadian government exempts the United States railroads operating in Canada from Canadian unemployment insurance requirements; that is provided for in section 67 of the regulations under the Unemployment Insurance Act. And, in line with that, it is our submission that the United States railroads operating in Canada should be exempted from the operation of the Canada pension plan.

Now, there are two features in the bill, which you gentlemen, of course, are familiar with. There is section 7(2) (a) of the bill, which permits the governor in council to make regulations exempting from the term "pensionable employment" where the laws of a country outside Canada duplicate the contributions or benefits offered by the Canada plan. I appreciate that is a matter for the government after the bill becomes law but, nevertheless, my clients feel if this committee saw fit to make a recommendation it would be of great assistance to us later on.

Then, there also is section 109 of the bill, which provides for reciprocal agreements between Canada and other countries. That has already been discussed by Mr. Thorson back in November, according to your proceedings, and again in December. But, it seems to me that the American railroads, bearing in mind that they are required to provide this plan by their contributions in the United States, should be exempted under the Canadian plan. Also we feel, and the people who are familiar with this pension plan are of the opinion, that the benefits for these Canadian employees, like our friends the firemen, are better under the existing pensions than they would be under the Canada pension plan. I think I am right in saying that Mr. Knowles on a previous occasion also commented upon this subject on behalf of the brotherhood, but I have not seen the text of that.

Briefly, ladies and gentlemen, that is our submission. Thank you very much. I would be pleased to answer any questions which may be put to me.

Hon. Mr. CROLL: Does an American employed by the Canadian National Railways in the United States receive comparable benefits to those received by the United States employees in Canada?

Mr. SCOTT: I would think so but, unfortunately, I am unable to answer that question precisely. Has there been a submission by the Canadian railroads to the committee in this connection?

Mr. KNOWLES: I think it is a fact that a Canadian employee moving back and forth across the line is covered in both countries.

Mr. SCOTT: Yes, and I think the same holds true in the case of an American.

Mr. KNOWLES: Yes, any workman draws the same benefits from both countries.

Mr. MUNRO: Mr. Chairman, perhaps we should hear what Dr. Willard has to say on this question of workers in both countries.

Hon. Mr. CROLL: It is not simply a matter of treaty agreements between the governments wherein they sit down and discuss and decide these things?

Mr. FRANCIS: Yes; they negotiate these agreements.

Mr. LLOYD: Mr. Chairman, I was going to suggest, unless some members wish to raise further questions in this connection, that this would be a matter which would be the subject of a report to us following the public hearings, at which time we would have the benefit of the results of an examination on this question by our working staff, rather than pursuing it now.

Hon. Mr. SMITH (*Queens-Shelburne*): I would like to know whether we are talking about people employed by the United States railroads who are in fact residents of Canada or whether we are talking about people whose residence could shift back and forth.

Mr. SCOTT: We are talking about both, some shift back and forth and some are employed in Canada.

Hon. Mr. SMITH (*Queens-Shelburne*): Are many of these, to your knowledge, Canadians by origin and also residents of Canada?

Mr. SCOTT: Yes, a substantial number. There are 1,600 Canadians employed in the United States railroads. Their duties bring them across the line. Senator Croll would know a lot about that because a lot of them are in his area.

Hon. Mr. SMITH (*Queens-Shelburne*): Mr. Scott, how would you suggest that the following men should be treated, that is men who should, at some time during their working career, return to Canada and be employed completely within the boundaries of Canada? How would you treat this man's past service? He would not necessarily have to be part of the Canada pension plan.

Mr. SCOTT: He may be a full time employee of the United States railroad and he may be living in St. Thomas, for example. In other words, as I understand it, his position does not shift when he comes back to Canada.

Hon. Mr. SMITH (*Queens-Shelburne*): That was not the point I had in mind. My question was, what would happen to a man who is now employed on one of the railroads and who, after ten years' service, decided to work for the C.N.R. down in the maritimes or anywhere else in Canada? What would be his position in regard to the Canada pension plan?

Mr. SCOTT: In so far as I know I would have to say I do not think his pension would be portable. I am not sure of that. My information is that the portability of the United States plan applies to the United States railroads. That again is something that might be worked out very easily by treaty.

Hon. Mr. SMITH (*Queens-Shelburne*): Let us say a man comes back to Canada after 20 years service and he is 45. My point is that under the Canada pension plan he would receive no benefits based on his past working years.

Mr. PRITIE: He would get a pension cheque from the United States and one from Canada proportionately to his working years here and there.

Mr. MUNRO: The point that was raised by Senator Smith was a factor that was taken into consideration by our task force. I think Doctor Willard could speak on that.

The CHAIRMAN (*Mr. Cameron*): Probably this is an appropriate time for Doctor Willard to make his comments.

Dr. J. W. WILLARD (*Deputy Minister of Welfare, Department of National Health and Welfare*): Mr. Chairman, if you look at the bill, Clause 7 (2) (a), page 9, it provides that:

(2) The governor in council may make regulations for excepting from pensionable employment

(a) any employment if it appears to the governor in council by reason of the laws of any country other than Canada that a duplication of contributions or benefits will result.

We put that in specifically to cover the type of cases under discussion now where you might have Canadians employed in United States railways or trucking companies and so forth. We did not feel that we could enumerate all these different types of employment for fear that we might leave some out and we might not be able to have tailor-made solutions to the problem. This is the clause that is designed to try and take care of that situation.

Now the other situation is dealt with in Clause 7 (1) (a) where we say:

(1) The governor in council may make regulations for including in pensionable employment

(a) any employment outside Canada or partly outside Canada, being employment that would be pensionable employment if it were in Canada.

That is the case of the C.N.R. employee who is spending part of his time in the United States and part of it in Canada or all of it in the United States.

These were specifically designed to try and take care of this kind of situation.

Mr. AIKEN: I think, Mr. Chairman, what Mr. Scott wants to make sure of is that the United States railways won't be got!

Mr. SCOTT: I think perhaps the best way to ensure that is to have this committee make some reference to it in its report.

Mr. KNOWLES: Mr. Chairman, I wonder if Mr. Scott would be in a position to express an opinion on whether or not his clients would agree to consulting with the employees before a recommendation is made to the governor in council. Some of the employees might prefer integration, some might prefer decking; there might be different points of view.

Mr. SCOTT: I think I can certainly speak for my own clients when I say that I am sure they would. I understood, Mr. Knowles, that you had already spoken on behalf of the brotherhoods.

Mr. KNOWLES: I am glad you give me the chance to say that because the question I have just asked is intended to imply that there are two points of view. Obviously, the companies that you represent would like not to have an extra burden imposed on them, and at least some of the employees would like the plan to be decked. My suggested solution is that there should be consultation between the two or that at least the governor in council consult both sides before making a decision.

Mr. SCOTT: I agree with you entirely.

Mr. WILLARD: Mr. Chairman, I can assure Mr. Knowles that that is what was in mind in putting this in, that there would be representations from management and labour in regard to any of these employees that go across the border before the government makes its plan on how to deal with it.

Mr. KNOWLES: I would agree that that is fair.

The CHAIRMAN (*Mr. Cameron*): Any more questions? I wish to thank you, Mr. Scott, on behalf of the committee, for appearing here. As I have told you, your brief will be printed in our proceedings. I hope we have provided you at least with satisfactory questions and we will certainly consider your suggestions when we prepare our report.

Mr. SCOTT: Thank you very much, Mr. Chairman, ladies and gentlemen. I must appreciate the opportunity of coming here today to say a word on behalf of my clients.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, the steering committee is going to meet shortly. I think they are all here with the exception of Senator McCutcheon. We have no witnesses scheduled for tonight. We were expecting that Mr. Scott's brief would be presented tonight but it has been disposed of this afternoon. I do not know whether the steering committee will come up with a recommendation that might require you to come back tonight, but maybe you can indicate to the steering committee whether you would prefer to have the night off or whether you might usefully come back tonight.

Mr. LLOYD: Mr. Chairman, maybe the steering committee would prefer to have the evening free and would then have more comprehensive observations to make to us in the morning at 10 o'clock.

Mr. CANTELON: Let us not meet tonight. Since you have not got anything definitely planned, it would be much more convenient to all of us if we did not meet tonight and definitely met tomorrow. I will make that motion.

Mr. LLOYD: That is exactly what I meant. I would think the steering committee would want the time to assess the position of this committee and what our next step will be.

The CHAIRMAN (*Mr. Cameron*): It is moved by Mr. Cantelon and seconded by Mr. Lloyd that the committee adjourn until tomorrow morning at 10 o'clock.

Motion agreed to.

Mr. AIKEN: Mr. Chairman, there was one matter I wanted to raise before we adjourned. This morning Mr. Ruse in giving evidence referred to charts which he produced. It seems to me that at least some of his evidence would be difficult to understand without the charts being included in the evidence.

Mr. FRANCIS: And even with them.

Mr. AIKEN: Perhaps so. Would there be any difficulty in having them reproduced in today's evidence?

Mr. BASFORD: We ran into this problem with the Canadian Life Insurance Officers' Association and the production of charts resulted in a delay of three or four days in the printing of the proceedings.

Mr. KNOWLES: Those were more complicated charts, if I might speak professionally. They had to be done over before they were reproduced; these can be photographed as they are.

Mr. AIKEN: Mr. Ruse appeared here as an individual and did not undertake the problem of having those charts reproduced in reduced form for the use of the committee.

Mr. LLOYD: The position now is much more critical. I think we are now at the stage of resolving some recommendations with respect to this bill. We probably need our minutes of proceedings and evidence as rapidly as we can get them.

Mr. AIKEN: If it will hold up the printing, I will not press it. Perhaps the chairman would know whether this would cause any unusual difficulty.

The CHAIRMAN (*Mr. Cameron*): It would hold up the printing. It held it up in connection with the other charts for probably a week on account of the processing that is involved. However, it is possible to do it. This is entirely up to the committee.

Hon. Mr. CROLL: There will be some delay.

Hon. Mr. SMITH (*Queens-Shelburne*): Is it expensive to reproduce that kind of chart?

The CHAIRMAN (*Mr. Cameron*): Mr. Guitard advises me it is rather expensive. They have to reduce them to about one fiftieth of their size in order to get them into the minutes. I do not know how much is involved.

Mr. KNOWLES: I am sure it would not be as difficult to produce these as it was the others. The others were in a brief and they had to be redrawn by an artist; these could be photographed right away. It might involve a day's delay. I wonder if we could not leave it in the hands of our chairman and Mr. Guitard to see if it can be done without too much delay.

Mr. LLOYD: I would prefer it the other way around. The committee should express itself on this because we are at a very critical point in our proceedings.

Mr. KNOWLES: We could agree provided it does not involve more than one day's delay.

Mr. BASFORD: I like the suggestion that it be left in the hands of the chairman who is a very responsible individual, and the clerk who know the procedure.

The CHAIRMAN (*Mr. Cameron*): We are quite willing to accept the responsibility, but I think Mr. Lloyd has made a good point that the committee

should decide first of all whether or not they want it. If they want it and if they want to entrust the responsibility to Mr. Guitard and myself, we will do the best we can to see that it is printed, whether it takes one day or two days.

Mr. LLOYD: It is my thought that any decision we make should not mean that the proceedings will be held up more than a day or two days at the outside. I would like to move, if I may, that the committee agree these charts should be included in the Minutes of Proceedings and Evidence provided, as Mr. Knowles has said, that such inclusion will not delay the printing of the proceedings beyond 24 hours of what otherwise would be the case.

Hon. Mr. CROLL: I do not agree at all. When you put a 24 hour requirement on it you will get a no answer very quickly. We have had to deal with these charts continually in the aging committee. There was never any difficulty in getting it done if we said get it done, and that is it; but if you just sort of leave it to them, they would rather not do it. If you put a time limit on it, they would rather not do it. In fairness to the man who came here and who was on his own, his evidence is going to be a little difficult to understand without that. People will say, what is he talking about? We have to give him that. If we do not have his submission and the one that was made previously, surely we can remember it for 48 hours.

Mr. CANTELON: I agree with Senator Croll.

Hon. Mr. CROLL: I move that it be included in today's proceedings.

Mr. CANTELON: I second the motion.

Mr. BASFORD: I seconded Mr. Lloyd's motion.

The CHAIRMAN (*Mr. Cameron*): I did not hear a seconder. Will you amend your motion so that it is an amendment to Mr. Lloyd's motion?

Hon. Mr. CROLL: I am not making any amendment nor motion. I am suggesting this is the way to do it.

Mr. LLOYD: I withdraw my motion.

The CHAIRMAN (*Mr. Cameron*): It is moved by Senator Croll, seconded by Mr. Knowles, that the charts produced by Mr. Ruse be included in today's Minutes of Proceedings and Evidence.

Motion agreed to.

The CHAIRMAN (*Mr. Cameron*): We will adjourn until tomorrow morning at 10 o'clock.

EVIDENCE

WEDNESDAY, February 3, 1965.

The CHAIRMAN (*Mr. Cameron*): Ladies and gentleman, we have a quorum so I call the meeting to order. The subcommittee on agenda and procedure met yesterday afternoon following the conclusion of yesterday afternoon's meeting of the main committee, and I shall now ask the clerk to read the report of the subcommittee.

The CLERK OF THE COMMITTEE:

TUESDAY, February 2, 1965.

SEVENTH REPORT

The subcommittee on agenda and procedure of the special joint Committee of the Senate and of the House of Commons on the Canada pension plan met at 3:50 o'clock p.m. this day. The joint chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present: Senators Fergusson and Croll and Messrs. Aiken, Cameron (*High Park*), Chatterton, Côté (*Longueuil*), Knowles, Munro.

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare.

Your committee agreed to the following decisions and recommends:

1. That the subcommittee be authorized to prepare a draft report to be considered by the main committee.
2. That the main committee sit "in camera" on Thursday afternoon, February 4, 1965.
3. That the following briefs be printed as appendices to this Committee's Minutes of Proceedings and Evidence, namely:
 - (a) The Senior Citizens' Advancement Committee.
 - (b) Age and Opportunity Bureau.
 - (c) United Fishermen and Allied Workers' Union.
4. That the Communist Party of Canada be invited to submit its brief, as soon as possible in order that it be appended to this committee's Minutes of Proceedings and Evidence.

Respectfully submitted,

A. J. P. Cameron (*High Park*),
Chairman.

The CHAIRMAN (*Mr. Cameron*): You have heard the report of the committee. What is your pleasure?

Hon. Mr. CROLL: I move adoption of the report.

The CHAIRMAN (*Mr. Cameron*): It has been moved by Senator Croll and seconded by Mr. Chatterton that the report of the subcommittee on agenda and procedure, dated February 2, 1965, be approved.

Motion agreed to.

The clerk has handed to me a letter addressed to himself dated January 29 and attached thereto a letter addressed to the Co-Chairmen and members of the special joint committee of the Senate and House of Commons appointed

to consider Bill No. C-136, Ottawa, Ontario, from John Labatt Limited, in which they express certain opinions in regard to Bill No. C-136.

The clerk has also handed to me a letter addressed to himself dated January 28, 1965, and the letter in reply from Mr. P. Ackerman, professional engineer of Montreal, dated January 26, in which he indicates that he intended to make a submission to the committee, and that on January 28 he wrote to the joint parliamentary committee on the Canada pension plan when he set forth certain of his opinions and observations in regard to Bill No. C-136, and his opinion of how pensions and things of that nature should be dealt with.

What is your pleasure? What should be done with these letters?

Mr. LLOYD: Since we are not aware of the contents of them, might I offer as a suggestion that this matter be referred to the subcommittee and that we would hope to have their recommendation?

The CHAIRMAN (*Mr. Cameron*): You mean not to deal with them now?

Mr. LLOYD: If the subcommittee is to prepare a draft report I think we should have as much time as possible and get at it. You might be receiving letters even today again, and I think some policy should be made with respect to a cut-off, and what you are going to print, concerning the remaining ones you may be getting afterwards. This is only a suggestion.

The CHAIRMAN (*Mr. Cameron*): You have all heard Mr. Lloyd's suggestion. What is your reaction to it? Do you approve of it?

Suggestion agreed to.

I do not know whether you have all received this little booklet entitled "Social Security Pension Practice in Western Europe", or whether it has even been filed as part of our proceedings. It may have been filed at some time. It was prepared by the international pension consultants, and I was wondering if all the members have received a copy of it. We can leave it to the steering committee to deal with. It may be that it should just be included in our library.

Agreed.

This morning we are to hear from departmental officials. I do not know just exactly what lines they will be dealing with, but I have no doubt it will be very pertinent to what we have to do.

The steering committee proposes to meet tomorrow morning to follow out the instructions given us and to prepare a draft report. The main committee will meet tomorrow afternoon in camera to consider the draft report and to make such additions and recommendations as they see fit in connection therewith. And on Thursday evening the main committee will meet. After the conclusion of Thursday afternoon's meeting, the steering committee will meet, and on Thursday night at eight o'clock the main committee will have an open meeting, and the proceedings from thereon will be—

Mr. KNOWLES: I thought the decision was that at the steering committee meeting late Thursday afternoon we would then plot our course from thereon.

The CHAIRMAN (*Mr. Cameron*): That is right, but I have not got to that. I intended to come to it. From thereon the steering committee would plot the course, and they would then refer it to the main committee to be confirmed.

Mr. KNOWLES: I thought you were announcing a meeting for Thursday night for the full committee.

The CHAIRMAN (*Mr. Cameron*): It was arranged.

Mr. KNOWLES: No, no. The arrangement was that we were to go only as far as Thursday afternoon when the steering committee would meet and plan for the future.

The CHAIRMAN (*Mr. Cameron*): Mr. Guitard has set it down as being in camera on Thursday afternoon, February 4. That was my understanding of it; and I thought we would meet on Thursday night.

Mr. KNOWLES: You may be right, but I do not think that was the decision.

The CHAIRMAN (*Mr. Cameron*): Well let us leave it at that and now call upon Dr. Willard.

Dr. J. W. WILLARD (*Deputy Minister, Department of National Health and Welfare*): Thank you.

Mr. CHATTERTON: Could we put in a request for certain information at this time?

The CHAIRMAN (*Mr. Cameron*): Yes.

Mr. CHATTERTON: In accordance with the brief submitted by the province of Ontario there was a request that the royal commission on taxation be asked for a preliminary opinion indicating the implications of the Canada pension plan's fiscal policy. I am not suggesting that it be obtained in time for this committee, but it was indicated that such a report could be obtained in as little as 10 days, and I would hope that it would be made available.

Mr. MUNRO: The only indication that a special report could be obtained was in the Ontario brief itself. There is no indication from the Ontario people whether they have checked with the royal commission on taxation to obtain this information or anything else. We can hardly take their word for it. I am not so sure that it is not completely outside the ambit of the royal commission on taxation. Presumably they are examining the whole tax structure of the federal government, and I do not think it is their duty or is expected to be part of their duty to start to supply advice to various committees which are going into matters such as pensions. I think perhaps the suggestion was out of order. I think that is one of the reasons it was not pursued at any great length when Ontario was here. We have no idea when they could possibly make such a report, even if they should feel that it was within their jurisdiction to do so, and I am positive they would feel that it was not. I would be very much opposed to such a suggestion being adopted by this committee at this time.

Mr. AIKEN: Surely one of the things to be considered is whether it is to be done through direct or indirect taxation. I am sure that the royal commission must be giving some consideration to the implications of the pension plan. I think the request was merely that the commission be asked if it was possible for them to give us an interim report. Surely the committee which was established to look into this whole question of pensions should have the best advice it can get, and although Senator Croll suggested yesterday that perhaps a royal commission did not matter in the ultimate, anyway, because their statements are often overlooked, nevertheless, I think the fact that they were set up would leave us in that position that we can get what advice they can give us, if they can give any.

The CHAIRMAN (*Mr. Cameron*): I take it that the motion had not yet been seconded, and that you are seconding Mr. Chatterton's motion, requesting that this information be obtained if possible. I understand that Mr. Francis and Mr. Knowles wish to speak to the motion.

Mr. FRANCIS: Mr. Chairman, I would like to oppose the motion because, as I understand it, this reference in the Ontario brief is generally in the nature of a reference which would ask for guidance on over-all fiscal policy for the government, which I think is beyond the terms of reference for the commission itself. I do not think it is the function of the commission to give advice on this measure, the Canada pension plan; that is specifically for us.

We have had competent advice on the economic report by the Department of Finance; and we have had the evidence of the actuaries from the Department of Insurance, and we have called upon people whose particular interest is most directly related to the measure before us.

I think the result of such a motion would be to delay the matter before us because it would be some time before we could get a reply and, secondly, I do not think it would be relevant to the problem before us.

Mr. KNOWLES: Mr. Chairman, while my comments are in terms of substance they are almost in the nature of a point of order.

As a committee, we have had the right to ask departmental officials who are assigned to this committee to supply us with all kinds of information; and we have done so, and they have done so. But what right have we to ask a royal commission to supply us with information? I suppose under our terms of reference we could summon the royal commission to appear before us.

Mr. FRANCIS: They could refuse.

Mr. KNOWLES: Yes, they could refuse. If this request were to be made at all, I suppose it would have to be by asking the government to add this to the terms of reference of the royal commission. I question really, Mr. Chairman, whether the motion is in order.

The CHAIRMAN (*Mr. Cameron*): Does anyone else wish to speak to the motion?

Mr. LLOYD: Mr. Chairman, I anticipated this possibility of a debate over what we should do with respect to the Ontario recommendation that reference be made to the royal commission and that their opinions should be sought.

You will recall the other day I read a short excerpt from the terms of reference, which I obtained from the privy council.

It would seem to me that when the terms of reference were drawn it was anticipated that the government would be continued and that it would be introducing new measures. And, indeed, new measures have been introduced. There have been extensions to the sales tax and amendments to the Income Tax Act; and now there is a proposal to introduce the Canada pension plan, which does broaden the tax base—call it what you like—of the government.

On the other hand, it seems to me that the terms of reference already require the commission to comment on any events that take place in the meantime. I think if you are to proceed with your decision, the government should proceed with its decision-making in the light of the advice it receives from all its officers. I see no point at this stage in asking for a report from the royal commission. I think of their own initiative they will be examining the implications of it in the light of the other recommendations they may make.

I feel that a royal commission's function is to pretty well identify the facts of problems and, in most instances, you do not accept the recommendations holus-bolus. What they really do is help us to understand better the problems with which they are concerned.

It would seem to me that if you delayed action on this Canada pension plan to await the viewpoint of the royal commission on taxation, you would be simply putting it off for an indefinite period.

I cannot support the motion to refer this to the commission. I think they will of their volition make observations on what we might do in the meantime.

Mr. CHATTERTON: I have not actually made a motion. Originally, I made a request.

The CHAIRMAN (*Mr. Cameron*): If you speak now you will end the debate.

Mr. CHATTERTON: I have not moved a motion; it was a request, in my mind, and I have now put a motion to the clerk.

The CHAIRMAN (*Mr. Cameron*): I will ask the clerk to read the motion.

The CLERK: It is moved by Mr. Chatterton, seconded by Mr. Aiken, that:

The committee request that the Royal Commission on Taxation be asked whether they are prepared to present a preliminary report on the implications of the Canada pension plan for fiscal policy and the incidence of taxation.

The CHAIRMAN (*Mr. Cameron*): That is a different request altogether.

Mr. CHATTERTON: That is what I say. Originally, I merely put in a request.

The CHAIRMAN (*Mr. Cameron*): We are talking about one thing and you want us to vote on another.

Mr. FRANCIS: I think you should rule whether the motion is in order.

The CHAIRMAN (*Mr. Cameron*): I intend to do that right away. I want to know if anyone else wants to say anything on what is now a formal motion by Mr. Chatterton and Mr. Aiken.

Mr. AIKEN: On a point of order.

The CHAIRMAN (*Mr. Cameron*): Which point of order?

Mr. AIKEN: You have now been asked to rule whether the motion is in order.

Mr. MUNRO: May we hear the motion again?

The CHAIRMAN (*Mr. Cameron*): I take it, Mr. Aiken, I have at some time to make that decision one way or the other—

Mr. AIKEN: Yes.

The CHAIRMAN (*Mr. Cameron*): —if I think there is any question raised. I thought that was what everyone was talking about. I thought they were talking about whether it was in order or not in order.

Mr. AIKEN: No, I think they were talking on the substance of the motion whether we should ask or not ask the royal commission.

The CHAIRMAN (*Mr. Cameron*): Anyone who now wishes to speak on the question of order may do so; you have the floor.

Mr. AIKEN: I think there is nothing in the motion or the original request which one would say was out of order.

Surely, the whole question of the Canada pension plan and its implications have been referred to this committee. We are not admittedly authorized to demand anything from the royal commission. Neither are we competent, perhaps, to summon them. This is nothing more than a request whether or not they can give us an interim report. This will not necessarily delay the committee.

Mr. Chatterton suggested it might be available for the time when the house resumes and we are considering the question in the committee of the whole house. But to say that a royal commission is set up merely to follow along with what happens and try to adjust their findings in accordance with what the government has decided is, I think, a very unusual premise. Surely they are set up to give some guidance. If they are not, then I fail completely to see what is their function.

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles.

Mr. KNOWLES: I would like to speak specifically on the point of order, Mr. Chairman.

I picked up the words Mr. Aiken used—and I hope I do not misquote—that the request is to see whether they would give us an interim report.

I submit, Mr. Chairman, that we did not establish the royal commission; they do not report to us. The royal commission reports—to whom does it report?

Several Hon. MEMBERS: To the Governor General and the governor in council.

Mr. KNOWLES: The royal commission reports to his Excellency the Governor General and the governor in council. For us to attempt to ask them to give us a report on any aspect of the work is seriously out of order.

Mr. AIKEN: I do not believe the term "give us" is in the motion.

Mr. KNOWLES: I did not say it was in the motion.

Mr. AIKEN: I did not ask them to appear here.

Mr. KNOWLES: Mr. Aiken in his argument for the validity of the motion said it was a request that they, the Carter commission, give us an interim report. I suggest we have no right to ask for that.

The CHAIRMAN (*Mr. Cameron*): It was not quite that. It was that the committee request that the royal commission on taxation be asked whether they are prepared to present a preliminary report on the implications of the Canada pension plan for fiscal policy and the incidence of taxation.

Mr. KNOWLES: It is the same thing. Surely if anyone is going to ask that, it has to be the body who appointed the royal commission; and we did not appoint it.

Mr. CHATTERTON: On the point of order—

The CHAIRMAN (*Mr. Cameron*): Mr. Munro is first.

Mr. MUNRO: I would like to completely endorse the position taken by Mr. Knowles.

This is simply a royal commission which has been set up for a specific purpose, and they report to the Governor General. To think that any committee should send them a request and ask them whether they are prepared to render advice on a specific proposal which is a very small aspect of their over-all duties prior to making the report which they have been commissioned to do to the governor in council, is on the face of it completely outside the scope of their jurisdiction and authority. For that reason, as Mr. Knowles has stated, it is unconstitutional and should not be entertained.

Mr. CHATTERTON: Speaking to the point of order, Mr. Chairman, you will note that, as you indicated, the request is merely to ask whether the royal commission is prepared to do this. We are not asking them to submit a report. In other words, there can be no harm in asking any royal commission, in my opinion, whether they are prepared to do so. Secondly, my motion was not a request that they be prepared to submit a report to this committee. It could well be to the governor in council.

I submit, therefore, that the request asking whether they are prepared to submit a report, not specifying to whom, is completely in order. They can refuse.

The CHAIRMAN (*Mr. Cameron*): Mr. Chatterton has spoken and the debate is concluded now.

Mr. KNOWLES: No, Mr. Chatterton was speaking to the point of order. There has been no debate on the motion at all as yet—and I do not think there should be.

Mr. GRAY: On the point of order, I would say briefly that whether the commission as individuals are prepared to give a report or not is not the question. The question is whether we have the power—really have the power—to request and they have the obligation to respond even though they may personally be interested or not interested.

The same thing applies to the issue of to whom, if they are prepared to make a report, they might make it. It seems like an exercise in futility.

Mr. AIKEN: It seems like an exercise in more than that.

Mr. GRAY: Let me finish my sentence. If we do not have the constitutional powers to ask them to report to us, then we get into a whole broad and very vague area of what is going to happen in the report they make to the government, and so on and so forth.

I do not know the Latin phrase, but I think there is some general principle of law for courts, and I guess it follows by analogy for committees, that they do not get involved in matters of a futile nature.

I might also point out that I think it is relevant—though not linked with the point of order—to say that we might be putting the commission and their staff in a dilemma. They have undoubtedly worked on a schedule, and I gather they are in the course of preparing their final report. I think there is a collateral matter to that question of order, and I think we cannot overlook the fact of what is involved. If we do ask for a report we may seriously disrupt the main task of this commission, which is to get out of the over-all report.

Mr. BASFORD: Mr. Chairman, surely you have had sufficient guidance now on the point of order.

The CHAIRMAN (*Mr. Cameron*): In my opinion, I have, but it is not my wish to cut off any members who wish to assist me further in this connection.

Mr. LLOYD: Mr. Chairman, whether or not this motion is in order, it does require some observation at least in respect of what the royal commission has been asked to do. I find it very difficult to interpret their terms of reference to include an appraisal of all the social, financial and fiscal implications of the Canada pension plan. They would not do that. Even if they were agreeable and we were agreeable the only function they would undertake would be a study, if you like, of what the contributions in the form proposed under the Canada pension plan would do in the total picture of tax structure; in other words, they would be identifying forms of taxation, administration and the like, and they could be doing this in any event regardless of what the government might be doing with regard to the funds to be raised. I do not see how their terms of reference would go beyond simply an appraisal of every form of taxation and fund raising by the government. Even if you did agree this was in order you still would not be accomplishing at this time any useful purpose, as I see it.

The CHAIRMAN (*Mr. Cameron*): Have you a comment to make, Mr. Rhéaume.

Mr. RHÉAUME: Yes, Mr. Chairman. If we assume that this committee is something more than an exercise in futility and that we have a responsibility to come up with certain conclusions, after listening to witnesses, and so advise the House of Commons then surely it is within our scope as a committee to recommend that the government make use of all the technical and financial advice and studies that are available to it by asking the royal commission on taxation to give their opinion.

It is my understanding the government is indeed prepared to accept advice and, indeed, anxious to get advice from those people, who can properly advise it, on the financial implications of this plan as well. That being the case, it is certainly proper for this committee to go to the government, when it submits its final report, and say that it recommends that you take advantage of the fact that the royal commission on taxation is sitting now and is looking into the

broad aspects of taxation in Canada, and to ask it to state what it considers are the implications of this plan. Then we wrap that up by a motion of our committee, suggesting that they be asked to prepare that kind of an interim report. If that is not within the ambit of this committee, then this is nothing but a front operation. We are here to give the best advice we can.

Mr. MUNRO: Mr. Chairman, another aspect which has not been touched upon is this. This business of calling people to come before the committee to give advice and opinions, I think, is clearly the responsibility of the steering committee. All along this steering committee has been determining which witnesses will be appearing before the committee, not only governmental officials but those preparing briefs, and makes its recommendation to the main committee. This procedure has been understood from the start. All parties with exception of the Cr ditistes and Social Credit have been on that steering committee from the beginning. It has been meeting constantly and this suggestion which has been put forward was never advanced at any of these meetings. We had a steering committee meeting yesterday and Mr. Chatterton, who just made this motion, was in attendance at that time. It was suggested we hear from one more official, Dr. Willard, and then we go into the third stage. But not once before yesterday afternoon at 5 o'clock was there any suggestion in respect of the royal commission on taxation. In adhering to propriety alone you would have thought it would have been discussed there if they wished this. In my opinion, this must have been an afterthought following last night's meeting. This is something which should have been discussed at the steering committee meeting and I question very strongly whether it is proper to introduce the question at this time.

Mr. AIKEN: I question that it is proper that discussions held in the steering committee should be made known in this open meeting.

Mr. MUNRO: Everything the committee decided is in the report to this committee.

Mr. AIKEN: We have the written report of the steering committee but we have not a report of all the discussions which took place in the steering committee meeting, and I do not think it is proper for you to discuss that aspect of it.

The CHAIRMAN (*Mr. Cameron*): I think I have heard sufficient.

Mr. CHATTERTON: On the last point raised by Mr. Munro, Mr. Chairman, may I explain that our group met last night and sat until 11 o'clock discussing our proposals and so on, and this is one of the proposals we decided upon last night for the first time.

Hon. Mr. CROLL: Mr. Chairman, it appears to me that what is being requested is strictly outside the terms of reference. But, I think we ought to keep the point in mind that there will be recommendations made by the committee, which will involve implications of finance of one kind or another, and surely we can assume that the government or the minister will look for guidance wherever they can in respect of the implications as a result of the recommendations that we will be making, as well as at the implications of the cost of the plan itself. If there is that advice available I am sure they will look for it and, undoubtedly, will have it before them in order that they may make up their minds in respect of our recommendations.

The CHAIRMAN (*Mr. Cameron*): Members of the committee, I am putting out of my mind the irrelevancies and concentrating on the merit of the arguments. In respect of Mr. Chatterton's very subtle and sophisticated argument, I am still of the opinion, which I formed almost immediately after hearing the motion, that this request was out of order.

I would call to Mr. Chatterton's attention the fact that the Ontario brief did not suggest this committee obtain that information but they did suggest that:

"The federal government should obtain the opinion of the royal commission on taxation on the implications of the Canada pension plan on fiscal policy and the incidence of taxation. If the tax commission finds that the proposed methods of financing the Canada pension plan is inconsistent with its own recommendations, alternative methods should be considered."

As Senator Croll has observed, that can be dealt with, if we feel we should suggest to the bodies that appointed us that that information should be sought, and that is the way it should be done. The royal commission on taxation has been appointed by the governor in council and it is only to the governor in council that they can report. I also would respectfully submit in respect of your suggestion that it is only through the government and the governor in council that a request could be made for such information. For this and other reasons which I will not elaborate upon but which I think are equally cogent, I am of the opinion the motion is out of order, and I so rule.

Mr. CHATTERTON: In that case Mr. Chairman I will submit another motion:

That the government be requested to determine whether the royal commission on taxation is prepared to submit a preliminary report on the implications of the Canada pension plan for fiscal policy and incidence of taxation.

Mr. AIKEN: I second the motion.

Mr. KNOWLES: The government did not appoint us; if we make any recommendations along these lines they should be in our report to the House of Commons, as Senator Croll already has stated, and, in effect, your ruling on the previous motion would apply here.

Mr. AIKEN: Speaking to the point of order, the Chairman, in giving his ruling, stated that the previous motion was out of order mainly because it was the government who should make the request, and that is what this motion deals with.

Mr. FRANCIS: Mr. Chairman, I would like to say I think at the time of drafting the report of the committee this would be the time for this point and any others like it to be considered. We should not at this stage undertake to report in a piecemeal fashion. There will be a number of recommendations to the Senate and the House of Commons as a result of the report of the committee and I think these should be considered in a draft report later on in the form of single resolutions rather than at this stage.

Mr. LLOYD: I wonder if I could appeal to Mr. Chatterton, in the light of this discussion, and ask that instead of putting the motion now that he withdraw it and at this stage make a suggestion that the steering committee in drafting their report consider this question, and that he reserve his position on motions until after the draft report is drawn up.

Mr. CHATTERTON: In speaking to whether or not the motion is in order, may I say that even though this committee is appointed by parliament I do not see anything wrong with it making a request to the government. Secondly, the suggestion that this be contained within a report of the steering committee might be acceptable but there is definitely a question of time. It seems to me that the sooner this request is conveyed to the government—and it is only a request—the better. It is the government who will decide whether it will or will not make the request and it is for the commission to decide whether or not they are prepared to make such a report. It seems to me that it is important to

expedite the matter and to provide the committee or parliament with the answer.

Mr. FRANCIS: The best way to expedite business is to come to the point and get down to work.

Mr. CHATTERTON: I had thought all members of the committee would be anxious to obtain all the information that might be available or pertinent, but apparently that is not the case.

The CHAIRMAN (*Mr. Cameron*): Are there any further comments? For the reasons already given I am also of the opinion that this motion is out of order.

Mr. AIKEN: Mr. Chairman, I presume that we neither know nor care what the royal commission is doing.

Mr. KNOWLES: That is an unfair comment on the Chairman's ruling, and Mr. Aiken knows better.

Mr. GRAY: I think Mr. Aiken should withdraw his remark.

Mr. KNOWLES: Just as Mr. Gray withdrew his yesterday.

The CHAIRMAN (*Mr. Cameron*): I would not ask Mr. Aiken to do it. I recognize him as an honest and sincere member of this committee. I feel no aspersions upon myself on account of his observation.

Mr. BASFORD: It is just that the Conservatives met last night and tried to figure out ways to delay the report, that is all.

Mr. KNOWLES: Now that is even, let us carry on.

The CHAIRMAN (*Mr. Cameron*): I would suggest to all members of the committee that if we keep politics or any observations about the motives of any members of the committee out of the discussion, we would probably get along much better.

Mr. FRANCIS: I think the record will speak for itself.

Mr. PRITTE: Stan and I met last night also, Mr. Chairman.

Mr. KNOWLES: We would like to get on.

Dr. J. W. WILLARD (*Deputy Minister, Department of National Health and Welfare*): Mr. Chairman, members of the committee, you have asked me to say a few words before the committee commences its task of preparing a report on the bill. I cannot hope to comment on all the views and suggestions expressed in the very helpful briefs you have received. In reading these briefs and in listening to the presentations before the committee, members will no doubt have particular points which they will wish to discuss either now or when they are deciding upon the specific suggestions for the report. The government officials will be available to discuss the various provisions of the bill and to explain the technical reasons why certain approaches appear preferable to others which were brought forth during the discussions of the last few weeks.

The committee has had a wide range of views expressed in the briefs with regard to the basic approach. There were those who had accepted a social insurance earnings related type of program as the appropriate method for extending income security to older persons, as well as for survivors and for disabled persons, but who made some suggestions for modifications in the bill. There were those who favoured the extension of flat rate benefits for old age security and supplementary benefits as an alternative to a social insurance approach. There were also those who commented on specific aspects of the bill but who did not offer any alternative approach for the extension of income security to these groups. There were organizations, such as the Canadian Manufacturers Association, the Canadian Welfare Council, the Canadian Congress of Labour, the Canadian Federation of Agriculture, that favoured the earnings related approach over and above the old age security pension. The Canadian Chambers of Com-

merce and the Canadian Life Insurance Officers' Association favoured a flat rate approach. We had some very useful testimony from a number of individuals who gave support to one or other of these views.

I think it is fair to say that the views of the governments that have been working on pensions legislation for quite some time are clear; they favour an earnings related plan. A study of the excellent reports of the province of Quebec which represent a great deal of study into this question indicates that this method is favoured. The Ontario brief, following considerable study over the years by that government, indicates that the Ontario government also favours this approach. At the federal level, both the previous administration and the present administration have also advocated this approach.

There is one point that I should mention at the outset. The Canada pension plan is a social insurance measure designed to provide income security in the years ahead. You are considering now a measure whereby those who are now wage earners can make more adequate provision for their old age and for survivors' and disability benefit. This is an earnings related plan, and an earnings related plan inevitably deals with provision for those who are now working. Quite apart from this planning for the future, there is the question of the existing provisions for those who are now retired. There are a variety of ways in which this question can be dealt with. One method is the addition to the existing old age security pension. Another, and these are not mutually exclusive, would be the provision of more adequate public assistance. The bill before you was not designed to deal with either of these matters. It is only natural, however, when you are discussing the whole question of income security for these groups, that this subject of alternative provision for those who are now 65 or over should be an important part of your deliberations.

One of the basic principles of the bill is that the coverage be comprehensive and I think that this has been generally supported in the testimony before the committee. The legal limitations which place certain restrictions on compulsory coverage have been accepted. We have good reason to believe that in so far as those employed by provincial governments are concerned they will have a favourable response to coverage under the plan.

Administrative feasibility is another consideration that has come up with regard to the coverage. The basic exemption of \$600 and the exemption of casual workers are examples of a method whereby this problem is dealt with. There is no use passing legislation to cover certain persons if it is not feasible to enforce the coverage provided, or if it is too costly to collect contributions and administer the benefits. For extremely low income groups, the flat rate benefit is, of course, the main vehicle for providing income maintenance.

The plan originally proposed by the government of Quebec had a \$1,000 exemption. Because of the desire to avoid a provision that might be too limiting on coverage \$600 was accepted as a reasonable exemption level. It would exempt a large portion of the cases where it would be administratively difficult or uneconomical to collect the contributions. At the same time it had the other advantage that it provided for a graduated contribution on earnings up to \$5,000, which favours the lower income groups.

The 1961 census reveals that about 71 per cent of all male wage earners, and 46 per cent of female wage earners with incomes below \$500 a year were under 25 years of age. Many of these people would be students working part time or new entrants to the labour force who are now working for the whole year in their first year at work. It should be made clear that the \$600 exemption will not likely apply to a great many people for their entire working life. For many people it will apply only for years in which they are sick, unemployed or receiving education, and for these years the drop-out feature offers a way in which compensation could be made.

Persons whose annual income is continuously under \$600 a year will be entitled to old age security in the amount of \$612 at 65; that is to a pension of

over 100 per cent of their earnings in any year of their working life. If additional revenue is needed for the program, it might be more appropriate to raise the ceiling rather than to lower the floor.

The basic principle followed has been to use the machinery of the Department of National Revenue to make collections. This approach has been followed in the United States and in the United Kingdom. Contributions based on payroll is the normal method that is used for an earnings-related plan. If one takes up point by point the procedures developed, two basic features are apparent. The methods now used under the income tax are to be used wherever practicable in the operation of the plan. Where new procedures especially related to a contributory social insurance plan are needed, the experience of the United States plan has been followed. This has not been the result of any desire to imitate their procedures, rather, it has been the result of a careful and detailed study of the various alternatives.

One point of criticism has been the collection of contributions as soon as possible from persons having more than \$5,000 a year. Another has been the fact that while an overpayment by an employee is refunded, the same approach is not followed in the case of the employer contribution. Mr. Meyers testified that the same approach has been followed in the United States and that it has been found acceptable and workable. No matter what procedure is followed in these instances, some difficulties will be encountered. However, on balance, it is considered that the approach suggested in this bill is the most workable solution. Mr. Sheppard will be available to comment on any of these specific points after I have completed my remarks.

There has been a great deal of discussion about cross subsidies in the plan. In some instances there is confusion between a strictly deferred equity approach and a social insurance approach, where one of the purposes is to achieve certain objectives through cross subsidies. Indeed, even in the case of private pensions, past service provisions and other features, provide some measure of cross subsidy.

If a social insurance program is going to require a very long period, say 30 or 40 years, before full benefits are achieved, then there is little advantage over private insurance. When the old age security legislation was introduced in 1951, it was clearly understood that those then retired and those who would retire in the decade or so that followed would, on the average, get much more in old age security benefits than they had contributed. The use of cross subsidies to get a social insurance program into full operation within a reasonable period of time is not an innovation.

There has been some criticism that the higher income groups are getting higher benefits. In making this type of criticism full account was not taken of the old age income security program as a whole. In considering the amount of benefit provided, the flat rate old age security component has to be taken along with the earnings related component. In designing the earnings related portion, the fact that there already was a basic payment below always must be kept in mind. If there had been no such flat rate program already in existence, other features would have had to be included in the earnings related benefit to weight the benefit in favour of low income contributors. The flat rate of \$25 a month was provided in the supplementary benefits for this reason.

A second consideration is the basic exemption of \$600 for purposes of contribution. This also has weighted the earnings related plan in favour of the low income groups. Further, the \$5,000 ceiling places a limit on the amount of pension protection afforded those in the high income groups. Only a fraction of the income of the \$10,000, \$15,000, or \$50,000 a year executive is covered by the plan.

Finally, if you are going to have a contributory earnings related plan, there must be some spread in the benefits received by contributors who have paid in different amounts of contributions over the years. Indeed, the whole

purpose of such a plan is to have some such differential because of the limitations of the flat rate benefit after a certain level of pension has been reached.

The suggestion that a pension should be based upon average earnings over a period of ten years is subject to a number of weaknesses. A ten year earnings base had been considered at one time in the drafting of the Canada pension plan but had not been adopted for a number of reasons.

Use of the last ten years of earnings would be favourable to a number of the more highly paid members of the labour force but it would not work to the advantage of a great majority of wage earners who reach their peak earnings well before the last ten years of their working life. The average blue collar worker in general tends to reach his peak earnings level, perhaps, in the thirties, and the fact that you use the last ten years would work to his disadvantage.

Consideration, then, needs to be given to the use of the best ten years in a person's working life. As such years would, in a great many cases, be years other than the last ten years, payment of a benefit based upon those best ten years would mean the payment of a benefit not in keeping with the contributor's position in the general level of wages at the time he earned those wages because there would have been no escalation of his earnings. Suppose, for example, that a man's best ten years of earnings were from age 45 to 55 and that his wage was two thirds of the average wage in that period. When he retired ten years later and received his benefit based upon those wages, that benefit would be considerably below the benefit payable to the man who had continued to work at two thirds of the average wage which had increased over the ten year period from 55 to 65.

A great part of the labour force is now composed of women whose pattern of employment is such that there may be gaps in their working lives. A benefit based on their ten best years of earnings, which years may well be spread out over a long period, may be considerably below the benefit which would be payable to their colleagues who have remained in the labour force continually and whose wages kept pace with the average. In many cases it will be considerably below the benefit of women fortunate enough to work for the last ten years before their retirement at higher earnings rates.

Mr. AIKEN: May I ask a question of Dr. Willard at this point? If a ten year earnings base were used—either the last ten years or the best ten years—what would this do to the minimum number of years that a person would be required to work in order to qualify; would the 42-year earnings basis be eliminated?

Mr. WILLARD: Mr. Chairman, when Mr. Coward was appearing before the committee that question was not asked of him; that is, how many years would he use. For instance, in the civil service plan it is the average salary of the six best years and you multiply two per cent of it by thirty-five years to get the full pension. Normally it would be a relatively long period. For instance, if the proposition is for a 20 year transition period, it would be at least 20 years but may be 35 or 40 years say.

Mr. AIKEN: This is independent of the ten years. You still require a minimum earnings period of some sort.

Mr. WILLARD: Yes.

Mr. FRANCIS: You cannot just look at the number of years; you must look at the combination in the formula.

The CHAIRMAN (*Mr. Cameron*): Perhaps we should let Dr. Willard continue. I do not wish this interruption to be taken as a precedent.

Mr. WILLARD: The proposal in Bill No. C-136 by which the earnings of each contributor are updated to the time of his retirement overcomes all the above difficulties since each year of earnings is given equal weight in the cal-

ulation of the contributor's average wage and since the contributor's relative position in the general wage pattern is maintained. A contributor who works for the 15 years from age 30 to 45 at two thirds of the average wage will receive the same benefit as another contributor who works from age 45 to 60 at two thirds of the average wage. In other words the many and varied patterns of earnings are not so important in the Canada pension plan as in a proposal to use the ten best years of earnings.

There is the further point that Mr. Coward referred to; that is, when you get an adjustment based on an earnings index, it is a gradual adjustment, whereas the other approach would leave it to legislative changes which may come at intermittent times and may result in various anomalies arising between individuals depending upon when the particular legislative changes came into operation. So, in addition to the other points I have made, career earnings adjusted according to an earnings index produces fewer anomalies than either of the other approaches suggested. I might add that in many of these things it is not a case of any approach being right or wrong; it is a case where there can be arguments for and against each approach. We have spent a great deal of time studying these various methods and felt on balance that the approach that was recommended to the government and adopted by the government was the most satisfactory method.

There have been proposals that the escalation of earnings and benefits under the Canada pension plan be done away with altogether, that the earnings index be replaced by the price index, and that the price index be replaced by the earnings index.

Perhaps I should remind you of the roles of these two indexes in the plan. When the decision was made to use average earnings over one's entire career instead of average earnings in one's last ten or best ten years, it was recognized that some method would be needed to update earnings levels that would be up to 30 or 40 years old at the time of retirement. It was decided that the important thing to keep track of was the relationship between one's earnings in any year and the earnings ceiling for that year. The record of earnings would therefore be updated by expressing this relationship in terms of the most recent earnings ceilings. In order to ensure that the earnings ceilings do not get out of line with productivity and average earnings levels, it was decided to relate the earnings ceilings to an index based on the total earnings of all people covered under the plan. This was the extent to which indexing was used in Bill No. C-75.

The Quebec pension committee's report favoured an index based on price levels rather than wage levels, and restricted to a maximum increase in any one year of 2 per cent. This index would be used both to update the record of one's earnings, and the monthly pensions that would in future be paid. The merit of escalating benefits in pay in accordance with rises in the price level was recognized but it was considered that the earnings ceiling should be related to average wage levels, and should increase as wage levels rise. Accordingly, after the transition period, the earnings ceilings are adjusted in line with changes in wage levels, and benefits are adjusted in line with changes in price levels. However, during the transition period, it was felt that the earnings ceiling could be held constant at \$5,000, which was higher than the \$4,500 proposed in Bill No. C-75. The decision to escalate benefits in pay during the transition period in line with the price index made it impossible to hold to a constant earnings ceiling. Anomalies would have developed as between the pensions payable to widows commencing to receive benefits in one year and those who had been receiving benefits for several years. Therefore it was decided that, during the transition period only, the earnings ceiling would at least have to keep pace with rising benefits; this was achieved by

relating the ceilings in those years to the price index. If the ceilings were to be adjusted by the earnings index in the transition period also, the level of benefits during that period would be even higher than those contemplated in Bill No. C-136, and the so-called "windfall" would be even greater than at present. The gap in benefits between those receiving \$75 old age security only, and those receiving the Canada pension plan benefits in addition would be widened.

There has been considerable discussion about the drop-out feature. The teachers mentioned the fact that their profession would be adversely affected in the early years while pursuing their education. The Canadian Manufacturers' Association mentioned this point as well. In addition, the teachers have a problem which is common to the firefighters, namely, they have an earlier retirement age than usual which is usually 60 years of age. This would indicate to me that the drop-out feature should be examined to see whether 10 per cent or 4.7 years is adequate to cover all the contingencies for which it was designed.

Contracting out of private pension plans by the government scheme was raised by some of the witnesses. I should say that a great deal of study was given to this aspect because obviously if it had been a workable approach it would have been helpful in dealing with the integration of private pension plans.

A few years back when I was in Geneva as chairman of the expert committee on social security of the International Labour Organization I had an opportunity to discuss this point with a number of specialists from other countries. They included Mr. Myers of the United States who was a member of that committee. The reaction I received was that it was not workable under the usual type of social insurance plan. I should add too that this reaction has come not only from officials but also from the ministerial level in Great Britain where we received an expression of some misgivings about the contracting out provisions under the British plan.

We do face a special problem in the case of Canada as to how far federal constitutional jurisdiction would give the right to deal with private employers who are not employers under federal jurisdiction in the normal sense, and thus be able to work out a contracting out arrangements for private plans.

In addition to that, of course, this social insurance plan which has features such as early maturity and internal subsidies, survivors' benefits, and so on, makes it very difficult indeed to see how a contracting out provision could be incorporated.

The plan in Great Britain relates only to the retirement scheme and does not involve survivors' and disability benefits. The plan in Great Britain is very close to a deferred equity type of plan and is not similar to the kind of plan which is proposed here or the kind of plan which you have in the United States.

The use of escalation features, of course, further complicates the problem, and it raises two additional questions. As the index rises, the maximum contributory earnings will rise. This means that each time there is a change in the ceiling, there will be a change in the amount of contributions which will have to be deducted for all contributors whose earnings exceed the ceiling.

It would be very difficult for the federal government to insure that such a provision is provided by all contracting out plans. Under the Canada pension plan the earnings in any one year are to be updated by a change in the ceiling between the year the earnings are received and the year in which the benefits become payable. To insure that all benefits payable under deductibility plans were at least the equivalent of those payable under the Canada pension plan from the point of view of our position would be very difficult indeed.

In general our conclusion is that contracting out is not workable under this type of program. The early maturity features and internal subsidies cannot easily be duplicated by private pension plans. Amendments to increase con-

tributions, benefits and other provisions of the public program may be expected from time to time; these would force changes in the contracted out schemes, if they were required to continue to offer benefits comparable to those under the public plan. Finally, as I have mentioned the inclusion of survivors' and disability benefits related to retirement benefits adds a further complication to it.

The question of the cost of the different proposals which the committee has received will of course be of the utmost importance to you. The total outgo under old age security, including the proposals in Bill No. C-136 provide for an expenditure of \$975 million, in 1966, and of \$1,306,000,000 in 1970. The addition of an extra \$10 a month—I take that amount because you can use it as a factor to be applied to any of the proposals received—to persons 70 years and over would add \$118 million; and to persons 65 to 69 and additional \$63 million.

I think there were other suggestions to make the benefit payable at the age of 65. Even if this were done on a basis of lowering the age of eligibility a year at a time, the costs would rise at a considerable rate, and I would like to mention these estimates for the record. In 1966 the cost would be \$998.5 million. This would rise to a cost of \$1,579 million in 1970.

Mr. BASFORD: Is that for the ages 65 and 70 all at once?

Mr. WILLARD: No, that would be providing for those aged 69 or over in 1966; and for those aged 68 or over in 1967 and so on, lowering the age as it is provided in the Bill.

Mr. KNOWLES: What would be the total rate?

Mr. WILLARD: Seventy-five dollars a month.

Mr. FRANCIS: That is precisely the Ontario proposal as outlined fully before the committee.

Mr. WILLARD: No, I think the Ontario proposal was to add perhaps \$25 over and above this. I am just talking about the cost of old age security at this point.

Mr. KNOWLES: This is a case of lowering it a year at a time, but keeping it at \$75 rather than at a reduced rate.

Mr. WILLARD: That is correct. I think one of the briefs presented before the committee suggested that \$75 be payable at the age of 65.

Mr. KNOWLES: If we wish to have it in terms of a higher figure we would just add multiples of \$10 to the costs already given.

Mr. WILLARD: Yes, that would give you the estimate required.

Hon. Mr. McCUTCHEON: That would be for any additional cost. The overall cost would be that which you have described?

Mr. WILLARD: That is correct.

Mr. CHATTERTON: This would not mean to apply the earnings test at 65?

Mr. WILLARD: No, that is not applying the earnings test.

I hope the members appreciate that the proposal of applying the earnings test to both old age security and the earnings related plan does involve a bit of difficulty in view of the fact that the federal old age security payment is made in Quebec. How you would work a federal earnings test in that situation I am not sure. Whether Quebec would have to include the federal old age security payment in their earnings test calculations if they had a comparable provision, I am not sure. But this is a point which does raise some difficulty. It is not just as simple as, say, applying an earnings test to both components.

The cost at the present time, in the current fiscal year, for old age security will amount to \$882 million. The cost of old age assistance, federal and provincial, will be about \$90 million; and supplementation through unemployment

assistance will be about \$11.5 million. If you put all these expenditures together you arrive at \$983.5 million in public outlays on old age income security at the present time.

If we look back to 1950, 100 per cent of old age income security was on an assistance basis. At the present time, almost 90 per cent of income maintenance expenditures are made under the old age security program, which requires no means or needs test. Slightly more than 10 per cent is provided through social assistance programs. In other words, in the period since the old age security program came into effect we have reduced the proportion in the form of assistance payments to 10 per cent of total public outlays for old age income security.

Mr. KNOWLES: You have reduced it to 10 per cent from 100 per cent?

Mr. WILLARD: Yes, from 100 per cent to 10 per cent. There is another important effect of the universal flat rate pension in addition to the fact that the assistance approach has been gradually diminished in its effect and in its sphere of operation. The proportion of cost or expenditure between the federal and provincial governments took an important shift with the introduction of that program. Whereas in 1951 the federal government was carrying 75 per cent of the cost and the provincial government 25 per cent of the cost, in 1964 the federal government was carrying 94.5 per cent and the provincial governments were carrying 5.5 per cent.

Mr. CHATTERTON: Does that include the combined cost?

Mr. WILLARD: That includes the combined cost of federal and provincial governments. If you take expenditures on the old age security, old age assistance and supplementation through unemployment assistance, the proportion borne by the federal government is 94.5 per cent.

Mr. CHATTERTON: Dr. Willard, the \$90 million that you quoted as the cost for old age assistance in the fiscal year is strictly federal?

Mr. WILLARD: No, that is the combined federal and provincial expenditure.

Mr. Chairman, there have been points raised about old age assistance and general assistance, and the need for integration of assistance with the Canada pension plan and the old age security plan. I can only repeat what I have mentioned before, that this is a matter that is under active consideration not only by the federal government but by provincial governments. We have had a number of federal-provincial conferences on this matter, the last of which was in December when the directors of unemployment assistance met to review this question, among others. There will be before too long a meeting of the ministers of welfare, along with their technical advisers, to see if a new approach to public assistance can be developed in Canada.

At the previous discussion, very considerable advance was made. If these discussions continue to move along as favourably as they have until now, I believe we can look forward to some agreement on this matter.

It not only involves old age assistance and disability and blind persons allowances, but also the unemployment assistance program and questions of whether the federal government should share costs of mothers allowances, the medical care costs, costs of administration and so forth. So it is a complex subject that is not limited to old age income security. It is also a matter that, as you can see, is very intimately related to federal-provincial relations with respect to the approach to be followed in shared cost programs generally.

Some mention was made in the hearings about disability and rehabilitation. The disability benefits are to commence in respect of contributors in 1970. I believe the point has been made that there is a need for a close relationship between income maintenance payments and rehabilitation services for the disabled. We had assumed that in the development of the administration of the disability test, as I mentioned, I think to Mr. Rheaume or Mr. Chatterton

earlier, that the applicant would obtain from his own physician a medical report which would be the medical evidence used in reaching a decision on eligibility. If the medical review board considered that a further medical assessment was required, this should be paid by the federal government. In some cases this involves obtaining the opinions of consultants or specialists or of sending a person to hospital for a complete medical check-up in relation to the particular disability. It may be that in the Bill we have made insufficient provision to cover these costs, because we had assumed that we would do it in the same way that we do it now under the disability allowances program. We make provision in our departmental estimates to cover the costs of these medical assessments when they are required. But since the basic principle is that all expenditures in connection with this bill must come out of the plan, it may be necessary to consider whether this particular point is adequately covered in the Bill.

Another aspect that has arisen relates to whether or not there should be a requirement that a person who is applying for the disability benefit or who is receiving the disability benefit should be required to take rehabilitation if it is considered that rehabilitation would restore that person to reasonable health, and thereby make it unnecessary for him to receive the disability benefit—in other words, he could go back to work and be gainfully employed. If the committee wishes to follow this approach we may have to make some additional provisions in the bill. The United States legislation has such an eligibility condition.

When you get into the question of requiring a person to take rehabilitation treatment if he is to continue on his disability pension, you do get into an area that is a little difficult. You get into an area where it is very important that the appeals procedure be there to protect the rights of applicants and beneficiaries. You also get into the question of certain groups, such as Christian Scientists, who would not wish to have this type of medical treatment applied to his case.

The question of safeguards has been mentioned, and I think your discussions with Mr. Coward and the statement which Premier Robarts made with regard to the Ontario views have indicated clearly the importance which Ontario attaches to these safeguards. They are important to other provinces as well. As with many features of the plan, they were the outcome of federal-provincial negotiations. Thus, to some degree the plan has to be considered a negotiated plan. We have tried on many points to reach a consensus of views—not only just of the provinces but also of the federal government's views—with regard to the various parameters, as it were, of the legislation.

During our discussions some questions came up about the advisory committee, as to whether some aspects of it were spelled out as fully as they should be and whether or not this might be done in the legislation rather than leaving it to order in council. I think either way it will work out satisfactorily, but this is a question which the committee may wish to consider.

I hesitate to mention this point after your earlier discussion today about royal commissions and special studies but I would point out to the committee that the Economic Council of Canada in its first annual review did take the trouble to take a look at the pension plan on its own initiative. I, for one, did not know the council was considering the plan. On pages 129 and 130 of that report they have discussed the impact of the pension plan on national saving. I have here the pertinent three paragraphs from that report and if it is agreeable, Mr. Chairman, it might be incorporated in my comments at this time without it being read.

The CHAIRMAN (*Mr. Cameron*): Is that agreeable?

Some hon. MEMBERS: Agreed.

Mr. WILLARD: The paragraphs follow:

The question arises as to whether the proposed universal contributory pension plans are likely to have significant effects upon the rate of gross private saving, and the flow of savings through the capital markets. Here again the lack of knowledge concerning determinants of saving makes conclusive assessment of future developments difficult. However, calculations based upon the growth conditions we have assumed for employment, income and prices indicate that by 1970 the annual contribution income of the plans (based upon the rate provisions outlined in the federal government white paper) would amount to slightly more than five per cent of total gross private saving. This would be somewhat more than one per cent of the gross national product. Consequently, as the white paper notes, even if this entire sum were diverted from the stream of private saving, the effect on the rate of total saving would be limited.

It has also been argued that in the longer run such a diversion, either from the personal or corporate flow of savings, seems unlikely, particularly under conditions of high and rising real and money incomes. Current studies under way in the United States, as well as the impact of social security development in Canada and elsewhere on the rate of private saving, lend support to this latter view. We incline to the belief that the stability of the rate of gross private saving will not be significantly affected by the introduction of the plans.

On the other hand, it is obvious that the accumulation of the pension funds during the initial period will provide a large and special source of capital financing for the provinces and their agencies. Although the requirements of repayment and interest costs will continue to exert familiar restraints, these governments may be led to expand expenditure on capital projects faster than they otherwise would. We have recognized this possibility in our projections. However, the net result would appear to be one of considerably reduced dependence by provinces and their agencies on the usual capital markets in both Canada and the United States.

The question of residence under the old age security program was raised. The particular point I have in mind here was the point raised by Mr. Knowles and Mr. Monteith in respect of the one year requirement, where the person is using the two for one makeup provision. As it now stands a person in order to receive old age security either must have resided the last 10 years in Canada prior to making application at age 70. As an alternative, the person could have makeup years two for each one of absence in that 10 year period; in other words, he could have 20 other years that could be used to make up for this last 10 year period. However, if that is done, he must in addition have resided in Canada for the last year before making application for pension at age 70. This has created an anomalous situation with regard to married couples where the wife is a few years younger than the husband and they decide to leave Canada. The husband may be receiving his pension at the time they leave at age 70. Then in due course the wife reaches the age of eligibility for pension but unless she comes back and spends one year in Canada she cannot receive the benefit. By lowering the age of eligibility to 65 many of these anomalies that have occurred in the past with respect to persons between the ages of 65 and 69 will be resolved. The question which has now been raised is what about those just below age 65? As the minister mentioned, she would be glad to hear the views of the committee in this regard. You might wish to consider a lengthy period of residence in Canada after attaining the age of 18 years or 21 years sufficient to extend over the person's working span. Some such approach might be considered to cover the type of problem which has been raised.

Mr. Chairman, I have taken a very considerable amount of your time and I must apologize for it.

The CHAIRMAN (*Mr. Cameron*): You do not need to apologize.

Mr. WILLARD: There are many points I have not covered.

The CHAIRMAN (*Mr. Cameron*): Your comments have been very thorough and have been of great assistance to the committee.

Mr. WILLARD: Other officials are here today and if the members have any questions perhaps we could deal with them at this time.

Mr. CHATTERTON: Mr. Chairman, can Dr. Willard tell us when certain information which has been requested might be forthcoming. I realize the staff is very busy but it would help us in determining our schedule.

Mr. OSBORNE: May I ask Mr. Chatterton which particular items he is making reference to?

Mr. CHATTERTON: One was the figures given in chart II of the Canadian Life Officers Association for other years, and the other was the Ontario plan costs for two other years, 1980 and 1990.

Mr. OSBORNE: As far as the last request is concerned, it was made on Monday when the province of Ontario was here. I did provide the data for 1970. I have not had an opportunity either of calculating the data for 1980 and 1990 or to pass on the request to the chief actuary because he calculates the data regarding extra contributions that might be expected from removing the \$600 exemption.

Mr. FRANCIS: A question was also put in that respect.

Mr. OSBORNE: The first concerned the review of chart II of the Life Insurance Officers Association brief and the projections of that for several other years. That also is in the hands of the department of insurance and I have not recently heard from them when it might be available. However, I have just been informed by the chief actuary that it is almost ready now and, if that is the case, we would hope to have it available to the committee in a few days.

Mr. CHATTERTON: Did you say the information on the Ontario plan is almost ready?

Mr. OSBORNE: As I said, I have not had an opportunity to pass on to them the request until this moment.

The CHAIRMAN (*Mr. Cameron*): I do not know whether or not we want to get into the area of general discussion on Dr. Willard's statement. My opinion is that we should request explanations or information in respect of matters which are not entirely clear, but if we go into a real general discussion at this time I do not think we will get the benefit of what they have come to tell us today. That is only an observation. Do you think we need a general discussion at this time?

Mr. LLOYD: Speaking only for myself, Mr. Chairman, as I sat here and listened to Dr. Willard's presentation, even though I am out of order, I must say how greatly I valued the explanations he has given. I am sure we all appreciate it. I am greatly impressed with the job which Dr. Willard has done in trying to explain the decisions in the bill which is before us in the light of the criticisms, some of which have been constructive, which have been put before us. But, I think the only way we can do justice to it now would be to hear his statement as rapidly as possible and, in that way we would be able to proceed with the next step in our work as expeditiously as possible.

The CHAIRMAN (*Mr. Cameron*): Apropos that I doubt very much whether we could have the printed record by tomorrow morning. However, the uncorrected copies of the transcript would be in the hands of the clerk. I would

suggest that any of the members who want to see it should go there. I would suggest that you all go in a group and peruse it there, otherwise it will be spread all over the place and no one will get the benefit of it.

Mr. GRAY: Mr. Chairman, perhaps I have a more specific suggestion along these lines. It may be that though the facilities of the department it could be mimeographed. It is very necessary that we be in a position to peruse his comments as soon as possible.

Mr. CANTELON: I agree wholeheartedly that we should have the benefit of reading these comments as soon as we can, and if we cannot get the report I think we ought to have it mimeographed. Dr. Willard's criticisms were very pertinent and I think we all would like to read them, and the sooner the better.

Mr. LLOYD: I for one appreciate the promptness with which Mr. Willard has dealt with these matters but I agree that we should be in a position to read the evidence as soon as possible.

The CHAIRMAN (*Mr. Cameron*): Dr. Willard, can you supply an answer for us?

Mr. WILLARD: I had great difficulty getting these comments together in the time available after your request for my comments. Some of it was prepared and some was impromptu. I will try and put together as much as I can of the material and have it reproduced so that it will be available to your committee. But, it may not completely correspond with that of the record of my testimony to-day.

Mr. KNOWLES: It could be identified as notes used.

Hon. Mr. CROLL: Yes, working papers.

The CHAIRMAN (*Mr. Cameron*): Is that suggestion agreeable to the committee?

Mr. BASFORD: Mr. Chairman, the rough transcript would be ready in a very short time.

The CHAIRMAN (*Mr. Cameron*): I did make the suggestion that the transcript would be in the clerk's office.

Mr. BASFORD: Perhaps Dr. Willard could work from the transcript. I imagine it would be ready in half an hour.

Mr. KNOWLES: Perhaps we could make a photostat of the transcript.

Mr. FRANCIS: Mr. Chairman, I think we should leave this with Dr. Willard so he can resolve the situation.

Hon. Mr. CROLL: While other members are thinking of questions, Mr. Chairman, I would like to raise two matters.

Mr. FRANCIS: I have two as well.

Hon. Mr. CROLL: Well, if you wish, go ahead.

The CHAIRMAN (*Mr. Cameron*): As I mentioned before, I do not think it is advisable to get into a general discussion at this time. I think we should be concerned only with clarification of certain things which Dr. Willard has said. But, if you want to hold a general discussion, it is up to the members of the committee.

Hon. Mr. CROLL: Both matters I wish to raise have been referred to by Dr. Willard and are not of a general nature.

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles is first, followed by Mr. Chatterton and then you, Senator Croll.

Mr. KNOWLES: Mr. Chairman, I wish to direct a question for clarification. I want to be sure I am understanding some of the figures which Dr. Willard

gave us in respect of old age security. I will put down what I have done and if I have done it incorrectly I will be glad to be corrected.

I gather that you said that if old age security at \$75 a month were made available to those aged 65 and up, coming down a year at a time, that in 1970 the total cost would be \$1 billion 579 million?

Mr. WILLARD: That is correct. That includes some escalation but that is in the proposal.

Mr. KNOWLES: That is what it would cost in 1972 if you paid everybody who is 65 and over \$75 a month.

Then, in another portion of your presentation you said that to add \$10 a month—we can do the multiplying for higher amounts if we wish to—would cost \$118 million a year for those 70 and over, \$63 million a year for those 65 to 69, or a total of \$181 million. Am I correct or not?

Mr. WILLARD: In 1966.

Mr. KNOWLES: But if we had that figure escalated to 1970 what would it be?

Mr. WILLARD: It would be \$125 million for those 70 and over and \$69 million for those 65 to 69, or a total of \$194 million.

Mr. KNOWLES: So I could add \$194 million to the \$1,579 million you already got, and get \$1,773 million?

Mr. WILLARD: That would be very close to the figure you are after. I am sorry there is escalation included in the \$10 a month estimate but the additional amount involved would be small.

Mr. KNOWLES: This would be close to an estimate of what it would cost to pay \$85 a month to everyone at the age of 65 in 1970. It would be a smaller figure for the earlier years according to some de-escalation, but at any rate we know what the figure is and we can look at it in relation to what we are now spending on old age security and other plans.

Mr. WILLARD: Yes.

Mr. KNOWLES: All I wanted, Mr. Chairman, was that clarification.

Hon. Mr. SMITH (*Queens-Shelburne*): What was the total figure?

Mr. KNOWLES: The total figure for 1970—if my quick arithmetic was correct—was \$1,773 million for \$85 a month paid to everyone 65 years of age and over.

Mr. WILLARD: Mr. Chairman, I have the figure for 1975, if Mr. Knowles wants it. That is for the \$75 a month—this would project the costs a little further. It is \$1,931 million in 1975.

Mr. CHATTERTON: At what age?

Mr. WILLARD: At the age of 65 and in the amount of \$75 a month. That corresponds to the figure of \$1,579 million.

Mr. RHÉAUME: Do you have, by any chance, a figure of what the old age security cost will be if the program remains unchanged in 1970?

Mr. WILLARD: Yes, if it remains unchanged but as in Bill C-136 the figure will be \$1,306 million in 1970.

Mr. CHATTERTON: Is that in 1975?

Mr. WILLARD: No, in 1970.

Mr. KNOWLES: The reason why you gave us the year 1970 was that you postulated the idea on coming down a year at a time starting in 1966; that is to pay the full amount in 1966 at the age of 69, the full amount in 1967 at the age of 68, and so on. This is a different postulation to that in Part 4 of the bill which proposed paying old age security at reduced amounts.

Mr. WILLARD: That is correct. I could give you the amounts for each year as the age is lowered, if you would like them.

Mr. KNOWLES: With the idea of coming down a year at a time?

Mr. WILLARD: This is the estimated total cost of paying a flat rate benefit of \$75 a month to persons aged 69 and over in 1966, 68 and over in 1967, 67 and over in 1968, 66 and over in 1969 and 65 and over in 1970 and thereafter. In the following estimates a fertility-high immigration assumptions have been applied. The benefits are assumed to have been escalated at a rate of 1½ per cent annually from 1967 on. In 1966 the estimated amount is \$998.5 million. In 1967 it is \$1,109.4 million. In 1968 it is \$1,248.9 million. In 1969 it is \$1,404.5 million. In 1970 it is \$1,579.3 million. In 1975 it is \$1,931.3 million.

The CHAIRMAN (*Mr. Cameron*): All this information is going to be available for us tomorrow.

Mr. KNOWLES: These were additional figures that were not included in the earlier statement. I am grateful to Dr. Willard for producing them.

Mr. CHATTERTON: In your comments on the difficulty of collecting if you remove the \$600 exemption you said that if you wanted to get more revenue you should increase the upper ceiling. If that were done, do you have in mind that the percentage would be decreased? Otherwise you would actually increase the spread. You did not say it but I wondered if you had it in mind.

Mr. WILLARD: What I had in mind was that either way you take it you are going to have administrative difficulties with the very low income people, people that are casual workers, in and out of the labour force. Some of them are students and so on. One way of doing it is to go through a whole list of these categories and in one way or another, probably mostly through regulation, you would exclude them. Another way of achieving it is to set a minimum amount. We have done it in the primary industries for casual labour with the 25 days or \$250 provision.

The second way of doing it is this basic \$600 exemption. We think we have set it at a level where it will solve a lot of these administrative problems and yet will not cause any severe hardship with regard to coverage.

Mr. CHATTERTON: And yet you did say that if you wanted to get more revenue it would be better to raise the upper ceiling. I thought you said it, anyway.

Mr. WILLARD: One of the witnesses before the committee suggested that by removing the \$600 you would get a lot more revenue. I am not as optimistic on how much more revenue you would get from these people that are thereby excluded. Most of your revenue would come from the people who are already covered, in other words who are not exempted by the \$600. Therefore, if it is just extra revenue you want, another method would be to raise the ceiling.

Mr. PRITTE: I did not understand that point, raise the ceiling but not the benefits? Is that the suggestion?

Mr. WILLARD: Here again I was referring to the testimony that in order to finance certain additional benefits that were proposed, the suggestion was to remove the \$600 limit and therefore get more income. All I am saying is that as far as the people that are excluded are concerned, you are not going to get too much more income from them because you would end up, either through the Act or regulations, by excluding a lot of them. Therefore, if it is the money you want, you could arrive at it in a different way.

Mr. PRITTE: The Canadian Welfare Council said something about raising the ceiling. I do not remember their answer now.

Mr. CHATTERTON: Mr. Chairman, may I get a clear answer to this question? Would you say that if it were decided to raise the ceiling to \$7,000 it would then be advisable to change the 25 per cent to maybe 20 per cent?

Mr. WILLARD: No, I think the ceiling is at a reasonable level, having regard to the average wages in Canada. It could perhaps be a little higher but I would not say that this would be an alternative to changing the percentage. I think that having regard to the level of benefits you want and the situation in Canada with regard to private pension plans, the level of 25 per cent is not unreasonable. Also one must have regard for the fact that we have a flat rate benefit. When you put the two together in that particular combination we have, I think we get a fairly reasonable level of benefits and yet we do not come into serious conflict with other methods of providing for old age income security such as the private pension plans.

Mr. CHATTERTON: One of the criticisms has been that the difference in bonuses is between the high income and low income group. If you did raise the ceiling, that gap would be widened. What then would be the disadvantages of the system employed by the United States, namely a lower percentage benefit for the higher income ceilings in spite of your flat benefits?

Mr. WILLARD: They have not got as high a flat benefit.

Mr. FRANCIS: Mr. Chairman, I have a supplementary question on this point. I was just curious to know why more attention was not paid by the Ontario people in their proposal to the flat rate component being considerably larger than in the Canada pension plan?

Mr. WILLARD: Well, Mr. Chairman, I think the member probably is aware, from the answers Mr. Coward gave to the committee when he appeared, that the \$25 proposal is a new proposal of the Ontario government.

Mr. CHATTERTON: Was it not placed at the federal-provincial conference?

The CHAIRMAN (*Mr. Cameron*): I think we are wandering a bit far afield.

Mr. WILLARD: I do not think I can go any further than Mr. Coward did in the answer to the questions put to him by the committee.

Mr. CHATTERTON: May I have an answer to my question? If you did raise the ceiling and provide the flat rate you have, what would be the disadvantage in lowering the percentage of benefit to those in the higher income bracket?

Mr. WILLARD: Is your suggestion that you split the rate in range from \$600 to \$5,000, or something of that nature?

Mr. CHATTERTON: No. Right now the benefit is 25 per cent. Let us say you raise the ceiling to \$6,000 or more, and in the higher income earning bracket, the benefit would not be 25 per cent but, say, 22 per cent.

Mr. WILLARD: Are you suggesting using 22 per cent throughout?

Mr. CHATTERTON: No.

Mr. KNOWLES: Why not raise the ceiling for contribution purposes and not for benefit purposes at all?

Mr. CHATTERTON: Which would be the same type of thing.

Mr. WILLARD: Yes. You could split it and have a different percentage rate for different levels of income. This is somewhat of an adaptation of the United States approach.

Mr. CHATTERTON: What are the major objections to such a proposal?

Mr. WILLARD: You have so much complexity in the whole plan now. But at least a person knows it is 25 per cent of his career earnings.

Mr. CHATTERTON: Twenty per cent is an easier figure to remember.

Mr. WILLARD: If you end up with 20 per cent for one level and 30 per cent for another, you would have a notch problem.

Mr. AIKEN: Would it be complicated if the contributions were taken on an extra \$1,000 without increasing the benefit? I am suggesting this might be a case of the better income people in some way assisting the lower income people? I understand the administrative difficulties.

Mr. WILLARD: First of all, Mr. Chairman, you have to decide whether you need the extra income. Then, assuming you would need it, you have to decide is this the way to go about it.

Mr. KNOWLES: Would it be more feasible to get it there than from those below \$600?

Mr. WILLARD: Yes. You are not going to get much income from the group below \$600 who are excluded. But from the people who are above that level you will get extra income.

Mr. E. E. CLARKE (*Chief Actuary, Department of Insurance*): When we are talking about income to those under \$600, you would not get much income from those people, but also do not forget that you are not getting the income from the \$600 for all those who will be contributing; this would be substantial if you tax on the first dollar.

Mr. WILLARD: I want to thank Mr. Clarke for his statement; that was the point I was attempting to make. If you are looking at it from the point of view of coverage, the income you get from those excluded is very little, but from all those in the plan would cover anyway you get the revenue on the \$600; so, you have to decide whether you are going at this from the point of view of coverage or income.

The CHAIRMAN (*Mr. Cameron*): I think the Chairman ought to intervene here. I think we are wandering pretty far afield. These officials will be before you tomorrow afternoon. We will have our in camera session, and you will have the pretty complete evidence that Dr. Willard has given us this morning; you can read it and have your questions prepared for tomorrow afternoon. What you are putting on the record now will not be available for you tomorrow in printed form.

Hon. Mr. CROLL: I would like to raise two matters, one of which was referred to by Mr. Willard. This is a matter which I think should perhaps be raised at this point in a specific way; this is the question of the Christian Science churches. I think this involves what we often refer to as the civil rights and personal freedoms dealing with medical practitioners and disability pensioners. I would like to point out merely for the record—and Dr. Willard has taken notice of this—that under the United States social security measure the Christian Sciences churches are exempt from medical, surgical and other rehabilitation treatment. In section 222 (b) (1) of the United States social security act it is provided that if an individual entitled to disability insurance benefits refuses without good cause—those are the words I think—to accept rehabilitation services available to him under any state plan approved under the vocational rehabilitation act—there is no need to read this into the record; I assume you have a copy.

Mr. WILLARD: We have a copy of it.

Hon. Mr. CROLL: I am sure all members of the committee want to be assured that in the regulations you will take a good look at that.

Mr. WILLARD: Yes.

Mr. Chairman, I think this is one matter the committee should consider. As the bill is worded now, we do not have a requirement that a person must undergo rehabilitation. Whether or not the committee would wish to recommend this is the pertinent thing. If you do make provision for that, I would think that consideration would have to be given to whether or not you should have some means whereby through regulation it could be determined what refusal without good cause is. In other words, you would leave it to the

regulations by the governor in council to specify whether or not Christian Scientists would be deemed not to have refused to take rehabilitation without good cause: that is, that their objections to such rehabilitation treatment might be considered good cause.

Hon. Mr. CROLL: I thought that if you intended to deal with it in the regulations, it is not a matter that we necessarily would have to make a recommendation on. On the other hand, I can take it before the steering committee and I feel confident I would get their endorsement of it.

Mr. WILLARD: I think as the bill stands it would be insufficient to provide for this particular contingency, and the steering committee might wish to look at it.

Hon. Mr. CROLL: Right. The other matter is the matter of review under clause 83 in the bill. I wish to raise this matter. In the course of our proceedings there was some discussion about the unemployment insurance review cases where a person who felt aggrieved was able to appoint a member to that committee or nominate one. The distinction will be that in the course of the unemployment insurance review usually he had at his right hand side a member of a labour organization who would be readily available and who had been doing these things for quite some considerable period of time. Such a person will not be available for the review committee; he just will have to pick one out of the air. Is there some better way of making sure that the person who is aggrieved has someone who is knowledgeable and who can forcefully present his review?

Mr. FRANCIS: Apart from his member of parliament.

Mr. WILLARD: Well, Madam Chairman, I would think that short of making provision in this bill whereby you set up a special group of people—apart from the administration itself—to spend their full time going out, giving advice, and pleading cases for applicants or recipients, this provision would cover the situation.

As in the case of a court referees under unemployment insurance, if the recipient is in a labour union, he will get somebody from the labour union to represent him. In other cases he might get his lawyer to represent him. If there is a lot of money involved, I think he would probably get a lawyer. In other words, if it is a disability benefit say and there are going to be many many years of benefit involved, he might very well feel that rather than just appoint anybody to act on his behalf he should obtain legal counsel.

I agree that in some of the large cities and where a person is a member of a union, it might be a bit puzzling to decide whom he should get to represent him. But I do think that the experience under unemployment insurance and the tribunals we have for and old age security show that it has not been too serious a problem. In fact, I do not think it even rates being called a problem.

I see that Mr. Blais is here and perhaps he would care to comment regarding our programs and tribunals and how we make sure that the applicant or beneficiary is properly represented. Mr. Blais?

Mr. J. A. BLAIS (*Director, Family Allowances and Old Age Security Division, Department of National Health and Welfare*): Madam Chairman, we have had no trouble whatsoever in the past 12 years of operation. The applicant has had complete liberty to choose as his representative a lawyer or a friend in the community.

Hon. Mr. CROLL: I notice that you differentiate between a lawyer and a friend.

Mr. BLAIS: Our experience over the years has shown that we have run into little or no difficulty with the appointment of representatives either on behalf of the government or by the applicant appointing a person on his behalf. The applicant has had complete liberty to choose in the community persons such

as lawyers, or friends, or somebody who is fairly knowledgeable in general legislation or affairs. Moreover, before the board sits our people, our officers, explain fully in detail the requirements of the legislation, and they may be called upon at any time during the course of the tribunal to assist or clarify a point of law or a section of the act or regulations.

Of all of the tribunals heard, about 75 per cent of them usually have ruled in favour of the applicant. The other 25 per cent were in favour of the government in one sense, but it is a matter of proving age based on the evidence before the tribunal. The decision is made by two members plus the chairman who is an independent person appointed by the two representatives, one on behalf of the government and one on behalf of the applicant. I can answer further questions if there are any.

Hon. Mr. CROLL: I do not wish to burden the committee with it. I have brought it to the attention of the people who are concerned, and they will have to look at it pretty carefully.

The CHAIRMAN (*Mr. Cameron*): Mr. Blais will be with us tomorrow afternoon in any event. I wonder if there are any further comments? If not, would you then proceed with whom you are going to call next, or does this complete your presentation, Mr. Willard?

Mr. WILLARD: Mr. Sheppard might wish to comment on one or two points in connection with procedures and in relation to contributions.

Mr. D. H. SHEPPARD (*Assistant Deputy Minister, Taxation Division, Department of National Revenue*): As Dr. Willard did make some remarks about the question of the method of handling withholdings, I do not feel that I need to add very much more to it. But perhaps I might be permitted to make one or two comments.

The CHAIRMAN (*Mr. Cameron*): Do you have a text?

Mr. SHEPPARD: Yes, I have.

The CHAIRMAN (*Mr. Cameron*): Could you do the same thing that Dr. Willard did and have sufficient copies of it run off for the members of the committee so they may have it for tomorrow?

Mr. SHEPPARD: Yes, I could do that.

The CHAIRMAN (*Mr. Cameron*): Please proceed.

Mr. SHEPPARD: Where an employer makes an incorrect overpayment in respect of an employee, the employer is entitled to obtain a refund. In this case an incorrect amount was deducted and a correction can be made.

However, under the withholding system contemplated in Bill No. C-136, there will be an estimated one million instances where the correct amount required to be withheld each pay day when totalled at the end of the year produces an over-deduction in respect of the employee.

This will mainly arise because the worker did not work a full twelve months and therefore did not get credit for a full \$600 exemption. These refunds will be numerous but small, they will average less than \$5 and never exceed \$10. A second type of refund can arise when a worker earning over \$5,000 changes jobs during a year. On page 285 of the Proceedings there is included an estimate for this type of refund amounting to 264,072 with an aggregate overpayment of \$5,906,399. However, as noted therein, this estimate is based on a rate of turnover that is applicable to all employees. There is reason to believe that the rate of turnover for employees earning over \$5,000 would be considerably lower.

The bill provides for refunds to the employee in all these cases but not to the employer. The reasons are these:

1. In the case of the numerous small refunds, the exact amount refundable is not known till the end of the year; in most cases the

- employee has left the employer; there will very often be two or more employers involved and therefore a need to prorate.
2. In the case of the larger, less numerous, refunds, the amount refundable would always have to be prorated between two or more employers.
 3. The employer matches the employee's contribution so long as that particular employee remains with him but there should be no compelling reason why the dollar-for-dollar basis needs to be retained to cover that part of a year when the person was not employed by him; it would be very difficult to do it. This viewpoint was mentioned by Mr. R. J. Myers of the United States social insurance administration who, when questioned on this by the special joint committee said: "I think our answer has been that as a practical matter it would be extremely difficult to try to decide just how to allocate the money. If you said that the first employer during the year should pay it, it would not seem fair; and if you tried to prorate it there might be difficulties too."
 4. A system of refunding, or of avoidance of refunds, if one could be satisfactorily developed, would indirectly inform an employer concerning the employee's previous or later employment and could be resented by the employee as an invasion of privacy.
 5. Joint administration with Quebec would make any system of refunds to employers more complicated than the United States system which was, in their opinion, already too complicated to try.
 6. If we have refunds to a million employees, it follows that there would then be about $1\frac{1}{2}$ million refunds to employers since many refunds have to be prorated between two or more employers.

The issuance of this many separate cheques is out of the question; it would be necessary to assemble the small refunds for a particular employer and issue one cheque which, if supported by the required details per employee, would be a very formidable job.

Those are my comments.

The only other comment I have, Mr. Chairman, has to do with the question of averaging income for farmers. I do not know whether the committee would like any comments on that.

The CHAIRMAN (*Mr. Cameron*): Yes.

Mr. SHEPPARD: Before drafting the proposed legislation regarding Bill No. C-136, consideration was given to the question whether the present rules in the Income Tax Act for allowing income of farmers and fishermen to be "averaged" should be used for the purposes of contributions and benefits under the Canada pension plan. The following factors were considered.

First, the averaging provisions of the Income Tax Act were introduced for the purpose of alleviating the effect of the graduated rates of tax through a levelling out of income. Since the Canada pension plan proposes a single flat rate contribution on self-employed earnings, there is no need for averaging for this purpose.

Secondly, the concept of earnings under the Canada pension plan on which a contribution is to be made excludes such items of income as investment income from bonds, stocks, mortgages, and so on, and certain rental profits or losses. However, for averaging purposes under the Income Tax Act the foregoing items are taken into account as well as salary and wages earned, and profit or losses from other businesses carried on by the farmer or fisherman. In order to give an averaging option under the Canada pension plan, therefore, special rules would be required to make possible a determination of what part of the

earnings in the averaging period consisted of income on which a contribution would be made, since it is on the basis of contributory earnings that the earnings record is to be maintained in order to compute benefits payable to contributors. If the adjustments were made the computations would be extremely complicated and, if they were not made, it would mean that the contributory earnings of one segment of contributors would differ in principle from that for other self employed contributors.

Thirdly, the record of earnings has to be maintained for each contributor for his whole contributory period, and this is a formidable task. Therefore it was concluded that the record for a year should be finalized on the basis of the earnings for the year.

Fourthly, the effect of averaging upon the amount of the pension benefit to which a farmer might otherwise be entitled would not be beneficial or would be beneficial, depending on the following conflicting factors.

- (a) Reducing all income in an averaging period to a common denominator has the effect of taking into account losses which would otherwise be excluded from contributory earnings and also tends to deprive a farmer of the benefit of the "drop-out formula" (the "drop-out formula" used in the calculation of benefits excludes certain years of low earnings and this in part, compensates for fluctuations in yearly earnings).
- (b) Earnings in a particular year in excess of the maximum which would otherwise be excluded are taken into account.

In other words, those two factors are conflicting and they have the opposite effect.

Although the effect of averaging on the benefits of any contributor could not be determined until after the record of his lifetime earnings had been completed, it is quite likely that for the majority of farmers with moderate income there would be an adverse effect.

In view of the foregoing the conclusion was reached that an election to average under the Income Tax Act should not affect the earnings or contributions under Bill No. C-136.

The CHAIRMAN (*Mr. Cameron*): Are there any comments?

Mr. LLOYD: No, that is just another argument for drop-out periods.

Hon. Mr. SMITH: While Mr. Sheppard was explaining that, I was thinking about the method the department would use to collect on contributions from self-employment fishermen whose incomes are low to the extent that they do not get themselves in an income tax position.

We had some evidence before, it seems to me, from Mr. Meyer, that two thirds of a farmer's income was the figure they accepted for contributions.

Mr. FRANCIS: The gross income?

Hon. Mr. SMITH: Their gross income. That was the figure they would use as the base for the collection of the social security tax.

How would you get at a self employed fisherman whose income was \$1,000 a year? On what basis would he pay the tax?

Mr. SHEPPARD: Mr. Chairman, there is no provision in this bill for estimating the amount of the income for the self-employed person. The income would be determined as provided under the Income Tax Act by aggregating his gross income and deducting expenses in the normal way.

Hon. Mr. SMITH: In other words, this low income fisherman would be obliged to keep records of his gas bill every day he is out, and so on? It strikes me we should try to find some way similar to that which determines his basis of payment of unemployment insurance tax in order to make it a much simpler

payment than to require these very low income fishermen to keep records because they would find it very difficult.

I have forgotten what the fraction is, but there is a fraction that is applied to all these self-employed fishermen with regard to what shall be considered as their net income.

Mr. SHEPPARD: I could give you some figures but they will be subject to verification later. I understand the United States authorities permit the taking of two thirds of the gross income and they use this as net income for their computation.

Hon. Mr. SMITH: For farmers?

Mr. SHEPPARD: I think it applies to farmers and fishermen, but the net income under this method cannot be greater than \$1,200.

Mr. LLOYD: It is not proposed that we adopt this, is it?

Mr. SHEPPARD: It has just been drawn to my attention that this does not apply to fishermen in the United States; it applies to farmers. It is section 1236 in the United States "Social Security Hand Book".

Mr. LLOYD: There is a practice, of course, of reviewing tax returns of self-employed persons by the department of inland revenue. Quite often they settle on the basis of a certain amount of information and, in the final analysis, it is based upon their net income as a result of gross figures for those in the same field of work or self-employed work. The department will take an arbitrary assessment. In some other cases, after review of net worth positions, they make an assessment. When these revised assessments are reached, will this mean also a revision of past contributions to the pension fund? I suppose it will.

Mr. SHEPPARD: Mr. Chairman, if a person does not have precise information we do the best we can, and on the basis of available information we make an assessment. If we make a re-assessment for the purposes of income tax the same rules will automatically apply under the Canada pension plan.

Hon. Mr. SMITH: I would like to come back to the matter of my fishermen.

Mr. LLOYD: For the senator's benefit, I might say that I am thinking of a number of cases which came to me in my practice as auditor where the tax department made reviews of employed fishermen's incomes. I do recall a number of decisions by the department on what would be the position when the assessment would be issued.

Hon. Mr. SMITH: I think Mr. Lloyd is talking about the class of fishermen who would pay income tax.

Mr. LLOYD: They were not going to pay any income tax, senator, but the tax department thought they should.

Hon. Mr. SMITH: I am thinking of the low income ones.

Under the employment insurance commission the low income man is permitted to use a certain fraction of his gross income or payments he gets from fish dealers as his wages for any one day or week. I wonder if any consideration has been given to the application of a similar rule in relation to these lower income fishermen, information from whom is not available through income tax forms because they do not make enough money with their exemptions to pay income tax. I think it is quite important in the part of the country I come from.

Mr. SHEPPARD: There is no specific rule in this bill where as a matter of law you can compute the net income on the basis of a percentage of the gross income.

We have assumed under such circumstances we would work this out as a matter of practice and ask the contributor to compute his income on the basis of the best information available.

Hon. Mr. SMITH: Then, Mr. Chairman, do I understand that the matter of making the regulations will then be concerned in the light of the rule that I

have mentioned that applies under unemployment insurance collections, using that as a basis for whatever you might decide to do?

The CHAIRMAN (*Mr. Cameron*): I think, Senator Smith, you have the information you have been seeking and maybe at tomorrow afternoon's session you can crystallize into something more definite.

Dr. Willard tells me he understands that all the comments have been made.

Mr. BASFORD: I move we adjourn.

The CHAIRMAN (*Mr. Cameron*): Before we adjourn may I say that the steering committee was to meet tomorrow at ten but the question has been put to me that we might meet at eleven o'clock in order to convenience Mr. Knowles, for one. I thought maybe we could decide on that.

It has been suggested that rather than meet in my room it would be more convenient for us to meet in room 308 in the west block, where we would have more facilities for the members.

Are you agreed that the time of the steering committee should be changed to eleven o'clock tomorrow?

Agreed.

The afternoon session is scheduled for 2.30.

APPENDIX A49

BRIEF TO BE PRESENTED TO THE SPECIAL JOINT COMMITTEE OF THE
SENATE AND OF THE HOUSE OF COMMONS ON THE
CANADA PENSION PLAN (BILL C-136)

Prepared by WALLACE R. JOYCE, Fellow of the Society of Actuaries.

FOREWORD

My name is Wallace Richard Joyce. I was born in 1915 in British Columbia, attended Public and Secondary Schools in Alberta, and graduated in 1936 from the Honour course in Mathematics and Physics at the University of Toronto. I am a Fellow of the Society of Actuaries.

In 1958-59, I served as a member of the Ontario Welfare Council's "Committee on Public Welfare Policy—Economic Needs and Resources of Older People". For the past seven years I have been a member of the Social Security Committee of the Canadian Association of Actuaries, and I am currently Chairman of that Committee.

This background is given to indicate my professional qualifications and considerable interest over a long period in problems pertaining to Social Security in Canada. The views expressed in this brief are my own.

1. *Comments on the Actuarial Report (Nov. 6, 1964) on the Canada Pension Plan*

I have great respect and admiration for the government actuaries who, working under orders and against time, have produced two exceptionally well-ordered and comprehensive Actuarial Reports on the two versions of The Canada Pension Plan.

Regarding the "low-cost" and "high-cost" estimates in these reports, it is worth emphasizing that both are well within the realm of possibility, although the former indicates required contribution rates rising to only 4.23% by the year 2050 while the latter estimates produces a required contribution rate of more than twice that amount (or 8.68%) and still rising. However, the low-cost figure rests on the assumption of a high immigration rate, and I question the propriety of relying on such an exterior influence to reduce the projected costs of pensions for Canadian citizens. The high costs of this Plan and other social welfare benefits might discourage immigration to this country. For this reason, I believe that I would lean in the direction of the "high-cost" figure in choosing a suitable "average cost".

I find one curious omission in the Nov. 6, 1964 Actuarial Report. Bill C-136 is given the short title "Canada Pension Plan", and an integral part of Bill C-136 is its Part IV—"Amendments to Old Age Security Act". Yet no estimate of the costs produced by this Part IV have been included in the Actuarial Report. Surely Parliament should know these costs when considering Bill C-136.

The existence of Part IV in Bill C-136 indicates the difficulty of treating the Canada Pension Plan without at the same time considering the Old Age Security payments. Indeed, the advocates of the Canada Pension Plan have nearly always made reference to the *combined benefits* under the two systems when discussing the Plan in public. Unfortunately, the *combined costs* have seldom been mentioned.

Because the total costs have not been well presented to the Canadian public, I was pleased to read in the "Minutes of Proceedings and Evidence" of this Committee for Monday, December 14, 1964 that Mr. Moreau did raise the very pertinent question:

"Could you tell us approximately what payroll contributions would be required to raise the equivalent of the sum of money that we are collecting under the present means of financing and the O.A.S.D.I. Plan? Do you think it would be five or six per cent?"

However, I was disappointed that Mr. E. E. Clarke did not answer the question or indicate that he could get an answer for it. If I am not mistaken, Tables 4 and 6 of the Actuarial Report dated August 30, 1963 show precisely the kind of figure which Mr. Moreau requested. The "Percentage of Contributory earnings required to provide \$10 per month benefit" in Table 4, multiplied by 7.5 to provide for the \$75 O.A.S. benefit, gives percentages ranging from 5.5% in 1965, and 6.7% in 1966, to 4.7% in 1974. Apparently these should be *increased* by some percentages corresponding to those in Column 2 of Table 4 to allow for the cost of early retirements under the Old Age Security Plan (in accordance with the amendments introduced by Bill C-136). I feel sure that Mr. Clarke will be able to provide complete figures expressing estimated Old Age Security costs in terms of contributory earnings, and I urge the Joint Committee to obtain such figures and see that they are placed before Parliament.

In connection with the Actuarial Report, I should like to state that the government actuaries, in working under orders to produce this Report, have *not* thereby signified that they favour the Canada Pension Plan as presently designed. Indeed some, if not all, of the actuaries in government employment may be violently opposed in principle to the Plan, but they are obviously prevented by their position as civil servants from expressing either their approval or their disapproval. It is necessary to put this on record because of a public statement by the Honourable Miss LaMarsh, which was widely quoted in the press, to the effect that in this matter insurance company actuaries on one hand are ranged against government actuaries on the other. Because of her high office, the Honourable Minister should be the first to recognize the special position of civil servants which prevents their criticism of government measures.

2. The Benefit Structure of the Canada Pension Plan is poorly designed to meet the Social Needs in Canada

The Canada Pension Plan (Bill C-136) clearly provides benefits in reverse relationship to the social needs.

The principal benefits are granted to those best able to provide for themselves. The people who gain the most are those who are fully employed throughout normal working years at middle or high earning levels. Those earning lower wages benefit less. Those who have suffered periods of unemployment for whatever reason have their benefits sharply reduced (yet these are the ones who have most difficulty in building up private savings). Many casual and low-paid workers will receive nothing at all under the Plan.

The beneficiaries under the CPP are today's high-wage earners. The persons who need assistance *most* are those aged whose working years were in the low-wage era of the depression years and war-years. Those already retired have had none, or few, of the "good years" in which to provide for their retirement. The provision they did make has been diluted by post-war inflation. I submit that these are the persons to whom the government should direct its assistance.

The wide variation in income levels across the country has been advanced as one of the main reasons for introducing a wage-related pension plan as a superstructure on top of the existing flat-benefit Old Age Security system. I seriously question whether the wage-related benefits suitably provide for the important differentials which create the real need.

A few years ago, I served as a member of an Ontario Welfare Council "committee on Public Welfare Policy—Economic Needs and Resources of Older People". Prominent social welfare officials agreed that there were two particular areas of hardship not met by universal flat-benefit payments. These were:—

- (i) Medical and nursing care costs
- (ii) Rental or Housing costs

The differential in medical costs between one person and another is an individual matter related to the nature and duration of illness. A wage-related benefit does nothing to meet this requirement.

Rental or housing costs vary between communities—differing by geographical location and between urban and rural areas. To some extent, but by no means directly, earning levels in a community may bear some rough relationship to the cost of housing. However, the differential *in need* arising therefrom might far more appropriately be met by a direct subsidy based on the known costs in each particular area, rather than by a wage-related benefit which does not apply to the specific need.

What are the real income-needs of the aged in Canada? It is inconceivable that any responsible government should introduce the Canada Pension Plan without first obtaining factual information on the actual incomes by age-group for various regions of the country and comparing these with the costs of living in corresponding areas. The government has the facilities and means to produce these essential statistics. I urge the Committee to recommend that this important information be produced and studied *before* the government should proceed with so costly, complex and irrevocable a measure as the Canada Pension Plan.

3. The Superstructure of wage-related benefits in the Canada Pension Plan, because of its unjustifiable subsidies, creates basic instabilities in the Canadian Old Age Security system which must result in pressure for similar benefits to persons not favoured by the plan.

You are well aware of the political football that has been played with our universal flat-benefit Old Age Security payments. One of the main reasons for promoting a federal wage-related plan initially, although too unpalatable for public mention, was the hope that the existence of these benefits might eliminate such maneuvering.

I sympathize with the purpose, but I believe the hope is vain. The universal flat-benefit payments have the distinct advantage that any increase in benefits creates an immediate and obvious increase in cost, which must be properly weighed by the government at the time, since it immediately affects the budget. The Canada Pension Plan has no such brake on increases in future benefits because the costs are too easily concealed in its complex structure, and indeed, costs incurred now may be deferred to the next generation. The existence of large reserves in government hands also seems to encourage demands for their dispersal in immediate benefits, no matter how essential those funds are to meet future liabilities: the disastrous tampering with the Unemployment Insurance Fund is a prime example.

Those who have followed the development of social security legislation in other countries, particularly the growth of O.A.S.D.I. in the United States

and the multitudinous further amendments which are continually being pressed on Congress, will not consider this problem unimportant.

I do not condemn political pressures, which have wrought much social justice. But it is folly to introduce a Plan which inherently contains the seeds of discontent. The public is quick to sense injustice and will not tolerate obvious subsidies, unmerited either by social need or by personal contribution. It is the reaction to the proposed Canada Pension Plan that has *already* forced three recommended changes in the Old Age Security structure:

- (1) the addition of \$10 monthly benefit (already enacted)—a further \$25 monthly has already been mentioned in Parliament by a member of the Opposition.
- (2) the indexing of benefits.
- (3) Making the benefits available at age 65, for a reduced amount.

These have been forced because they are so obviously reasonable in comparison with the less reasonable subsidized benefits being proposed under the Canada Pension Plan.

The inequities in the benefit structure of the Canada Pension Plan have been pointed out to you by others. Allow me to illustrate them with a specific example. I, personally, consider myself fortunate to be in a relatively high income-tax bracket, with a salary at least three times the average Canadian wage. In the next 15 years my "contributions", together with those of my employer in respect of me, will total \$2,376 (at the initial 3.6% rate on the upper limit of \$5,000 less \$600: the indexing might increase this slightly). I shall then be 65 years old and shall be eligible for the maximum benefit of at least \$1,250 yearly for the balance of my life. On the basis of the life expectancy of Canadian males at age 65, I would expect to receive such payment for 13½ years, so that my benefit payments for this average period would total \$16,875. *This represents a clear gift from the government (or rather from future taxpayers in the CPP) of not less than \$14,499.* This subsidy might be substantially increased by the effect of the Pension Index.

I hope this personal example will convince you that I am not serving my self-interest in opposing the Canada Pension Plan. Persons retiring after 1966 will have at least twenty of the "good years" of higher wage levels in which to build up personal savings. The unfortunates are those already retired whose prime working life was in the depression and war years when wages (if any) were relatively low, who have had few of the "good years" to retrieve their position, and whose small savings are now squeezed by post-war inflation. These are the persons most deserving of subsidy, but they get none under the Canada Pension Plan.

This injustice will become more and more apparent as payments commence under the Canada Pension Plan. In addition, by putting more purchasing power in the hands of the fortunate beneficiaries, it makes the lot of the less fortunate relatively more severe (and perhaps *absolutely* more severe because of the inflationary influence of the Canada Pension Plan).

In my opinion, the only logical way to avoid creating insupportable political pressures is to eliminate the basic inconsistencies and injustices in the Canada Pension Plan. Remember that this Plan is *additional* to our universal Old Age Security payments which has served Canadians well and will continue to do so with timely amendments in its benefits. Beyond that level, is it so unreasonable to ask that any further subsidy should be justified by a demonstrable need, based if you like on a simple income-test?

If subsidies were provided more directly, where needed, then the wage-related pensions could be considered on their own merits. In fact, the entire

case for government-provided wage-related pensions would then fail, in my opinion. But if all subsidies were removed from the Canada Pension Plan, it could not operate as it now does, to *conceal* massive transfer-payments, and to hide its tax-gathering machinery behind a false "contributory" facade.

4. *The inequities in the Canada Pension Plan are not temporary but are perpetuated by the effect of indexing benefits.*

It is important to note that the inequities in the Plan are not transitory, but appear to continue indefinitely, aggravated by the effect of the Pension Index. I wonder if, in the foreseeable future, the Plan will *ever* be "mature", in the sense that the retiring individual may be said to have actually paid in contributions the actuarial equivalent of his benefits (even interpreting actuarial equivalence in its broadest terms)? This is a question I would suggest that the Committee should put to the government's Chief Actuary.

If no other change in the Canada Pension Plan is made, I urge the removal of the "Pension Index". It has no justification in a wage-related plan, and gives a vested interest in inflation, removing an important brake on inflationary influences.

I submit that the proposed Canada Pension Plan is promising ourselves (the currently employed) benefits which we are unwilling to provide to others equally or more deserving, and it is asking the next generation to contribute heavily to the benefits which we expect to receive.

Respectfully submitted,

15 January 1965

APPENDIX A50

121 Welland Avenue,
Toronto, Ontario.
January 30, 1965.

A BRIEF

IN OPPOSITION TO THE PROPOSED CANADA PENSION PLAN

and

IN SUPPORT OF IMPROVEMENTS TO THE OLD AGE SECURITY ACT

My dear Ladies and Gentlemen:

I would like to express my deepest gratitude to the Joint Committee for permitting me to submit this Brief. Having followed much of your deliberations, I fully appreciate the generosity of your concession.

I would also like to express in advance my sincere apologies for presenting some of my material in the bluntest of terms and, upon occasion, in terms which may appear to suggest, on the part of some government officials, a greater interest in the political than in the public interest aspects of the matter. May I assure your Committee that, although I may not agree with the judgment and tactics of these officials, the sincerity of their convictions commands my deepest respect.

1. *Biography*

My name is Edward Ruse. I was born in Japan on July 7, 1906, and came to Canada at the age of 7. I am a graduate of the University of Manitoba, majoring in mathematics and economics; a Fellow of the Society of Actuaries; and currently employed as a research actuary by a Canadian life insurance company. During World War II, I served in the European theatre as a tail-gunner in the RCAF.

2. *The Views Expressed Are My Own*

I would like to establish at the outset that this Brief is entirely my own; prepared on my own time and at my own expense. Accordingly, any similarity between my views and those of any other critic of the Government's proposal is entirely coincidental.

I would also like to establish that I am not acting on behalf of anyone else but myself and my sincere interest in the welfare of Canada and of all Canadians, particularly in the welfare of the less fortunate members of our country, now and in the future.

As someone much wiser than I once observed, "The poor will always be with us." It is up to us to see their interests are not jeopardized by the government's preoccupation with a plan which benefits the fortunate much more than the unfortunate.

I own no stock in nor have any other financial interest in any business which, in the controversy over the Canada Pension Plan, has been accused of base self-interest by some Government spokesmen and, following this lead, by some of the press.

As a paid worker in a life insurance company, I am naturally interested in its success in exactly the same way as any member of Government or of

a political party is interested in the success of his Government or of his party. There are occasions, however, when anyone worth his salt must rise beyond the success of his company, his business, his government or his political party.

In the present context, you and I must be utterly convinced that all Canadians of all ages and in all walks of life—but particularly the indigent and the less fortunate—shall have *the* best social security pension legislation that this nation can afford and can devise.

3. *A Frankenstein*

I should now bluntly state that, in my sincere, unselfish and considered opinion, Miss LaMarsh's "team of 16 experts with over 300 years' service" has conceived a Frankenstein which, if it is delivered into legislation, will have to be emasculated in a few years' time by the passage of further pension legislation paying more benefits to the unfortunate, in order to remove the inequities and iniquities of the Canada Pension Plan.

There are many reasons for such a brutal criticism and prophecy. All of them stem from the Government's view that the Canada Pension Plan is not a social welfare measure but, rather, a social insurance measure based on some of the principles of group pension plans but administered by the Government and financed by "transfer taxes" from the wage-earners to benefit the retired, the disabled, and widowed and the orphaned non-wage-earners.

I would like to give you a practical illustration of one of the most serious consequences of this approach. When it will happen, no one knows; but happen it will.

Let us assume 1976 for illustrative purposes.

Andy's father, then aged 70, is receiving government pension cheques of \$179 a month (\$75 plus \$104—assuming no inflation), while Bill's father, also aged 70, is receiving \$75 or only a shade more. This is not an absurd example; there will be thousands of such cases in 1976.

Their sons are well established members of the Labour Force; foremen in a factory, both earning wages of \$5,500 a year. Each, of course, is paying the same Canada Pension tax.

"Why in the name of heaven," Bill will ask Andy, "should your Dad, who had it so good during his working years and doesn't really need it, get \$179, while my poor old Dad, who had it so tough and really needs the \$179, gets only \$75 or a shade more?"

"After all, Andy, we're paying the same amount into the pot."

"And furthermore, Andy, this isn't like our group pension plan. You and I and all the other guys in the factory are being taxed to pay your Dad's \$179 and my Dad's \$75, and it just doesn't make sense. I know you and I are likely to both get the \$179, but it still doesn't make sense to me. Does it to you? I, for one, am going to raise heck about it to my Member."

And the very same question and the very same political pressure will be repeated with increasing intensity across the length and breadth of this good land until it will be impossible to delay a third round of pension legislation.

The \$64 question is whether your children and mine—and theirs—will be able to bear the added financial burden.

Honourable Senators and Members of Parliament, the Canada Pension Plan is dangerous, complex, expensive and monstrous. I confidently but regretfully predict you and I—and even its strongest advocates—will live to deeply regret it.

What this nation needs is not the Canada Pension Plan but improvements in our present Old Age Security Act with its wonderful qualities of true

universality, of ready understandability by the individual, of great administrative economy, of a broad and equitable tax base, and of immediate maturity for all.

4. *The Less Sophisticated Public Has Been Misled*

It is a matter of grave concern to me that the vast majority of Canadians have been more misled than educated by many of the official statements and explanations released to the press, the public and—during the Ontario election campaign—to audiences of Ontario voters. A quality of Madison Avenue advertising practices appears to have crept into some of these statements and explanations; something which, it seems to me, should be repugnant to Parliament.

One of the first examples was the official statement "Respecting the Canada Pension Plan" (first version) given to the House on July 18, 1963, which put this patently misleading and favourable impression-creating opening paragraph into Miss LaMarsh's mouth:

"The purpose of the Government's proposed legislation is to ensure that, as soon as is possible in a fair and practical way, ALL CANADIANS WILL BE ABLE TO RETIRE IN SECURITY AND WITH DIGNITY."

Two months later, on September 9, 1963, following the federal-provincial conference on pensions, the publicity writers put almost the same misleading words into the Prime Minister's mouth:

"The purpose of the CANADA PENSION PLAN is to make it possible for ALL CANADIANS to retire in security and with dignity."

Your Committee hearings have clearly established, I am sure, that it is only the minority of workers with wages close to the average or above who will be able to "retire in security and with dignity".

It might be of interest to insert here some information on wages from the 1961 Census:

PERCENTAGE OF WAGE EARNERS (PAID) BY INCOME BRACKET (Gross before Income Tax)

Wage bracket	Male	Female	M. & F.
Under \$1,000	9.6%	25.2%	14.1%
Under \$2,000	20.6	50.3	29.2
Under \$3,000	36.2	76.6	47.9
Under \$4,000	58.3	92.5	68.2
Under \$5,000	77.0	97.3	82.9
Under \$6,000	87.6	98.8	90.9
\$6,000 and up	12.4	1.2	9.1
All brackets	100.0%	100.0%	100.0%

It should be recognized that these percentages represent a cross-section of wage-earners of all ages. Many of those in the low brackets are young and will earn more later. On the other hand, many of those in the high brackets are older and nearing retirement. The Government Actuary could, of course, furnish more meaningful statistics bearing more accurately on the question.

These statistics, however, give some indication of the fact that a substantial majority of paid workers will receive Canada Pensions substantially below the maximum of \$104 a month.

To those who might see some saving grace in the first version proposing a \$10 increase in the Old Age Security pension, I would like to quote from a Toronto newspaper which reported on August 2, 1963:

"A Toronto actuarial firm said last week that the ultimate cost of the plan would be about 9% of payroll earnings. This would rise to 15% by adding taxes needed to support the present \$65 pension to all persons 70 years of age and over. Miss LaMarsh said it is incorrect to tie in both pensions because they are on a completely different basis."

One must conclude, I think, that the above two statements were intended to explain what the Canada Pension Plan alone would do; if not, certainly that was what most of the press and the public probably thought.

5. *Misleading Impressions from the Ontario Elections*

In the Fall of 1963, we saw the proposed Canada Pension Plan become the major issue of the Liberal Party in the Ontario elections. I do not quarrel with this but I do quarrel with how it was used and misused.

Indeed, it was at this stage I became convinced that the great mass of low and middle-income workers, certainly in Ontario, did not and could not know even the main characteristics of the Canada Pension Plan.

From that day on, I decided to conduct a one-man poll among strangers, but before I outline that story I would like to record a number of Toronto newspaper quotations of August and September 1963.

August 2, 1963: "Miss LaMarsh said that with the new basic pension of \$75 a month, the contributory feature would mean that a person age 70 could receive up to \$175 a month."

Comment: Despite the words "up to", would this not create an impression that the "contributory feature" would be universal just like the OAS?

September 5, 1963: "Health and Welfare Minister Judy LaMarsh said last night she regrets the Federal Government's Canada Pension Plan has developed into a political issue, but predicted universal pensions will be available to all Canadians within a few years."

Comment: Isn't the logical conclusion of the average person that the Canada Pension Plan would provide pensions to the present aged and indigent, i.e. be truly universal?

September 5, 1963: "I (Miss LaMarsh) am sure that in the present spirit of co-operative federalism, a way will be found wherein universal pensions will be available at a decent level and in a few years to all Canadians to ensure their retirement in dignity and security."

Comment: Isn't the impression created that the Canada Pension Plan is universal and the pensions for all, including those not in the Plan, will be at a "decent level"?

September 17, 1963: "Miss LaMarsh . . . urged a crowd at York Mills to clamour to know what the Premier of Ontario will do with respect to a pension plan. Canadians can't continue to live on the present flat rate pension of \$65 at age 70. In ten years it may take \$200 to live in Ontario. No one can live in ease on the amount we can pay at that rate."

Comment: Isn't the conclusion of the average person that somehow the Canada Pension Plan will give everyone, including the present aged, pensions substantially in excess of \$65?

September 17, 1963: "The Canada Pension Plan is a scheme for the people not for the insurance companies, she said. Those who will specially benefit by it

will be persons who are not employed by the large industries, those who cannot afford private plans, those people who have no pensions now."

Comment: Is this not a rather amazing set of observations? Isn't it precisely those now in private plans who will benefit the most and need it the least? Isn't an impression created that all those who have no pensions now (which includes Old Age Pensioners without private pensions) are going to benefit?

September 20, 1963: "Federal Health Minister Judy LaMarsh... Referring to the Social Security programme in the United States, she asked why Canadian workers should be second-class pensioners compared to retired U.S. citizens."

Comment: OASDI: Not universal. Even after 30 years, many of the aged are on state assistance. Minimum, Maximum and Average Pensions—\$40, \$127 and \$77.50. Payroll Tax—7¼% (shared with employer); originally 2%; slated to rise to 8¼% in 1966 and 9¼ in 1968 according to the Wall Street Journal.

Our OAS: Truly universal. Flat taxable \$75 to all. Financed by 3-3-3 (now 3-3-4) formula which rests lightly on low and lower income workers.

Isn't a false impression being created that all Canadian Old Age Pensioners are "second-class" to all U.S. OASDI Pensioners when, in fact, with a \$77.50 U.S. average, many in greater need are getting less than our OAS \$75? What useful purpose does this discrediting of our OAS serve in helping the unsophisticated mass to properly evaluate the government's proposal?

Misleading statements are continuing to influence even today's journalism. The December 8, 1964, issue of a Toronto Daily ran a series of questions to educate the public. Under the title, "CANADA PENSION PLAN", the first question was "Whom will it cover?" The answer? "EVERYONE IN CANADA"!

Some of you may feel it is unfair on my part to quote statements alleged to have been made by Miss LaMarsh in the heat of a political campaign. To them and to Miss LaMarsh I apologize; but, in my defence, you will appreciate that it was Miss LaMarsh who made good copy and, in order to make my point, I really had no choice. Although I disagree violently with her approach and tactics to the pension question, I—as I am sure most of you—admire and respect her sincerity and her courage.

6. *The less Sophisticated Public do not Understand*

As I have indicated, I am primarily concerned with the great mass of the low and lower income workers. I am concerned that their potential Canada Pension benefits are so low. I am concerned that, despite the \$600 exemption, the entire cost is a tax on wages and without any relief for those with the greater social and family responsibilities. I am concerned about many other features and implications of the Plan.

However, I am also deeply concerned about the other unfortunate members of society who—by reason of being too old, of being widowed with dependent children, of being compelled to be unpaid workers in family enterprises, of being wives spending their best years looking after their families, of being unemployed through no fault of their own, of being geographically isolated, or of being mentally or physically handicapped—are unable to be self-supporting members of the employed labour force.

Surely in a humanitarian society such as ours, these are the people to whom the more fortunate, through their governments, must give financial succour; not those who can fend for themselves.

In any event, these concerns and the misleading or incomplete statements made during the heat of the Ontario election campaign led me to conduct a one-man opinion poll among strangers, mostly while travelling to and from work. My approach was always to people who appeared to be in the lower and middle income groups.

I never presented myself as an expert. I never expressed my own bias against the Plan. My typical question were of the simplest nature.

I. *"Say, what's all this about the Canada Pension Plan? Do you think it's a good idea?"*

Almost invariably the answer was something of the following order:

"Sure. We need more pensions." or

"Sure. \$65 isn't enough." or

"Sure. If we can afford it."

My next question was designed to find out what, if anything, the person knew about the Plan.

II. *"Well, I'm kind of confused. Do you know what we are going to get out of it?"*

Almost invariably the answer was along the following lines:

"I haven't got the foggiest." or

"I think everyone's going to get another 100 bucks."

No one seemed to know the upside-down nature of the benefit formula.

My next question was designed to obtain the person's reaction to only one of two aspects, namely that the more fortunate will receive more while the less fortunate less, or that the present one million Old Age pensioners would get nothing.

III. (a) *"Well, a friend of mine who always seems to know a lot about this kind of thing tells me that it's kind of an upside-down deal. He tells me the guys that have good steady jobs paying \$4,000 or more are going to get \$100 a month on top of \$65 a month from the Old Age pension but the guys who don't do so well, like \$2,000 a year, would only get another \$50 a month. Some guys working on odd jobs and moving around a lot maybe won't get anything. What do you think of this kind of a deal?"*

Almost invariably the reaction was unfavourable. Answers generally took two forms:

"I think your friend's nuts. They wouldn't do anything like that."

or "Well if that's the way it's going to be, its going to be. Too bad. It wont hurt me too much."

III. (b) *"Well, a friend of mine who always seems to know a lot about this kind of thing tells me the Canada Pension Plan proper isn't going to pay anything to our Old Age Pensioners. You know everyone over age 70 gets \$65 a month. He tells me there's about a million of them. Do you think this is a good idea?"*

Almost invariably the reaction was unfavourable. The answers were essentially the same as to question III (a).

"I think your friend's nuts. They wouldn't do anything like that."

or "Well, if that's the way it's going to be, it's going to be. Too bad. It won't hurt me too much."

I sincerely hope that the Ontario election quotations and my one-man opinion poll have served to give some substance to my contention that the substantial majority of our low and lower income citizens, many of our Old

Age pensioners and many others do not know the "upside-down" approach to the benefit structure of the proposed legislation.

I also hope that they will serve to substantiate my most earnest conviction that Government has a most serious responsibility to be quite, quite sure that, among other things, the many excluded from the Plan and the great mass of the low and lower income employees and self-employed of Canada fully understand the immediate and long-term implications of the Canada Pension Plan upon them and upon their families, both young and old, before it becomes irretrievable legislation.

Once enacted, there will be no turning back. The die will have been cast. The living of the future will be forever in legislative, financial and inescapable bondage to the dead of today.

7. A brief outline of OASI history

Before concluding, I would like to set down as brief an outline as would be useful of the tax and benefit history of the OASI Plan. I believe a careful consideration of this history should convince anyone and everyone that the OASI Plan is not a model piece of pension legislation for Canada. I believe such consideration will also dissuade some from the impression they may have had that the OASI Plan has really done a job for the indigent and less fortunate in the United States who, after all is said and done, are the ones which the more fortunate in any humanitarian society are interested in helping through government intervention.

For illustrative purposes I have chosen four years, 1935, 1939, 1951 and 1964.

At inception 30 years ago, the OASI payroll tax was 2% (shared 50:50 with the employer) on wages up to \$3,000. The minimum and maximum pensions were set at \$10 and \$85. The 1935 Act indicated progressive increases in the tax rate to 3%, 4%, 5% and 6%, with the 6% to apply on and after the year 1949. However, due perhaps to the rapid rate of growth of the Fund in the early years, in any plan such as OASI or the Canada Pension Plan, these tax increases were not implemented for many years. In fact, it was not until the Act of 1950 that the rate was finally increased from 2% to 3%, and from then on, for reasons which will be obvious, it went up in steady jumps to the present 7½% which, as you know, is scheduled to rise to 8¼% and 9¼% in 1966 and 1968, respectively.

In 1939, the payroll tax, as mentioned, was still 2% on \$3,000. The minimum pension was still \$10 but the maximum was decreased to \$60. The total annual Expenditure (benefits and expenses) was only about \$14 million but, due to the excess of Income over Expenditure, the Fund had grown to \$1.7 billion. The ratio of Fund to annual Expenditures was well over 100 to 1! With such a high ratio, it was perhaps understandable why the politicians did not increase the tax rate! The average monthly pension in payment in 1939 was about \$22. This being the average, most of the indigent and less fortunate were obviously receiving considerably less than \$22.

In 1951, the year in which Canada enacted the *Old Age Security Act* paying a flat \$40 a month universally to everyone age 70 and over, the U.S. payroll tax was 3% on \$3,600. The minimum and maximum pensions were \$20 and \$80. The total annual Expenditure was around \$2.0 billion, up from \$14 million 12 years earlier! The Fund now amounted to about \$15.5 billion; with the ratio down to about 8 to 1. The average monthly pension in payment was about \$42; meaning again that most of the indigent and less fortunate were receiving considerably less than \$42. These indigent and less fortunate in the U.S. were considerably worse off than their Canadian counterparts who, of course, all received \$40 a month. It might be argued here that OASI pensions are available from age 65, subject to a retirement test. This, of course, is true but the

less fortunate would hardly exercise it. They would have to continue to work to keep body and soul together. Furthermore, OASI not being universal, many other indigent and less fortunate had to turn to State plans of Old Age Assistance on a means test basis.

In 1964, the year in which Bill C-136 received unanimous second reading, the U.S. payroll tax was up to 7¼% on \$4,800 and, as already mentioned, was scheduled to rise to 8¼% in 1966 and to 9¼% in 1968. The minimum and maximum pensions were now \$40 and \$127. The total annual Outgo had soared to \$15.5 billion, up over \$13 billion in 12 years! The Fund was now about \$20.1 billion and the ratio of Fund to annual Outgo was down to 1.3 to 1! Seven years earlier in 1957 Expenditures had finally overtaken Income and, to avoid the disaster of having to progressively sell off bits of the Fund, the tax rate had to be steadily increased every two years or so from 1950. The average monthly pension in 1964 was \$77.50 and again, being an average figure, a very substantial portion of the less fortunate were receiving considerably less than Canada's universal \$65 a month.

The foregoing trends of Expenditures, Funds, ratios and tax increases are, of course, somewhat akin to those projected by the Government Actuary for the Canada Pension Plan.

A brief reference to Old Age Assistance in the U.S. might be of interest, since any country with a non-universal wage-related payroll tax type of plan must have Old Age Assistance as a major and fairly costly part of its old age pension arrangements.

In 1939, some \$430 million in Old Age Assistance was paid to some 1.9 million beneficiaries. In 1951, the figures were \$1.5 billion and 2.7 million. In 1964, after some 30 years of OASI, some \$2 billion was paid out to some 2.2 million Old Age Assistance beneficiaries.

It is tragically irresponsible how some of the advocates of the Canada Pension Plan, in their enthusiasm to "sell" it, have gone so far as to downgrade our Old Age Security Act in the eyes of the public. The Canadian people and Parliament have just cause to be exceedingly proud of its fairness, efficiency and administrative economy. From the day it was enacted, it has done a much better job for our indigent and less fortunate aged than the United States plan, during its 30 years, has been doing for theirs.

IN CONCLUSION

It is my very earnest hope that the Joint Committee will conclude:

- I. The Canada Pension Plan is not *the* best Plan for Canada.
- II. The Old Age Security Act is *the* best base for *the* best Plan for Canada.
- III. The vast majority of Canadians, if fully informed of the "upside-down" nature of the Canada Pension Plan and the "rightside-up" nature of an improved Old Age Security Act, would choose the latter.
- IV. There is a grave and urgent need of evaluating and coordinating all of Canada's social welfare legislation, designed to help the less fortunate, before we embark upon a plan, costing some \$600 million to start, designed to help the more fortunate more and the less fortunate and indigent less.

It is also my very earnest hope that the Joint Committee will agree that, if the Canada Pension Plan is enacted, the leaders of today will have committed a grave injustice to four very important groups of Canadians:

First, the present 1,000,000 Old Age Pensioners who should be our first concern but who will receive nothing from the Canada Pension Plan;

Second, the present and future indigent and less fortunate who, by reason of not being able to "contribute" anything or only very little, would qualify for little or no Canada Pension;

Third, our successors—your children and mine and their successors—who, by legislative enactment today, will be compelled to pay increasingly higher rates of tax than, apparently, we are prepared to pay today; and

Fourth, all those of good conscience today, who knowing the iniquities and inequities of the Canada Pension Plan, permitted its enactment.

Surely the price to our 1,000,000 Old Age Pensioners, to the present and future indigent and less fortunate both in and outside the Plan, to our successors and, indeed, to our consciences is much, much too high!

I fully realize a "contributory" scheme was one of the main planks in the Government's 1963 election campaign. In this connection, I would like to record the following quotation from the March 16th issue of a Toronto paper:

"PENSION PLAN FIRST—PEARSON...Mr. Pearson said...he was giving priority to the contributory scheme because it was necessary and desirable in itself and because it involves no added drain on the revenue of the federal government."

I am sure that the people of Canada did not know any of the details and the "upside-down" nature of the Government's proposals and, furthermore, they would not agree that any legislation which compulsorily invades a man's wages is not revenue to the federal government. They voted for an idea and I believe the majority thought the idea was to help the indigent and less fortunate.

I am deeply conscious, of course, of the political difficulty of changing or withdrawing the Canada Pension Plan at this eleventh hour. At the same time, however, we must realize that Canadians are a fair, intelligent, rational and humanitarian people. Across Canada, including Quebec, the people know and feel their first duty lies to their indigent and less fortunate brethren.

If they were told what is wrong with the proposed Plan and why improvements in the present Old Age Security Act would be more in the present and future public interest, I am sure they would be satisfied the right thing had been done by a re-enactment of the Old Age Security Act (with improvements) under the name of The Canada Pension Plan.

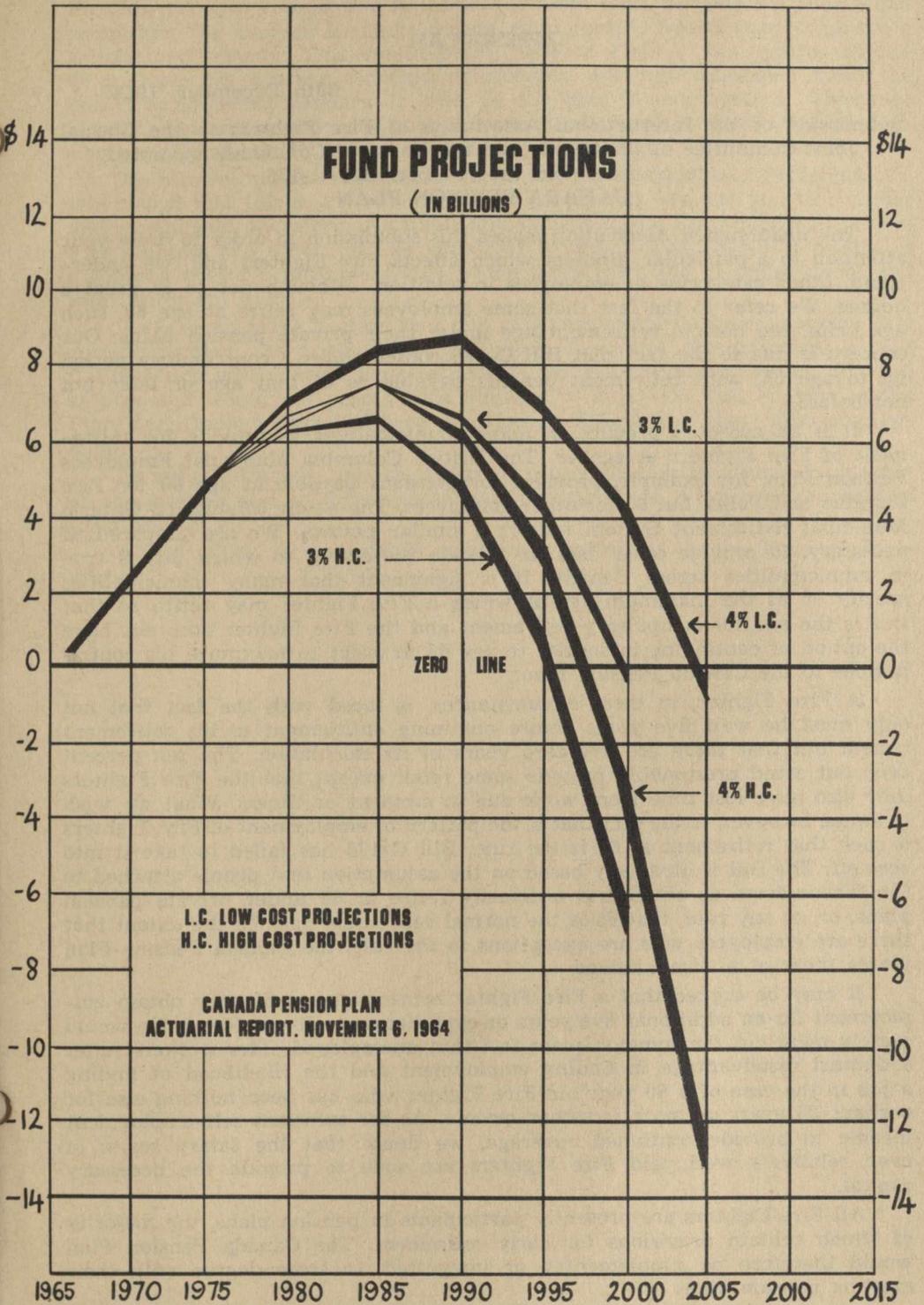
A few would chide. The vast majority, however, would applaud the Government, the Opposition and Parliament for having taken the right course of action after a full investigation of the original proposal. Not only would they admire Parliament for its courage and intelligence, but their faith in the wisdom and integrity of Parliament would be greatly enhanced.

In conclusion, I would again express my deepest gratitude to the Joint Committee for permitting me to submit this brief. I again apologize for its bluntness but sincerely hope this bluntness at least served to give purpose and directness to my views and concerns.

Yours very truly,

Edward RUSE, B.A., F.S.A.

ANNEX No. 2 TO APPENDIX A50



APPENDIX A51

29th December, 1964.

Submission of the International Association of Fire Fighters to the Special Joint Committee of the Senate and the House of Commons, appointed to consider and report upon Bill C-136,
CANADA PENSION PLAN

The undersigned Association makes this submission in order to draw your attention to a particular problem which affects Fire Fighters and, we understand, other categories of employees in addition, although not to as great a degree. We refer to the fact that some employees may retire at age 60, such age being the normal retirement age under their private pension plans. Our concern is due to the fact that Bill C-136 contemplates a contributory period up to age 65, with retirement benefits payable as of that age or later but not before.

It is an accepted practice in many municipalities to provide for retirement of Fire Fighters at age 60. The British Columbia Municipal Employees Pension Plan, for example, provides for pensions payable at age 60 for Fire Fighters and Police but 65 for other employees. The newly established Ontario Municipal Retirement System follows a similar pattern. We are prepared, if necessary, to provide other data to indicate the extent to which this is true in municipalities across Canada. It is significant that many municipalities specify 60 as the maximum age at which a Fire Fighter may retire so that this is the age for compulsory retirement and the Fire Fighter does not have the option of continuing in service to age 65 in order to maximize his contributions to the Canada Pension Plan.

A Fire Fighter, in these circumstances, is faced with the fact that not only must he wait five years before obtaining entitlement to his retirement benefit but that there are five zero years in its calculation. The ten percent drop out could presumably provide some relief except that the Fire Fighters may also have lost time from work due to accident or illness. What we wish to stress, however, is the fact that if the pattern of employment of Fire Fighters is such that retirement at 60 is the rule, Bill C-136 has failed to take it into account. The Bill is obviously based on the assumption that people attached to the labour force as employees ordinarily retire at 65 under private pension plans, or, at any rate, that 65 is the normal retirement age. To the extent that there are employees who are exceptions to the rule, the Canada Pension Plan places them at a disadvantage.

It may be argued that a Fire Fighter retiring at age 60 may obtain employment for an additional five years or even become self-employed. We would merely point out the common-place fact that unemployed older workers suffer a distinct disadvantage in finding employment and the likelihood of finding a job in the case of a 60 year old Fire Fighter who has been nothing else for perhaps 35 years or more is rather remote. As for sufficient self-employment income to provide continued coverage, we doubt that the salary scales of even relatively well paid Fire Fighters are such to provide the necessary capital.

All Fire Fighters are presently participants in pension plans, the majority of which contain provisions for early retirement. The Canada Pension Plan would therefore be supplemental, or integrated, to some degree with their existing pension plans.

An amendment to the Bill to permit the exclusion of those years that a Fire Fighter is in receipt of a retirement pension from his existing plan, when computing the average earnings during employment, would possibly prove a satisfactory remedy. This would permit a Fire Fighter who retires at age 60 to have his average monthly pensionable earnings calculated from the period commencing January 1, 1966, or the date of employment, whichever is later, and ending when he retires from employment, with a deferred pension payable at age 65 from the Canada Pension Plan.

We believe that the submissions made to you, and your own investigations, will reveal that this is a problem of some proportion. We ask you to consider and recommend, therefore, a suitable amendment to the Bill which will protect Fire Fighters and others in like situations from suffering a loss in benefit as a consequence of a retirement rule which takes them out of employment and into retirement at 60.

We wish to make it clear that our only purpose is to draw attention to a specific problem. As a generality, we are in favour of the objectives of Bill C-136 which will provide pension benefits for all workers, however, the Bill as proposed would not permit Fire Fighters to enjoy the full benefits of the Plan, even though they had been contributors throughout their total employment.

As indicated above, we are prepared to furnish additional data in support of our position and would welcome the opportunity to make oral representations as well.

All of which is respectfully submitted on behalf of the Pension Committee.

APPENDIX A52

Re: *BILL C-136*

This brief is submitted on behalf of the Chesapeake and Ohio Railway Company, Great Northern Railway Company, Midland Railway Company of Manitoba, New York Central Railroad Company, Norfolk and Western Railway Company, and Northern Pacific Railway Company.

These companies employ approximately 1,600 Canadians for their operations in Canada. Three of the railroads operate in Ontario, one in Quebec, two in Manitoba, and one in British Columbia.

All United States carriers by railroad, are required by the United States Railroad Retirement Act and by the United States Railroad Unemployment Insurance Act to include their Canadian employees under both Acts. All employees, whether members of unions or not, must be included therein. Canadians have been included since the passage of the Railroad Retirement Act in 1937. Retirement benefits received vary according to length of service and average wage. Anyone with more than ten years service is entitled to benefits. A spouse is entitled to one-half of the employee's annuity up to a limit of \$69.90 per month. Examples of typical benefits are:

1. An employee retiring in 1964 at age 65 with twenty years of service and an average monthly compensation of \$300, and with a wife alive at the time of retirement would have a pension of \$200.70 per month.

2. The same employee with thirty years of service would have a pension of \$270.60 per month. (The attached booklet explains in greater detail retirement and unemployment benefits and the method of computing both.)

Under the proposed Canada Pension Plan, there will be no benefits payable until 1967; and not until 1976 will full benefits be available. But, for the purpose of illustration, if we assume that the employee in example 1 retires in 1968 at 65 years of age, he would be entitled to \$66.00 per month. His wife could begin receiving Old Age Security payments in the amount of \$51 per month when she reached 65. Under the Canada Plan, the employee in example 2 would likewise receive \$66.00 per month.

In 1976, by which time the proposed Canada Plan would be in full effect, the employees described in examples 1 and 2 would each receive \$126 per month and their wives would be entitled to \$51 monthly under Old Age Security upon reaching age 65.

If past experience is any guide, United States Railroad Retirement and unemployment benefits will be increased in the future. An official of the United States Railroad Retirement Board recently estimated that within the next ten or fifteen years, retirement benefits for the average worker of \$300 or \$400 a month could be expected.

The United States Social Security Act has recently been amended so that many Canadian employees of American railroads who have less than ten years of railroad service, and thus do not qualify for Railroad Retirement benefits, would be eligible for U.S. Social Security at the time of retirement.

The Railroad Retirement Act also provides for death benefits in case the employee should die before retirement age.

The financial burden on U.S. railroads is considerably greater than the contributions proposed in the Canada Plan. The latter would require the employer and employee each to pay 1.8% on monthly earnings between \$50 and \$416.67. The U.S. Railroad Retirement Tax on employer and employee each has risen from 2 $\frac{3}{4}$ % on monthly earnings of \$300 in 1937, when the Act was adopted, to 7 $\frac{1}{4}$ % on earnings of \$450 at present, and is scheduled to increase to 9 $\frac{1}{2}$ % on earnings of \$450 in 1968.

The funds are administered by the U.S. Railroad Retirement Board, an agency of the United States Government. No part of the funds are under the control or management of the railroads.

In addition, Canadian employees of the undersigned railroads receive unemployment benefits pursuant to the United States statute, paid for by a tax levied on the employer only. Under this law, it is also mandatory to include Canadian employees.

These benefits are paid in cases of either unemployment, sickness or injury. For most employees, they amount to \$10.20 a day for at least 130 days. The method of computation in typical benefits is set forth in the attached booklet.

The retirement and unemployment benefits are completely portable within the U.S. railroad industry, and are coordinated with the U.S. Social Security System.

The Canadian government exempts United States railroads operating in Canada from Canadian Unemployment Insurance requirements. See Sec. 67 of the Regulations under the Unemployment Insurance Act, R.S.C. 1952, Ch. 273.

It is respectfully submitted that Canadian employees of U.S. railroads enjoy benefits greater than those that would accrue under the Canada Pension Act. If these employers and employees were to be taxed for retirement benefits under both the Canadian and U.S. Acts it would be an intolerable burden. Our understanding is that a representative of railroad employees has already made a request for exemption.

We respectfully request that The Chesapeake and Ohio Railway Company, Great Northern Railway Company, Midland Railway Company of Manitoba, The New York Central Railroad Company, Norfolk and Western Railway Company, and Northern Pacific Railway Company be exempted from the provisions of Bill C-136.

Ottawa, Ontario, December 31st, 1964.

APPENDIX A53

THE SENIOR CITIZENS' ADVANCEMENT COMMITTEE

January, 1965.

BRIEF

Presented to the Special Joint Government Committee of the Senate and House of Commons on The New Canada Pension Plan

The above Committee hail the new Canada Pensions Act as a beginning to establish orderly retirement conditions for Canadian workers, despite the fact that many citizens will not be eligible, being too young for the Old Age Pension and past the accepted age for the new plan.

Unfortunately for many tens of thousands of Canadian workers, both private and government retirement plans have come too late to include them.

Most private plans have only recently, since the '50's come into being, and are based much too low, the average retirement pension being about fifty dollars monthly. Private insurance firms are not yet prepared to provide a fully comprehensive pension plan to serve every worker in Canada.

We constitute a lost generation, and are therefore not prepared to challenge the many provisions in the New Pension Plan, except in so far as it affects the federal Old Age Pension, tying it to the cost-of-living in 1968, pension benefits and age limits.

*May we strongly emphasize that:—
We do not want the cost of living to rise.
We want it to go down.*

Price increases constitute a direct cut in pension benefits, reducing all incomes, especially of those living on private, small pensions. Cost-of-living bonuses limited to two points annually, cannot compensate for price rises.

In our opinion, the cost-of-living bonus as proposed tends to freeze the federal Old Age Pension at seventy-five dollars a month at age seventy. We strongly object to this provision, and urge that it be struck out.

We believe that the federal Old Age Pension and the new Pension plan must be adjusted upwards as the national wealth increases, at regularly spaced intervals—something to look forward to—and should be tied to the Gross National Product and taken out of politics altogether.

We urge that fully adequate provisions and arrangements be included now in the New Act to provide a basic minimum pension of one hundred dollars monthly in each pension plan. We urge that age qualifications in both plans be lowered to sixty years for women and sixty-five years for men, with full total benefits beginning at these ages.

Retirement of people in industry is governed by private interests of insurance companies, it is their standard practice to retire women workers at sixty years, and men at sixty-five, regardless of individual financial needs, mental and physical ability, thus forcing them to live in austerity until they are eligible at seventy years for the Old Age Pension—constituting a hardship to these people.

Old Age pensions were introduced in Canada in vastly different economic conditions than exist today. It was then that Old Age pensions were paid

out as charity—pitiful stipends—means-test provisions—to keep body and soul together at age seventy, when the spark of life was barely flickering, and life expectancy was much lower than it is today.

It was then a haphazard government grant, now there is a special fund built up of various percentages from income taxes, sales tax, etc. In fact the Old Age pension fund is now self-supporting with a surplus of about fourteen million dollars and growing as the wealth of the nation grows. Retirement at an earlier age will be mandatory in the not distant future, due to automation. The government already recognizes the need for lower age qualifications by providing pensions at sixty and sixty-five years with a means test, and also by paying employers to hire workers over forty-five, pointing up the difficulties that confront older workers seeking jobs.

The peoples of the world are more and more looking to their governments to make universal provisions for adequate and secure retirement. We in Canada are no exception. In the U.S.A. provisions are made for women at sixty and men at sixty-five to receive up to two hundred dollars a month. In England the age is sixty and sixty-five. In Switzerland—sixty-two, New Zealand—60, Denmark—62 and 67, U.S.S.R.—55 and 65. Some with and some without a means test. Even in China, where a few years ago, old people starved and died on the street, pensions are now given at age 50 and 55 in that enormous and over-populated backward country. Surely Canada cannot lag behind on this vital age question.

In view of the urgent economic needs of the senior citizens, it is deplorable that the Canadian government proposes to spend one billion and half dollars to expand United States made nuclear weapons abroad. This will bring no direct benefit to the Canadian economy, but is directly contrary to the best interests of world peace, disarmament and international co-operation. It is provocative in the extreme.

If this vast sum were put directly to increasing pensions and lowering age limitations, it would be spent in Canada, creating a new domestic economic boom, with a great impetus to production and employment. Every upward revision of the pension act, thereby putting more money into the hands of the people has always boosted our economy. We believe that charity begins at home, the money spent in defending and raising the living standards of Canadians at home is the best defense of all.

We believe the Canadian government will deserve and earn the lasting gratitude of the Canadian people by establishing *now* a full comprehensive system where both pensions start at one hundred dollars a month at age sixty and sixty-five years without a means test.

Respectfully submitted,

President:

Robert Hunt,
4 Bertha Avenue,
Scarboro, Ontario.

Secretary:

(Mrs) Margaret Lettice,
256 Westlake Avenue,
Toronto 13, Ontario.

APPENDIX A54

AGE AND OPPORTUNITY BUREAU

204 Donald Building, 322 Donald St., Winnipeg 2, Man.

February 1st, 1965

To the Chairman and the Members of the Joint Committee of the Senate and the House of Commons, appointed to consider and report upon Bill C-136, The Canada Pension Plan

GENERAL

1. The Age and Opportunity Bureau is a social agency concerned with older people. It is supported by the Community Chest of Greater Winnipeg, the Winnipeg Foundation and the Welfare Department of the Government of Manitoba. Its affairs are managed by a Board of Directors of twenty five volunteers and operated by two full-time and one half-time professional staff members and one full-time clerical staff member. The main functions of the Bureau are study, planning, leadership, community stimulation and representation. An information, referral and counselling service is also provided for older persons, their friends and families.

THE PROPOSED CANADA PENSION PLAN IS THEREFORE OF PARTICULAR CONCERN TO THE BUREAU AND IT HAS BEEN GIVEN CONSIDERABLE STUDY BY ITS INCOME MAINTENANCE COMMITTEE. OUR CONCERN IS FOR THE OLDER PERSON WHO, ON HIS RETIREMENT, FINDS HIMSELF WITH INADEQUATE RESOURCES FOR LIVING.

2. The responsibility of the community to the older person is fully recognized by the Bureau, as is the need for public assistance within the ability of society to provide it. In the final analysis, the productive ability of the people will determine the amount which can be used for welfare purposes. Canada has the productive capacity to meet all its welfare needs. There are needs for health services, for good housing and for education, just as pressing as the need for a comprehensive pension plan. It is important that the priority of each of these needs should be considered as well as the extent to which the provision of one will tend to alleviate the need in another. It is also important that the sense of independence, the dignity and the initiative of our people be maintained.

CONTRIBUTIONS AND BENEFITS

1. If the present Old Age Security pension provides a minimum adequate pension at the age of 70 (and we do not suggest that it does) then the proposed minimum earnings-related pension, plus the discounted Old Age Security Pension at the age of 65 do not. For example, after the end of the transition period, and assuming the Consumers' Price Index remains unchanged, the combined pension available to a single contributor at age 65 whose average annual earnings were \$800.00 will be \$66.66 per month.

2. The attempt to establish some semblance of relationship between payments made and benefits derived has not resulted in a fully earnings-related

plan. It has provided for one that is unnecessarily complex and difficult to understand.

- (a) The attempt to establish an earnings-related plan has resulted in provision for payment of benefits based not entirely on an individual's contributions and not related to his needs. The waiting periods are simply a nuisance which add to the expense of administration and serve little useful purpose.
- (b) The intention to require contributions from all who should contribute would add much to the cost of administration of the Plan, e.g. the self-employed in lower income brackets, who, at this time are not required to file income tax returns.

3. It has been estimated that there are over 1,480,000 persons in Canada today over 65 years of age. Only 9% of these will receive any benefits from the proposed Plan and these benefits will average only \$33.00 per month for each person.

RECOMMENDATIONS

1. The needs of older people should be met immediately by an extension of the Old Age Security Pension using the existing machinery.

2. The Government of Canada should determine the amount of the minimum pension required. There are regional differences in the cost of living, but the highest regional minimum recognized should be accepted as the national minimum. The Government should also determine the age at which the pension should commence. Benefits for widows, orphans and the disabled should be adjusted accordingly.

3. An appropriate reduction should be made if in the case of married persons it is found that the sum of the pensions granted under Old Age Security exceeds the minimum amount required to meet their needs.

4. Provisions should be made for adjustments in the benefits in line with any changes in the Consumers' Price Index, as provided in the proposed legislation.

5. Every person who is financially able to contribute should be required to do so as is now required through Income Tax payments. The basic exemption allowed free of Income Tax should not be lower than the minimum Old Age Security Pension.

6. The Government of Canada should determine the national needs in the areas of health, housing, education, and income maintenance and establish their priorities.

7. Bill C-136, the Canada Pension Plan, should not be adopted in its present form.

Respectfully submitted

AGE AND OPPORTUNITY BUREAU

A. C. Scott
Chairman, Income Maintenance
Committee

M. P. Michener,
President

APPENDIX A55

UNITED FISHERMEN AND ALLIED WORKERS' UNION

Headquarters: The Fishermen's Hall, 138 East Cordova Street,
Vancouver 4, B.C.

January 28, 1965.

We wish to express our appreciation to you and to the members of the Special Joint Committee for the opportunity to submit the views of our Union on the Canada Pension Plan—Bill C-136. Our Organization consists of about 9,000 fishermen, transport workers and processing plant workers employed in the production of fish and fish products in the Province of British Columbia. Collective agreements covering rates of pay and working conditions of fishermen and allied workers have been signed between our Union and the major fishing companies in B.C., united in the Fisheries Association of B.C. and between the Union and other independent companies and the Prince Rupert Fishermen's Co-operative Association.

Except for the shore plant processing workers*, we have not established any pension plans for our membership. However, we are committed by a Memorandum of Agreement signed in 1964, to discuss the feasibility and possible implementation of a pension plan for tendermen (i.e. men working on board fish transport vessels) covered by our collective agreements during 1965**. We are also in the process of working out details of an industry-wide pension plan which would include all groups of fishermen, tendermen and shoreworkers for whom our Union conducts collective bargaining. A broad outline of our proposed plan is attached hereto for the information of the Joint Committee***.

Due to the combined effect of seasonality of employment, high rate of turn-over from year to year, restrictive eligibility clauses, voluntary enrolment, and relatively low pension, our estimate is that less than half of the shore plant employees are presently enrolled in the existing pension plan. Since the fishermen and tendermen have no pension plan it is correct to state that only a tiny minority of the men and women who catch, transport and process fish in British Columbia are participants in any retirement or pension plan.

We have no hesitation in stating our support for the adoption of a comprehensive pension plan which will enable all Canadians to retire with an income which will provide a decent living standard in their declining years. Bill C-136, does not, in its present form, provide all Canadians with the degree of security in retirement which we believe to be justified and feasible. With certain basic amendments, which we will outline, we are sure the Canada Pension Plan will receive overwhelming support from the working people of Canada.

Before stating our views on such needed amendments to the basic terms of the Plan, we wish to submit information and recommendations regarding the inclusion of commercial fishermen. Commercial fishermen are workmen, in

* (Appendix I—Excerpt from Fresh Fish & Cold Storage Master Agreement setting out basic terms of Pension Plan—see Article XXI—appendix

** (Appendix II—Memorandum of Understanding—Tendermen

*** (Appendix III—Draft—B.C. Fishing Industry Pension Plan

fact. They earn their livelihood by a combination of hard manual labour and skills acquired in the operation of boats and gear. The work is dangerous, exacting many lives every year in the harvest of Pacific and Atlantic fishery resources. Most Canadian fishermen are employed in catching and transporting fish by large or small fishing companies. A minority are members of producer co-operatives in which they share ownership of transport and processing facilities.

Workmen's Compensation Act of B.C.—Status of Commercial Fishermen

The position of commercial fishermen under provincial and federal legislation varies considerably. The Workmen's Compensation Act of British Columbia, for example, treats fishermen as workmen and employees of the fishing companies and of the co-operatives whereas other fishermen are treated as "independent operators". The line of demarcation appears to be as follows:

- (a) A "fisherman shall be deemed to be an employee within the Act, who uses a boat and gear, or boat supplied by the Cannery". The regulations further provide that "Where an employer hires the boat of the workman the workman shall be deemed to be an employee fisherman."
- (b) Any fishermen not coming within the definitions stated in (a) above may obtain Workmen's Compensation coverage as "not being an employer or a workman but performing work of a nature which, if he were a workman, would be within the scope of" the Part of the Act which admits "independent operators."

An individual fisherman may, during one year, be classified as a "workman" then be treated as "independent operator" and then return to the status of "workman". This may happen where he begins the calendar year as a herring fisherman, spends the spring and early summer fishing halibut, then goes salmon seining for the late summer and early autumn and winds up the year fishing herring.

Some fishermen may do all of their fishing in the category of "workmen" while others do all or most of their fishing in the artificial status of "independent operators."

When a fisherman suffers an industrial accident causing loss of employment or when a fisherman dies at sea, these "legalistic" interpretations immediately become extremely important. If he was, at the time of accident or death, classified as a "workman" then automatically he or his widow or orphaned children would be entitled to benefits because the fishing company for whom he was catching fish or the co-operative to which he belongs is required under the Act to have paid the regular assessments levied upon the fishing industry by the Compensation Board. Unfortunately, if accident or death occurs when he is classified as an "independent operator" any payment of benefit depends upon whether the individual fisherman had voluntarily, and in advance, paid an assessment covering this period of his work as a fisherman.

The anomalies and hardships created by such "legalistic" lines of demarcation are too numerous to be listed in this brief. In many instances they could be classified as a prime example of "man's inhumanity to man.". We can state that our Union is actively campaigning, both by submission to a Commissioner investigating the B.C. Workmen's Compensation Act and to the Government of the Province of B.C., for amendments to the Act which would:

- (a) Add to the definition of the term "workman" the words "and in respect of the industry of fishing, a workman shall include every commercial fisherman."
- (b) Add to the definition of the term "employer" the words "and in respect of the industry of fishing an employer shall include every

person, licensed under the Provincial Fisheries Act, who purchases fish from or acts as agent in the sale of fish for a commercial fisherman."

- (c) We further propose that a "commercial fisherman" be defined as a "fisherman who is legally engaged in fishing—as a means of livelihood and who supplies fish to a person licensed under the Provincial Fisheries Act."

These amendments would, if adopted, remove the anomalies and return to a condition wherein all commercial fishermen in B.C. would be protected by the Workmen's Compensation Act, with the fishing companies paying the necessary industry assessment. We specifically mention a *return* to a condition, because in 1916 when the B.C. Workmen's Compensation Act was first passed, it was applicable to "employers" and "workmen" in the industry of "fishing." In those years, almost all the boats and gear were owned by the fishing companies. The legal relationship was, unquestionably, that of employer and employee, with payment for fish caught being made in cents per pound (i.e. at piecework rates).

Today, all herring seine fishermen are covered as "workmen" under the B.C. Workmen's Compensation Act." They are paid a piecework rate expressed in dollars and cents per ton of herring caught. (e.g. the 1964-65 Union Agreement provides for a payment of \$14.48 per ton or \$1.81 per man per ton on an 8 man seiner). There are about 850 B.C. fishermen engaged in this fishery.

All salmon seine fishermen are covered by Workmen's Compensation as "workmen". They are also paid on piecework rates calculated by first multiplying the pounds of salmon caught by the rates per pound negotiated in the Union contract to arrive at a gross landed value; then deducting fuel and lubricating oil expenses; then deducting 36.36% as a boat and net share, and then deducting from the remaining balance, the cost of food consumed, and dividing what is left by the number of men employed on the vessel. About 2,500 B.C. fishermen are employed as salmon seiners.

A small minority of salmon gillnetters, using boats rented from the companies are also treated as "workmen". The vast majority of gillnet fishermen, although they are covered under the same trade union agreement as seiners, are classified as "independent operators" under present Compensation regulation. This is because they operate boats which they "legally" are considered to "own" but which are invariably mortgaged heavily to the fishing companies. Salmon gillnetters i.e. those regularly employed in the fishery, number approximately 3,500.

Salmon trollers are all classified as "independent operators" regardless of their mortgages or other contracts which, in many cases, compel delivery to a particular company. They would number approximately 4,500.

Halibut fishermen, who may be employed on vessels with crews of from 3 to 10 men, as well as those employed on small 1 or 2 men boats, are all classed as "independent operators". Their remuneration is calculated by deducting from the gross landed value; a boat share of 20%; the expenses of ice, fuel, bait, replacement of fishing gear and food and then dividing the balance by the number of men employed. About 1,500 men are engaged in this B.C. fishery.

Fishermen employed in trawling for flatfish and cod, crab fishermen, shrimp fishermen, etc., are all classified as "independent operators". Numerically, they represent a small minority as the three major B.C. fisheries are for salmon, halibut and herring.

It appears obvious to us that the present mess should be cleaned up by amendments which treat all fishermen as workmen and employees and

which require the fishing companies and co-operatives to pay the needed assessments as part of the cost of production. Nevertheless, the fishing companies, in order to save themselves a cost equal to about 2% of the estimated income of the fishermen who are not now classified as "workmen", are desperately trying to stop progress. If they could get their way they would eliminate all assessments on the companies and force all fishermen to pay for compensation coverage.

Our experience with these companies in the negotiation of welfare plans and medical plans for fishermen convinces us they will resist every progressive measure. Strike action or the near proximity of strike action brought about welfare plans, providing death benefits to widows and orphans and shipwreck benefits to fishermen who lost personal belongings in a fire or sinking. Only last fall our herring fishermen were forced to strike to achieve a medical plan paid for by equal contributions from fishermen and the companies.

Unemployment Insurance Act—Status of Commercial Fishermen

In 1940, when the first Unemployment Insurance Act was adopted, all fishermen were excluded. It made no difference whether they were "employees" or "self-employed". Of course, many other "seasonal" industries, such as logging, longshoring and water transport were excluded because the hazards of unemployment in the off-season were considered too great a risk to be insurable.

By 1956 these other jobs had been included. The Federal Government then decided to include commercial fishermen. In doing so, the Government did not impose any "legalistic" dividing line between fishermen. Regardless of whether the legal fraternity would classify them as "workmen", "employees", under a "contract of service" or as "independent operators", "sharesmen", "adventurers" or "self-employed" the Government treated all fishermen as employees of the companies or co-operatives or persons responsible for processing the fish. Likewise, all persons, inclusive of fishing companies and co-operatives, with whom fishermen entered into contractual or commercial relationship, were classified as "employers" of the fishermen.

Section 29 (2) of the Unemployment Insurance Act now reads: "Notwithstanding anything in this Act, the regulations made with the approval of the Governor in Council under Section 26 for including employment in fishing in insurable employment may, for all purposes of this Act, provide for

- (a) including as an insured person any person who is engaged in fishing (hereinafter called a "fisherman"), notwithstanding that such person is not an employee of any other person;
- (b) including as an employer of a fisherman any person with whom the fisherman enters into contractual or other commercial relationship in respect of his occupation as a fisherman; and
- (c) all such other matters as are necessary to provide unemployment insurance for fishermen".

The Federal Government took a practical step towards social justice by including all fishermen as "employees" and all companies and co-operatives as "employers". Our Union naturally pressed for, and supported, this action. At the time the fishing companies in B.C. did not oppose universal inclusion of all fishermen under the Unemployment Insurance Act.

We did propose measures which would have brought more contributions from fishermen during good seasons and either no benefits or restricted benefits in the off-season immediately following such good seasons. Our proposals would have, in general, increased the income and reduced the payment of benefits with a resultant improved balance, at least in cases where average earnings of fishermen were good. However, our proposals were ignored.

The Fisheries Council of Canada, in a Brief to the Gill Commission of Inquiry on October 18, 1961 stated: "Experience has shown that the Act and Regulations designed for payroll workers, and the actuarial basis of the Unemployment Insurance Fund, obviously cannot provide off-season benefits of self-employed fishermen. However, we realize that it would be difficult to now withdraw Unemployment Insurance from this group—and we do not advocate such a drastic step." "Therefore, it is our opinion that some additional provision must be made to provide the funds to finance these benefits. We propose that when the contributions made by, and on behalf of fishermen, are no longer sufficient to provide the benefits, that the Unemployment Insurance Fund be supplemented by the necessary additional financing from the general revenues of the Government."

Since then the Fisheries Council of Canada, which also represents the B.C. Fisheries Association, has indicated support for certain recommendations of the Gill Commission designed to once again exclude fishermen from the Unemployment Insurance Act. In our opinion, the major reason for this attack by the fishing companies on the right of fishermen to a minimum of social justice, is either a matter of "actuarial stability" or "legal principle". The real reason cannot be found in the Company Briefs or even in their verbal submission. We have come to the only logical conclusion that fishing companies are using every conceivable line of argument to avoid paying the employer's portion of the cost of Unemployment Insurance, just as they call for elimination of the employer's cost of Workmen's Compensation coverage for fishermen. Undoubtedly, these fishing companies will seek to avoid any contribution toward the Canada Pension Fund in respect of fishermen engaged in supplying the new materials (i.e. fish) to their factories.

Canada Pension Plan—Bill C-136—Status of Commercial Fishermen

Bill C-136 does not clearly indicate to us whether fishermen will be classified as "employees" or whether the fishing companies and co-operatives will be deemed "employers" of fishermen. *Section 2 Definitions* indicates an "employer" (p) "means a person liable to pay salary, wages or other remuneration for services performed in employment"—. "Employment" is defined as "the performance of services under an express or implied contract of service"—.

Consequently, if no other definitions are added to the Act, commercial fishermen will face one of two basic alternatives. Where the "contract of service" is indisputable they may be classified and treated as "employees" engaged in "pensionable employment". For such fishermen the cost of the Canada Pension Plan will be 1.8% of their income within the prescribed minimum and maximum limits. The other 1.8% contribution will be paid by the fishing companies.

Where the existence of a "contract of service" can be successfully challenged by the companies, the fishermen may end up by paying the full 3.6% cost of the Pension Plan out of their own pockets. We are convinced the Companies will, to save themselves the cost of this 1.8% contribution, use every legal technicality in the book to deny the existence of employer-employee relations with fishermen.

It is noted that Section 7 (1) (d) provides power for the Governor in Council to make regulations for the inclusion in pensionable employment of the "performance of services for remuneration if it appears to the Governor in Council that the terms or conditions on which the services are performed and the remuneration is paid are analogous to a contract of service, whether or not they constitute a contract of service." This, we presume, would enable the Cabinet to include all commercial fishing within "pensionable employment".

On the other hand, Section 7 (2) (d) provides the Cabinet with wide powers to exclude from "pensionable employment" persons whose "work performed—in that employment is similar to the nature of the work performed by persons employed in employment that is not pensionable employment." Section 7 (2) (e) permits the Cabinet to exclude persons from "pensionable employment" where "the services are performed and the remuneration is paid in a manner analogous to the earning of income from the carrying on of a business."

There is a high degree of similarity in the general principle, as well as the text, of the provisions of Section 7 of Bill C-136 and Sections 26 and 28 of the Unemployment Insurance Act. Section 26 (d) of the U.I. Act enables the Commission, with the approval of the Governor in Council to include in insurable employment "any employment if it appears to the Commission that the nature of the work performed by persons employed in that employment is similar to the nature of the work performed by persons employed in insurable employment." Likewise, the Commission may, with Cabinet approval exclude from insurable employment under 28 (d) "any employment, if it appears to the Commission that the nature of the work performed by persons employed in that employment is similar to the nature of work performed by persons employed in employment that is not insurable."

The foregoing similarity of language is obvious. The extent of these powers are set forth in the Unemployment Insurance Act and the proposed Canada Pension Plan Bill C-136 in identical terms. The U.I. Act states in Section 29 (1) "A regulation made under 26 or 28 may be conditional or unconditional, qualified or unqualified, and may be general or restricted to a specified area, a person or a group or class of persons,—". Exactly the same words are used in Section 7 (3) of Bill C-136 to define the extent of authority to decide whether certain persons will be included or excluded from the list of "pensionable employments".

Perhaps we should presume that since the powers of the Cabinet are identical there will be identical regulations in respect of commercial fishermen. Since all commercial fishermen in Canada are deemed to be employees engaged in suitable employment, and since all fishing companies and co-operatives are deemed to be employers of commercial fishermen, then it is axiomatic the Cabinet will include all fishermen within pensionable employment and require the fishing companies and co-operatives to make the regular employer's contributions, as well as the deductions from the fishermen payable to the Canada Pension Plan.

However, the Unemployment Insurance Act contained wide powers for inclusion of fishermen long before they were, in fact, included. Fishermen were included only when a new Section 29 (2) (a) (b) and (c) was added by amendment to the Act extending unemployment insurance to fishermen. We cannot, therefore, presume that the mere existence of authority will result in action by the Governor in Council classifying all commercial fishermen as being engaged in "pensionable employment".

On December 28, 1964, we received from the Minister of Fisheries a "Non-official document" which he said we could quote and use, bearing in mind it is not official. It is entitled "*What the Canada Pension Plan Means to the Fishermen.*" We quote below the sections dealing with *Coverage and Collections*:

"Coverage

Compulsory for almost everyone—including fishermen, both self-employed and employees.

Bill C-75 had made it voluntary—though too hard to reach administratively. However, the following developments occurred:

- (1) Quebec Plan was compulsory for all.

- (2) Some provincial premiers feared voluntary plan would exclude many who needed coverage most.
- (3) Canadian Federation of Agriculture asked for compulsory coverage for farmers.

So, Bill C-136 covers self-employed compulsorily provided they make over \$800 a year; that is, \$200 is the minimum earnings subject to contribution, and \$7.20 is the minimum annual contribution.

Net earnings are defined as Gross Earnings from fishing operation less all expenses of operating boat; the remainder is profit or net earnings subject to taxes (before personal deductions).

Fishing employees are covered if they earn over \$600 a year. Some short-term fishing employees will be excluded. Unless a man works for more than 25 days for one employer and earns more than \$250 from him, he is excluded from contributing to the plan for that employment.

Collections

The contribution rate is 3.6% on earnings from \$600 to \$5,000; therefore \$158.40 is the maximum contribution for a self-employed person for a year. (It will be deductible from his taxable income).

For his employee, the fisherman pays 1.8 per cent of earnings from \$600 to \$5,000. This contribution, together with the employee's contribution (i.e. 3.6 per cent), is to be sent by the fisherman to the Department of National Revenue. This fisherman's share is deductible as an expense of his fishing operation.

Income Tax Machinery issued for collections:

the fisherman is to send in monthly the amounts deducted from his employees, plus the employer share.

T-4's will annually show for whom the deductions were made.

annually or quarterly the fisherman makes his own contribution as a self-employed person, using the same form as for his own income tax.

It is recognized that if net earnings are under \$2,000 (married) or \$1,000 (single) they are not subject to income tax. Therefore, a special simplified form will be developed for the low income groups among the self-employed.

Since the \$600 basic exemption is equivalent to \$50 a month, a fisherman would only contribute on the wages of his employees that are over \$50 a month.

Refunds will, of course, be made to employees if they overpay their contribution in any year."

While the foregoing refers to "fishermen, both self-employed and employees" the emphasis on fishermen as employers and lack of any reference to fishing companies as employers leads us to believe the following may be intended by the person who drew up the original document:

(a) That all fishermen who own boats, whether such boats are financed by or mortgaged to fishing companies or not, will be classed as self-employed.

(b) That fishermen who do not own boats will be classified as employees of the owners of the boats on which they are fishing.

(c) That all contributions and deductions on behalf of fishermen will be made by fishermen, either as self employed persons or as employers of other fishermen. Where a fishing company owns the fishing vessel it is not clear whether the captain of the vessel would be classified as a self employed fisherman or whether the company would be considered as his employer by virtue of vessel ownership.

(d) That fishing companies and co-operatives which purchase and/or process fish *are not* deemed to be employers under Bill C-136 Canada Pension

Plan, regardless of precedent established in the Unemployment Insurance Act or their similarity to other employers of persons paid on a piecework basis.

We are opposed to any regulation which absolves the fishing companies of their responsibility for a contribution toward the Canada Pension Plan and which places the full burden of cost on the fishermen. We, therefore, favour an amendment to Bill C-136 to provide for:

(1) Inclusion of all commercial fishermen in the definition of employment considered to be pensionable employment, notwithstanding that some fishermen may not appear legally to be employees.

(2) Inclusion as employers of fishermen any fishing company, co-operative or person with whom fishermen enter into contractual or other commercial relationship in respect of their occupations as fishermen.

(3) All such other matters as are necessary to provide that commercial fishermen are included in the Canada Pension Plan with the normal employer's share of the contribution being paid by the fish processing companies and co-operatives.

Our basic reasons for these proposals may be summarized as follows:

(1) The fishermen of Canada earn their livelihood in the catching of fish which constitutes the raw material for the fish processing industry of Canada. The relationship of fishermen to the fish processing industry is an employee-employer relationship, even where strictly legal interpretations may indicate some other relationship.

(2) The fishing industry of Canada (i.e. fish processing concerns taking delivery of raw fish from fishermen and processing and distributing it) is well able to afford the employer's contribution to the Canada Pension Plan in respect of fishermen. The industry is already geared to handle the practical problems involved in calculating and forwarding contributions, as a result of experience in dealing with Unemployment Insurance for all fishermen and Workmen's Compensation covering large numbers of fishermen.

(3) The commercial fishermen of Canada are workmen in fact, earning on an average, less than their fellow workers employed in shore-based industries. Fishermen cannot afford to pay the full cost of a pension plan and should no more be compelled to do so than loggers, miners or other workers engaged in primary production.

(4) Failure to compel the companies in the fishing industry to contribute toward the Canada Pension Plan in respect of earnings of fishermen would amount to an act of favouritism toward the fishing companies. It would relieve them of an obligation which other employers are compelled to assume. By the same token, such a failure would be an act of discrimination against the fishermen of Canada inasmuch as they would be compelled to shoulder double the pension costs borne by other industrial workers.

(5) The Unemployment Insurance Act provides a clear cut precedent in Federal legislation for treating fishermen as employees of the fishing companies and co-operatives which process and distribute fish. We know of no valid reason for departing from this procedure in writing legislation establishing the Canada Pension Plan.

Before concluding this part of our submission it should be noted that a fishing company must pay the regular employer's contribution on earnings of company officers or directors. An examination of yearly stipends and general remuneration of such persons would quickly reveal the fact that their average pay is many times the average pay of the fishermen. The head of a fishing company who earns \$100,000 or even \$1,000,000 per year will pay \$79.20 as his annual contribution, an equal sum being paid by the company. Surely, there is no

justice in requiring a fisherman who has earned \$5,000 to pay \$158.40 while the company pays nothing. There is even less justice in compelling a fisherman whose annual earning is only \$2,800 to pay \$79.20 into the Pension Plan while the fishing company which profits from processing and distribution makes no contribution.

In substantiation of the above, we would refer you to the publication of the Department of Fisheries entitled, "A review of the Fishing Earnings of Salmon and Halibut Fishermen in British Columbia, 1957 and 1958." According to Table 19 of that publication, 9,255 fishermen engaged in salmon fishing in 1957, and earned an average net income of \$1,497. 1958 was a record year for salmon fishing, and yet in that year 11,062 fishermen averaged only \$2,466. In that same year, *Taxation Statistics* shows that 4,671,106 persons classified as "employees", including both taxpaying and non-taxable employees, reported average earnings of \$31.95 to the income tax authorities. Thus, in their best year, salmon fishermen averaged only 77 per cent of the average earnings of "employees".

It would, therefore, be grossly unfair to treat fishermen on the same basis as self-employed business and professional people for the purposes of the Canada Pension Plan. On the contrary, they are even more than other categories of workers, in need of the benefit of employer contributions.

Fishermen face all possible hazards in harvesting the fishery resources upon which our Canadian fishing industry has grown and profited. We urge all members of this Joint Committee to bear in mind the difficulty of figuring the lives of fishermen lost at sea into the price of a pound of fish on the market. The White Paper issued by the Government in 1964 said the Canada Pension Plan "is designed to extend social insurance protection to people in retirement, to widows, orphans and the disabled. It will be a basic part of Canada's social security system". Unless the amendments we have proposed are adopted the effect of this fine aim on the majority of Canada's fishermen will be to force the greatest burden of cost on those least able to pay.

In our opinion, the full burden of cost of the entire Pension Plan should be levied on industry rather than compelling working people to pay half the cost. Industry can well afford to pay. Certainly, there is no excuse, in any industry or in part of any industry for reversing the general principle to the point where the working people pay the whole cost while industry escapes payment.

Exemption re persons employed less than 25 working days or less than \$250.00.

We note that Section 6 (2) (a) excepts employment in "agriculture horticulture, *fishing*, hunting, trapping, forestry, logging or lumbering" where the employee receives "less than \$250.00 in such remuneration" or where the employee is engaged "for a period of less than 25 working days in a year."

While there may be some justification for a cash limitation in respect of employer contributions we cannot understand why such exception is made only in respect of certain industries. Since the Plan is portable we believe all employers in all industries should be required to contribute equally.

The exceptions could work against substantial numbers of workers who are forced to move from one job to another for very short periods of employment.

A "period of 25 working days" often constitutes the entire employment of wage-workers employed on fish transport vessels (i.e. tendermen) and in certain isolated fish plants. Wages earned in such 25 day periods could range from \$605.50 for a cook deckhand to \$813.00 for a captain employed in fish transport for 25 working days. While these daily wage rates may seem unusually good, we should point out there are no hourly controls in effect, consequently these men may put in 18 or 20 hours each working day. Board rates are in addition to these wages, so the sums indicated would be considered "cash remuneration". In

isolated fish canneries, where one basic crew may work excessively long hours, for a short season, similar earnings for periods of 25 days or less are realizable.

We would, therefore, recommend elimination of the limitation based on a specified number of working days, or as an alternative cutting the number of days to 5.

Likewise, we would recommend elimination of the cash limitation or as an alternative cutting it to \$100.00.

General Provisions

In general, the United Fishermen and Allied Workers' Union takes the position, in common with many other unions, that the Canada Pension Plan represents an important step forward in the social security program of the Canadian government, and as such is worthy of support, but that it is open to criticism in some of its provisions.

Means Test

One of the great advances in pension legislation in this country occurred in 1950 when the Old Age Security pension was made payable to all at age 70 as of right, with the former means test being abolished. A benefit which is conferred on the basis of a means test takes on the character of charity and is an affront to the dignity of our working people.

If it is feasible and appropriate to grant a flat rate pension such as the old age security pension without a means test, it should be doubly so in the case of a contributory, earnings related pension, where the recipient is deemed to have purchased it with his lifetime contributions. In such a plan, all of the degrading aspects of charity should disappear.

It is, therefore, distressing to find that in at least two of the provisions of the Bill, the means test reappears, in one form or another. We refer to Section 68, which provides that a certain level of post retirement earnings may disqualify a person from receiving his pension, and to Section 62, where survivor's benefits are made dependent upon the marital status of the beneficiary.

It appears to us that where a pension is purchased by lifetime contributions, all need for such restrictions should disappear. The benefit should be deemed to have been bought and paid for, and therefore to be at the disposal of the beneficiary as freely as an insurance company annuity.

Delayed Benefit

We agree with those submissions which have stressed the fact that the full benefit of the plan is too far in the future. Perhaps a quarter of a century hence a point will be reached where all retired people will enjoy the level of security which is to be provided by the combined effort of the Old Age Security Act and the Canada Pension Plan. In the meantime, a hiatus will arise between the circumstances of persons retired on that basis, and the surviving pensioners retired on old age security pensions only, or on the partial benefits payable to those retiring between 1967 and 1976. Notwithstanding the projected cost of living adjustments, which are likely to be picayune, the flat \$75.00 benefit is likely, in the context of income and pension standards of 1976, to represent an extremely penurious standard of living. Indeed, in 1965, it already represents, in the judgment of the Province of British Columbia, \$25.00 per month less than a subsistence minimum.

There were, in 1961 (a) 904,000 Canadians over 70 years of age including (b) 227,000 who were over 80. With appropriate increase for the growth and aging of the population during the next decade, these figures will indicate (a) the number of people who in 1976 will be retired with less than the full benefit of the Plan, and (b) those who will still be limited to \$75.00 per month, in contrast to the income and pension standards then prevailing.

Variable Results

Most discussion of the Canada Pension Plan has been in oversimplified terms based on the *maximum* level of benefits. Much discussion has taken place concerning the adequacy of a total pension of \$179.00 per month, overlooking the fact that this combined total would be available only to those whose lifetime earnings have averaged \$5,000.00—which is *not* the typical Canadian income.

Suppose we consider the (exceptionally high) 1958 earnings, as typical of salmon fishermen's average lifetime earnings.

We have already quoted this figure at \$2,466. The resulting earnings-related pension would, therefore, be \$616.50 per annum or \$51.37 per month. Combined with the Old Age Security Pension this is only \$126.37, even after the full scale of benefits becomes available in 1976.

It may be confidently predicted that there will be many more circumstances in which even the normal benefits, to say nothing of widow's benefits, and disability pensions, may be equally inadequate.

Minimum Pension

It would, we think, be entirely reasonable to propose that the full scale of benefits become payable in the first year of operation, instead of being gradually implemented over a ten year period. At all times during this century there will be in the plan some element of pensions for the elderly being paid for by the contributions of the young. We see nothing wrong with this, and fail to understand why in the implementation of the principle, the bill should discriminate between those reaching pension age before and after 1976.

However, another approach may perhaps be more effective in dealing with both of the problems raised above, namely the low pensions of those retiring prior to 1976 and the low pensions resulting from inadequate earnings. This approach is to establish a basic "floor" for all who qualify for pensions, irrespective of the year in which they retire. In our proposals to the fishing industry for an industrial pension plan, we have proposed a floor of \$125.00 per month, and we think this would be a reasonable minimum for the Canada Pension Plan (including Old Age Security Pensions) as well.

Financing of Pensions

There is a spurious neatness of logic in the formula which relates contributions and benefits to earnings, dividing the contributions equally between employer and employee.

That approach also, however, poses some threats to the basic objections for providing a decent level of security for all. The increasing productivity of the country is not necessarily reflected in wage-earnings, and most certainly will be very unevenly reflected as between varying segments and strata of the population.

Automation, which will be the decisive factor in raising national income in the future, may produce spectacular incomes for some people, but will almost certainly produce disastrous consequences for others. One need only consider the situation in a one-industry community where production becomes automated, with the result that total production and income is at an all-time high, but the population is more or less permanently reduced to living on social welfare (e.g. some of the U.S. coal mining communities). Here we would have the means for supporting a high level of security, but an earnings-related pension would yield virtually none. Then, in the event that automation yields high production and little employment, pension plan revenues would, nevertheless, grow and the minimum pension provision which we have outlined

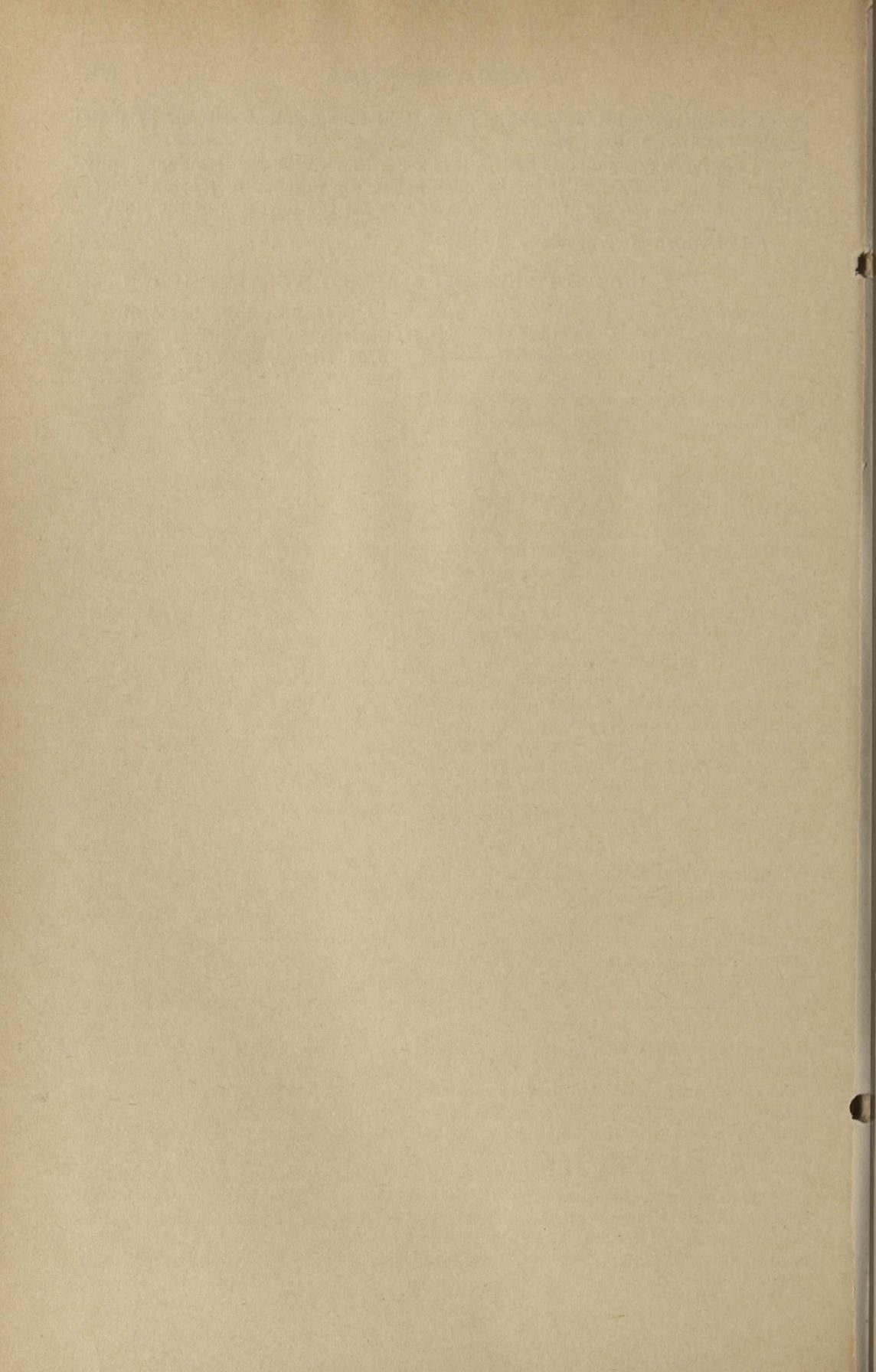
above would protect the working force from being automated out of their pensions as well as their jobs.

In conclusion, we wish again to thank the Committee for this opportunity to present our views, and to stress, once again, the urgency of placing fishermen on an equal footing with other employees for the purposes of the Plan.

All of which is respectfully submitted.

UNITED FISHERMEN & ALLIED WORKERS' UNION

H. Stavenes, President
H. Stevens, Secretary-Treasurer
J. H. Nichol, Business Agent



HOUSE OF COMMONS
Second Session—Twenty-sixth Parliament
1964-1965

SPECIAL JOINT COMMITTEE OF THE SENATE
AND OF THE HOUSE OF COMMONS

Appointed to Consider and Report upon Bill C-136, An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors.

*Joint Chairmen: Senator Muriel McQ. Fergusson
and Mr. A. J. P. Cameron (High Park).*

MINUTES OF PROCEEDINGS AND EVIDENCE

(Meetings held during the adjournment of the Senate and of the House of Commons, as of January 12, 1965.)

No. 23

THURSDAY, FEBRUARY 4, 1965
FRIDAY, FEBRUARY 5, 1965

WITNESSES:

Dr. Joseph Willard, Deputy Minister of Welfare, Dr. P. M. Ollivier, Parliamentary Counsel, and Messrs. D. Thorson, Assistant Deputy Minister of Justice, D. Sheppard, Assistant Deputy Minister of National Revenue, E. E. Clerke, Chief Actuary, Department of Insurance, D. Hart Clark, Director of Pensions and Social Insurance Division, Department of Finance.

INCLUDING CORRIGENDA

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

MEMBERS OF THE COMMITTEE FOR THE SENATE

Honourable Senator Muriel McQ. Fergusson, *Chairman*,
and Honourable Senators:

Blois	McCutcheon
Boucher	Smith (<i>Queens-Shelburne</i>)
Croll	Smith (<i>Kamloops</i>)
Denis	Stambaugh
Flynn	Thorvaldson
Lefrançois	

MEMBERS OF THE COMMITTEE FOR THE HOUSE OF COMMONS

Mr. A. J. P. Cameron M.P. (*High Park*), *Chairman*
and Messrs.:

Aiken	Laverdière
Basford	Leboe
Cantelon	Lloyd
Cashin	Macaluso
Chatterton	Monteith
Côté (<i>Longueuil</i>)	Morison
Enns	Munro
Francis	Perron
Gray	Prittie
Gundlock	Rhéaume
Howe (<i>Wellington-Huron</i>)	(Mrs.) Rideout
Knowles	

(Quorum 10)

Maxime Guitard,
Clerk of the Special Joint Committee.

CORRIGENDA
(See Issue No. 2)

Page 125: 5th line from bottom: the word "or" following "of course" should be deleted. The phrase should read "at any time, of course, subject to a notice, of 10 years initially,"

Page 126: 5th and 6th lines from top: the word "considerable" should read "comparable"

Page 126: Long paragraph on lower part of page: there should be a period after "concerned" near the end of the 2nd line; and the new sentence should begin: "But some workers are under federal jurisdiction, and this certainly applies in the case of..."

In the 4th line of same paragraph "assets" should read "agencies". That is, it is "crown agencies and such other organizations".

In the 8th and 9th lines, "for" should be "after"; there is no "the" before "other provisions"; "met" should be "made"; and there is no comma after means. That is, the whole phrase should read "that agreement would cease to be operative after the two-years-plus notice period, and then other provisions would have to be made regarding workers under federal jurisdiction, whatever that means in respect of pensions".

(See Issue No. 4)

Page 202: last line on page: "1.009" should read "100.9"

Page 203: Delete line at top of page as it is the last line on previous page.
2nd line on page: "1.014" should read "101.4"

Long paragraph near top of page: in the second part of the first sentence, an essential "it is the same index" is omitted after "that is"; the "less" and "more" are reversed; "but" is missed out at the end of the 3rd line and wrongly inserted at the beginning of the sentence in the 4th line. The whole thing should read: "that is, it is the same index if the increase from one year to another is enough to be more than one per cent but less than two per cent. Any change..."

4th line from bottom of same paragraph: ".14" should read "1.4". Also, the phrase about the "further .5" is wrongly placed; it should be in the previous line. The whole thing should read: "if the consumer price index has gone up by .9 per cent compared with the previous year, then the following year it goes up by a further .5, then the pension index has to be adjusted in order to match the consumer price index. The total increase is 1.4, and this..."

Pages 203 and 204: Paragraph at bottom of p. 203 and top of p. 204. In the 1st line, "because" should read "except that"; in the next line, "less" and "more" should be inverted; at the top of p. 204, "When" should read "While"; "been" should read "to be"; there should be no "full"; "be because it is" should be "become so as"; and "or" should be "to". The paragraph thus should read:

"Quite, but it is the same, except that in order to be the same it would have to be increased by more than one or less than two per cent, in the following year. While it has to be the same as in the relevant year, it can only become so as a reflection of the one per cent to two per cent variation."

Page 205: Last paragraph, 9th line: Delete the word "set"; insert "comma" after "116.5"; there should be a "period" after "1952". The phrase should read: "namely 116.5, opposite the year 1952."

10th line: Delete the phrase "and call it one."

Page 206: 10th line from top of page: "for" should read "at". Phrase should thus read "Similarly, 1959 is set at two per cent. . .".

12th line from top of page: insert the word "for" after "pension index". Phrase should thus read "The pension index for 1960. . .".

5th line, 2nd paragraph: insert the word "for" after "determined", and a "comma" after the word "years". The phrase should thus read "determined for each of these years,"

Page 209: 3rd line from top of page: the word "higher" should read "lower". The phrase should thus read "year, then the pension index will be lower, as Mr. Knowles has pointed out."

Page 210: 2nd line, 2nd paragraph from bottom: the word "in" should be deleted. Phrase should read "earnings ceiling itself. . .".

Last line on page: "\$4,842-\$4,699" should read: \$4,840 to \$4,699"

Page 211: 2nd line from top of page: "enumerator" should read "numerator"

8th line from top of page: "Bill No. 375" should read "Bill No. C-75".

17th line from bottom of page: "earnings index" should read "earnings ceiling".

(See Issue No. 5)

Page 251: line 45: "contribution" should read "earnings". Phrase should read "If he had an earnings of more . . ."

Page 257: 3rd line, top of page: The phrase "at age 65" should be inserted after the word "pension". Sentence would thus read: "If an employee retires before the age of 65 he automatically goes on pension at age 65."

(See Issue No. 9)

Page 458: 8th line, top of page: This line reads "and that would be about .2 per cent." This should be changed to read "and that would be about .5 per cent for all three departments previously referred to or roughly .2 per cent for the Department of National Health and Welfare.

(See Issue No. 11)

Page 563: In the last line, the reference to the year "1964" should read "1966".

Page 575: The first line of Mr. Bryce's statement: the word "of" should be "or".

Page 578: In Mr. Bryce's statement in the second half of the page in the 2nd line the word "Canadian" should read "Canada".

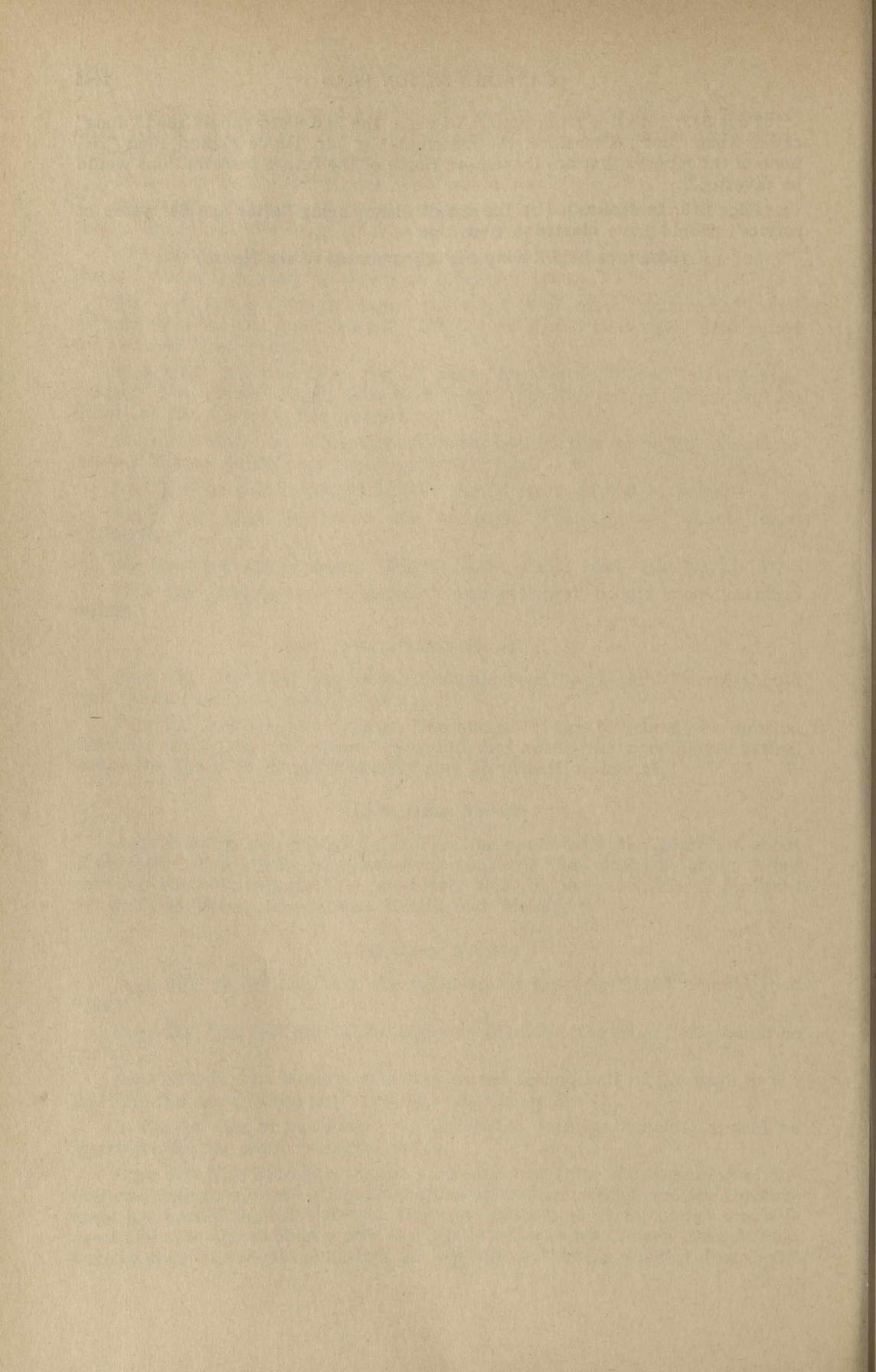
In the 1st line of paragraph (a) the words "pension benefits" should be inserted after the word "superannuation".

Page 579: The following sentence was omitted from the beginning of the first complete paragraph—"This Committee also recommended and the Government has agreed that, if a former employee decided to go into other employment after the age of 65 in a way that would enhance his Canada Pension Plan benefits then this should not affect the adjustment formula which I described."

Page 582: 15th line from bottom of page: the 2nd word should read "none" rather than "not". Therefore, the statement by Mr. Bryce should read "No, none of the moneys that are there now. Some of the future contributions would be diverted."

Page 613: In footnote (b) the words commencing "after age 64: years of service" should have started a new line.

(Meetings held during the adjournment of the House)



MINUTES OF PROCEEDINGS

THURSDAY, February 4, 1965
(49)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 2:40 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Blois, Boucher, Croll, Denis, Fergusson, Lefrançois, McCutcheon, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh, (10).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Francis, Knowles, Laverdière, Lloyd, Macaluso, Munro, Prittie, (14).

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare; Dr. Maurice Ollivier, Parliamentary Counsel; Messrs. D. Thorson, Assistant Deputy Minister of Justice; D. Sheppard, Assistant Deputy Minister of National Revenue; E. E. Clarke, Chief Actuary, Department of Insurance; D. Hart Clark, Director of Pensions and Social Insurance Division, Department of Finance.

The Joint Chairman opened the meeting.

On motion of Senator Denis, seconded by Mr. Prittie,

Resolved unanimously: That a letter of condolence be sent to Mr. J. P. Côté (*Longueuil*), a member of this Committee, for the loss of his mother.

On motion of Mr. Munro, seconded by Senator Stambaugh,

Resolved unanimously: That the names of Senator Donald Smith and of Mr. Gray be temporarily substituted for those of Senator Croll and Mr. Côté (*Longueuil*) on the Subcommittee on Agenda and Procedure.

On motion of Senator Croll, seconded by Mr. Francis,

Resolved unanimously: That the documents intituled "*Le régime des pensions du Canada*", and "*Laissons bien aller ce qui va bien, réparons simplement ce qui va mal*" both prepared by Mr. Latulippe, M.P., be filed with the Clerk of the Committee.

Then the Committee decided to sit "*in camera*" to hear Dr. Maurice Ollivier.

The Committee resumed its regular sitting.

On motion of Mr. Cashin, seconded by Senator Croll,

Resolved unanimously: That the name of Mr. Basford be substituted to that of Mr. Gray on the Subcommittee on Agenda and Procedure for this evening.

The Committee sat again "*in camera*".

At 4:30 o'clock p.m. the Committee adjourned to the call of the Chair.

FRIDAY, February 5, 1965
(50)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 8:20 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: The Honourable Senators Blois, Boucher, Denis, Fergusson, Lefrançois, McCutcheon, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh (9).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Francis, Gray, Knowles, Laverdière, Lloyd, Macaluso and Munro (14).

The Joint Chairman opened the meeting.

On motion of Mr. Cashin, seconded by Mr. Gray,

Resolved unanimously,—that the following documents be printed as appendices to this Committee's Minutes of Proceedings and Evidence, namely:

- (a) Answer to question raised by Mr. Basford on January 12, 1965. (*See appendix A-56*).
- (b) Answers to questions raised by Senator Croll and Mr. Chatterton on January 14, 1965. (*See appendix A-57*).
- (c) Answer to request of Mr. Francis on January 14, 1965, page 896 of Minutes of Proceedings and Evidence. (*See appendix A-58*).
- (d) Old Age Survivors and Disability Pensions—Sweden. (*See appendix A-59*).
- (e) Old Age and Disability Pensions—Finland. (*See appendix A-60*).
- (f) Old Age Survivors and Disability Pensions—United States. (*See appendix A-61*).
- (g) Old Age Survivors and Disability Pensions—West Germany. (*See appendix A-62*).
- (h) Estimates of Additional Contributions under the Canada Pension Plan, if there were no Contributory Earnings Lower Limit. (*See appendix A-63*).
- (i) Estimates of Additional Contributions under the Canada Pension Plan, if there were no Contributory Earnings Lower Limit. (*See appendix A-64*).
- (j) Estimates Relating to Proportions of Retired Populations in receipt of Pensions and Average Amounts of Age Retirement Pensions under the Canada Pension Plan for Specimen Future Years. (*See appendix A-65*).

On motion of Mr. Lloyd, seconded by Senator McCutcheon,

Resolved unanimously,—That the corrections be made to the Evidence adduced during the previous sittings of this Committee, as set out by Mr. Osborne and appearing as "*Corrigenda*" in this issue.

Then the Joint Chairman reported that the Subcommittee felt it would be preferable to postpone this evening's meeting until Monday, February 8, 1965, when the Subcommittee will meet at 9:30 o'clock a.m. and the main Committee at 2:30 o'clock p.m.

At 8:50 o'clock p.m., the Committee adjourned until 2:30 o'clock p.m. on Monday, February 8, 1965.

Maxime Guitard,
Clerk of the Committee

NOTE: Appendix A-66 appearing at the back of this Issue consists of reproductions of written representations and/or briefs submitted by people who did not appear as witnesses before the Committee. (*Authority for the printing of this appendix was granted on Monday, February 8, 1965.*)

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1950

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EVIDENCE

THURSDAY, February 4, 1965.

The CHAIRMAN (*Mr. Cameron*): I call the meeting to order. I understand that Senator Denis would like to make a motion in respect of the death of Mr. J. P. Côté's mother.

Hon. Mr. DENIS: I would like to move that a letter of condolence be sent to the family of Mr. Côté, one of the members of this committee.

Mr. PRITIE: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It has been moved by Senator Denis, seconded by Mr. Prittie, that a letter of condolence be sent to Mr. Côté. All those in favour?

Motion agreed to.

That also brings up another problem. The steering committee has no report to submit at this meeting. They will be meeting again today and probably tomorrow. Mr. Côté obviously cannot be present at those meetings. Senator Croll will not be available tomorrow and Saturday. He will be back here on Monday. If it is in order, I would like to have a motion that these two gentlemen be replaced during their temporary absence from the steering committee.

Mr. CHATTERTON: I move that Mr. Gray and Senator Smith (*Queens-Shelburne*) replace the two men mentioned, Mr. Chairman.

Hon. Mr. STAMBAUGH: I second that motion.

Motion agreed to.

The CHAIRMAN (*Mr. Cameron*): Well now, as far as I am concerned that is the end of the public part of the meeting.

Mr. PRITIE: Does that indicate that you plan on a final meeting next week, Mr. Chairman?

The CHAIRMAN (*Mr. Cameron*): Probably, Mr. Prittie, but no one can predict what is going to happen next week; there is a probability that we will be meeting next week.

Mr. CHATTERTON: It depends on how well the government is co-operating.

Mr. KNOWLES: A form of social insurance.

Mr. MUNRO: Mr. Chairman, change that "probably" to possibly.

The CHAIRMAN (*Mr. Cameron*): Mr. Guitard has called to my attention the fact that a request has been made on behalf of Mr. Latulippe to have placed on the record of the proceedings of this committee a document which is called a resume of a speech that Mr. Latulippe made in the house on November 17, 1964, expressing certain views with regard to the Canada pension bill. Also a second document—two pages in French—which outlines what he feels would be a satisfactory alternative to the Canada pension plan. A request has been made by Mr. Latulippe's secretary that these documents be printed as a part of the record. I do not know if that is the usual procedure or not—it seems to me it is rather unusual—but I am calling it to the attention of the committee so they may issue their instructions.

Mr. CHATTERTON: Mr. Chairman, has this not been considered by the steering committee?

The CHAIRMAN (*Mr. Cameron*): I mentioned it in the steering committee but afterward I went to see the secretary to find out exactly what it was he wanted placed on the record and I have the two documents here in French. One is a resume of Mr. Latulippe's speech in French and the other is his alternative plan for the Canada pension plan.

Mr. BASFORD: This seems to be a rather unusual request for a member of a committee to make and not bother coming to the meetings—

Hon. Mr. CROLL: He is not a member.

Hon. Mr. DENIS: Are we going to reprint every speech made in the House of Commons?

Mr. BASFORD: There is a Creditiste member on the committee.

Mr. FRANCIS: I think Senator Denis has a very good point. I would think the fact that it is available in *Hansard* would be adequate.

The CHAIRMAN (*Mr. Cameron*): What is the wish of the committee?

Mr. LLOYD: Well, if he has an alternative proposal, I think that has some merit. The documents should be filed at least. If you are going to print the resume, if the other thing is not too long, I see no harm in doing both.

Hon. Mr. DENIS: You will be reprinting every speech made in the House of Commons.

Mr. FRANCIS: I think Senator Denis has a very good point. I wonder if the staff could review the speeches that have been made in the House of Commons.

Hon. Mr. CROLL: I move that it be made part of the library of this committee.

The CHAIRMAN (*Mr. Cameron*): Moved by Senator Croll that these two documents be made part of the library of this committee. Is there a seconder for the motion?

Mr. FRANCIS: I would be happy to second that.

Motion agreed to.

The CHAIRMAN (*Mr. Cameron*): This will be included in the library of the committee. I imagine there will be one more meeting.

The meeting is now *in camera*, so that anyone who should not be here will please leave. I do not know of anybody here to whom this order applies.

FRIDAY, February 5, 1965.

The CHAIRMAN (*Mr. Cameron*): Mrs. Rideout and gentlemen, please come to order.

This meeting is *in camera*. If there are members of the press present please withdraw.

(See note in Minutes of Proceedings of Monday Feb. 8 in this respect)

I have first to lay on the table answers to questions asked by Mr. Basford on January 12, 1965, answers to questions raised by Senator Croll and Mr. Chatterton on January 14, 1965, answers to the requests by Mr. Lloyd Francis on January 14, 1965, with reference to page 896 of the minutes, relating to old age survivors' benefits and old age pensions in Great Britain and several other countries, and additional contributions under the Canada pension plan, and so on, and estimates relating to proportions of retired population and the average amount of retired pensions under the Canada pension plan for specimen future years.

Have I a motion to put these answers to questions in the minutes as an appendix to today's proceedings?

Mr. CASHIN: I so move, Mr. Chairman.

Mr. GRAY: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It is moved by Mr. Cashin and seconded by Mr. Gray that the above mentioned answers to questions which have been raised be included into today's proceedings as an appendix.

Will all those in favour please signify. Opposed?

Motion agreed to.

I also have some corrections to the minutes of proceedings and the evidence of the joint parliamentary committee on the Canada pension plan. Is it moved that the changes be incorporated in this minute? Have I a motion that this correction be made in the minutes?

Hon. Mr. McCUTCHEON: What are the changes?

The CHAIRMAN (*Mr. Cameron*): The changes have to do with errors in reporting.

Mr. LLOYD: I so move, Mr. Chairman.

Hon. Mr. McCUTCHEON: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It is moved and seconded that the document dealing with errors in reporting be attached to today's proceedings.

Is that agreed? Is anyone opposed?

Motion agreed to.

The steering committee has not been able to settle on the form of the report which they wish to submit to the main committee. A suggestion has been made that the steering committee meet on Monday at nine o'clock and that the main committee come back at 2.30 on Monday.

Mr. MUNRO: Mr. Chairman, I should point out at this stage something that was discussed at the meeting. Many of the people who are here now have been waiting since yesterday and have been waiting all day today; I am speaking of members who are not members of the steering committee. They have been waiting for a meeting of the whole committee.

It was decided at the penultimate meeting among all groups of the steering committee that the meeting should be held today. However, a suggestion has been advanced by, I think, the Conservative members that we should not meet tonight. They wish to have the meetings adjourned until Monday at 2.30, and they are agreeable to a meeting of the steering committee at 9.30 in the morning.

Of course, I am speaking for the Liberals in the main, but I would say that all parties would object to this course of procedure very much, especially those members who have waited for the last two days. However, it was agreed that this suggestion should be put to the committee of all members for their views.

Mr. CHATTERTON: I would like to make one correction. It was not a case of our not wishing to have a meeting tonight, but events were such that meetings this afternoon were cancelled and we felt there was insufficient time for us to conclude our meetings tonight. We felt it would be better for us to be given a chance to examine the proposals and to defer the meeting of the committee until Monday.

Mr. GRAY: Mr. Chairman, may I ask why there is no reference to a meeting tomorrow?

Hon. Mr. McCUTCHEON: It just happens that the Conservative members will not be available tomorrow.

Mr. MACALUSO: Which of the Conservative members of this committee are members of the national executive of the Conservative party? I know Mr. Aiken is a member, but are there many others?

Mr. CHATTERTON: Yes.

Mr. KNOWLES: I would like to express the hope that we do not let any bitterness get into this discussion.

Mr. AIKEN: It is getting pretty close to it now.

Mr. KNOWLES: I would like to suggest that we avoid that. I am sure we are all aware why we are not able to continue this evening, and of course I appreciate the problems of those who have stayed over for the meeting tonight, but life is like this. The Conservatives have had their meeting today and they will have another tomorrow, and we could not hold our meeting until theirs was completed. However, let us appreciate the situation and understand it, and let us meet on Monday as has been suggested.

Mr. AIKEN: In addition to what has been said, the steering committee has had a substantial draft report submitted. The report is substantial and requires a good deal of consideration. Even had it been available earlier today or had we met earlier today, I think it would have taken the week end to bring about the drafting of amendments to this report which has now been put before us.

Mr. MUNRO: Mr. Chairman, may I comment on that?

Mr. Aiken is well aware that the steering committee met until approximately eleven o'clock last night. At that committee many items—and certainly the substantive items—of this report were agreed to as a compromise between all parties. Then the report had to be prepared; and it was prepared. He was well aware of that, but there was still no objection to meeting tonight. I would like to put that on record in view of the comments Mr. Aiken has just made.

Mr. CHATTERTON: May I follow up by saying that the report prepared last night was substantially different from the report received tonight; it was different in many respects.

We are mainly concerned with time to consider thoroughly the proposals made by the steering committee. I think this can best be accomplished by sitting on Monday.

Mr. MACALUSO: It was my understanding, Mr. Chairman—and perhaps I was wrong—that we would sit and meet this evening and complete this matter this evening. Apart from the difficulties which I mentioned, I certainly do not see why we should not sit this evening. I think we should sit this evening. It was the feeling of most of the members that we should sit this evening, and I for one am prepared to do so.

Mr. GRAY: I do not like to differ from my friend and colleague, Mr. Macaluso, but perhaps we are being unfair to the steering committee who have worked so hard today.

I would like to make this next point, and I am not saying this in any spirit of bitterness because I am prepared to stay tonight or to come back tomorrow, or to come back next week, and I hope my remark will not be taken in the wrong spirit. If we do resume on Monday, I hope it will not be taken, because of the internal meetings of our Conservative colleagues, that they have not had time to study the report.

Hon. Mr. McCUTCHEON: I have anticipated that the meetings will be peremptory, to use the legal term, on Monday.

Mr. CHATTERTON: We are most concerned that time should be allowed to consider the proposals.

Mr. GRAY: I am not saying this in any sarcastic sense, but I would like to get back to the point that I know our Conservative colleagues have some very important meetings. However, I hope they will be able to take enough time from these meetings to give these documents the consideration they feel the documents must have.

Mr. AIKEN: Keep on; keep on. It may require all next week.

Mr. MACALUSO: That is just what I am getting at. Mr. Aiken is making these off the cuff remarks and—

Mr. AIKEN: I have seen meetings last a long time.

Mr. LLOYD: Did the steering committee recommend sitting tonight? Did you recommend this?

The CHAIRMAN (*Mr. Cameron*): Yes. We were going to meet at 9.30 for the steering committee and then at 2.30.

Mr. LLOYD: I think sometimes these events just happen and everyone will agree that events have happened with no intention whatsoever of interfering with completion of our work. This is just the way events have transpired. I was at home this afternoon and it took me an hour and a half to get to the house and it took me an hour to get back. I also have appointments back home next week, but I would not want to see such an important matter hurried through with the opposition feeling that they had not been given a fair opportunity to fairly state their position. I think they should be given every opportunity to do so, even if I, for example, have to cancel all appointments next week in Halifax.

Mr. CASHIN: But you have a safe riding.

Mr. LLOYD: I am quite satisfied if we co-operate that by Monday those who perhaps oppose the report or are divided on the report should be in an excellent position to precisely state their positions and take a stand on their positions at that time.

Mr. GRAY: I support Mr. Lloyd's remarks.

Mrs. RIDEOUT: Mr. Chairman, as a junior member perhaps I should not be the one to move this motion but because of my concern for the Canada pension plan I would like to move, in the interests of the Canada pension plan, with due concern for the honourable members who are busy this week end—and I appreciate their concern and the fact they have other things on their mind—that we do adjourn at this time until Monday at 9.30 a.m., when the steering committee will meet, and that the main committee meet in the afternoon, to consider the draft report of the Canada pension plan.

I wish that Senator McCutcheon would second my motion.

Hon. Mr. McCUTCHEON: Mr. Chairman, nothing would give me greater pleasure.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion.

Hon. Mr. McCUTCHEON: That would make it 9.30 and 2.30 on Monday.

The CHAIRMAN (*Mr. Cameron*): That would be at 9.30 Monday morning and 2.30 on Monday afternoon.

Allow me to put the question. All those in favour please signify in the usual manner.

Mr. KNOWLES: It is unanimous.

The CHAIRMAN (*Mr. Cameron*): Is it unanimous?

Mr. LLOYD: Mr. Chairman, do we get a copy of the draft report?

The CHAIRMAN (*Mr. Cameron*): You will all get a copy of the draft report. I must tell you this is a private and confidential document and you are not to pass it out of your hands. This document is not to be shown to any one except

for discussion with a fellow member of the committee. It is absolutely confidential.

Hon. Mr. McCUTCHEON: And, it will not necessarily be the same report that the steering committee will submit to the main committee Monday afternoon.

Mr. MUNRO: Except perhaps for one or two clauses.

Hon. Mr. McCUTCHEON: I am going to leave before you tie me up any more.

Mr. MUNRO: When these copies of the draft report are handed out I would hope the members of the steering committee would refrain from taking them. There are only 24 or 25 copies and the members of the steering committee have the ones they received earlier.

The CHAIRMAN (*Mr. Cameron*): Is there any more business to come before the meeting?

Mr. KNOWLES: Should we not wish the Tories a good day at the meeting tomorrow, without explaining what we mean by "good"?

APPENDIX A56

Answer to Question Raised by
Mr. Basford on January 12, 1965

Question: During the presentation of the brief of the Canadian Life Insurance Officers Association Mr. J. W. Popkin, an economist with the Sun Life Assurance Company of Canada, compared recent increases in the cost of living indices of certain countries, in which there is automatic escalation of pensions, with increases in the cost of living index in Canada. Mr. Basford requested figures on increases in the cost of living indices in countries in which pension rates are not automatically escalated. (See Proceedings pages 667 to 670).

Answer: The January 1965 issue of "International Financial Statistics" prepared by the International Monetary Fund provides for each of 86 countries a series of wide-ranging economic indicators including information on changes in costs of living. The following data are taken from that publication and include the experience of "industrial" and "other high income" countries. The data are listed according to the size of the annual compound rate of increase in the cost of living index in each country during the period 1958 to 1963. The data indicate which countries have automatic escalation into their programs of old age income maintenance and those which have not.

Country	Annual Cost of Living Index (1958 = 100)					Approximate Annual Compound Rate of Change 1958 to 1963	Automatic Escalation
	1959	1960	1961	1962	1963		
South Africa	101	103	105	106	106	1.2	No
Canada	101	102	103	104	106	1.2	No
United States	101	102	103	105	106	1.2	No
Belgium	101	102	103	104	106	1.2	Yes
Australia	102	106	108	108	109	1.7	No
Greece	102	104	106	106	109	1.7	No
Netherlands	101	103	104	106	110	1.9	Yes
Ireland	100	100	103	108	110	1.9	No
Mexico	102	108	109	110	111	2.1	No
Portugal	102	104	106	109	111	2.1	No
New Zealand	104	105	106	110	111	2.1	No
West Germany	101	102	105	108	111	2.1	Yes
United Kingdom	101	101	104	109	112	2.3	No
Austria	101	103	106	112	115	2.8	No
Sweden	101	105	107	112	115	2.8	Yes
Finland	102	105	107	111	117	3.2	Yes
Italy	100	102	104	109	117	3.2	No
Denmark	102	103	106	114	121	3.9	Yes
France	106	110	114	119	125	4.7	Yes
Japan	101	105	111	118	127	4.9	No
Spain	107	110	111	116	128	5.1	No
Israel	101	104	111	121	129	5.2	Yes
Iceland	102	104	109	120	136	6.4	No
Yugoslavia	101	112	121	133	140	7.0	No
Turkey	127	133	137	143	153	8.9	No

APPENDIX A57

Answers to Questions Raised by Senator Croll and
Mr. Chatterton on January 14, 1965

1. *Question:* Senator Croll asked for the number of people in Canada who are contributing to a pension, that is, the number for whom a pension will be provided (page 896).

Answer: In 1960 the Dominion Bureau of Statistics conducted a special survey of pension plans and found that 1,815,000 employees were members of pension plans at that time. Another 285,000 employees might have been members of those plans but had elected not to join. Another group, 191,000 employees, were permanently ineligible to join. There were 383,000 employees temporarily ineligible to join the plans. This information is taken from the DBS document entitled "Pension Plans, Non-financial Statistics, 1960".

Each year the Dominion Bureau of Statistics makes a survey of trustee pension plans in Canada. The latest such document is entitled "Trusteed Pension Plans, Financial Statistics, 1963". In this document there is a table which has been provided "to provide a background for assessing the importance of trustee pension plans" and provides "some limited data" on the operations of insurance companies and of government annuities plans. Table B in this document sets out the number of pension plans and the number of employees for trustee pension plans, life insurance group annuities in Canada and federal government group annuities. It is interesting however that the figures for these three types of plans are not totalled. We have been informed that the reason they have not been totalled is that there is some double counting involved both in the number of plans and in the number of employees. Subject to this reservation the number of employees covered by these three types of plans are as follows:

Trusteed Pension Plan	1,261,382
Life Insurance Group Annuities in Canada	560,539
Federal Government Group Annuities	155,586

The Bureau of Statistics estimates that, in addition to the above data, approximately 344,000 persons were in the pension plans for the armed services, the federal public service and the R.C.M.P. Data for 1963 on the coverage of provincial public servants were not available.

2. *Question:* Senator Croll asked for information on the number of persons age 70 and over who have pensions and on the extent of their pensions. (p.895)

Answer: The attached table sets out for persons aged 65-69, and age 70 and over data on their income from occupational pension plans. The data relate to the non-farm and non-institutional population.

3. *Question:* Mr. Chatterton requested that the accuracy of Chart I in the Life Insurance Officers brief be confirmed. (page 896)

Answer: During their appearance before the Committee the Life Insurance Officers were asked a number of questions concerning Chart I. Mr. Dimock of that Association later sent a letter, dated January 18, to the Committee and this letter appears as Appendix A23, pages 1409 to 1411.

The following observations can be made on Chart I.

(1) The per capita gross national product figures used by the Life Insurance Officers in Chart I were 1964 data for both United States and Canada.

INCOME OF PERSONS IN NON-FARM AND NON-INSTITUTIONAL POPULATION
REPORTING INCOME[*] AND PENSION INCOME[†], 1961 CENSUS, POPULATION
SAMPLE, BY SEX AND AGE GROUPS

	Males		Females		Males and Females	
	65-69	70 and over	65-69	70 and over	65-69	70 and over
Persons reporting Income[*].....	184,530	345,394	138,724	376,360	323,254	721,754
Per cent of Population.....	95.3	99.5	65.8	98.4	79.9	98.9
Persons reporting Pension Income[†]..	46,391	82,170	12,947	20,308	59,338	102,478
Per cent of all reporting income..	25.1	23.8	9.3	5.4	18.4	14.2
Per cent of Population.....	24.0	23.7	6.1	5.3	14.7	14.0
Average Pension Income[†] per Person Reporting Pension Income.....	\$ 1,534	\$ 1,129	\$ 992	\$ 822	\$ 1,416	\$ 1,068
Total Population (Non-Farm and Non-Institutional).....	193,683	347,071	210,747	382,589	404,430	729,660

[*] Income from any source.

[†] Pension income comprises income from occupational pension plans.

Source: Derived from preliminary unpublished data from the Dominion Bureau of Statistics.

Research and Statistics Division,
Department of National Health and Welfare,
February 1965

(2) The rates of benefit used for the American program are those which were proposed in Congress in 1964 and are a little lower than the benefits proposed in the 1965 administration bill now before Congress. The comparisons are as follows:

	Chart I	1965 Bill
Single Person	\$	\$
Minimum	42.00	42.80
Maximum	143.40	149.80
Married Couple		
Minimum	63.00	64.20
Maximum	215.10	224.70

The minimum rate would be effective at once, the maximum not for some years in the future.

(3) The figure used for the Canadian minimum for a single person at age 65 is \$51. This amount will first be payable in 1970. The maximum figure used for the Canadian at age 65 is \$155 which is composed of the \$51 old age security pension, and the \$104 maximum Canada Pension Plan benefit, which will first be payable in 1976. Corresponding values are used for married couples.

(4) The figures used in Chart I thus include American benefit figures based upon 1964 proposed legislation with certain benefits not in pay for some years, proposed Canadian legislation with certain benefits coming into pay first in 1970 and others in 1976, in each case expressed as a percentage of gross national product figures for the year 1964.

(5) Part of Chart I refers to each spouse in a married couple. One bar applies to the benefit for each spouse of a married couple in Canada when the benefit is taken at age 65. Another bar applies to a benefit taken at age 70.

The footnote to the Chart states that it is assumed that, in the case of a Canadian couple, both took old age security at the same age. The Life Officers were asked questions on this point and their answers appear in the letter of Mr. Dimock to the Committee. On page 1411 of the Evidence, in answer to question 7, Mr. Dimock states that the Association was aware that the average

age of wives is generally two or three years younger than the average age of husbands. On page 1038 of the Evidence, Mr. Anderson stated that "for husbands age 65 to 69 their wives are between 5.4 and 5.6 years younger on the average."

The minimum benefit for a married couple in Canada at age 65 was taken by the Life Insurance Officers to be \$102, that is, \$51 to each spouse. On page 1411, Mr. Dimock's answer to the following question "Has it been assumed that the husband and wife are the same age in Canada?" was:

As the footnote to the Chart states, it is assumed that in the case of the Canadian couple both husband and wife took the old age security benefit at the same age: this does not necessarily mean that they were born in the same year.

What Mr. Dimock seems to be saying is that if a husband reaches age 65 when his wife is, for example, age 62, the husband will receive a benefit of \$51 a month. Three years later, when his wife reaches age 65 she will receive a benefit of \$51 a month. This is of course correct.

What the Chart does not indicate, however, is that, for the years in which the man was age 65, 66 and 67, the couple was getting only \$51 a month. This is a most important point because, in the United States a benefit would be available for the wife at age 62 in that country and for those three years both spouses would be getting a benefit.

Similarly, the bar "Taken at 70" applies to the first year in which both husband and wife are that age or over. It might have been assumed that the average couple, in which the wife is younger than the husband, would claim old age security at the same time. If the husband applies at age 70, it is doubtful that his wife will wait until she reaches 70 to claim her pension when old age security is available to her as early as age 65 at a lower rate.

The attached table sets out for the years 1966, 1971, and 1976, a comparison of the benefits payable to single people and to married couples under the United States and Canada programs. The data are shown for certain wage levels.

MONTHLY BENEFITS UNDER CANADA PENSION PLAN AND OLD AGE SECURITY
 COMPARED WITH BENEFITS AVAILABLE IN THE UNITED STATES UNDER OASDI,
 1966, 1971, AND 1976

Wife three years younger than male											
Average Monthly Earnings of Male	United States Benefits				Canadian Benefits						
	Male age at start of pension				OAS plus CPP Benefits						
					Male Age at Start of Pension						
	65	66	67	68	65	66	67	68	69	70	
FIRST YEAR—1966											
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Single	300	113	113	113	113	—	—	—	—	70	75
	350	124	124	124	124	—	—	—	—	70	75
	400	136	136	136	136	—	—	—	—	70	75
Married	300	155	160	164	169	—	—	—	—	70	75
	350	171	176	181	186	—	—	—	—	70	75
	400	187	192	198	204	—	—	—	—	70	75
SIXTH YEAR—1971											
Single	300	113	113	113	113	88	93	98	103	108	112
	350	124	124	124	124	95	100	104	109	114	119
	400	136	136	136	136	101	106	111	115	120	125
Married	300	155	160	164	169	88	93	98	154	164	173
	350	171	176	181	186	95	100	104	160	170	179
	400	187	192	198	204	101	106	111	166	176	186
ELEVENTH YEAR—1976											
Single	300	113	113	113	113	126	131	136	140	145	150
	350	124	124	124	124	133	143	148	153	158	162
	400	136	136	136	136	151	156	161	165	170	175
Married	300	155	160	164	169	126	131	136	191	201	211
	350	171	176	181	186	133	143	148	204	214	223
	400	187	192	198	204	151	156	161	216	226	236

The above comparisons were made on the following basis:

- (1) The benefits shown for the United States program are based upon the Bill introduced in Congress by the Administration in January 1965.
- (2) As the 1961 Canadian Census indicated that the wife of a man in the 65-69 age group is on the average at least three years younger than her spouse, a differential of three years is used. Mr. Myers said on page 1039 of the evidence that the differential for men age 65 was, in the United States, three years.
- (3) It is assumed that the wife will claim her benefit at the same time as her husband, if it is available.
- (4) Old age security pension in Canada not escalated by Pension Index.

Research and Statistics Division,
 February 1965.

APPENDIX A58

Answer to request of Mr. Francis, M.P. on January 14, 1965 (Page 896 of Minutes of Proceedings and Evidence).

OLD AGE, SURVIVORS AND DISABILITY PENSIONS—GREAT BRITAIN

In Great Britain there are two main programs of income maintenance for the aged. Pensions are provided to retired or disabled contributors, their dependents and survivors under a social insurance scheme known as National Insurance. Also, any resident who requires financial assistance may apply to the National Assistance Board for aid. Certain aged persons continue to receive pensions under a third scheme, non-contributory old-age pensions, the role of which is steadily declining.

I—NATIONAL INSURANCE

Coverage and Types of Benefits

Coverage under National Insurance is compulsory for most residents over age 18 with the insured population being divided into three classes of contributors: employed persons, self-employed persons, and non-employed persons. Coverage is optional for self-employed and non-employed persons whose annual earnings are not more than £208 and for married women.

The program provides flat-rate benefits during sickness, unemployment, maternity, widowhood and retirement from regular work. It also provides guardian's allowances, special child's allowances, and death grants. Employed persons are eligible for all of these benefits, self-employed persons are eligible for all except the unemployment benefit, and the non-employed are eligible for all except the sickness and unemployment benefits and maternity allowances.

Graduated retirement pensions are available to employees age 18 or over who earn more than £9 a week as an addition to their flat rate retirement benefits. Employed persons who earn less than that amount, the self-employed and the non-employed are not eligible for the graduated retirement pension.

Contracting Out

The National Insurance legislation provides that those private concerns whose pension arrangements provide at least "equivalent pensions" are allowed to contract their employees out of the graduated provisions of the scheme.

Retirement Pensions

Flat Rate Pension. To be entitled to a retirement pension under the National Insurance scheme a contributor must have reached age 65 if male or 60 if female, and have retired from regular work.

To qualify for a flat-rate retirement pension of £3.7s.6d. a week the claimant must have paid 156 flat-rate weekly contributions between his date of entry into insurance and the date at which he reaches age 65 (age 60 in the case of a woman). The pension is payable at the full rate if the contributor has paid a yearly average of at least 50 flat-rate weekly contributions. If he averaged less than 50 but at least 13 weekly contributions, a reduced flat-rate pension is payable, the rate depending upon the number of his average contributions. The yearly average is calculated over contribution years from 1936, or from the contribution year in which insurance was entered, if later, up to and including the last complete contribution year before the man reaches age 65 or the woman age 60.

For insured persons who continue to work regularly after reaching retirement age and defer their pension the flat-rate pension is increased by the amount of 1s. a week for each twelve weeks of contributions made.

Graduated Pension. The amount of the graduated pension depends on the total amount of graduated contributions which have been paid. The graduated pension is 6d., a week for each £7 10s. of graduated contributions paid by a man or every £9 of graduated contributions paid by a woman. Those who continue to make graduated contributions after reaching normal retirement age can of course obtain a greater graduated pension.

Retirement Test. The retirement test applies to men under 70 and women under 65 and involves the amount they earn by way of wages, salaries, fees or other payments on account of any gainful occupation after retirement. Earnings of up to £5 in a week do not affect the pension, but 6d. is deducted from the pension for every 1s. of earnings between £5 and £6 a week, and 1s. for every 1s. of weekly earnings over £6. The test applies to both the flat-rate and graduated parts of the retirement pension.

Dependent's Supplement. A dependent's supplement can be added to the flat-rate, but not to the graduated, component of the retirement pension. For a non-insured wife, the pension is equal to £2 1s.6d. weekly provided she is living with the insured person and has weekly earnings not in excess of that amount. The supplement is not normally granted if the wife is entitled to a retirement pension in her own right, or is entitled to any other national insurance or industrial injury benefit, or war pension. The wife's benefit is reduced in all cases where the husband receives a reduced flat-rate benefit. Supplements for dependent children amount to £1 for the first child and 12s. for each other child. The children must be under age 15 if not in school, under 19 if in school, or under 16 if disabled.

Widow's Benefits

Eligibility for widow's benefit depends upon the husband's contribution record. There are two contribution conditions: first, the husband must normally have paid at least 156 contributions and secondly, he must have paid a yearly average of 50 contributions. With regard to the second consideration, if the husband's average is below 50 but not less than 13, the benefit is paid at a reduced rate.

In case of widowhood, a flat-rate widow's allowance is payable to any widow of a qualified contributor for the first 13 weeks of widowhood at the rate of £4 15s. a week, plus £1 17s.6d. for the first dependent child, £1 9s.6d. for the second and £1 7s.6d. for each other child.

A widow's pension is paid at the rate of £3 7s.6d. a week immediately after the end of the first 13 weeks of widowhood provided the widow was over age 50 and had been married for at least three years when her husband died.

For the widowed mother with a dependent child in her care, the widowed mother's allowance is payable at a standard rate of £3 7s.6d. a week, plus additions for dependent children at the same rates as those paid with widows allowances.

The widow's allowance, the widow's pension and the widowed mother's allowance are paid to those classes of widows who cannot reasonably be expected, because of age or family responsibilities, to support themselves by their earnings. If a widow does take up work to a considerable extent, her benefit may be reduced or withdrawn. The test of income for the widow's benefits is the same as for the retirement pension.

A widow who is over age 60 when widowed is normally paid the flat-rate retirement pension in lieu of her widow's pension. She can also claim a graduated retirement pension, equal to one-half of the graduated pension which her

husband was receiving, or had earned, to the date of his death. She can also receive any graduated pension which she may have earned through her own contributions.

Guardian's Allowance

For a child who has lost both parents a guardian's allowance is payable at a rate of £1 17s.6d. a week. The allowance is paid to the person in whose family the child is included.

Death Grant

A further National Insurance benefit is the death or funeral grant payable on the death of an insured person or the wife, husband, or child of an insured person, provided that 26 weekly contributions have been paid or credited since the National Insurance scheme began. Also, at least 45 weekly contributions must have been paid or credited in the last complete contribution year before retirement or death of the insured or there must have been an average of 45 weekly contributions paid or credited over the years since the scheme began. In 1964 the rate of the death or funeral grant is £25 when an adult dies and a smaller sum when a child dies.

Sickness Benefit

The flat rate sickness benefit is paid during incapacity for work provided the claimant has paid at least 26 weekly contributions as an employee or self-employed person and has paid or been credited with at least 26 weekly contributions in the previous contribution year. Benefits are not generally payable for the first three days of sickness. The benefit is payable for at least 312 days of sickness in a year not counting Sundays.

Where at least 156 weekly contributions have been paid, the benefit can continue for an unlimited period as long as sickness lasts, up to the time the beneficiary attains pensionable age. The maximum sickness benefit is paid at the same rate as the flat-rate retirement pension which, during 1964, is £3 7s. 6d a week.

Where the contributor has paid less than 50 contributions during the contribution year, but has paid at least 26 contributions the sickness benefit is payable at a reduced rate.

Unemployment Benefit

Under the National Insurance program unemployment benefits are paid for two or more days of unemployment unless a person is receiving wages or has lost his employment because of a stoppage of work due to a trade dispute at his place of employment. The benefit is payable provided the claimant is available for work and has paid at least 26 weekly contributions at the employed person's rate, and paid or been credited with at least 26 weekly contributions in the previous contribution year. Unemployment benefits may normally be drawn for up to 180 working days, not counting Sundays. However, they can be continued for a further number of days up to a maximum of 492 days depending on the person's record of contributions paid as against benefit drawn. Rates of unemployment benefit are the same as for the sickness benefit.

Maternity Benefits

The National Insurance program provides three kinds of maternity benefits: a maternity grant, a home confinement grant, and a maternity allowance. A maternity grant of £16 is payable for each confinement provided either the mother or her husband satisfies the contribution condition and a further £16 is paid for each additional child, born at the same confinement, who is alive 12 hours after birth.

A home confinement grant of £6 is payable for a confinement at home or elsewhere, which is not provided for out of public funds.

A maternity allowance is payable at the standard weekly rate of £3 17s. 6d. to women who are normally working as either employees or self-employed persons and who are paying their own National Insurance contributions. The maternity allowance begins 11 weeks before the expected week of confinement and ends with the sixth week following it.

Financing

Funds for the National Insurance program are derived from contributions by insured persons, employers, and the government. In 1964 employee weekly contributions to the flat-rate part of the program are 8s. 3½d. for men and 7s. 2½d. for women. Contributions by employees to the graduated part of the scheme are 4¼ per cent of weekly wages between £9 and £18. For employees who are contracted out of the graduated pensions contribution rates to the National Insurance program are 10s. 8½d. weekly in the case of men or 8s. 8½d. in the case of women. The rates of employer contributions are equal to those of their employees.

For self-employed persons the total contribution rate is 13s.4d. weekly for men, and 11s. weekly for women. For non-employed persons, contributions are 10s.2d. weekly in the case of male contributors, or 7s.10d. weekly for women. The government contributes an amount equal to one-quarter of the flat rate contribution of employees and employers plus an amount equal to one-third of the contributions of self-employed and non-employed persons. National Insurance administration costs are met from the National Insurance Fund.

Administration

The National Insurance program in Great Britain is administered by the Ministry of Pensions and National Insurance and by the Ministry of Labour and National Insurance in Northern Ireland. The two ministries maintain networks of local offices where the citizen can send his claim or make an inquiry. The Ministry of Pensions and National Insurance has over 900 offices in Great Britain and the Ministry of Labour and National Insurance more than 28 in Northern Ireland.

II—NATIONAL ASSISTANCE

In addition to the National Insurance scheme the United Kingdom has a National Assistance scheme. The purpose of national assistance is to provide income maintenance to any resident whose resources do not meet his requirements. The term "requirements" includes the need to provide for a wife and/or any children under 16 living with the claimant. The program is financed by the State and is designed to give assistance to those who are not eligible for social insurance benefits as well as to those whose resources, including their social insurance benefits, do not come up to the minimum set by the assistance program.

The National Assistance scheme, which has no contribution conditions and requires no qualification except financial hardship, provides assistance in amounts which bring a needy person's income up to the minimum weekly income needed to meet requirements as laid down in the National Assistance Act regulations. In 1963 the plan provided for a minimum income of £5 4s.6d. for a husband and wife, £3 3s.6d. for a single person who is a householder and £2 15s. for anyone over 21 not a householder. Higher minimum incomes are established for the blind and for people who have suffered a loss of income to

undergo treatment for respiratory tuberculosis. A person's requirements for rent and for the cost of repairs and mortgage interest for owner-occupied property are considered separately.

The National Assistance scheme is administered by the National Assistance Board which has a network of local offices. The Board consists of a chairman, a deputy chairman, and not less than one nor more than four other members; at least one of them must be a woman. All are appointed by the Queen on the advice of the Prime Minister, and they have the independence arising from the fact that they cannot in general be removed from office during their terms of appointment. When the affairs of the Board come under discussion in Parliament the Minister who speaks for the Board is the Minister of Pensions and National Insurance.

The National Assistance Board in Great Britain has about 430 offices and that in Northern Ireland has 17. Most of the work involved in social security claims is done in these local offices, in particular the settlement of claims to national assistance allowances.

III—NON-CONTRIBUTORY PENSIONS

Men and women over the normal retirement age on July 5, 1948, when the National Insurance program began, were not able to take part in the main scheme of National Insurance. Consequently, they cannot receive any of the benefits of the main scheme. For these people non-contributory pensions are payable under the Old Age Pensions Act. These pensions are administered by the National Assistance Board. Non-contributory old age pensions are payable to persons who satisfy certain conditions as to age, nationality, residence and limited means. No new non-contributory pensions have been granted to persons, other than blind persons reaching the age of seventy after 30th September, 1961, by which date everyone has had time to pay enough contributions into the National Insurance Scheme to qualify for a retirement pension. The maximum rate of pension in 1963 was 28s.4d. a week for a man or an unmarried woman or widow and 18s.4d. for a married woman.

Non-contributory old age pensions are administered by the National Assistance Board through local offices.

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APPENDIX A59

OLD AGE, SURVIVORS AND DISABILITY PENSIONS—SWEDEN

Sweden has two pension systems, each providing for old age, disability, and survivors pensions. A universal scheme of "basic" pensions provides every Swedish citizen with a flat-rate pension at age 67. There are no other conditions. Flat-rate disability and survivors pensions are also available. This scheme is complemented by a social insurance program of earnings-related "supplemental" pensions which provides old age, survivors and disability pensions over and above those payable under the basic pension system.

I—BASIC SCHEME

Old Age Pensions

Basic flat-rate old-age pensions are payable at the age of 67 to all Swedes resident in the country. In 1964 the pension rate is 3,775 crowns a year. Pensions are available as early as age 63 in which case the basic pension is reduced by 0.6 per cent for each month by which the pensioner is under age 67 when he first makes his claim. For those who defer their basic pension beyond age 67, an increment in the basic pension of 0.6 per cent per month is provided. The pension can be deferred until age 70.

Disability Pensions

Disability is defined as a medically ascertained defect, mental retardation, or a physical or other handicap which causes a permanent reduction in working capacity. To qualify for the basic disability pension, it is not necessary for the applicant to have earned an income. The pension is payable between age 16, when children's allowances are discontinued, and age 67 when the basic old age pension becomes payable.

People who have lost 5/6 or more of their earnings capacity receive a full disability pension equal to the basic old age pension of 3,775 crowns a year. For those who suffer a loss of earnings capacity of between 67 and 83 per cent, a disability pension equal to 2/3 of a maximum disability pension is payable. An eligible disabled person who has suffered between 50 and 66 per cent loss of earnings capacity may claim a disability pension equal to one-third of a full disability pension.

Wife's Supplements

An old-age or invalidity pension may be increased by 2,125 crowns if the pensioner has a wife age 67 or more, or a wife who is an invalid. A wife's supplement is also available where the wife is at least age 60 and has been married to the pensioner for five years or more. However, where the wife is below age 67 the wife's supplement is normally subject to a means test. In special circumstances, the supplement can be paid even if the wife is younger than 60 and the marriage has lasted for a shorter period.

Child's Supplements

Recipients of old age and disability pensions may claim a child's supplement in the amount of 25 per cent of the current "base amount" for each child under age 16. Where a reduced disability pension is payable, the children's supplements are reduced in proportion.

Special Supplements

Flat-rate supplements (1200 crowns in 1963) are added to the pensions of the blind, of disabled persons in considerable need of personal care, and of gainfully-occupied invalids drawing reduced pensions who require personal assistance or special aid.

Housing Supplements

Housing supplements of up to 2,100 crowns a year are available under an income test to old age disability pensioners. These housing supplements are granted by most Swedish municipalities with each municipality establishing the rules governing its own program. The cost of these supplements is met by the municipality which receives subsidies from the central government.

Widow's Pensions

Widow's pensions are payable to women who are at least age 36 at the time of their husband's death and who have been married for at least five years. Widow's pensions are also payable to widows of any age who have dependent children in their care.

A full widow's pension, equal in magnitude to an old age pension is payable to a widow with dependent children or to a widow who is age 50 at her husband's death. For a widow between age 36 and 49 who is not supporting a child the full pension is reduced by 1/15 for every year by which the widow's age at her husband's death was below 50 years.

Where a young widow was in receipt of a widow's pension because she was caring for dependent children, and those dependent children cease to be dependent, the widow's claim is re-examined and her pension re-computed according to the fictitious assumption that the husband lived and the marriage continued until the date on which the youngest child reached age 17.

Orphan's Pensions

For children who are Swedish citizens permanently residing in Sweden, and who have lost one or both parents, flat-rate pensions are available. In 1964 the annual rate of pension for a half-orphan was 1,200 crowns, for a full-orphan 1,680 crowns.

Cost of Living Increments

All the flat-rate benefits except the orphan's benefit are increased from time to time by cost living increments based upon increases in the Consumer Price Index.

Financing

To finance the basic pension program, every Swedish citizen age 18 to 65 (except those whose income is below a given minimum) pays a special pension tax of 4 per cent on assessed income. The maximum tax in 1964 is 600 crowns. Revenue from this tax meets about one-third of the cost of the scheme. The National Government meets about half the cost from general taxation, and local governments pay the remaining one-sixth. There are no employer contributions to the basic pension program.

II—SUPPLEMENTAL PENSIONS

In addition to the basic pension program the Swedish government has introduced a supplemental pension program of earnings-related benefits. The Supplementary Pension Act came into effect on January 1, 1960 with benefits first payable in 1963. The legislation provides for old age, disability, and survivors' pensions.

Concepts Defined

Throughout the legislation reference is made to certain "basic" and "maximum" amounts. The basic amount was fixed in 1961 at 4,000 crowns. The maximum amount is always equal to 7.5 times the minimum amount. These amounts are adjusted annually depending on price changes and, in 1964 they stood at 4,700 and 35,250 crowns a year respectively. These limits are important with regard to the supplemental pension scheme under which coverage is extended only to those people whose earnings are in excess of the basic amount and contributions are based on earnings falling within the two amounts. In general, basic old-age pensions may be said to be related to earnings of less than the basic amount while supplemental old-age pensions are based directly on earnings in excess of the basic amount.

Coverage

The supplemental pension scheme covers compulsorily all Swedish citizens age 16 and over who are employees or are self-employed. However, persons who earn less than the basic amount, 4,700 crowns in 1964, are not covered for that year. Self-employed persons, and employee groups with pre-1961 collective contracts providing equivalent pensions, may elect not to be covered.

Old Age Pensions

Supplemental old-age pensions become payable when the qualified beneficiary reaches age 67, whether or not he has retired. Reduced pensions are available as early as age 63 and increased pensions may be claimed between ages 67 and 70. The rate of reduction or increment is 0.6 per cent a month.

Supplemental old age pensions are related to a person's earnings record through a "pension point" system. A person's earnings are based on his personal income tax return for that year. An employee or a self-employed worker is credited with a pension point for each year in which he has earnings from gainful employment in excess of the current base amount. Earnings in excess of the year's maximum limit do not earn pension credits. The pension point in a given year is computed as follows. The annual earnings (up to the maximum for that year) less the minimum for that year are divided by the minimum for that year. The point may vary between 0.02 and 6.50 and 6.50. For example, if, in a given year, minimum contributory earnings were 4,000 crowns, the maximum 30,000 crowns, and a person earned, according to his income tax return, 30,000 or more crowns, he would accumulate 30,000—4,000

4,000

or 6.50 points. If he earned 7,500 crowns he would accumulate 0.875 points.

To qualify for a supplemental old-age pension a Swedish citizen must have been credited with pension points for at least three years. An alien must have a record of ten years of pension-earning income. To qualify for a "full" pension rather than a partial one, a claimant must normally have been credited with pension points in at least 30 years. For the first decades of the new system, however, the 30-year requirement is replaced by one of 20 years, and during the third decade the qualifying period will rise gradually from 20 to 30 years.

The supplemental pension formula takes into account the earnings record, i.e., the number of pension points earned each year, and the number of years of contributions under the scheme, and applies these to the basic amount applicable at the time of the applicant's claim. The formula provides for the dropout of years of low or nil earnings in that pension points are averaged only for a maximum of 15 years.

Supplemental old-age pensions are calculated as follows. The number of years of pension-earning income is divided by 30 (after 1990). The result,

which can never exceed one, is multiplied by the average number of pension points acquired during the claimant's best 15 years (the average is computed for the whole period when the period is 15 years or less). The resulting number of points is multiplied by 60 per cent of the then current minimum and the result is the pension rate. If the minimum in a year were 4,800 crowns, a man with 25 years of contributions at least 15 years of them at the maximum contributory level would receive $25/30 \times 6.5 \times 2,880$ or 15,600 crowns.

Disability Pension

To qualify for a supplemental disability pension an insured person must have earned pension points either during at least one year and, at the time that he became incapacitated, have been earning an income exceeding 1,800 crowns a year, or during at least three of the four years immediately preceding incapacitation. A full disability pension is equal to the supplemental old age pension which the insured would have received at the age of 67 if he had continued acquiring pension points until age 65 at his average rate. In calculating the average pension points years of lowest or no earnings, up to half the insured's total, are not taken into account. This provision has great practical significance for the disabled.

For those persons who suffer a loss of earning capacity between 67 and 83 per cent, the rate of the supplemental disability pension is equal to two-thirds of the maximum disability pension. Disabled persons who have suffered between 50 and 66 per cent loss of earnings capacity may claim a supplemental disability pension equal to one-third of a full pension.

Survivors Pensions

A supplemental widow's benefit is payable to the widow of a deceased worker or pensioner, if she had been married to her deceased husband for at least 5 years and if the marriage had occurred before her husband reached age 60. Widows pensions are paid to a widow at age 65 or, if she is an invalid, as early as age 60. The rights to these widow's benefits cease on remarriage. Benefits are also payable to widows with dependent children. Benefits are payable to those half orphans and full orphans, under age 19, of parents covered by the supplemental pension system.

Any one survivor, whether a widow or child, receives 40 per cent of the old-age or invalidity pension that the deceased person had been receiving or of the pension to which he would have been entitled if he had become totally disabled at the time of his death. Two survivors receive together 50 per cent of the deceased's pension, the widow 35 per cent and the child 15 per cent. If both survivors are children, each child receives 25 per cent. Each additional child receives 10 per cent of the pension until the total payable to five or more dependents, reaches 80 per cent of the deceased person's pension.

Source of Funds

Supplemental pensions are financed by a payroll tax on employers and the self-employed. Employers pay a contribution with respect to that part of the annual wage of each of their covered employees, which exceeds the basic amount but is less than the maximum of 35,250 crowns. The contribution rate schedule for employers is set, by separate legislation, for five year periods. The 1960 rate was set at 3 per cent of "taxable" wages, rising by 1 per cent each year to 7 per cent by 1964, and by 0.5 per cent a year to 9.5 per cent in 1969.

Self-employed persons also pay contributions on income between 4,700 and 35,250 crowns per year. However, earnings in excess of a certain fixed amount (the limit varies with price changes and was originally 8,000 crowns) are reduced by one-third for purposes of computing the contributions of self-employed persons.

Sources: Association of Swedish Insurance Companies, *Sweden—Its Private Insurance and Social Security*, Stockholm, 1963.

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I.L.O., *International Labour Review*, May 1963, Geneva, 1963.

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APPENDIX A60

OLD AGE AND DISABILITY PENSIONS—FINLAND

In Finland, old age and disability pensions are provided under a combined universal pension and assistance scheme, and an employer liability system. In addition there are special schemes for seasonal, maritime and public employees. The administration of the combined universal pension and assistance program is the responsibility of the National Pension Institute. Supervision of the employer liability system, including transfer of rights among private plans, is exercised by the Central Pension Insurance Institution. Overall supervision of pension programs in Finland is the responsibility of the Ministry of Social Affairs.

NATIONAL PENSIONS

Coverage and Types of Benefit

Under the National Pension Act of 1956, a program of national pensions composed of flat-rate benefits and public assistance was established. The basic or flat-rate pension is a universal benefit; public assistance is provided subject to a means test.

The national pension covers the entire population from the age of 16. The program provides old age and invalidity pensions and funeral grants. There are no survivors pensions.

Flat-rate Old Age and Invalidity Pensions

A flat rate, old age pension may be payable at age 65 to anyone who has had five years continuous residence immediately preceding his claim. Also eligible is a person who has lived in Finland for one half of the period between the day he reached age 16 and the day pension is granted, provided he resides there for at least one year immediately prior to payment of the pension. Retirement is unnecessary and there is no minimum period of contribution or employment. The national pension is not usually payable abroad after one year; however, the pension can be continued where a pensioner has good grounds for his stay abroad.

The rate of the flat rate old age pension was 34 marks a month in 1964. The pension is increased by 12.5 per cent for each year by which it is deferred after age 65, up to a maximum increase of 62.5 per cent at age 70.

Flat-rate invalidity pensions are granted to persons under 65 years of age who are, due to illness or injury, permanently incapable of maintaining themselves by work suited to their strength and qualifications. Residence requirements are the same as for old age pension. In 1964 the rate of the universal invalidity pension was 34 marks a month, the same as for old age pensions.

Public Assistance

In addition to the flat rate old age pensions, public assistance is payable at age 65, or at age 60 in the case of single women. The right to receive public assistance and its amount depend on the size of the earnings and other income of the pensioner and his spouse, as well as on the size of that part of their property which exceeds specified limits.

The maximum rate of old age assistance in 1964 was 92 marks a month. The amount of assistance paid is supplemented by 60 per cent where the

recipient's wife is at least age 65, or is an invalid. Also, if his wife has attained the age of 60 or, if younger, has not the opportunity to earn income because she must care for children, assistance is increased by 30 per cent. If the pensioner has dependent children under 16 living in his household, the rate of assistance is raised by 10 per cent for each such child.

The universal invalidity pension can also be supplemented by assistance of up to 92 marks a month, depending on the means of the invalid. Assistance is supplemented by up to 30 per cent for a dependent wife and by a further 10 per cent for each child.

Means Test

If a pensioner's income exceeds limits that are established by law and which depend on family size and place of residence, his assistance is reduced by half of the amount by which his income exceeds the fixed limits. For example, in 1957 a single pensioner residing in a community where the cost of living was the highest was not entitled to any assistance if his annual income exceeded 1,600 marks. If the cost of living in his locality was in the lowest category, he was not entitled to assistance if his income was in excess of 1,130 marks. All sources of income are not taken into account, for purposes of the means test. For example, types of income excluded are a national pension paid to the pensioner or to his or her spouse, child's allowances, family allowances, and certain relief payments made by the pensioner's employers and relatives.

Funeral Grant

There are no survivor pensions. A survivor age 65 or over receives the universal old age pension. On the death of a resident, or of a pensioner who has drawn his pension for less than one year, a lump sum grant (408 marks in 1964) is provided.

Financing

The funds for the universal pension scheme are obtained from contributions by workers, their employers and self employed persons. Insured persons contribute 1.5 per cent of their income which is subject to income tax from age 16 through to age 63. Employer contributions to the universal pension scheme are made at the rate of 1.5 per cent of payroll. For self employed persons the contribution rate is 3 per cent of their taxable income. The State is obliged to meet any deficit which may arise.

Funds for the assistance scheme are obtained mainly from the government although some are derived from taxes on income. The Central Government bears about 85 per cent of the cost of assistance pensions with about one-fifth of this share being borne by local governments.

Administration

The administration of the combined universal pension and assistance scheme is the responsibility of the National Pension Institute. This Institute has a board of management of four persons appointed by the President of the Republic. The Institute is supervised by a board of Commissioners appointed by the Riksdag, and an "enlarged governing body" appointed by the Council of State. The National Pension Institute has about 350 district offices.

Escalation of Pension Benefits

Under Finnish law, pensions are increased or reduced to the extent by which the cost of living at the time of payment has risen or fallen in comparison with the cost of living at the time when the pension rates were last fixed.

The same adjustment is made in the income limits applied in determining eligibility for public assistance. These adjustments are made whenever a change of at least 5 per cent occurs in the Finnish cost of living index.

EMPLOYER LIABILITY SYSTEM

Coverage and Types of Benefit

Under the Workers Pension Act of July 1961 all Finnish employers are compelled to establish pension schemes with certain minimum conditions. The plan must cover their employees who have been employed for at least six months without interruption since their 18th birthday. Excluded from this system, however, are employees who were between the ages of 55 and 64 in 1962 who had not been employed by the same employer for at least 15 years, those who are over age 65, and those whose earnings are considered insufficient to provide for basic needs. Special provisions apply to workers in forestry, building, dock work and other activities of a seasonal nature where workers are in the service of the same employer for less than six months each year.

Each employer is compelled to enter into a pension insurance contract with a Finnish insurance company, an established pension fund, or with a pension institute. If the number of workers dependent on the activity of such an institution is less than 20, pensions must be guaranteed by an insurance policy. To carry on this type of underwriting, Finnish insurance companies must obtain special permission from the Council of Ministers. Matters common to the pension carriers are supervised by the Central Pension Insurance Institution.

The employer liability scheme provides old age and invalidity pensions.

Old Age Pensions

Old age pensions are provided to employees who have retired from covered employment and have reached age 65. The rate of pension is one-twelfth of one per cent of the employee's earnings during the last year of employment multiplied by the number of months of coverage. This approximates one per cent of earnings for each year of coverage.

In determining the number of months of coverage, for purposes of calculating pensions, the length of employment after a worker's 23rd birthday is used. To this period are added periods in which the worker, after his 23rd birthday, was in receipt of an invalidity pension on account of sickness, disablement or injury contracted in the course of his employment. Periods of active military service, however, are not included for purposes of calculating pensions. For employment before 1962, i.e., before the program began, one-half of an employee's period of service is counted.

The maximum old age pension under the employer liability system is 40 per cent of earnings determined as above or, if less, 60 per cent of those earnings minus the universal pension. If a worker is entitled to an old age pension in respect of two or more employments and the combined pensions would exceed the statutory maximum, the amount of excess is reduced according to a descending scale, commencing with the pension determined from the workers most recent employment.

Invalidity Pensions

Any worker who on account of sickness, disablement or injury is receiving a national invalidity pension is entitled to an invalidity pension from his employer. When the recipient of an invalidity pension reaches an age entitling him to an old age pension, his invalidity pension is converted into an old age pension.

The invalidity pension is calculated in the same way as the old age pension. If the sickness, disablement or injury on which the invalidity pension is based is contracted in the course of employment, or if the invalidity commences no later than the year following the year in which the worker left employment, there is added to his service, for purposes of his pension calculation, the period between the date of commencement of invalidity and the date on which the worker would reach the age of entitlement to an old age pension.

No invalidity pension is payable for any period during which the worker receives 50 per cent or more of his wage from his employer. Similarly, no pension is payable for any period during which the worker receives benefits under a public sickness-insurance scheme or any other corresponding benefit of 50 per cent or more of his wage. The invalidity pension is refused if the worker willfully causes his injury.

Survivors Pensions or Funeral Grants

Although the legislation does not provide for the compulsory payment of survivors' pensions or funeral grants, the employer may provide these benefits. Where this is done and, where the collective agreement, if any, does not spell out the sharing of pension costs, the workers may not be called upon to pay more than one-half of the contributions required to finance these supplementary benefits.

Financing

Funds for the employer liability system are derived solely from employers' contributions and may amount to about 5 per cent of payroll.

Administration

The supervision of the Finnish employer-liability system is exercised by the Central Pension Insurance Institution. The governing body of this institution is made up of a chairman and a vice-chairman appointed by the Ministry of Social Affairs together with nine members, each having a substitute, chosen by the Committee of Representatives. The Committee of Representatives, in turn, is appointed by the Ministry of Social Affairs and includes representatives of employers' and workers' organizations, and persons familiar with the activities of insurance companies, assistance funds, pension institutions, insurance law, insurance medicine and actuarial calculations.

Sources: International Social Security Association, *Old Age Insurance, National Monographs, Volume I*, Geneva 1959.

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APPENDIX A61

OLD AGE, SURVIVORS, AND DISABILITY PENSIONS—UNITED STATES

In the United States the major program of income maintenance for aged persons is Old Age, Survivors and Disability Insurance, commonly referred to as OASDI. In addition, assistance to the needy aged is provided under a federal-state program of Old Age Assistance.

I—OLD AGE, SURVIVORS AND DISABILITY INSURANCE

Coverage

Old age, survivors, and disability insurance covers, on a compulsory basis, most gainfully occupied persons including the self-employed. Coverage is available on a voluntary basis for employees of non-profit institutions, employees of state and local governments, and clergymen.

Excluded from the program are those persons in agricultural employment whose cash pay from one employer in a calendar year is less than \$150, those in domestic employment whose cash pay amounts to less than \$50 in a calendar quarter (for that quarter only), self-employment which provides an annual net income of less than \$400, and self-employed doctors of medicine. Also excluded are railroad employees and most federal employees, to whom special programs apply. The program applies in the continental United States, Puerto Rico, Virgin Islands, Guam, Samoa and to citizens employed abroad by U.S. employers.

Insured Status

Under the program the right to receive a benefit depends upon the degree of coverage, or insured status, attained by the worker as measured by the amount of work done in covered employment. The basis of measurement is the amount of work done in a "quarter", namely, a calendar quarter ending the last day of March, June, September or December. A quarter of coverage is a quarter in which the worker is paid at least \$50 in wages and salary in covered employment. "Fully insured status" is acquired when the number of a worker's quarters of coverage is at least equal to the number of years from 1950, or from age 21 if later, to age 65 for men or age 62 for women. A minimum of six quarters of coverage is required for fully insured status. When a worker has earned 40 quarters of coverage he acquires "permanently insured" status. "Currently insured status" is achieved if a worker has, at the time of retirement or death, coverage in at least six of the last 13 quarters.

Old Age Benefits

Old age benefits are available at age 65 for both men and women provided they are fully insured. Reduced levels of benefit are available as early as age 62.

The amount of the old age benefit is dependent upon the "average wage" of the contributor. The benefit is based upon his earnings in the years between 1950 and the year the contributor attains age 65 if male, or 62 if female. From this period, there is deducted the number of years in which he was disabled and also another five years. The resulting number of years is used in the calculation of the average wage. The wages used are the highest wages on which contributions have been paid in the number of years calculated as above.

The rate of benefit at age 65 is 58.85 per cent of the first \$110 of a worker's average monthly wage, plus 21.4 per cent of the next \$290. The minimum

benefit in 1964 is \$40 monthly, which means that an average annual wage of less than \$800 is taken to be \$800. The maximum benefit is \$127 a month.

A reduced benefit is payable to a person who starts to draw an old age pension between ages 62 and 65. The reduction is made by determining a person's benefit at age 65 and reducing it by five-ninths of one per cent for each month by which the claimant is under age 65. The reduced rate of benefit continues after age 65.

Disability Pension

A worker who is unable "to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration" may be eligible for a disability benefit. To qualify for the benefit the worker must be fully insured, have 20 quarters of coverage out of the 40 quarters immediately preceding the onset of the disability and be under age 65.

The rate of the disability benefit is calculated in the same way as the retirement benefit and the pension commences at the end of a six month waiting period.

Benefits for Dependents of Retired or Disabled Contributors

Where the wife of a worker in receipt of a retirement or disability benefit is age 62 or over, she can claim a wife's benefit. The rate of benefit for a wife age 65 or more is 50 per cent of the insured's pension. If the wife's benefit is claimed between ages 62 and 65 the full benefit rate is reduced by 25/36 of one per cent for each month by which the widow is under age 65 when the benefit commences. A dependent husband on reaching age 62 may also claim a benefit at the above rates provided his wife is both fully and currently insured. Wives of pensioners caring for children under 18 may claim the full wife's benefit irrespective of their age. If unmarried children of a worker in receipt of benefit are under age 18 or over age 18 but disabled, they can claim a benefit in the amount of 50 per cent of the insured's benefit. However, where dependents benefits are paid these are subject to the maximum family payment which in 1964 varies between \$60 and \$254 depending on the average annual earnings of the insured.

Earnings Test

The earnings test is a test of earnings from work. It applies to any beneficiary of the program, under age 72, except the recipient of a disability pension.

If the beneficiary does not earn over \$1,200 in a year, he meets the earnings test and receives without reduction each monthly benefit to which he is entitled.

If his earnings exceed \$1,200 a year, his benefits for that year are reduced by \$1 for each \$2 that he earns between \$1,200 and \$1,700, and by \$1 for each \$1 that he earns over \$1,700. However, no matter how large his earnings in a year, his benefit is not reduced for any month in which his wages do not exceed \$100 or for any month in which he does not render substantial service as a self-employed person.

When the retired worker has earnings sufficient to require some reduction in benefit, that reduction is applied to the total of his benefit and those of his dependents. When a dependent works, any deduction required by the earning test is applied only to that dependent's benefit.

Survivors' Benefits

When an insured worker dies, benefits may be paid to the widow, dependent widower, parents, or children of the deceased. The rate of each benefit is directly related to the amount of the old-age or disability benefit that the deceased was receiving at, or had earned up to, the date of death.

Widow's Benefit. A widow, age 62 or over, is entitled to a widow's benefit if her husband was fully insured at his death. The benefit is equal to 82.5 per cent of the retirement or disability benefit paid or payable to her husband at the date of his death. If she remarries she loses her right to the widow's benefit. Widow's benefits are subject to the earnings test. A dependent widower, age 62 or more, is entitled to a similar benefit provided his wife was both fully and currently insured at the time of her death.

Widowed Mother's Benefit. The widow of a deceased contributor is entitled to a widowed mother's benefit, no matter what her age, if she has in her care a child entitled to a child's benefit and if her husband was either fully or currently insured at the date of his death. Her benefit is equal to 75 per cent of the rate of the retirement benefit paid or payable to her husband. The benefit ceases when the widow no longer has in her care a child entitled to a child's benefit, at which time she may be eligible for a widow's benefit.

Child's Benefit. A child's benefit is payable to an unmarried child of a deceased contributor provided the child is under age 18, or, if disabled, was disabled before attaining age 18. Also, the deceased contributor must have been either fully or currently insured at the date of his death. A child's benefit is equal to 75 per cent of the retirement benefit paid or payable to the deceased contributor.

Parent's Benefit. A parent's benefit is payable to a dependent parent of a deceased contributor provided the parent is age 62 or more and provided the contributor was fully insured. The benefit to one parent is equal to 82.5 per cent of the contributor's pension. Where both parents are alive each receives 75 per cent.

Limitations to Pensions

The maximum monthly family benefit is equal to 80 per cent of the contributor's average monthly wage but it cannot exceed \$254 and cannot fall below 1.5 times the contributor's retirement pension. The family maximum applies to all monthly benefits that have been based upon a contributor's wage record. If reductions are required because total benefits exceed the family maximum, all benefits except the retirement or disability benefit are reduced and they are reduced proportionately.

Where a person is entitled to more than one social security benefit at the same time, an amount equal to the highest benefit is payable.

Death Benefit

A lump sum payment is payable at the death of every contributor who is either fully or currently insured. It is equal in amount to three times the monthly old age or disability pension that is being paid or that could be paid, but cannot exceed \$255.

Wage Freeze

Eligibility for any OASDI benefit depends upon a worker's record of employment, and this record can be adversely affected for periods during which the worker is unable to work. A worker may gain some measure of protection during periods of total and permanent disability by having his record frozen. This means that he requests that his inability to work be recognized. As a result, the period of his disability will not be used in calculating his average monthly wage. Neither will the same period be used in the determina-

tion of the number of quarters of coverage he needs for insured status. For purpose of the wage freeze the definition of disability is the same as that used for the monthly disability benefit except a person who is blind is, by statute, also disabled for purposes of the freeze. The wage freeze is used where a person, although disabled within the meaning of the legislation, may not be eligible for disability pension.

Financing

Contributions to OASDI are paid by employees, employers and the self-employed at the following rates applicable to the first \$4,800 of wages and self-employment earnings:

Calendar Years	Employee	Employer	Self-Employed
1964-65	$3\frac{5}{8}\%$	$3\frac{5}{8}\%$	5.4%
1966-67	$4\frac{1}{8}$	$4\frac{1}{8}$	6.2
1968 and thereafter	$4\frac{3}{8}$	$4\frac{3}{8}$	6.9

An amount equal to one-half of one per cent of the wages of the employee and an amount equal to three-eighths of one per cent of a contributor's self-employment income are paid to the Disability Insurance Trust Fund. The remaining contributions are put into the Old Age and Survivors Insurance Trust Fund. Benefit payments and administration costs are paid out of the two funds. There is no government contribution. Funds not needed for current benefits and administrative expenses are invested in interest-bearing federal securities.

Administration

The OASDI program is administered by the Social Security Administration of the Department of Health, Education and Welfare with its head office in Baltimore and with more than 600 district offices located in principal cities and towns of the United States and Puerto Rico. Each district office may provide individuals with information on benefits, determination of disability, rights, obligations, and other pertinent facets of the OASDI program. There are seven payment centres located throughout the United States.

II—PUBLIC ASSISTANCE

In addition to the OASDI program, income maintenance is provided to aged persons in the United States under federal-state programs of public assistance. The purpose of these public assistance programs is to enable the States to provide adequate financial assistance including payment for medical care and other social services to persons who are in need. The old age assistance program is administered by the state and provides assistance to needy persons age 65 and over. The federal government reimburses the states by a formula which meets over half of their outlays for assistance. The formula is based upon the average state assistance payment and takes into account the personal income per capita of the state. Assistance is also payable under federal-state programs to needy disabled persons and to needy orphans and to relatives with whom these orphans might be living.

Sources: United States, Department of Health, Education and Welfare, *Social Security Handbook*, Washington, 1963.

United States, D.H.E.W., *Your Social Security*, Washington, 1963.

United States, D.H.E.W., *Social Security Bulletin*, 1961, Annual Statistical Supplement, Washington, 1962.

United States, D.H.E.W., *Social Security Programs Throughout the World*, 1964, Washington, 1964.

United States, D.H.E.W., *Programs Affecting Older Persons*, Washington, 1958.

Clark, Robert M., *Economic Security for the Aged in the United States and Canada*, Ottawa, Queen's Printer, 1959.

APPENDIX A62

OLD AGE, SURVIVORS AND DISABILITY PENSIONS—WEST GERMANY

In the Federal Republic of Germany, old age, disability and survivors pensions are provided to wage-earners and salaried employees under two separate social insurance systems. In addition, there are special systems for miners, public employees, and self-employed farmers. The following comments refer to the social insurance schemes for wage-earners, salaried employees, and miners, which are similar in a great many ways, and to the public assistance scheme organized for farmers.

I—SCHEMES FOR SALARIED PERSONS, WORKERS AND MINERS

Coverage

Under the salaried persons pension insurance scheme, all salaried persons whose annual occupational earnings do not exceed 15,000 DM are compulsorily covered. For salaried persons who have made contributions to the pension insurance scheme and whose earnings rise above 15,000 DM a year it is provided that they may continue insurance on a voluntary basis, under conditions to be discussed later. Also covered are certain groups of self-employed persons as, for example, handicraft workers, instructors, artists, midwives and persons caring for the sick.

Under the mineworkers pension insurance scheme, all persons, including workers and salaried persons, who work in undertakings in which minerals or similar substances are produced by a mining process are compulsorily covered. Compulsory coverage is extended to persons in factories and business premises which are physically and industrially linked with mining. Further, workers and salaried employees of employers' or workers' organizations which look after the occupational interests of those in mining, and workers and salaried employees in mining offices and head offices are required to insure under the mineworkers' scheme if they were so insured before taking up employment with the employers' or workers' organization or in the mining office or head office, and if they can show that they have either completed 60 months of insurance under the mineworkers' scheme whilst performing underground work, or if they have been insured under the mineworkers' scheme for a total of 180 months.

The workers pension insurance scheme covers all workers who are not members of the salaried employees or mineworkers pensions schemes if they are employed for remuneration or as apprentices, or are undergoing any other form of vocational training. In addition, certain groups of self-employed persons such as those engaged in domestic industries, homeworkers, coastal shipping employees and coastal fishermen are included in the workers' pension insurance scheme. Also covered are persons working abroad on official missions.

There are certain exceptions to the compulsory coverage of German pension insurance. Among those exempted are persons working for their spouse; persons who receive as remuneration only free maintenance; salaried workers earning more than 15,000 DM annually; officials of the federal government, the provinces, the Bank Deutscher Lander, the Berliner Zentralbank, the Provincial Central Banks, and other similar organizations; short-term and professional soldiers; most of those engaged in "independent professions"; persons not engaged in remunerative activity; persons gainfully employed in the course of attendance as a regular student at an educational institute; and persons drawing old age pensions.

Old Age Pensions

The insurance schemes provide insured members, their dependents and survivors with monthly cash benefits as a matter of right, except for invalidity benefits where rehabilitation is encouraged.

Old age pensions are payable under the workers, salaried persons and mineworkers plans to men and women at age 65. The qualifying period for an old age pension is 180 months of insurance coverage. Retirement is not required unless the pension is paid before age 65. Benefits are available to men at age 60, if they have been unemployed a year or longer, and continue, between age 60 and 65, for as long as they continue to be unemployed. A woman with 10 years of covered employment in the last 20 years who is no longer employed can receive benefits at age 60.

Premature pensions are payable to miners at age 60 if they are no longer employed in a mining undertaking and have performed at least 180 months of work underground or completed 300 months of mineworkers insurance. A pitworkers pension is payable to miners at age 50 under similar conditions.

The rate of old age benefit is related directly to a contributor's earnings throughout his working career. There is first determined for each contributor a factor which indicates his place in the wage or salary scale. This factor is equal to the ratio of his contributory earnings to the average earnings of all contributors. It is calculated for each calendar year in which the contributor made contributions. The ratios for all years are then added together and divided by the number of years of contributions giving an "average earnings ratio" for that contributor.

Each contributor's average earnings ratio is then multiplied by the national average earnings for the three years ending with the second year preceding the year of retirement. The result is the contributor's "assessed wages". An old age pension is equal to 1.5 per cent of a contributor's assessed wages in both the workers and salaried employees schemes and 2.5 per cent in the miners plan, multiplied by the number of years of the contributor's insurance which number includes credited periods of incapacity, unemployment, and schooling after age 15.

By way of example it can be seen that a person with 25 years contributions and an average earnings ratio of .75 would receive, at a time when the national average wage was 560 marks a month, (for 1964) a pension under:

(a) the workers and salaried persons schemes of $.75 \times 560 \text{ DM} \times .015 \times 25$, or 158 DM per month;

(b) the mineworkers scheme of $.75 \times 560 \text{ DM} \times .025 \times 25$, or 262 DM per month.

Old age pensions are supplemented by the payment of children's benefits. A child's supplement is granted until the child reaches age 18, or to age 25 if unmarried and attending school, or as long as the child is disabled. The children's supplement is equal to 10 per cent of the last three years' national average earnings, that is, 56 DM per month in 1964.

Invalidity Pensions

Where a contributor is unable to exercise gainful activity a general invalidity pension is payable. Where he is unable to earn 50 per cent of normal wages in his usual occupation, he is paid an occupational disability pension. A minimum of 60 months of contributions is required in each case.

General invalidity pensions are calculated in the same manner as are old age pensions. For occupational disability pensions the same formula is used except that the annual rate of pension accumulation is only 1 per cent rather

than 1.5 per cent. Those who begin to suffer from general or occupational disability before reaching age 55, and have 36 months of contributions in the preceding 60 months or have made contributions in one-half the months since commencement of insurance, add to their number of years of pensionable insurance the period between the occurrence of either form of disability and the date on which they reach age 55.

Survivors Pensions

Survivors pensions are payable on the death of the insured person provided the deceased had paid a minimum of 60 months of contributions. On the death of an insured husband or a wife who was principally responsible for the maintenance of his or her family, benefits are paid for the first three months to the surviving spouse at a rate equal to 100 per cent of the general invalidity pension. Thereafter, benefits are equal to 60 per cent of the general invalidity pension if the surviving spouse is age 45, disabled, or caring for a child. For other surviving spouses benefits are equal to 60 per cent of the deceased's occupational disability pension or of the pension to which he would have been entitled.

A widow or widower who remarries is granted a lump sum final settlement equal to five times the annual amount of the pension previously payable.

On the death of an insured person, his children receive orphan's pensions until they reach age 18 or, if attending school, until age 25 or, if disabled, as long as the disability continues. For half-orphans the pension is equal to one-tenth, and for full orphans one-fifth of the insured person's general invalidity pension (not including any children's supplements). The orphan's pension is increased by the payment of a children's supplement.

The total of all the pensions payable to the survivors of one insured person cannot exceed 100 per cent of his general invalidity pension.

Refunds of Contributions

If, two years after a person ceases to be compulsorily insured, he has not elected to continue on a voluntary basis, he may claim a refund of one half of the contributions paid by him since June 1948. A person not eligible for a general invalidity, or a widow's pension, only because the qualifying period has not been met, may also claim a refund. So also may an insured woman who marries before her retirement.

Updating Pensions in Pay

The legislation provides that pensions in pay will be subject to an annual revision which will take into account changes in wage levels.

The following table sets out the adjustments to pensions in pay that have been made since the 1957 reform.

For Year	Pension Index	Increases in Pensions in Pay	
	Index (1957=100)	Effective January 1	Percentage Increase
1959	106.1	1959	6.1 p.c.
1960	112.4	1960	5.9 "
1961	118.5	1961	5.4 "
1962	124.5	1962	5.0 "
1963	132.8	1963	6.6 "
1964	143.7	1964	8.2 "

The costs arising from the updating of pensions for the miners' scheme are chargeable to the government while the costs for the workers, and salaried persons, schemes are chargeable to those schemes.

Voluntary Insurance

In general, voluntary coverage in the statutory pension schemes is not available. However, a previous compulsory membership can be continued on a voluntary basis. Persons who have paid contributions for at least 60 calendar months within ten years in an employment subject to compulsory pension insurance can continue to be insured voluntarily (continuing insurance).

Also, compulsorily insured persons and those in continuing insurance can, in addition to their normal contributions, pay supplementary contributions for the purposes of additional insurance. The amount of additional insurance which can be taken up is limited, particularly with regard to an applicant's age and his basic pension insurance.

Those who continue in insurance voluntarily pay contributions in one of several prescribed contribution classes ranging in 1964 from 14 DM to 154 DM per month. Voluntary insurance provisions are especially helpful to those salaried employees whose earnings have come to exceed 15,000 DM annually, and therefore cease to be compulsorily covered.

Financing

Resources of the pension insurance schemes consist of contributions by insured persons and their employers, a subsidy from the federal government and interest earnings. Contribution rates are fixed so that for every 10 year period receipts will be sufficient to cover estimated expenditures and also will provide a residual amount equal to estimated expenditure during the last year of the period concerned. If actual receipts do not meet expenditures the deficit is met by the Federal Government.

Contributions to the workers and salaried persons pension insurance schemes are made at the rate of 7 per cent for the employee and 7 per cent for the employer on earnings up to an established ceiling. This wage ceiling varies each year with average national wages during the three year period ended one year earlier. By law the ceiling is double the national average figure rounded up or down to the nearest multiple of 600 DM. When a person's earnings are less than 10 per cent of the ceiling, no contribution is required of the insured person but the employer contribution is 14 per cent i.e., the employer is required to pay the employee's share.

Those self-employed who are covered by these schemes are assigned to one of 23 contribution classes depending on their monthly income. Monthly contributions vary from 1.75 marks on monthly income up to 25 marks to 154 marks on monthly incomes of 1075 marks or over.

Federal subsidies to the workers and salaried persons schemes are provided by law. They amount to about $\frac{1}{3}$ of the cost of the wage-earners system and $\frac{1}{3}$ of the cost of the salaried employees system.

The contribution rate for compulsorily insured members of the mine-workers program is 23.5 per cent of earnings, 15 per cent paid by the employer and 8.5 per cent by the worker. The employer pays the whole contribution if worker's earnings are less than 10 per cent of the ceiling.

Administration

The workers insurance scheme is decentralized and is administered by 18 district insurance institutes. These insurance institutes are autonomous bodies made up of representatives of both employers and employees who in turn elect a board of directors. Some institutes are responsible for a whole province while others are responsible for part of a province only. Each institute is responsible for insuring all the employed persons in its own area. The salaried

employees scheme is administered centrally by the Federal Insurance Institute for Salaried Employees. This institute receives the contributions from all salaried employees and determines benefits for insured persons. The mine-workers scheme is administered by eight mineworkers institutes for both salaried employees and manual workers in mining undertakings.

Participation by the state in administration of the three schemes is limited to government control over the insurance institutes. Control over the district insurance institutes is exercised for the most part by the provincial ministers of labour. Government supervision is designed to insure that each institute performs its statutory and constitutional duties. As there is a government subsidy to the different schemes the state controls the budgetary and financial operations of each institute through the Federal Audit Office.

II—OLD AGE ASSISTANCE SCHEME FOR FARMERS

The members of the old-age assistance scheme for farmers are all persons who are occupied as self-employed farmers or operators in agriculture and forestry including wine, fruit and vegetable growing, provided that their farm or property provides them with a permanent basis of subsistence.

The resources for the program are obtained from contributions and a State subsidy. Contributions are payable compulsorily by those whose principal occupation is farming provided they are not already required to contribute to another pension insurance scheme. The amount of contribution is the same for all contributors and is determined by the authorities elected by the members themselves. Since 1959 contributions have been 12DM. a month. In 1963 the State subsidy amounted to almost two-thirds of the benefit payments.

Under the farmers plan benefits are available, on the attainment of age 65 to the owner of the agriculture undertaking, (or to a widow at age 60), provided he ceases to manage the undertaking and undertook to transfer the property not later than his age 74, and provided the deceased, together with the widow or widower, have paid contributions for at least 180 calendar months.

The retirement benefit is a flat-rate benefit designed to supplement the free board, lodging and other benefits he would generally receive from the heir to whom he has turned over the farm. In 1963 benefits were 100 DM. per month for a married couple and 65 DM. for a single person.

Sources: ISSA. *Old Age Insurance—National Monographs*, Geneva, 1959.

U.S. Department of Health Education and Welfare, *Social Security programs throughout the World*, 1961, 1964, Washington.

ILO. *Legislative Series*, 1957, August and October, 1961 and December, 1962, Geneva.

Belgium, *Revue Belge de Sécurité Social*, Janvier, 1964. Brussels, 1964.

West Germany, Ministry for Labour and Social Order, *Social Security*, Bonn, 1964.

APPENDIX A63

Estimates of Additional Contributions under the
Canada Pension Plan if there were no
Contributory Earnings Lower Limit

Request

During the sittings of the Committee on February 1, 1965, Mr. Chatterton and other members requested that estimates be made in respect of additional contributions and additional benefits in the event that contributions were collected at the rate of 3.6% on all earnings of employees and self-employed persons up to the Year's Maximum Contributory Earnings.

Estimates

The estimates shown in are following schedules take account only of additional contributions in respect of earnings below the currently proposed contributory earnings lower limit of persons who would contribute under the Canada Pension Plan in accordance with the terms of Bill C-136 as it now is. In other words, the estimates shown do not include contributions in respect of persons having earnings less than the currently proposed lower limits for contribution purposes who would be covered under the plan in the event that such limits were dropped nor have estimates been made of benefits payable to such persons. (Calculations of contributions and benefits in respect of this latter group would be very lengthy and the results would not be relatively significant.) It should perhaps be noted that there would be no increase in benefits as a result of the additional contributions made in respect of persons who would contribute under the Canada Pension Plan in accordance with the terms of Bill C-136 in its original form.

SCHEDULE 1

Estimated Contributions* in respect of Earnings of Persons
who would contribute under the Canada Pension Plan in
accordance with the terms of Bill C-136

Contributions (in millions)

Year	In respect of contributory earnings in accordance with Bill C-136	In respect of earnings below the lower limit specified in Bill C-136	Total
1966	\$ 437.8	\$ 93.3	\$ 531.1
1970	519.8	107.1	626.9
1975	634.3	128.0	762.3
1980	836.9	168.4	1,005.3
1990	1,336.0	267.8	1,603.8

*Based on the low fertility-low immigration populations and the assumption of an annual rate of increase in average earnings of 3%.

For additional information, in Schedule 2 below are compared the percentages of contributory earnings required to provide benefits and expenses of administration in accordance with the "high cost" assumptions described in the actuarial report dated November 6, 1964, estimated with and without the lower limit on contributory earnings. The principal "high cost" assumptions are the low fertility-low immigration populations, an annual rate of increase in average earnings of 3% and an annual rate of increase in the Pension Index (and benefits dependent thereon) of 1½% to 1975 and 2% thereafter.

SCHEDULE 2

Estimated "High Cost" Percentages of Contributory Earnings Required
to Provide Benefits and Expenses of Administration

Year	Percentage of Contributory Earnings	
	Excluding earnings below lower limit	Including earnings below lower limit
1966	0.10%	0.10%
1970	0.68	0.58
1975	2.20	1.85
1980	3.73	3.12
1990	5.55	4.64

Department of Insurance

Ottawa

February 5, 1965

APPENDIX A64

Estimates of Additional Contributions under the Canada Pension Plan
if there were no Contributory Earnings Lower Limit*Request*

During the sittings of the Committee on February 1, 1965, Mr. Chatterton and other members requested that estimates be made in respect of additional contributions and additional benefits in the event that contributions were collected at the rate of 3.6 per cent on all earnings of employees and self-employed persons up to the Year's Maximum Contributory Earnings.

Estimates

The estimates shown in the following schedules take account only of additional contributions in respect of earnings below the currently proposed contributory earnings lower limit of persons who would contribute under the Canada Pension Plan in accordance with the terms of Bill C-136 as it now is. In other words, the estimates shown do not include contributions in respect of persons having earnings less than the currently proposed lower limits for contribution purposes who would be covered under the plan in the event that such limits were dropped nor have estimates been made of benefits payable to such persons. (Calculations of contributions and benefits in respect of this latter group would be very lengthy and the results would not be relatively significant.) It should perhaps be noted that there would be no increase in benefits as a result of the additional contributions made in respect of persons who would contribute under the Canada Pension Plan in accordance with the terms of Bill C-136 in its original form.

SCHEDULE 1

Estimated Contributions* in respect of
Earnings of Persons who would contribute
under the Canada Pension Plan
in accordance with the terms of Bill C-136

Contributions (in millions)

Year	In respect of contributory earnings in accordance with	In respect of earnings below the lower limit specified in Bill C-136	Total
	Bill C-136		
1966	\$ 437.8	\$ 93.3	\$ 531.1
1970	519.8	107.1	626.9
1975	634.3	128.0	762.3
1980	836.9	168.4	1,005.3
1990	1,336.0	267.8	1,603.8

*Based on the low fertility-low immigration populations and the assumption of an annual rate of increase in average earnings of 3 per cent.

For additional information, in Schedule 2 below are compared the percentages of contributory earnings required to provide benefits and expenses of administration in accordance with the "high cost" assumptions described in the actuarial report dated November 6, 1964, estimated with and without the lower limit on contributory earnings. The principal "high cost" assumptions are the low fertility-low immigration populations, an annual rate of increase in average earnings of 3 per cent and an annual rate of increase in the Pension Index (and benefits dependent thereon) of 1½ per cent to 1975 and 2 per cent thereafter.

SCHEDULE 2

Estimated "High Cost" Percentages of Contributory
Earnings Required to Provide Benefits and
Expenses of Administration

Year	Percentage of Contributory Earnings	
	Excluding earnings below lower limit	Including earnings below lower limit
1966	0.10%	0.10%
1970	0.68	0.58
1975	2.20	1.85
1980	3.73	3.12
1990	5.55	4.64

Department of Insurance
Ottawa
February 5, 1965

APPENDIX A65

Estimates Relating to Proportions of Retired Populations in Receipt
of Pensions and Average Amounts of Age Retirement
Pensions under the Canada Pension Plan for
Specimen Future Years

Request

During the afternoon session of the Committee on January 14, 1965, Mr. Chatterton made the following request:

"I would like information suggested by the delegates yesterday with regard to the benefits of the Canada pension plan by the years 1971, 1981 and 1986, in the form of chart 2 in the brief presented by the Canadian Life Insurance Officers Association. If possible, Mr. Chairman, I would like to have the no benefit group broken down by whatever major categories there are that make up that group, if it is possible to get the latter information within the time available."

Mr. Knowles supplemented this request as follows:

"I would like to have information both for the years given by the Life Insurance Officers Association and the years asked for by Mr. Chatterton. I would also like this information to show percentages in relation to the persons who by age would have been eligible."

Mr. Munro asked, in addition,

"that that table be broken down three ways, or all ways, not only down to people now in retirement who will still be reflected in the table 10 years from now. I should like it to include widows now under 55 and the unemployed, as well as anybody else who could conceivably be included in there so that we could determine the accuracy of the table."

Estimates

The estimates shown in the following schedules for Canada excluding Quebec were based on the low immigration populations described in the actuarial report dated November 6, 1964 (fertility has, of course, no effect for the groups under consideration). The numbers shown in Schedules 1 and 3 would have been slightly higher if the high immigration populations had been used but the percentages corresponding to those shown in Schedules 2 and 3 would have been the same as those shown.

JOINT COMMITTEE

SCHEDULE 1

ESTIMATED NUMBERS OF PERSONS AGED 65 AND OVER IN CANADA
EXCLUDING QUEBEC WHO ARE NOT IN REGULAR EMPLOYMENT AT
AGES 65 TO 69

(in thousands)

Year	Total Numbers		In receipt of age retirement or widow's pension under C.P.P.			Not in receipt of pension under C.P.P. by reason of being too old to contribute at the effective date of the plan	
	Males	Females	Males	Females		Males	Females**
				Age retire- ment pension	Widow's* pension		
1970.....	477	631	117	39	4	225	285
1975.....	517	709	261	101	26	115	167
1980.....	575	819	419	197	68	45	81
1985.....	646	943	552	312	121	13	30
1990.....	722	1,091	668	448	184	2	6

* Numbers of widows excluding those who are also in receipt of age retirement pensions.

** These numbers include women who were too old to contribute at the effective date of the plan but who could become entitled to a widows' pension by reason of having husbands who could have contributed under the plan; the estimated numbers of such women are 12,000 in 1970, 8,000 in 1975, 5,000 in 1980, 2,000 in 1985 and 0 in 1990.

SCHEDULE 2

ESTIMATED PROPORTIONS OF POPULATIONS AGED 65 AND OVER IN
CANADA EXCLUDING QUEBEC WHO ARE NOT IN REGULAR EMPLOYMENT
AT AGES 65 TO 69

Year	Who are in receipt of a pension under the C.P.P.	Who could not qualify for a pension under the C.P.P. because of their age at the effective date of the plan	Who could have contributed under the plan by reason of age alone but are not in receipt of a pension under the C.P.P.*
1970.....	14%	45%	41%
1975.....	32	22	46
1980.....	49	9	42
1985.....	62	3	35
1990.....	72	—	28

* These proportions include married women who may later become eligible for a widow's pension.

SCHEDULE 3

ESTIMATED NUMBERS AND PROPORTIONS OF AGE GROUP POPULATIONS IN RECEIPT OF AGE RETIREMENT PENSIONS UNDER THE CANADA PENSION PLAN (FOR CANADA EXCLUDING QUEBEC) AND AVERAGE AMOUNTS OF PENSION

Year	Sex	Age Group	Number in receipt of age retirement pensions	Proportion of age group population*	Average monthly amount of pension**
				%	\$
1970.....	Males.....	65-69	56,000	27	20
		70 and over	61,000	17	16
	Females.....	65-69	22,000	10	12
		70 and over	17,000	4	9
1975.....	Males.....	65-69	93,000	39	52
		70 and over	168,000	43	37
	Females.....	65-69	45,000	18	29
		70 and over	56,000	12	21
1980.....	Males.....	65-69	127,000	46	90
		70 and over	292,000	68	64
	Females.....	65-69	86,000	28	51
		70 and over	111,000	20	38
1985.....	Males.....	65-69	145,000	49	110
		70 and over	407,000	83	87
	Females.....	65-69	118,000	35	58
		70 and over	194,000	30	48
1990.....	Males.....	65-69	169,000	51	126
		70 and over	499,000	91	111
	Females.....	65-69	160,000	41	61
		70 and over	288,000	39	59

* Populations for the age group 65 to 69 include persons still in regular employment and thus, proportions derived from this schedule for males and females combined are not comparable to those shown in Schedule 2 above.

** Based on the assumptions of an annual rate of increase in average earnings of 3% and an annual rate of increase in the Pension Index of 1½% to 1975 and 2% thereafter.

APPENDIX A66

3258 Andrews Gd.,
Toronto 5—12 Jan/65.

Memo for M. Maxime Guitard, re
Joint Cttee on Pensions
from Donald MacGregor,

In the Cttee's hearings the question has been raised as to the extent of adjustment of existing pension plans to the O.A.S. pension of \$75 monthly at age 70. The view was expressed, in answer to the question, that these were virtually no adjustments. The attached results from unpublished Ontario Statistics. Adjustments are reported by 7% of plans having 14% of the total membership. No. of plans surveyed in Ontario about 7500. Show that there has been considerable adjustment, not counting optional arrangements.

EDMONTON CHAMBER OF COMMERCE

Incorporated February 1889
9905 101A Avenue
Edmonton, Alberta, Canada

January 21, 1965.

The Co-Chairmen and Members,
The Joint Committee of the Senate
and House of Commons appointed
to consider Bill C-136,
The Canada Pension Plan,

OTTAWA, Canada.

Dear Sirs:

The Edmonton Chamber of Commerce has given considerable study to The Canada Pension Plan. Our study included Bill C-136, briefs submitted by other organizations, and many articles by qualified experts.

As a result of this study, the Edmonton Chamber supports the views expressed in the submission of the Executive Council of the Canadian Chamber of Commerce. The Edmonton Chamber of Commerce therefore wishes to record its support and endorsement of the Canadian Chamber's submission to the Joint Committee, Senate and House of Commons.

Very truly yours,

D. F. MARLETT,
General Manager.

JOHN LABATT LIMITED

Executive Offices, 150 Simcoe Street, London, Canada

January 27, 1965.

The Co-Chairman and Members

The Special Joint Committee of
the Senate and House of Commons
appointed to consider Bill C-136,

Ottawa, Ontario.

Dear Sirs:

John Labatt Limited appreciates the opportunity to present to the Committee its views on the Canada Pension Plan as proposed in Bill C-136.

The Company is a leading firm in the brewing industry in Canada and is also active in the food additive, animal feed and pharmaceutical industries. In our operations we employ some 2,800 persons in plants located in the provinces of Newfoundland, Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia.

We have maintained a contributory pension plan for our employees since 1938. This plan has been amended from time to time and currently provides pensions for the employees and their widows at a higher level than generally prevails in industry in Canada. The Company would prefer to continue this plan without change but it recognizes the impracticability of doing so after the introduction of a contributory public pension plan as proposed in Bill C-136.

It was our intention to present a detailed brief to your committee. However, examination of various other briefs already presented, has led us to the conclusion that our views have been adequately presented, and that a fully detailed submission could be an unwarranted imposition on the committee's time.

We would, however, like to record the following summary of our recommendations:

1. Private pension plans should be encouraged with public pensions being designed primarily to provide a minimum retirement income for everyone.
2. The amount of the public pension should be closely related to the country's ability to support and sustain such a level of social benefit.
3. The Canada Pension Plan should be extended to cover every person who is retired or who is a widow.
4. The problems of a reduced work force as a result of automation should be recognized by removing any penalty under the Canada Pension Plan resulting from early retirement from the work force.
5. Students over age 18 should be permitted to deduct the years in which they are at school or university without prejudicing their average pensionable earnings.
6. Consideration should be given to eliminating the \$600 exemption in contributory earnings.

7. Provision should be made for automatic review of the plan at periodic intervals rather than automatic adjustment in the pensionable earnings and benefits on the basis of an earning's index. In any event the consumer price index is considered to be a more reliable index.

Respectfully submitted,

JOHN LABATT LIMITED

J. B. Cronyn,
Executive Vice-President.

THE WYATT COMPANY

Actuaries and Employee Benefit Consultants

Commonwealth Building
77 Metcalfe Street
Ottawa 4, Ontario

JANUARY 29, 1965

The Co-Chairman and Members,
The Special Joint Committee of the
Senate and House of Commons
appointed to consider Bill C-136,
Ottawa, Ontario.

Dear Sirs:

As a result of studying Bill C-136, advising clients as to the effect of the Bill on their private pension plans and discussing the intricacies of the Bill with my associates, I should like to present the following main points of concern which the Joint Committee may wish to consider.

Financing under Bill C-136

The benefits provided under the Bill are to be financed entirely by contributions collected from employees and employers. As demonstrated in the actuarial report prepared by the Department of Insurance and dated November 6, 1964, initial rates of contributions, 1.8% and 1.8%, will be more than sufficient to provide the benefits that become payable in the early years of the plan but will be inadequate within 15 or 20 years. The proposed plan therefore is not a pay-as-you-go plan nor is it a funded plan. Since contributions in the early years are more than sufficient to provide the benefits, a fund will build up which can be used to subsidize contributions after they become inadequate. The actuarial report shows that by the year 2000 the fund will have been depleted and the rate of contributions required to provide the benefits payable in that year will fall in the range 4.5% to 6% compared to the 3.6% rate stipulated in the Bill.

It is suggested that the proposed financing of the benefits provided under Bill C-136 is misleading to the public and capable of being misunderstood by the legislators. It would be preferable either—

- (1) to establish the contributions each year at a rate which would be sufficient to provide the benefits payable in the following year, or
- (2) to establish the contributions at a rate which would be considered sufficient to provide all benefits payable into the indefinite future.

This latter approach, of course, would result in the formation of a continuing fund.

Presently Retired Persons

Bill C-136 provides benefits to all contributors and their dependents but does not recognize persons presently retired on account of age, disability or widowhood. Thus, those persons approach retirement are given a substantial financial advantage over those persons who have already retired. Furthermore, it can be shown that this financial advantage is derived largely from the contributions made by and on behalf of younger contributors. The inequity between persons already retired and those approaching retirement could be removed by extending benefits to those persons already retired.

It is suggested that those persons already retired should be granted a benefit of 50% of the benefit they would have received if the proposed plan had been in effect during their working lifetime. This may necessitate some revision in the benefits to be provided to persons retiring during the 10-year transition period. It may be noted that the payment of these benefits, assuming the proposed 3.6% contribution rate is retained, would result in a smaller fund, if any, being build up in the early years of the plan.

Determination of Pensionable Period

Bill C-136 assumes a contributory period extending from age 18 to age 65 with provision for a drop-out of 10% in respect of low-earnings years. The application of this approach can create undesirable results in at least two general situations.

(1) The person who chooses to continue his education after age 18 rather than entering the work force is jeopardizing part of his prospective benefits since, if he uses the 10% deduction for low-earnings years to cover his educational years, he loses his protection against future low-earnings years resulting from sickness or unemployment. It is suggested that, notwithstanding the 10% drop-out provision, the years during which a person over age 18 could be classed as a dependent child under the Income Tax Act should not be counted as contributory years in determining average pensionable earnings.

(2) The nature of employment or the nature of the occupation of many persons (e.g. teachers, firemen, policemen) is such that retirement at an age earlier than 65 is necessary or desirable. It is suggested that, notwithstanding the 10% drop-out provision, where a person actually retires earlier than age 65 the years between actual retirement and attainment of age 65 should not be counted as contributory years in determining average pensionable earnings.

Escalation

Bill C-136 provides for automatic adjustment of the amount of pension according to the pension index and for adjusting the amount of pensionable earnings according to the pension index and ultimately the earnings index. The principle of adjusting benefits and earnings in the light of changes in price and wage levels is not only acceptable but necessary. The same purpose would be served however, if adjustments were made only after periodic review rather than automatically. Experience may prove that other changes in benefits are more desirable than automatic increases in benefits. It is suggested therefore that the provision for automatic adjustments should be replaced with a provision for regular periodic review.

Five copies of this letter are attached for the convenience of the Committee. If additional copies are required I should be pleased to provide them. If the Committee would like a verbal presentation or explanation of the points of concern expressed in this letter I should be pleased to appear before them at their convenience.

Respectfully submitted,

R. Alvin Field,
Fellow, Society of Actuaries.

1996

JOINT COMMITTEE

20 Wychwood Park, Toronto 4, Ont.

3 February 1965.

M. Maxime Guitard,
Clerk of the Special Joint Committee on Pensions,
Room 499
West Block, House of Commons, Ottawa.

Dear M. Guitard,

I enclose a cutting from the Globe and Mail of 2nd February, 1965, which expresses what I think will be the feelings of a great many ordinary Canadians when they become better acquainted with the proposed Canada Pension Plan. The "conversation" tries to bring out the basic inconsistency in collecting a pay-roll tax on a nation-wide base and then handing out parts of it to some aged persons, but none to others, while holding a substantial part in reserve. As an actuarial consultant and teacher of actuarial science, I am fully aware of the necessity for reserves in plans designed for an employer-employee group, where the employer's future earning power is not assured, and where the employer does not have an enforceable power of collecting income, i.e. the power of taxation. But national social insurance plans exist in a different setting.

I am also aware that "past service" benefits are often granted to those employees lucky enough to connect with a private pension plan at its inception, while no such benefits may be given to those who have left the particular employer's employment just before the plan's inception. In such cases, however, *the individual employer* pays the total cost of these past service benefits. The Canada Pension Plan, as it now stands, tries to incorporate motions that may be acceptable in a private pension plan into a plan based on nation-wide pooling of taxes, where the circumstances surrounding a private pension plan no longer exist.

The resulting unfair discrimination between two classes of aged persons ("contributors" and "non-contributors") has been amply exemplified during the first 30 years of the OASDI plan in the U.S.A. Now that the great majority of the "non-contributors" to that plan (those over age 65 at its inception) have died, the unfair discrimination has gone away (c'est vrai), in a large part.

Thus it has taken 30 years of OASDI to eliminate one of its most indefensible features. And yet there is still a substantial segment of the aged population in the U.S.A. that has not managed to "contribute" long enough to OASDI to reap the generous rewards of such "contributions". These unfortunate persons are second-class pensioners, recipients of Old Age Assistance, the very thing that our own universal Old Age Pension system is trying to eliminate. Surely we in Canada can learn something from this U.S.A. experience.

In short, I would strongly advocate that any national (welfare) pension plan include all the present aged population, and that it be paid for on a pay-as-you-go basis, through taxes which will reflect immediately the real cost of such a plan. Even these tax rates will eventually rise, if our aged group becomes a large percentage of the working force, but the rise will not be nearly so dramatic as the rise that is in store for the tax-payer under the proposed Canada Pension Plan.

Faithfully yours,

Donald Baillie, A.S.A.

P.S. I shall be pleased if you will bring these thoughts to the attention of the Committee.

D.B.

THE SALVATION ARMY

20 Albert Street — Toronto 1, Ontario

November 27, 1964.

Chairman of Parliamentary Committee
to Study the Canadian Pension Bill,
Parliament Buildings,
Ottawa, Ontario.

Dear Sir:

May we please enquire if there is or will be provision in the Canada Pension Act—Bill 136 for Canadian citizens employed outside of Canada.

The Salvation Army in Canada has a number of Officers serving overseas in Great Britain, Germany, in various African countries and in a number of Asian countries. These Officers will, undoubtedly, return to Canada at some time and quite definitely when they reach the age of retirement.

Under what conditions would contributions be received from the Officers themselves, and/or from The Salvation Army in Canada?

If this letter has not been directed to the proper Government Department, it would be appreciated if you will kindly forward it.

Yours sincerely,

(S) (Robt. Watt)
Colonel
Financial Secretary

MINISTRY TRANSPORT

Representation

Canada Pension Plan Committee	Proposed Annuity
Parliament Buildings	Credit from Minister of Transport,
Ottawa Canada	\$2,350.00
	Lease 61544 Malton Airport

Brief on the Right to Optional Credits and Retroactive Credits at inception of Plan January 1st, 1966 (proposed)

It is presumed that a considerable number of individuals who will reach retirement age will contribute sums of money in various ways which have been direct contributions to Consolidated Revenue both directly and indirectly through pursuit and organization of specific life interests originally regarded as personal life interests.

These interests in many cases were visioned for the pursuit of an active retirement between the age of 65 and 70 years. It is evident that pressure of progress is weighing against the appropriate completion of many of these personal interests, at least on a scale visioned by those of modest reserves within this age group.

To many in Industrial pursuits under both trade craft and professional training background, it was anticipated even as late as the decade of the forties

that private enterprise would absorb at least 50% of those with appropriate background both in training and financial resources. The increased rate of absorption into consolidated economic pursuit has altered the personal concept and many will find it most appropriate and essential to lay aside some of the scope and reality of active continuity or change to specific initiative in lieu of security rights at 65, for the period at hand.

It is presumed that the ratio of those enrolled in specific Pension plans and annuities will constitute approximately 50% of the retiring ranks for the period 1965 to 1970. It is also presumed that many have previously planned an active and appropriate interest and right until attaining the age of 70 years. There probably exists at least some close reality between physical capacity, training and personal adaptation which previously forecast the participation of a greater number of individuals in active pursuits. Personal pressure and opinion is no doubt limiting this trend.

A greater portion of all avenues of economic and social resources are absorbed in our pursuit to strengthen the standards of public welfare some resolute adjustments are hoped for in the transition period just ahead. Previous representation has been made to investment in personal life interests considered and organized as retirement interests. It is obvious that the plan of mobilizing economic expansion by Income Tax contributions has added a great deal to such reserves as Industrial Bank resources. To date no positive plan has been organized to recognize the funneling of these resources to the purchasing resources of the individual who has retired from active initiative.

It is visioned that the resources accumulated in self employment and optional interests have been equivalent in many cases to the joint vested interest of those enrolled in group pension plans.

While there is every enthusiasm for an active pursuit beyond the retirement age of 65. Force of competition make it imperative that these optional rights and contributions be thoroughly recognized at this time.

Type Application for Retirement Option Canada Pension Plan, January 1st, 1966

Fred Richardson
281 Hillmount Ave., Toronto 19, Ontario
Professional Agriologist

Dated January 8th, 1965

Signed Fred Richardson.

ENABLING RECORD TO ONTARIO PENSION

Fred Richardson, 281 Hillmount Ave., Toronto 19, Ont.

Summary of Detail and Period Involved

Professional Training: Ontario Agricultural College, University Toronto Degree B.S.A., Graduate Studies Fellowship 1926-31

1932 to 1947: Self Employment Family Agreement S.W.I./4 Lot 17 Concession 3 Westminster Twp. Personal interest \$1,800.00

1937: High School Superannuation Fund (2 yrs.) \$150.00.

1947-48: Agriculture—Civil Service Agriculture Poultry Nutrition, Plant Products Inspection Retirement credits withdrawn.

- 1948-61: Production Elevator Assistant Collective Labor Over 45 years. Agreement Canada Malting Co. Ltd., 6 Bathurst St. Option Pension withdrawn. Toronto Income Tax payments \$3,700.00.
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- 1956-62: Operation of Her Majesty The Queens Toronto International Airport Property Lot 9 Concession 4 Toronto Twp. acquired as a personal interest for Professional interests and pursuit product development and cash crop production visioned as a thereafter year to year activity extending into retirement years, but unfortunately required for runway purposes by notice of Secretary of Department of Transport Nov. 1st., 1962. Claim for compensation as a maintenance service and rent and tax payments made to Department of Transport Malton Airport Managers and Real Estate Office also interest on operating agreement Re-finance Mortgage Canada Permanent Mortgage Corporation 320 Bay St. Toronto Mortgage Refinance No. 75438T records previously submitted through Prime Ministers Office with claim for compensation for balance of moneys not recovered in operation for maintenance service of land rendered during the course of agreement as terminated. Parity price submission and Claim for a fair compensation for the period for the service rendered to Department of Transport as outlined by agreement Lease *Expropriation* Lease No. 61544 as previously submitted and renewed to Dept. Transport. Claim January 1st., 1965. Cost plus 10% basis for social Equity Security, \$2,300.00. Parity price to balance earnings for fair equity in security of Investment Stabilization, \$1,900.00.

Consolidated Total

Of the amounts listed the Department of Transport received direct payments to the extent claimed \$2,300.00. It is further claimed that the \$1,900.00 Parity item is a fair security right for the operation as a sound economic right. The proportion of the Income Tax payments fairly available for Social Security adjustment is a matter of much speculation. The personal asset claimed in Family Estate I am willing to pledge as a part of the optional or portable retirement right at 65 on December 27th, 1965. I feel that this is a fair representation for the circumstances. It may now be advisable to accept a retirement at 65 settlement in view of the representation of fact which everyone is or has the challenge or pleasure to anticipate at this time.

Fred Richardson.

MINISTER OF FINANCE, REVENUE, HEALTH REPRESENTATION

Canada Pension Plan Committee
Parliament Buildings
Ottawa Canada

Minister of Revenue \$3,700.00
Accumulated Income Tax payment

Brief on the Right to Optional Credits and Retroactive Credits at inception of Plan, January 1st, 1966 (proposed)

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It is presumed that the ratio of those enrolled in specific Pension plans and annuities will constitute approximately 50% of the retiring ranks for the period 1965 to 1970. It is also presumed that many have previously planned an active and appropriate interest and right until attaining the age of 70 years. There probably exists at least some close reality between physical capacity, training and personal adaptation which previously forecast the participation of a greater number of individuals in active pursuits. Personal pressure and opinion is no doubt limiting this trend.

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Fred Richardson
281 Hillmount Ave.
Toronto 19, Ont.
Professional Agrolgist

Dated Jan. 8th, 1965.

Signed Fred Richardson

Personal Records Fred Richardson

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Fred Richardson.

LABOUR

to Attention Agriculture and Forestry
representation (Stabilization)

Canada Pension Plan Committee	\$1,990.00
Parliament Buildings	Personal Financing
Ottawa Canada	Parity Price Deficiency toward Annuity Interest
	Payments on Mortgage Finance Period June 1956 to Nov. 1, 1962

Brief on the Right to Optional Credits and Retroactive Credits at inception
of Plan, January 1st, 1966 (proposed)

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281 Hillmount Ave.
Toronto 19, Ont.
Professional Agrologist

Dated Jan. 8th, 1965.

Signed Fred Richardson

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Fred Richardson.

LABOUR AND SECRETARY OF STATE (detail)

Trust Annuity or product development

representation

Canada Pension Plan Committee	<i>Personal</i> (additional)
Parliament Buildings	Proposed Trust Adjustment added to
Ottawa Canada	Mortgage Agreement June 1966— \$1,500.00
	(Life Insurance—Balance of Life In- terest <i>agreement</i>) Family Estate— records of agreement.

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Fred Richardson.

376 Piccadilly Ave., Ottawa, Ont.

Senate-Common's Committee—Pensions

Gentlemen:

With the new pension plan being adopted by the Liberal Government, I am worrying that a further deduction will be taken from our low civil service widows pension. Did you know that there are 4000 widows of former civil servants on pensions less than \$55.00 a month. We received an increase of 12% in 1957 from the conservative government the only increase since 1941 never any assistance from the Liberal government. I would like to see the pension equal to the old age pension \$75.00 a month. I am not entitled to that pension yet. I will state my case. My husband died on July 25, 1941 at 46, he was in the same department P.O. for 27 years, grade 4 in 1941, a widow had to pay income tax on the whole of the accumulated amount of superannuation amount was \$3,999.00 the income paid on that one cheque was \$820.00 in 1941. I also paid succession duty, funeral, lawyer fees the annuity was returned to the estate. After everything was paid up I had to live on a pension \$42.66 a month now in 1965 it is \$52.51 that is counting for hospitalization plan.

A grade 4 widow's pension is \$190.00 a month now. I would like mine brought up to \$65.00 or \$75.00 a month then I wouldn't have to worry about the last week in the month.

The war widows have had 4 increases since 1958 mother's allowance is \$85.00 a month, a minister's widow gets \$75.00 a month.

Please do not let them deduct any more from our pensions.

My husband was James Alexander Macdonald of the Post Office Department. Died at 397 Nepean St., Ottawa. My name is Margaret Evelyn Macdonald, 376 Piccadilly Ave. No. 1594 Superannuation. Thanking you in advance for investigating for the widows.

(now.4335)—4407 Torquay Drive, Victoria, British Columbia
Wed. Dec. 16th, 1964.

To:

The Secretary,
Joint Senate-House of Commons Committee on the
Canada Pension Plan
House of Commons, Ottawa, Ontario.

Dears Sirs,

The enclosed list of names are from people in Victoria, B.C. who have been reading the official report of Wednesday, November 18, 1964, of the House of Common's Debates.

I myself have added my name to this list.

A lot of people expect the full \$75.00 pension at 65 years, this seems to be taken for granted by the people as it was *definitely* given in the *Liberal's* promise at this last election.

The pension for those over 70 years should now *definitely* be *fully* portable, and *Not partial*, for those who need to join relatives in U.S.A. or England etc. in the eventide of their life—same as other countries, people should *Not* be *deprived* of their rightful pension at that age and it is full time that this hardship on old people, this *cruel* hardship should now cease.

I remain

Yours faithfully,

Mrs. G. Steele.

Sunday, December 13/64

The names on this list are of people of the 65 and over 70 years group who are anxious about the full portability of the old age pension and payment of \$75.00 at age 65 years.

Mr. and Mrs. G. E. Fountain, 1610 Blair Ave., Victoria; Rev. M. Nennan, 712 Yates St.; Mrs. Violet Stofer, 712 Yates St.; R. Harris, Panama Cafe, Government St. Victoria, B.C.; C. Murray, 767 Sinkleas Ave.; Mrs. C. L. Murray, 767 Sinkleas Ave.; Mrs. Florence Hall, 1500 Fort St., Victoria; R. Smardon, 446 Moss St., Victoria; Edith I. Smardon, 446 Moss St., Victoria; Mary A. Sharp, 1150 McCleere St., Victoria; C. A. Barkhouse, 2875 Glen Lake Road; H. F. Orchard, 3025 Pandora Ave.; D. Harris, 5792 Old West Road; M. C. Reynolds, 1489 Fort St.; G. Steele, (late of 4407 Torquay Drive, Victoria, B.C. (now) 4335 Torquay Drive, Victoria, B.C.; Eileen B. Bastone, 1728 Kenmore Road, Victoria, B.C.; Laura K. Bastone, 4335 Torquay Drive, Victoria, B.C.

1390 Transit Road, Victoria, B.C.

November 23, 1964.

Right Honourable L. B. Pearson,
Prime Minister of Canada,
Ottawa, Ontario.

Right Honourable Sir,—

Collectively and individually retired civil servants are justified in resenting your recent refusal to grant them increased pensions. Proud to have served in the Federal Civil Service for forty years, and just as proud to be a retired one for seven years, I voice this opinion in protest to your decision and the reasons for it.

When persons become civil servants the privilege to contribute to The Superannuation Fund is part of the employment contract. They expect it to provide for future years, and if individuals consider it insufficient, an additional amount may be provided, within means, by contracting other available sources, thus providing a satisfactory security. The Superannuation Act is a good one; the problem is that the sum provided in to-day's coin is a diminished dollar. What was adequate at the time of the contract is to-day inadequate. It was paid for in "dollars" so the employees expect "dollars" in return. Surely you do not need to be told that the sum expected has not the same purchasing power as when contracted for.

You suggest, quite wrongly, that the Old Age Security Pension is something to help the retired civil servant. Not at all, Sir; all persons irrespective of private pension systems, or personally provided for security, on qualifying and applying, receive Old Age Security Pension. The civil servant contributes to this through Income Tax. It is paid at age seventy; if it were paid to a civil servant at age 65, then that would be a "special concession".

You also suggest, Sir,—quote from your letter dated Nov. 10, 1964,—“As well as other measures taken by the provinces to meet the situation of those in need.” Do you suggest that having purchased an income under a satisfactory Superannuation Act, that a civil servant should be so stripped by the “diminishing dollar” as to have to apply for welfare assistance? Truly, it could come to that, but one would hardly think so when he has a tangible asset in \$1 billion, \$900 million dollars which he has helped to accumulate in his working days.

When our dedicated, and they are in every sense of the word, members of parliament were voted handsome increases, the privilege of other measures of assistance could have been extended to them, so there was no need for improved stipends.

True, current civil servants retiring, naturally, due to economic changes, receive higher pensions. A cyclical amendment to the Superannuation Act would forestall continual reoccurrence of the present problem. However, Sir, do you consider a recent retiree more valuable than one already retired for some years? A quick example in approximate figures, is a clerk grade 4. An employee in this grade retired in 1945, having 35 year's service, received \$112 per month,—the other receives \$280 per month. True, there was an inadequate improvement made by the Pensions Adjustment Act of 1958. Along the line gradually salaries increased, thus providing better bases, but far from the present day salaries. “Parity” is the only just solution here.

Government continually emphasizes that the Superannuation Act is actuarially unsound. This is questionable. The basis for this statement is complex.

However, granting acceptance, is it not government duty to ensure that it is made actuarially sound by suitable amendments? Perhaps it requires increased rates of contributions? It would seem so. If pensions may be bought at the same rate to-day as formerly, it is about the only thing that has not increased in cost. Furthermore, besides the increase in the cost-of-living, Sir, you also have to note that "standard-of-living" has gone up, and I respectfully suggest to you, Sir, that all Canadians, old and young, are entitled to share in this better way of life. Your Old Age Security Pension is the bullwark here.

Would you expect, Sir, that veterans of the first world war, who were granted \$60, or so, per month pension should still receive the same? True, Canadian taxpayers want veterans to have the very best pensions the citizens can possibly grant,—but in the case of civil servants, the taxpayer plays no part, for they have an adequate asset on hand in their own fund. They ask nothing on compassionate grounds. If government has not paid in all its contributions, such as those on recent salary increases, or interest credits, that you must agree is a serious matter. I refer you to the Glassco Report.

The foregoing, and much more, very much more, could be written on the subject of pension increases for retired civil servants, but this is sufficient to allow me to register a protest to a decision so falsely based. I might say, that not long ago Mr. Pickersgill expressed in parliament the same sentiments contained in your letter. It seems, he also, thinks his constituents who were not federal civil servants, would be discriminated against. He too, should seek to be better informed.

The "reflection" you recommend has not served to convince superannuates of the rightness of your decision, but has rather stimulated their efforts to improve pensions; and for this, who else should be looked to, but The Prime Minister of Canada and his government.

I am, Sir,

Yours respectfully,

(Miss) Mary T. Roberts.

727 Westmoreland Crescent North Vancouver, B.C.

December 8th, 1964.

House of Commons and Senate Committee
on the Canada Pension Plan
Ottawa, Canada

Sirs:

We reacted with utter shock and disbelief, as we are certain every other Canadian citizen reacted, who is truly concerned with the problems of all of our handicapped citizens, and who honestly believe in the principles of equal rights and privileges for each and every citizen, to the official pronouncement in the Press of the Government's proposed new pension scheme.

The Federal Government has recognized its responsibility to and taken a realistic stand in respect to the needs of the Veteran handicapped, while demonstrating a callous indifference to the same needs of our civilian handicapped.

The great disparity in treatment between these two groups of our citizens, the Government now proposes to widen even further.

Let us briefly state the comparison based on information obtained from the D.V.A. and individual veterans in receipt of allowances. A blinded or visually handicapped veteran, receives a disability allowance proportionate to and based on the degree of physical disability, subject ONLY to a medical assessment, subject to *no* financial means test of any kind or ceiling placed on any possible additional earnings. The basic full disability allowance for veterans of \$75.00 per month for a single person has been steadily increased over the past twenty years because of the *civilian cost of living index rise*, to the present \$180.00 per month. In *addition*, the blinded veteran can apply for the attendance allowance, a minimum of \$40.00 up to \$150.00 per month, again the sole condition being his physical need. A married veteran *in addition* to the above, receives \$60.00 per month for his wife; \$27.00 for 1 child; \$20.00 for the 2nd child and \$16.00 for each additional child. The new regulations will add an across the board increase to the above veteran allowances of 10%, with provisions for an upward revision every two years.

In contrast to this, the Federal Government is offering to the civilian blinded (only those in receipt of the Federal Blindness Allowance), an increase of 1/100%!! or 75¢ per month, effective in three years, 1968, and then only if the cost of living index has risen 1%, with a maximum raise of \$1.50 per month regardless of how high the cost of living index rises! Surely this can only be construed as a cruel, sadistic joke on one section of our citizens, and is an incredible and completely incomprehensible act on the part of our senior governing body.

Furthermore, in the application of the Means Test, pensions and allowances are considered as income; those in receipt of even the minimum \$75.00 per month would be subject to the Compulsory Contributory Pension Plan. What of the individual who is unemployed and whose sole income is his pension, is he classed as self-employed? Is he therefore required to contribute the full 3.6%? His pension, instead of being increased, will, in fact, be reduced by the amount of his compulsory contribution.

It is obvious that the Federal Government, in granting the above veterans' allowances, considers, and indeed, acknowledges that these amounts are necessary to maintain a person on a basic minimum standard of living.

Now let us examine and compare the situation of a blinded civilian brother or neighbour. The civilian handicapped are, at present, dumped into the discard bin along with the aged and retired. To be eligible, a civilian must be medically certified as totally blinded (less than 10% vision with correction in the best eye), no proportionate pension for loss of one eye, etc., subject to a very stringent financial Means Test.

For single pension—*maximum* Federal Allowances—\$75.00 per month, plus Provincial Grant of \$24.00 per month, a total of \$99.00 per month. No attendance allowance of any kind. Maximum permissible value of ALL real property—\$500.00; maximum permissible income *from all sources, including pension*—\$125.00 per month. NOTE: Please refer back to single *veterans* allowances.

Married civilian blinded—same medical requirements as above, and financial Means Test. Maximum Federal Allowances—\$75.00 per month; Provincial Grant—\$24.00 per month—Total maximum allowances—\$99.00 per month. No allowance for wife—no allowance for one or a dozen children. Maximum permissible value of *joint* real property—\$1,000.00. Maximum permissible income *from all sources, including wife's earnings* etc., and including pension—\$215.00 per month. (Again refer back to and compare married *veterans* cash allowances plus limitless potential added income!!)

We are certain you will agree that the primary purpose and moral justification for any blind allowance is: by recompensing a blinded person for the loss of his sight, an attempt to equalize, in an economic sense, the possibility of

competing in our private enterprise society, not to force him to exist at a sub-normal level as a perpetual charity case at the expense of the Public or as a sponge and parasite living on the earnings of his wife or family.

From the above figures it is apparent that no restrictions are placed in the way of the blinded veteran from bettering his position and to be a contributor to the benefit of society as a whole. Surely it could only be to everyone's advantage to place the civilian blinded in this same position by—(a) removing the financial means test from the civilian blinded and (b) by raising the civilian blinded allowance to the same level as the veteran's.

On what grounds can any government, which proudly and loudly proclaims to the rest of the world that it is a government for and by the people, with equal opportunity and treatment for each and every citizen, possibly defend or justify this obvious discrimination? Moral? Humanitarian?

If the considerations are financial, may we point out that every tax dollar spent on such pensions, goes right back into the general economy of the country, helping to keep the wheels of production turning. We would also suggest that a uniform pension scheme, encompassing all veteran and civilian disabled, administered by a single Federal Agency, would greatly simplify the administration. The ensuing reduction in duplication of Federal and Provincial costs etc., would result in a very large savings. These savings would then be available for direct application for the badly needed benefits of our disabled citizens.

We are, of course, aware of the ready reply—"The veteran sacrificed himself in the service of his country and his country therefore owes him something." Need we remind you, gentlemen, that in both world wars *total* mobilization of manpower was effected? The Government determined when and where every citizen was to serve his country, in the armed services or in industry, and many of us volunteered to serve our country on active duty, but, because of some physical defect or because the government decided we could serve better in a civilian capacity, we were not permitted to do so. Need you also be reminded that without these non-military services, there would have been no Army, Navy or Air Force, and that many civilians became disabled, blinded and even lost their lives in the performance of these non-military services to our country. Are our civilian handicapped and blinded not then also entitled to equal concern and privileges?

No, gentlemen, there is no legitimate grounds to justify this great disparity, and until it is rectified, all our country's claims of Democracy and Equality are a sham and an hypocrisy, and will continue to be to the discredit and shame of each and every member of our present Parliament and Government. We are all aware of the rapidly awakening and changing humanitarian and social consciousness and responsibility in the entire world. It should be self-evident that to-day, (20 years after the war), the needs and costs and problems of everyday living are the same for all categories of handicapped, civilian and veteran. You, the Government, may choose to ignore the plight of the "civilian" handicapped, but be assured that their cries will not be stilled, but joined by ever increasing numbers of citizens with a consciousness and sincere compassion and concern for their more unfortunate neighbours, will magnify, eventually disturbing even your sleep.

In conclusion we sincerely hope that you will give this your most serious consideration and reappraisal, to what we consider a badly needed and just demand.

Respectfully submitted,

John Cheadric, for
THE ACTION COMMITTEE FOR THE
ADVANCEMENT OF THE BLINDED
per Norma McGuire,
Acting Secretary

CAMPBELL, LAWLESS & PUNCHARD

Chartered Accountants

159 Bay Street, Toronto 1

January 5, 1965.

Mr. Maxime Guitard,
Clerk of the Special Joint Committee
of the Senate and of The House of Commons,
Ottawa, Ontario.

Dear Sir:

I have followed the progress of the Canada Pension Plan from the inception of the idea and have read the proceedings of the joint committee with a great deal of interest. I am sorry that it did not occur to me until yesterday that I should put my thoughts in writing to the joint committee and on the urging of some friends I have agreed to do so as a private citizen.

During my professional practice extending back to 1937 I have observed the progress of the growing complexities of doing business particularly in the areas of taxation and I have sometimes become alarmed that so little concern seemed to be shown for the record keeping and accounting problems that have been heaped on business in trying to cope with government ordained procedures and information requirements. In my view this has become a very serious situation particularly for the medium and small sized businesses who cannot afford to employ the skilled personnel needed.

I have become fearful that the average small business man will have great difficulty in complying with the contribution collection and record keeping procedures which it appears it is the intention of the government to impose. Many businesses pay wages a week in arrears now because of the problems of making up a payroll with multiple deductions and I could visualize payrolls being backed up another day or maybe more by the complexities of the Canada Pension Plan contribution deduction procedures. It occurred to me that the Canada Pension Plan presented the federal government with a wonderful opportunity to reverse this alarming trend. I thought last March when I was studying Bill C-75 why would it not be possible to merge the collection of income taxes and pension contributions?—Why could not the federal government gain the undying gratitude of businessmen by putting in the Canada Pension Plan in such a way that employers would not be involved in a tremendous amount of additional record keeping and administrative procedures? The more I thought about it the more I became convinced that such would be practical.

I think that a tremendous amount of additional payroll administration work by employers could be avoided if the collection systems for income tax and pension deductions were to be based on composite payroll deduction tables, including in one amount for each pay bracket, a deduction to cover personal income tax, old age security tax and Canada Pension Plan contributions. A modified concept of the settlement of the liabilities to government also would be required

Canada Pension Plan contributions are geared to individual's earnings in each calendar year and, in much the same manner as income tax, each year is to be dealt with separately without relationship to earlier or later years. No employee contributor will have any serious concern during a year as to dif-

ferent amounts included in the total pay deductions which would be merged in such composite tables. He will be satisfied when he prepares his personal income tax returns, which would also include the computation of his pension contributions, to see the amount of his income tax for the year, the amount of his pension contributions for the year, and the total amount withheld from his pay on account of his total liability for both tax and pension contribution together. He will have no concern as to how much of the balance payable by him or of a refund due to him is made up of income tax and how much pension contributions. He will be perfectly satisfied if the government chooses to merge the settlement of these accounts. Conceivably, he would be pleased to have the full record of both his tax and pension contributions related to his income contained in a copy of his personal income tax return. If he knew that his pay was not going to be backed up another day he would be delighted.

From an employer's standpoint virtually no additional procedure would be required from him except once a year upon preparation of his annual return of salary and wages. The employer too will be delighted to avoid additional payroll operations. The use of composite payroll deduction tables per se however, would not provide employers with an easy way of determining employer contributions month by month during the year if such must be precisely computed. I believe that this difficulty can be avoided by a system of monthly interim payments on account.

Monthly interim payments could be made on an estimated basis in a manner similar to the system of making interim payments in respect of corporate income tax or on some flat rate basis. To enable the greatest simplicity of operations I would suggest that a single flat employer contribution rate be established to be applied by each employer each month to the total of all salaries and wages paid by him to persons in pensionable employment, excluding from such total only such amounts as are in excess of pay rates which are the pay period equivalent of the year's maximum pensionable earnings. This flat rate would be struck at such a level as would provide the Canada Pension Plan Fund from all employers together with approximately the same amount of revenue for the month as the total of all employee contributions together. I would guess that $1\frac{1}{2}\%$ would provide more than the employee contributions.

While there is merit from the standpoint of simplicity in a system which would require such a single flat employer contribution rate without any subsequent adjustment, it is appreciated that the incidence of such would fall more heavily on the employers of persons in predominantly low pay occupations which would make it unacceptable. I am, therefore, suggesting that the proposed flat rate would be used at interim dates throughout the year for the purpose only of computing the employer's monthly remittances which would be applied on account of the year's total employer contribution liability. The employer's actual liability for the year would then be computed at the time he prepares his annual return of salaries and wages. One additional box only would be provided in the T4 return in which would be recorded an amount which is the excess of the individual employee's pensionable earnings for the year over the year's basic exemption. These amounts for all employees would be totalled, the total inserted on the T4 Summary and the employer's actual liability for the year would then be computed at 1.8% of such total. This would yield the Canada Pension Plan Fund exactly the same amount as under the detail deduction procedures which are apparently now proposed. Any differences between the employer's actual liability so computed and the total of his monthly remittances in respect thereof would be settled when filing his annual return, either by the employer remitting a deficiency or by the Department of National Revenue refunding an overpayment.

This collection system will cause employers very little additional payroll administration, viz, 13 computations a year, the issuance of 12 or 13 additional cheques a year and the insertion of one additional figure per employee in the annual return of salaries and wages; in contrast to the heavy additional cost to employers of full accounting for pension contributions month by month for every employee. The methods apparently proposed by the Department will take as much extra time as is now required to account for income tax deductions. This suggestion would enable employers to deal with Canada Pension Plan contributions with virtually no extra cost.

The system suggested should also be simpler for the Department of National Revenue. The Department would not be required to settle separately from income tax accounts, their accounts with individual Canada Pension Plan contributors. From a mechanical standpoint the employee contributions would simply be an additional levy, like the Old Age Security tax, to be computed on the basis of annual personal income tax returns. Combined accounts for income tax and pension contributions would then be assessed and settled just as income tax is now settled.

The monthly collection of combined income taxes and employee contributions would be allocated for the purposes of government accounts on an arbitrary basis during the year and such interim allocation would then be adjusted the next year when personal income tax returns have been processed.

The Record of Earnings would be prepared from the employers' annual returns of salaries and wages and the amount of an individual's Canada Pension Plan contribution for the year, if such datum is needed, would be recorded for the purposes of the Record of Earnings, in the amount required by the statute determined by computation rather than by the elaborately detailed process of accounting for very little bit of deduction made each pay period through to a total reported on the T4, which total in any case would have to be checked.

I am deeply concerned that every possible effort will be made to enable simplified administration in employers' offices. I believe that if the concept of composite payroll deduction tables is established in the context of income taxes and the Canada Pension Plan contributions, it will provide the basis for further simplification in future with respect to other government operated contributory insurance schemes.

No doubt at least some of the ideas expressed here have been thought of by the officials of The Department of National Revenue but as I did not see much evidence in the proceedings of this kind of thinking, I thought it would not do any harm if I set out my thoughts. I submit them with great respect.

Yours very truly,
(Sgd.) F. W. D. Campbell

OPEN LETTER TO THE CHAIRMAN OF THE COMMITTEE ON THE
MERGER OF THE PUBLIC SERVICE SUPERANNUATION ACT
WITH THE CANADA PENSION PLAN

The rank and file of government Civil Servants have been lulled into a sense of false security by the attached article, clipped from the December issue of Argus, dealing with a proposed merger of funds from the Public Service superannuation Act with the Civil Service Contributions to the Canada Pension Plan. This article is both misleading and deceptive.

The statistics on which it is based (page 2) give the benefits of a civil servant under the present Superannuation Act and compared them with the benefits to be derived from the *combined* Superannuation Act and the Canada Pension Plan. Naturally no matter how you juggle these figures the Civil Servant comes out ahead.

The proper basis for comparison of the proposed set up is the benefit the Civil Servant would receive under the present Superannuation Plan *Plus* the set sum he would receive in a year from the present C.P.P. as compared with the amount he would receive from the proposed merger.

If you will ascertain from the officials of the C.P.P. what the yearly sum a civil servant would be entitled to at age 65 and *add* this figure to Item 6 of the statistical table on page 2 of the article, I think you will be unpleasantly surprised to find that rather than gaining from the proposed merger lower paid civil servants stand to take a decided loss.

When the Federal Government first announced the proposed C.P.P. with its set benefit to all Canadians regardless of salary level, certain senior officials in the Government Service were highly incensed. They felt they should get a larger share of the pension dollar and the lower paid civil servants correspondingly less. This proposed merger of the two plans is apparently their endeavour to administer the C.P.P. funds on a percentage basis. Under this plan the proposed 2% portion of the C.P.P. funds, based as it is on a corresponding much lower salary level, will result in the junior civil servant receiving only a fraction of what he would receive under the present government set up. On the other hand the senior civil servants portion of the C.P.P. funds, based as it would be on proportionately higher salary levels will probably exceed considerably what they would be entitled to under the present C.P.P. plan.

The larger pension payment to senior civil servants would entail more funds in the C.P.P. pot, so to meet the deficit and make the fund actuarially sound they intend to transfer a portion of the benefits of the Civil Service Superannuation Act fund to the C.P.P. fund.

This will mean that not only will the junior civil servant receive substantially less as a benefit from the C.P.P., but the benefits which are his under the C.S. Superannuation Act will also be cut from 2% to $1\frac{1}{3}$. The moguls of the Civil Service will indeed be a privileged class drawing a C.P.P. allowance much larger than any other group in Canada.

Once the funds of the two acts are merged a Civil Servant will have no means of knowing what he is receiving under the C.P.P. and the swindle will be complete.

I would earnestly and sincerely urge you to do everything you possibly can to prevent this proposed bill from becoming law in Canada, as it would represent a grave injustice to thousands of junior civil servants both now and for many years to come.

Yours very truly,

(S) (Miss) M. E. Campbell.

283 Somerset St. West, Apt. No. 2.,
OTTAWA, Ontario.
December 10, 1964.

MR. M. GUITARD CLERK TO THE SPECIAL JOINT COMMITTEE OF
THE SENATE AND HOUSE OF COMMONS OF THE CANADA

PENSION PLAN

House of Commons, Ottawa, Ont.

We understand that your committee has received a submission from the united fishermen and allied workers union of British Columbia in which they propose that for the purposes of the Canada pension plan fishermen should be regarded as employees of the person to whom they sell their fish. The members of this association wish to go on record as strongly opposing this proposal. Fishermen are not employees of the persons to whom they sell their fish. Therefore they are correctly covered by those special sections of Bill C-136 dealing with farmers fishermen and other self employed persons. We would welcome the opportunity to present to you in greater detail our reasons for regarding and treating fishermen as self-employed persons.

K. Campbell, Secretary Fisheries Association of B.C.

100 Argyle Avenue

Ottawa Canada 232-4293

February 5, 1965.

Hon. Senator Muriel McQ. Fergusson and A. J. P. Cameron, M.P.,
Joint Chairmen,
Special Joint Committee of the Senate and of the House of Commons
on the Canada Pension Plan (Bill C-136),
Parliament Bldgs.,
OTTAWA, Ontario.

Madam Chairman and Mr. Chairman:—

Our attention has been drawn to a brief submitted to your Joint Committee by the Federal Superannuates National Association, an organization representing a very considerable number of retired civil servants and the widows of retired civil servants in receipt of benefits under the Civil Service Superannuation Act. We have read this brief with a good deal of interest and sympathy and our purpose in writing is to indicate to you the support of the principle involved in the submission by the Canadian Labour Congress.

I do not propose to deal with the data contained in the submission nor with the specific arguments made in it. Our main reason for writing is to indicate our agreement with the proposition that superannuation benefits should be protected against the erosion of price increases so that the real purchasing power of the beneficiary may be maintained. As the Association's brief points out, in a considerable number of instances the benefit rate is very low by present day standards even without regard to price increases. Taking into account the fact that some of these benefit rates were established years ago and their value has been reduced over the years, the situation of at least some of the beneficiaries must be critical and they must undoubtedly have to rely on other sources in order to have an adequate income.

One of the significant features of Bill C-136 is the provision that the retirement benefit and the supplementary benefits will enjoy some degree of protection against the forces of inflation. In view of the fact that this important principle is to be embedded in the legislation, it seems reasonable to suggest that the Government of Canada as an employer should apply the same principle to its own retired employees and to the widows of such employees. It is on this basis that we support the submission made by the Federal Superannuates National Association. We trust that the Association's submission and this letter in support of it will receive your sympathetic consideration.

Yours very truly,

(S) Claude Jodoin,
President.

CJ:MC

12682 Crescent Road, Crescent Beach, B.C.

February 4th, 1965.

The Chairman,
Joint Senate-Commons Committee
on the proposed Canada Pension Plan,
Ottawa, Ontario.

Dear Sir,

May I be allowed to offer my views on two points, in respect to the proposed Canada Pension Plan; which I trust will receive your Committee's consideration at this time.

1. If the contribution from the employee and/or the employer, is to be compulsory; would not a flat rate of pension at a given age, be a more equitable method of payment? It does seem to me that if there is no choice but to contribute, then regardless of the income at retirement, the contributor should receive what his savings have bought in the way of pension. In the plan presently proposed, I have heard that if the income at retirement is over \$2100 per year, no pension would be payable. Surely a man or woman, having paid for the years through to retirement is entitled to receive full benefits for his contributions? Do you not agree, that the person concerned would be better off, to take the same money and put it in some other savings scheme for his old age; if at retirement his income through his own efforts, happens to be more than others who have not bothered to save as they went through life. If such is the intention of the Plan, then we are definitely putting a penalty on thrift!

2. The number of people in Canada, must be considerable, who through their date of birth being too soon (a matter over which they had no control), will either receive a much reduced pension, or none at all. Is it not possible for the actuaries to work out some method whereby this adjustment could be made; in order that these oldtimers would not be penalised?

I thank you for having read this letter, and hope your Committee will give favourable consideration to my suggestions!

Yours truly,

(S) Leslie C. Johnson (Mr.).

COMMUNIST PARTY OF CANADA

National Committee

24 Cecil Street, Toronto 2B, Canada

February 5, 1965

The Chairman,
Special Joint Committee
of the Senate and of the
House of Commons on the
Canada Pension Plan.

Dear Sir:

1. The Communist Party appreciates and supports in principle the passage of the Canada Pension Plan. Such a Plan is long overdue in a country so blessed with natural wealth, an industrious people and high productivity as Canada.

The Plan must be proclaimed and put into operation at the earliest possible moment.

2. We are mindful of the fact that powerful interests, notably the great insurance firms, are striving to undermine the effectiveness of the Plan, undercut its benefits to those most in need of retirement payments, and to restrict its coverage of the population.

The Communist Party unequivocally opposes all attempts to whittle down or emasculate the Canada Pension Plan.

Rather, the Communist Party takes its stand with all those who desire, and who have argued before your Committee, for the improvement of the Plan in order that it should serve better the interests of the general public.

In this sense we wish to take this opportunity to convey to your Committee our general support of the brief submitted on the Canada Pension Plan by the Canadian Labor Congress on behalf of the working people of our country whose interests the Plan should serve.

3. The Communist Party proposes that the Canada Pension Plan be amended to provide for: (a) universal coverage without exception, providing a supplementary payment to all who have reached pensionable age of one hundred and twenty-five dollars (\$125.00) monthly to the basic pension presently standing at seventy-five dollars (\$75.00) monthly. (b) the reduction of the pensionable age to sixty-five (65) years for men and sixty years (60) for women. (c) no means test in any form.

4. We propose further that: (a) proper safeguards be inserted into the Plan to protect fully the pension rights and payments of all citizens covered by industrial plans such as those won by the trade unions and covered by collective agreements between union and management; and other plans of similar nature where no collective agreements exist. Such plans are in actuality workers' savings derived from wages and incomes and must be protected as such and not infringed upon in any way by the Canada Pension Plan; (b) the Canada Pension Plan must in no ways whatsoever impinge upon the basic pension presently standing at seventy-five dollars (\$75.00) monthly in respect to the possibility of the passage of legislation to increase the basic monthly pension payment.

5. Attention should be paid by the Committee to improve the following short-comings in the Plan: (a) to amend the funding provision for a substantial cut-back in order to decrease contributions now demanded under the funding provided for in the Bill; (b) to amend the Plan with the view of decreasing that part of the contributions paid by employees in relation to that paid by employers.

In conclusion, may we state that the Communist Party takes its stand on the position that the receipt of a pension, commensurate with the requirements of an adequate standard of living measured by what the resources of our country can provide and today's accepted standards, is the democratic right of every citizen reaching retirement age.

Signed:

COMMUNIST PARTY OF CANADA,
*National Executive Committee,
Communist Party of Canada.*

BRIEF SUBMITTED BY: EARL SAGER,

R.R. No. 2, Madoc, Ontario

May I at the outset be permitted to give you a brief account of my position. I live on Lot 13, Con. 9, Madoc Township, Madoc, Ontario. I was Reeve of Madoc Township for 11 years from 1952-62 inclusive and was Warden of the County of Hastings in 1960. My brother and I are bachelors and farm together. We are in our 50's. I was brought up in an age when it was not fashionable to spend money for the simple reason that we did not have it. We supported an invalid mother for 17 years until she passed away 5 years ago. Given reasonable health we won't need Judy's Pension; not that we have been making even reasonable wages but we, like all farmers, have the choice of one of two alternatives, either put our earnings back in the farm, or move. We have chosen the first.

For your calm and reasonable study of this question and what must be a courageous report I would like to take this opportunity to thank you not only on my own behalf but for all those many people all across Canada who will pay, pay, pay, indirectly of course, into this fund without a chance of ever receiving either credit or benefit; and also for the many more people who would, without realizing what they are doing, inflict another price squeeze on the struggling poor, be they individuals or industry and for which they alone will get credit. I am interested in this scheme because I despise deceit and hate injustice. In my opinion, from start to finish, this thing has been and is still, saturated with both. Sincerity is a virtue supreme; without it all others are tinged with shame. With its shortcomings in others may be lessened or overlooked. Without it conscience leaves the human frame and without conscience there is no guide between right and wrong. Justly or unjustly, the people of Canada from the Atlantic to the Pacific are more and more of the opinion that to such depths has sunk Canadian party politics and are crying out "Shame, Shame", to the very words.

The word "contributing" used in this way and hailed by the press as something heavenly new in social security less than two years ago, is not new, never has been more than a shadow of the true meaning that was intended, and the press realizes that now.

This is my opinion now and always has been and if you sincerely think that I am mistaken in this opinion I perhaps can add nothing more that is new to the criticism of this plan. I certainly cannot delete any from previous briefs because I sincerely think that in a democratic and Christian country there is not now nor ever has there been any good in it. It was intended for a vote catching scheme from an unsuspecting people gripped with the mania of something for nothing idea.

Free enterprise, personal responsibility and discipline and democracy with its freedoms and individual rights are inseparable. Even in the face of this basic fact party politicians are more and more promising the vision of life without enterprise, without responsibility and without discipline and at the same time keep our democratic rights and freedoms.

Gentlemen, we may be riding the crest; we may not even be approaching the crest of a combined socialist democratic state but continuing in our present way, we or future generations, will most certainly reach that crest and go over. We cannot forever hope to acquire all the advantages of a socialist state (and there are benefits) and not acquire the disadvantages. That we can is perhaps the greatest and most dangerous illusion of our time and the men who encourage state security rather than encourage individual security through ownership in Canada and Canadian industry are more dangerous to democracy and all it gives than the atomic bomb. State security and democracy in the final stages will never mix.

The Canada pension scheme as set up is state security for the very people who are most capable from their positions of high earnings, to provide their own. I would like to say to you and to them that if they can't do just that, old age security will be available to them just the same as it is to the poor people who never had such a chance.

The plan has nothing for the older and those approaching that age. The answer is that they have contributed nothing, which is not correct. They will make their indirect contributions so long as they live and without doubt this is where the largest part of the contributions will eventually come from. I say further, that, the day will never come in a Christian and democratic land when the young owe nothing to the old. When and if that day comes we are no longer Christian and we won't long be democratic. That there never was a time when the young owe so much to the older. Social security with justice is not only desirable but essential, social security without justice and as a deterrent to self help, self discipline and responsibility is not only dangerous but wrong, terribly wrong. The Canada Pension Plan is most certainly both. There is no alternative to discipline in a civilized society. How do we want it applied? By state or by self? If the need for self discipline is to be sacrificed on the platform of greedy and competitive party politics just as surely will the need for state discipline arise.

The Canada Pension Plan as proposed is without question the most unjust, unnecessary and undemocratic step in this direction yet proposed. The *Globe & Mail* reported January 13th issue, business section, with the heading "Insurance officers call pension scheme everything but good". How could they conscientiously do anything else? "There is no good in it". It would not be tolerated in a completely socialist state, it should never have been considered in a democratic state. The brief from the insurance people will perhaps not be given the consideration that it should. The plan is cumbersome, unworkable and patched until no one understands it. There is only one honourable and courageous recommendation to be made—scrap it.

Efficiency is a word far too often applied to an industry or individual for no other reason than that they are in a position to pass on all costs and

retain a profit on the whole. Inefficiency on the other hand too often is applied to those who have failed not only because they were compelled to absorb their own costs but those passed on by the more efficient.

The pension plan fails completely to recognize the most dangerous obstacle to Canadian unity—the ever widening gap between the high and low income groups. If allowed to become law this plan will tend still further to create on the one hand a prosperous happy and carefree people and a successful industry, prospering not in spite of extra costs but because of these costs and their ability to collect profit on the whole and on the other people and industry sinking deeper into poverty, despair and frustration, and will become an insurmountable barrier to a united Canada. Not between French and English, not between Quebec and the supposedly more prosperous Canadian provinces, but between the haves and have nots from the Atlantic to the Pacific. The poor in Quebec already have plenty of company in the rest of Canada. The only difference, party politics have made a despicable issue in Quebec.

It is unbelievable that this monstrously unjust piece of legislation could pass second reading in the House of Commons almost without question. It is unquestionable proof of a weakness in our form of Government when 265 members could be so steeped in party political slavery and could be so choked in party caucuses that not one man would stand up in the House and tear this act to shreds and expose it for the fiendishly unjust piece of legislation that it is.

In my opinion there is only one courageous recommendation to be made by this committee to the House of Commons—scrap the Canada Pension Plan as proposed. As an alternative stall it at least until there is a complete report of the whole frame work of pensions by a judicial inquiry.

How far have they already impoverished the poor and enriched further the well to do?

May I also suggest that the criticisms and recommendations contained in the brief submitted by the Canadian Life Insurance Officers Association be given your most careful consideration.

Half truths can and often are the most dangerous form of deceit. How many if any of the 265 members in the House of Commons have the courage to dig out all the truth before it is too late. If this cannot and will not be done by the present parliament I would like to issue a challenge to every member to take it to the country, to the party conventions, spell it out courageously and clearly with all its hidden aspects; not glossed over as a vote catching scheme. The people of this country still have faith in their own ability to run their own business. They still have a love of their freedom and their rights and their intelligence is such that they know that only by sacrifice of these most precious privileges can they expect continued and unrestrained promises of security at government level. My faith in the Canadian people says that if this were done the proposed Canada Pension Plan would be cast into eternal fire and its proponents into political oblivion from which they should never have risen in the first place.

P. ACKERMAN, P.Eng.

P.O. Box 26, N.D.G., Montreal 28, P.Q., Canada

January 28, 1965.

Joint Parliamentary Committee
on Canada's Pension Plan,
Parliament Building,
Ottawa.

Dear Sirs,

Some 15 years ago a Joint Parliamentary Committee deliberated, at great length, on the then proposed Old Age Pension Plan in force today. It helped to create thereby a universal plan (including every oldster of the nation) and had it financed on a yearly pay-as-you-go basis.

They thereby blazed a new trail, as Canada became the only nation in the Western world which adopted these two principles.

The handling of the Plan proved extremely simple. All that a person needed to qualify for the Pension and receive it immediately was to prove having reached the specified age.

But the unfortunate drawback of this Plan is that the planners thought that the economy could not afford more than a pittance of a pension and only at an age (70) which many would never reach. (See Annex 2).

Because of this low pension allowance, a new plan is before you for consideration in an endeavour to raise the allowance.

The plan now proposed has reverted to the insurance principle. This principle is perfectly correct in the private insurance business. It is, however, utterly inadequate if applied nationally because it is very difficult to embody in it the social needs created by the economic changes of the Industrial Age.

Because of this switch to the insurance principle the presented plan has lost its universal character, its immediate applicability in full, as well as its simplicity. Instead of covering all oldsters of a nation, it covers only about 75 to 80%, according to various presented briefs. To some income-earners it is not applicable at all and to some others only in a limited form. Only those having started early to make their yearly contribution will be able to obtain the full pension benefits. Its handling become also extremely cumbersome. It also requires the build-up of a huge reserve fund.

Now, at the risk of being still misunderstood after 25 years crusading, I present you herewith my social-economic research findings.

These findings prove that by a proper appraisal of the Industrial Age we will be able to devise a plan as universal, as immediately applicable in full and almost as simple to handle as the existing Old Age Pension Plan. The Pension, however, would be fairer and far in excess of what the Plan before you is supposed to provide.

But this is possible only if we break with our traditional line of thinking, and learn to understand that the problem of the modern Industrial Age can only be effectively solved if we realize that Unemployment, Old Age Pension, and the Tax Reform have become an interlocked problem which must be solved concurrently by proper coordination: (Annex 1)

1. Unemployment in the modern Industrial economy is actually the sign of Superfluous Labor. It is a growing new segment of industrial society which we have to cope with.

2. A National Retirement Plan would retire enough active income-earners to make room for the unemployed and the yearly new crop of school-leaving youngsters seeking employment. This would ease the unemployment problem.
3. Retiring the income-earner at his attained net income seems to be the only sensible pension allowance in our modern economy of abundance. It would allow the pensioner to continue enjoying his customary standard of living to the end of his life.

In practise such pension would be calculated by determining the average income of the individual income-earner for his official active service period. This average would then be multiplied with a "norm" factor to raise the pension value to approximate the income-earner's last attained net income.

The war has proven that we can afford to provide such liberal pensions: 85% economically Active kept 15% of the nation's manpower in economic inactivity (war services) at normal salaries, besides producing the war needs.

4. But such liberal pension would only be possible by departing from the present archaic confiscatory tax system which keeps the government spending restricted to 10% of the gross National income.

We would have to change to a regulatory Surplus Tax System which would reclaim all Government spent money from the production and trading channels and return it to the Government ledger, thus closing the Government's money circle. This would allow the government to take on the new financial responsibility involved in the advocated Pension Plan, the cost of which would be far in excess of the present restricted 10% spending limit.

Here again the war has proven this to be feasible. During the last war the government expenditures grew to be close to 50% of the gross National income.

By adopting the proposed measures, the natural life process of the Nation would not be disturbed: the income-earner, when young, would continue to be actively engaged in the Nation's economy; in retirement, after having become superfluous as Active worker, he would continue to enjoy, as consumer, his attained customary standard of living.

Here is your opportunity to blaze again a new trail and show the Western world how we can restore a healthy, social, economic and monetary balance in Industrial Nations. We would thereby forestall the danger of social upheavals whenever unemployment will take on more serious proportions.

Unfortunately, I am unable to come and plead my case in person before your Committee. My age (81) and a slight heart condition prevents me from doing so. But I would be quite happy to receive a delegation of a few of your Committee members at home or anywhere in Montreal to give some further clarifying explanations.

Respectfully submitted,

(S.) P. Ackerman.

Enclosures:

ANNEX 1, Summary of my book "Unemployment, its Cause & Cure"

ANNEX 2, Excerpts (pages 30 to 33) from the same book

The Book, "Unemployment, its Cause & Cure", will be found in your Parliamentary Library.

Summary of the book:

UNEMPLOYMENT, ITS CAUSE & CURE

P. Ackerman

Today's universal attempt is to try to restore Full Employment by artificially stimulating the economy by monetary and other means in the hope of creating thereby re-employment for the unemployed.

In his book "Unemployment, its Cause & Cure" the author contends that Full Employment is today a fallacious and hopeless aim because the substitution of "human" by "harnessed nature's" producing forces makes Full Employment no longer possible nor necessary for prosperity.

Luckily, this is slowly being recognized in the most advanced Industrial Economy of the North American continent:

Gerard Piel in his paper "Consumers of Abundance" concludes, by a careful analysis of the American Economy, that "Full Employment now seems to be not only an unattainable but an outmoded objective of economic policy".

The American Labor Department's observation in its report to President Kennedy that "we seem to be moving away from full employment rather than towards it" gives additional weight to the obsolescency of the full employment myth.

Walter Lipmann, in one of his recent articles, "Unemployment—What About It?", becomes worried, wondering how full employment can be achieved. He refers to President Kennedy's report to Congress on Manpower and reflects that "it raises a question about unemployment to which there is no obvious answer". He wonders why it is that the rate of unemployment seems to be steadily growing. Somewhere else in the article he calls it "a gloomy situation".

In confirmation of these observations, the author in his book "Unemployment, its Cause & Cure" proves that unemployment is really the manifestation of superfluous labor, demanding therefore a radically new treatment if it is to be solved effectively and permanently.

In brief, the author's findings are as follows:

The irresistible trend of the Industrial Age is to lower the cost of commodities:

Some 20 years ago a ballpoint pen cost \$20; today, you can get it for 25¢.

Why then do we overlook that the commodity "human Labour" costs today \$1 or more per hour, whereas in mechanical form we can get the equivalent at an hourly rate of 1/10 to 1/100 of a cent (Chart 1 of the book).

Is it surprising, therefore, that "man" loses out in this uneven competitive struggle and becomes unemployed?

This, then, is the real cause of unemployment. It shows conclusively that our problem is *not economic*: to find re-employment; *but social*: to find ways and means to absorb such unemployed (superfluous) labour healthily in our Industrial Society and thus assist the irresistible downward adjustment of what is termed Full Employment. Full Employment actually means the National

potential of the Active Man-Hour Labour requirement prevailing at a point reached in this downward trend (Chart 2):

80 years ago it meant:

60 Active Age Classes (Age 10-70) working 60 hours/week = 3600

Today it is represented by:

Approx. 40 Active Age Classes (Age 20-60) working 35 hours/week
=1400

Hence, today the Man-Hour Labour, called "Full Employment" has dropped during these 80 years to nearly $\frac{1}{3}$ of its original potential, despite the untold growth of production and consumption during the same period. This trend will certainly continue and be quickened by automation and computers and, unless properly handled, will irresistibly increase unemployment.

At present the large number of unemployed is among the unskilled labour group. But it is well to realize that with automation and computers unemployment will gradually spread to the skilled and educated groups; finally, with the general slowing of the present over-expanded economy to a more normal pace, all segments of the economy will be affected.

The talk of having to boost the economic growth is another fallacy, stemming, of course, from the fallacious desire to achieve full employment. There is no possibility of stability in ever-faster growth, as there is never any end to such ever-faster growth except a crash.—A high rate of economic growth was natural at the beginning of the new era. But now, after 6 or 7 decades of Industrial Age, it is only natural that the rate of growth slows down (Charts 19 & 20/20c).

Hence, it is *quite evident* that the problem of advanced Industrial Nations is *neither* full employment *nor* economic growth.

What is actually needed is a built-in social regulator on the consumption side of the basic equation "Production = Consumption", a regulator which, under the new economic conditions, will divide the total Consumption equitably between the Active and Superfluous of the Labour Force. This will permit the balancing of the equation without interfering on the production side with the economic trend of producing ever-more with ever-less active manpower (Charts 5/5A Condition 2, 5/5c & 24). The rate of employment and of economic growth would thus be able to find its own level. We would then have a *self-balancing equation* which could find its equilibrium *under any condition* of a *growing, a stationary or a declining economy*.

Such a self-balancing equation would be in healthy contrast to the present impossible attempts to sustain a balanced equation with full employment by means of an artificially boosted ever-expanding economy.—Who would like to sit at the wheel of an automobile adjusted for constant acceleration with no regulating gas pedal at his command? Yet this is the way we expect our modern economy to operate.

In order to restore social, economic and monetary stability, the following two features are therefore needed:

A Democratic & Automatic National Retirement Plan (Chap. I/3 & Chart II)

Shift the unemployed (superfluous) labour into the upper age brackets and retire them at their attained income (be it high or low income), thus retaining a high civilian purchasing power.

A Regulatory Surplus Tax System (Chapters III/2 & IV/4)

Have the government pay the pensions and all other government expenses, including National Defence, irrespective of cost. But see to it that all money thus put into circulation be returned to the government ledger by means of a regulatory surplus tax system, which collects the money from the business accounts where it shows up as unused surplus money. This avoids growing government indebtedness, no matter how much government expenses increase.

This method of handling government money is not new. It was practiced during the war. However, instead of collecting the whole amount of government-spent money, only HALF of it was collected by taxation (Chart 22). The other half was taken back in exchange for interest-bearing Government Bonds. This latter procedure was erroneously borrowed from profit-making business, overlooking that the Government's sole function, apart from collective spending, is to act as a collector to reclaim all such collectively-spent money.

These measures would permit the *positive* and *direct* solving of the Unemployment problem as is indicated in the following:

1. By shifting the unemployed into the upper age brackets, the unemployment situation would be eased at once. The nasty and dangerous picture of 18% unemployed Youth would disappear because enough oldsters would retire to make room for the youngsters (Chapter I/4).
2. Retiring the oldsters *at their attained income* would certainly maintain the available purchasing power, in contrast to the stifling effect caused by reducing the unemployed's pay to the dole level (Chart 13/13A).
3. The whole nation being assured of their regular income in retirement and without having to pay greater taxes, would spend their income more freely during their active years, thus enlivening the economy.
4. The proposed tax system would handle the whole growing government cost without anyone feeling it, because the individual and corporation tax rates would remain unchanged. The Surplus Tax would collect the balance of government-spent money where it would show up as unused surplus, the same as was done during the War (Chapter III, and particularly page 27 of my book).

In fact, the Surplus Tax principle, once adopted, would permit cutting the present tax rates to more sensible levels, thus providing the income-earner with more spending money. The surtax, on the other hand, would automatically recover the revenue loss resulting from the tax cut.

What is all-important is that the scheme would work and strike a balance socially, economically and monetarily, no matter how much the unemployed (superfluous) labour rate would grow.

The economic progress of the Industrial Age is amazing. But are we going to wreck it, just because we do not realize that this economic change from "human" to "machine" labour demands equally amazing changes in our social structure and the tax system?

This new approach, as is briefly outlined in the foregoing, is exhaustively explored in the book "Unemployment, its Cause & Cure", (edition Oct/62) obtainable at \$5. from the author, P.O. Box 26, (N.D.G.) Montreal 28, Canada.

August 1963.

ANNEX II

(Attached to the Brief of Jan. 28, 1965 by P. Ackerman)

EXCERPTS FROM THE SOCIAL-ECONOMIC RESEARCH STUDY:
"UNEMPLOYMENT, ITS CAUSE & CURE"

by P. Ackerman

The realization that a National Retirement Plan should be financed on a pay-as-you-go basis, rather than on an insurance basis, is gradually being acknowledged. This is proven by the recommendations made by the Canadian Joint Parliamentary Committee on Old Age Pensions*. This Committee brings out the two valuable forward steps of acknowledging the RIGHT of the aged to a Pension and its financing from general revenue on a "pay-as-you-go" basis. The latter recommendation is a decided break in traditional thinking, as the financial insurance principle is still practiced by practically all other countries which have introduced Old Age Pensions.

However, what the Parliamentary Committee has not yet realized—nor have the planners of Old Age Pensions in other countries—is the fact that Unemployment, Old Age Pensions (Retirement Plan) and Tax Reform are one and the same interlocked problem. In consequence of this oversight, the Pension allowances in all countries remain on a pitifully small scale, solely because, in the light of present taxation methods and present Fiscal thinking, no decent pension allowances are considered feasible for "Fear of Cost".—Seen in the same light, the Retirement Plan as outlined in this publication would, of course, also seem preposterous, despite the war having proven its practical feasibility.

It is interesting to note from the nation-wide representations made to the Canadian Parliamentary Committee that there was unanimous concern about the cost of such Old Age Pensions. The considered permissible cost limits were being placed variably at from 1% to 6% of the National Income. The lower limit was being argued by representatives of business and finance and by economists; and the upper limit was argued by those parties more directly interested in improving the human lot, such as Social Workers and Union leaders. Strangely enough, there was not a single voice to vent the untenability of the argument of such low limits in view of the fact that close to 50% of the nation's income was applied to the prosecution of the last war, another non-producing national expenditure.

The simple explanation for this cautious viewpoint is to be found in our adherence to traditional fiscal and taxation policies. We treat them as if they were nature's laws instead of realizing that they are man-made laws requiring modification to meet new conditions.

The Parliamentary Committee's Report presents also an interesting insight into the cumbersome and weariness way which has to be followed under the existing tax method to find a suitable new tax revenue to finance a proposed new outlay. The Report shows how the planners are constantly harassed and handicapped by the "fear of cost". They continuously fear invoking the displeasure of the taxpayer, who will be made the victim of such tax extortion.—What a contrast, compared with the simplicity of procedure which could be followed under the proposed Fiscal and Tax Reform: one would simply decide what was fair and equitable as a retirement allowance, irrespective of cost;

* Report of The Joint Committee of the Senate and the House of Commons of Canada on Old Age Security, June 28th, 1950.

then the allowance would be paid out; and the Surplus Tax would reclaim the amount again from the Production and Trading Channels, after the money had been spent for the purpose intended.

The foregoing indicates that, while there is a slow awakening on taxation and unemployment matters, only the coordination of these thoughts can possibly lead to the permanent and effective solution of our puzzling Social-Economic problems: Let us change our present "*Confiscatory Taxation* deflecting a fixed percentage of the National Income to the Government's spending channel" to a "*Regulatory Surplus Taxation* with the sole purpose of returning to the Government ledger whatever money had been injected into the Government's spending channel". This would pave the way for an unrestricted Government spending in Peace or War, based on "NEEDS" rather than on "FEAR OF COST". This, in turn, would clear the way for the successful permanent solving of the unemployment problem by means of a National Retirement Plan, retiring the income earner at his attained income, as cost would no longer be a deterrent.

Business would realize that such "surpluses" would no longer be "profits" in the old sense. They represent the contributions towards government expenditures, the same as was the case during the war; in peace time they would cover chiefly the expenditures for retirement allowances. Such new viewpoint on "surplus", contrasting it from "profit", would become quite obvious whenever such national surpluses would gradually reach proportions like 40% and possibly some day, 60% of the national income, because of the growing number of superfluous (retired) manpower.

Under such new condition, a refund feature offered to the producer of, say 10%, of his surplus, would represent the real reward, or profit, to the producer for having contributed the equivalent of his surplus toward government expenditures. This would be in excess of his regular profit disbursement of dividends and interest payment on the capital investment, as the latter would be accepted as regular expenditure before arriving at the surplus.

It is rather interesting to note that some small beginnings have already been made towards the inevitable reforms discussed above:

1. Since January 1st, 1952, we have, in Canada, the Old Age Pension, assuring each adult at the age of 70 or over, the right to a small monthly pension. This is a modest beginning. The proposed retirement at the attained income represents simply the end of the same road, retirement age being determined by economic manpower needs. The difference between the two plans is that the present Old Age Pension is based on moral grounds, whereas the proposed National Retirement Plan becomes an economic necessity.
2. The policy of "National need" instead of "Fear of Cost" for government expenditures is not new. It was practiced in both war emergencies, and luckily so, as otherwise we would have lost the wars. In fact, we badly need it again in the present armament race and in order to restore our social and economic stability to avoid endangering our freedom.
3. The Excess Profit Tax with refund feature, recovering 50% of the last war cost, is the happy beginning of the proposed "100% Surplus Tax with refund feature" which would recover all government spent money, in peace or in war (Chart 22).

Undoubtedly rapid headway would be made towards bringing these small beginnings to a happy conclusion, the moment one would start to realize that social and economic stability of the Industrial Age depends on the successful solving of these problems. In fact, we are heading rapidly towards a crisis: urgently needed improvements in social security measures such as improved Old Age Pensions, sick relief, etc., also the need for growing defence expenditures, are crying for a solution. Yet the taxpayer is on the verge of revolt, being squeezed out of his earnings by ever greater tax rates, the only way to provide the money for such improvements under the present antiquated tax principle.

The adoption of the surplus tax principle would remove the obstacle to the carrying out of such pressing national needs; at the same time, it would remove the pressure on the oppressed taxpayer, and on the growing cost of living; the surplus tax would not squeeze the money from where it can hardly be spared, but it would instead collect it where it would show up as useless surplus.

The yearly fiscal balance would be based on the simple formula that the active manpower would support, with its excess production, the surplus manpower in retirement, after they had served the officially recognized number of active service years. This balance would be maintained for any attained national living standard, irrespective of how much the active manpower needs would shrink.

Chart 23 indicates our confused economic situation of the last two decades. During the War, when we were asked to tighten our belts, strange to say the civilian consumption grew by 20%. During the post-war years when we expected industry to be free to concentrate on building up our standard of living, the average consumption per head of the Labour Force (Income Earners), in constant 1935/39 dollars, had made hardly any headway (Chart 23/23^B), although the national income in actual dollars is still skyrocketing.

Why these contradictions? During the War everybody was fully busy and worked long hours. Everybody had much spending money even after taxes were paid. The inflationary spiral was kept in check somewhat because consumers prices were fixed. However, low wages went up, despite wage control, but this was not felt because the government paid the bill.

Then came the post-war years, with the change from war production to consumer goods production. Based on the new wage rates, the pre-war prices of civilian articles no longer covered the cost of production. Then the vicious spiral of inflation started. Prices were raised to meet the new labour cost. Immediately following, organized labour put in a demand for higher wages. This naturally pushed up the prices again because of higher cost. Ever since, yearly, round after round of jacking up wages and prices follow each other with monotonous certainty.

What aggravates the situation is our antiquated tax system. Increased consumers taxes increase the cost-of-living, while increased Income tax rates reduce the purchasing power of the income earner. This provides an additional motive on the part of labour to clamour for higher wages to maintain the take-home pay.

To the foregoing is added the demand for social security measures, such as Old Age Pensions, allowances for the Blind and Sick. Under our present handling of these problems, all this adds to the cost of manufacture or the cost of government. This affects, adversely, the purchasing power of the nation, as is reflected in our almost stationary standard of living of the post-war years (Chart 23/23^B).

The proposed Retirement Plan and Tax Reform would go a long way towards checking this trend of the growing Cost-of-Living.

The precariousness of the present state of full employment is also plainly evident, if we realize how transitional the present boom periods are.

All this shows that we have reached an impasse from which we cannot extricate ourselves until we come to grips with the underlying fundamental problems as discussed in this study.

A Submission by:

DOUGLAS R. BUTT

947 Willowdale Avenue, Willowdale, Ontario

Although I am a Fellow of the Society of Actuaries, engaged in the consulting field with Johnson & Higgins (Canada) Limited, this submission should not be considered primarily as coming from an actuary, but rather from a citizen with an actuarial background. The submission does not, therefore, concern itself with actuarial matters.

The principal purpose of the submission is to point out inadequacies in the considerations which have been given to date to the Canada Pension Plan, particularly as outlined in the White Paper. I do not attempt to offer concrete solutions but rather to suggest, in the form of questions, areas which need further study.

I ask that the Committee give my remarks, particularly the questions, serious consideration.

December, 1964.

NEED FOR THE PLAN

Normally, in the presentation of any programme, whether to the public, or to others affected by the programme, one of the first things dealt with is its need. In the case of the Canada Pension Plan, there has been no such demonstration.

It seems that various government programmes and laws can be divided into two general types. The first provides individual assistance, or attention, or penalty, in individual situations, and the second applies rules or restrictions to all of the population, because a large percentage of the population needs the programme and the balance would not be significantly affected by it. An example of the former might be the provincial social assistance programmes where individuals apply for aid based on need, while an example of the latter is the flat benefit Old Age Security pension programme.

The proposed Canada Pension Plan falls in the second category, as all employees must participate in order that those who cannot, or will not, provide for themselves will be looked after, to a degree, at retirement. This decision, rather than to base pensions individually on need, can have been made intelligently only if careful examination was made of expected future needs of pensioners retiring from various segments of our working and geographical populations. If a large percentage of future pensioners from generally all walks of life and all areas require assistance, then some sort of uniform programme, probably based on earnings, should be inaugurated immediately.

If, however, times are good, as the White Paper seems to suggest they will be, and the vast majority of our working population is able to save for retirement, with only small segments being needy, an overall contributory pension programme for everybody would be unnecessary.

To assume that a large portion of future retired employees will need help simply because the present generation needs help would be a fallacy. Those presently retired, and those to retire during the next few years, constitute an unusual generation, in that they went through the never-to-be-repeated Great Depression and the subsequent period of low earnings. These people probably did not have the opportunity to save for retirement. If, in fact, our pension problem is concentrated entirely on this particular generation, it would be absurd to install a plan which does nothing for them, but which gives unneeded pensions to future generations.

Question No. 1

Has it been determined, with a reasonable degree of confidence, that our retirement problem is not a temporary one, caused partly by the depression, partly by inflation, partly by the absence of pension plans in the past? Has it been determined that the need for government assistance in pensions for many future generations will be sufficiently widespread to make an overall irreversible compulsory plan desirable? Have studies been made projecting various employees' savings capacities over future years, to determine how much pension they can provide on their own?

I can see no reference to these points in any material I have read on the Canada Pension Plan, and they are particularly ignored in the White Paper. It seems to me absolutely essential that there must be a very clear understanding of what is likely to happen before even the first step towards the Canada Pension Plan is taken.

It may well be established that a great percentage of our population does suffer an actual hardship when the breadwinner dies or is disabled. It is very likely that the need for this type of protection can be demonstrated fairly easily.

Question No. 2

Why has it been considered necessary to combine the death and disability benefits, which are in the nature of catastrophe insurance, with retirement benefits, the amounts of which are inter-related? Has any consideration been given to installation of death and disability programmes, with benefits based on presumed need of beneficiaries, without at the same time installing a retirement programme?

FINANCING

Most actuaries who will make submissions to the Committee will, no doubt, recommend a longer build-up period in order that a greater degree of equity can be achieved between people retiring during the next ten years and those retiring after a longer period of time. I disagree entirely with this opinion. I feel that equity must take second place to social need and adequacy, particularly since retirements during the next few years are those which require as great (if not greater) assistance as those retiring in the distant future.

In almost all other government financed programmes, there is a general concept of taxation according to who can afford it best and benefits to those who need them most. Only in areas of assumed equal usage are benefits and

taxes spread evenly. Why people should advocate that the proposed Canada Pension Plan should be such as to give each individual his own fair share of benefits in accordance with his taxes, I don't know. If it is established that certain needs must be fulfilled, it would seem that the normal government practice of having these needs paid for by those who can afford it should be followed.

In any case, to set up a system with a longer build-up period would require some sort of temporary relief programme during this period. The cost of the relief programme would no doubt be allocated in accordance with ability to pay, so that the longer deferment period does not really gain very much.

Question No. 3

In conjunction with the needs of the plan as discussed earlier, has any consideration been given to a plan with little or no build-up period providing benefits, either on a demonstrated or presumed need basis, payable out of either general or specific taxes, without committing future generations to a fixed, specific benefit structure?

I should comment here, as will many others, that the flat benefit Old Age Security pension forms a part of the government's contribution to the aged, and as such, the cost of this programme should be included with the Canada Pension Plan's cost whenever costs or taxes are discussed. It is simply foolish to compare the United States O.A.S.D.I. benefits with the proposed Canada Pension Plan benefits, and use only the 1.8 per cent Canada Pension Plan taxes in the comparison. When one takes into account the taxes supporting the flat benefit plan, one finds that the employees' total tax for the proposed Canada Pension Plan is approximately equal to the American employees' taxes for the O.A.S.D.I. programme and will in future years likely exceed the latter figure.

Question No. 4

Why have employees' direct and indirect taxes for O.A.S. benefits been so zealously ignored when discussing the costs of the proposed Canada Pension Plan? Since it has been decided to increase the flat benefit with increases in the cost of living, the taxes required to support the flat benefit will, no doubt, increase over the future years, but these increases have also been ignored. Why?

ECONOMIC IMPLICATIONS

The White Paper dismissed all worries about economic implications in a brief presentation which is either naive, or straight advertising copy.

The White Paper properly points out that one of the biggest criticisms of the Canada Pension Plan is its possible effect on capacity to save. The White Paper brushes aside this argument with an unconvincing answer. It sets about to compare the total national savings of \$10,000,000,000 a year with the accumulated taxes under the plan. I don't feel this is proper; rather, I feel that from this \$10,000,000,000 should be subtracted the savings of those people which the Canada Pension Plan will affect only in an insignificant way. If the total national savings include monies arising from other than employment, these monies should be excluded. Also excluded should be savings of people earning over, say, \$10,000 per year as the savings of these people will not be significantly affected. What seems to me to be of greatest concern is the effect on a man earning, say, \$4,000 a year. If another tax of 1½ per cent of his salary

constitutes a significant percentage of his total annual savings, then I would say the Canada Pension Plan will affect his capacity to save—particularly in future years when his taxes for the Canada Pension Plan will rise.

Question No. 5

Has any consideration been given to analysis of the effects of the plan upon the average man's capacity to save, rather than upon the average amount of savings?

The White Paper tacitly assumes that there will be continued large growth of income over future years and a corresponding increased capacity to save. It does not substantiate this assumption nor indicate what might happen if this assumption does not materialize.

Question No. 6

If, in fact, future incomes are to grow and capacity to save is to increase, why do we need a compulsory government sponsored pension plan? In the event that the future does not bring continued growth of income and continued capacity to save, what effects will the increasing taxes of the proposed plan have on the decreasing capacity to save?

This last question is most important, I feel, because if poorer economic conditions and increased Canada Pension Plan taxes create the situation where a man's personal savings are virtually eliminated, there is not much to prevent a swing to the welfare state.

Although governments at various levels are normally efficient and intelligent, it is not safe to assume that all future governments will have these qualities. Thus, it is not safe to give future provincial governments a large automatic market for their bonds. I think the fact the governments today have to prove to their individual, voluntary investors that they will use the money wisely is a very valuable characteristic of the present arrangements. This will be lost, to a certain extent, if the proposed Canada Pension Plan is installed.

Question No. 7

Has serious consideration been given to the possible harmful effect of allowing the provincial governments unrestricted use of the plan's funds?

The foregoing, while not complete, indicates some of the major questions I have about the proposed Canada Pension Plan. It would seem imperative to me that these questions be studied carefully by a non-political committee, composed of experts of various fields, before any further step in the introduction of the plan is taken.

It is probably impossible to eliminate entirely political considerations from a subject such as this, but every effort should be made to keep these to a minimum because of the long term irreversible nature of the recommended program. At the moment, it does seem to me that political considerations have been so great that inadequate thought has been put into the need or the design of the programme.

Hurried introduction of the plan without thoughtful consideration being given to the foregoing points, and those raised by other citizens, and without public disclosure and discussion of these considerations, would be, in my opinion, an irresponsible act.

(Sgd) Douglas R. Butt

1. I am a member of the Canadian Association of Actuaries and a member in good standing of the Toronto Musicians' Association. This brief is presented, however, on my own behalf.

A. Need for the plan and how the need is met

2. In discussing the need, I wish to consider the plan in three parts; first, as a retirement plan for workers; second, as a wage-related retirement plan, and third, as a plan containing widows', orphans', disability and death benefits.

Retirement plan

3. As a retirement plan for workers, is the plan filling a need? A survey conducted by the Dominion Bureau of Statistics* indicated that 50% of the non-agricultural labor force was employed by employers who had a pension plan in effect and that of this 50%, 7% were permanently ineligible to join the plan. Thus it would seem that a majority of non-agricultural employees do not have the opportunity of joining a pension plan. This indicates, in my opinion, that there exists a need. An employee in a plan receives the benefit of his employer's contribution, whereas one not in a plan does not receive this benefit. This difference will be accentuated by vesting provisions of the Ontario Pension Benefits Act and similar acts which may be passed and by private improvements in vesting provisions.

4. The incidence of this need is not uniform, i.e., many groups have already adequate pension plans and many groups have no pension plan. Federal government employees, for example, have a plan which provides an annual pension, beginning at age 65 after 35 years service, of 70% of the average of the best six years' earnings. I don't think there is a need for another plan in this case. Presumably employees of the railways, of steel and automobile companies, of insurance and trust companies, of the banks and the large department stores have adequate pension plans. If so, then no need exists for many large groups of employees who are employed by large, responsible employers. The need does exist for employees of companies which feel they cannot afford a plan or have not obtained one for other reasons; presumably small or "marginal" employers would be in this category. The Toronto Musicians' Association, whose members work for many different employers, has a pension plan but it does not cover all the musicians in all the places they work and thus the Canada plan might satisfactorily fill this need. A later reference will be made to the problem of pensioning this particular group.

5. How is the federal government proposing to meet this need?—by requiring all employers to adopt the plan whether it is needed or not. It seems to me it would be a better solution to require only employers without a plan or with a plan not meeting certain standards to adopt one—through the medium of private companies, Dominion Government Annuities or through some modification of the Canada Pension Plan. Under present proposals many employers would find themselves with three plans; one a private plan and two sponsored by the government—Old Age Security and the C.P.P. These three types of plans generally cover the same dollar of earnings, thus there would be wasteful duplication involved. Private plans can be integrated with public plans, but the difficulties can be great depending on the type of private plan involved and all this could be avoided if compulsion were limited to employers without a suitable plan. Further, would it be wise to apply compulsion to "marginal" companies or new enterprises which might be in a precarious financial position?

* Pension Plans, Non-Financial Statistics, 1960.

Wage-related plan

6. As a wage-related plan, the rationale of the C.P.P. seems to be that, for example, \$75 a month Old Age Security will go further in Newfoundland than Toronto, thus those retiring in Toronto will need a larger retirement income in order to maintain the living standard they have been accustomed to. It seems to me that this sort of thinking has not gone far enough—it has not probed into the economic or human status of the aged, into their income, income needs and living standards. For instance, those retiring in an urban area may have spent their earning lives in a rural area and thus qualify for a relatively small pension—one which won't go as far in the urban area. The reverse situation could also occur. Thus a pension earned during a person's working life won't necessarily fit his retirement needs. This rationale also seems to imply that a flat benefit gives too much for rural areas and too little for urban areas. In a recent submission to the Senate Committee on Aging, titled "Income Characteristics of the Older Population", Miss J. R. Podoluk of the Dominion Bureau of Statistics said:

"Great disparity, however, is found between the incomes of the (older) population resident in rural areas and the population resident in urban areas"

and

"Differences in levels of income between rural and urban areas may not result in differences in the levels of living. The rural population may not find it necessary to spend as much on items such as rents or other housing costs or transportation. In the absence of price data and budget studies we have no information on relative costs in different regions. However, the income differentials were so large between rural and urban areas that it is likely that, even if some living expenses are lower, the general level of living of the older population in rural areas is below that of the urban population in most instances."

These statements indicate that the urban aged generally have, already, a better general level of living than the rural aged. The wage-related plan, then, would not necessarily seem to be the answer to Canada's pension needs. A flat benefit plan helps the rural aged relatively more and would seem to fit the present circumstances of the aged. Miss Podoluk's statement in her submission about the absence of price data and budget studies also seems significant. It indicates that more study is needed about the economic circumstances, desires and habits of the aged before anything so comprehensive as the C.P.P. is initiated.

It is my understanding that the Dominion Bureau of Statistics is in the process of publishing various monographs about incomes in Canada, and my plea is that all available or soon to be available data be studied and that new data be requested as needed, before any further government action is taken.

Widows', orphans', disability and death benefits

7. There seems no question about the need for the first three of these benefits. The need is already recognized through the Blind Persons Act, the Disabled Persons Act and Mothers' Allowances, provided by the provinces.

At this point it seems confusing as to how these programs would mesh with the C.P.P., under which these benefits are paid only to those who had some connection with the plan, either as a member of a participant's family or as a participant. Would the C.P.P. benefits generally go to a different class of persons than that which receives benefits under the other programs? How would the benefits compare—would those in greater need get greater benefits?

Those I am concerned about are the persons who are widows, orphans or disabled before January 1, 1966 and those who enter these categories after that date but who would not be covered by the plan because the participant's earnings were too small or he was unemployed or he wasn't in pensionable employment.

The recent case of the Canadian missionary killed in the Congo might be considered here. There is no widow's or orphan's pension provided by the C.P.P. for that family. There might have been if the missionary had lost his life after the plan's initiation. On the other hand, even in this event he might not have been in "pensionable employment" because of the nature of his work. Does this unfortunate family qualify for a mother's allowance and if so, is this allowance as large as would have been paid under the C.P.P.?

8. Concerning the death benefit, which in general would equal one-half of the retirement pension, I don't think as much need exists as for the special benefits discussed above. At the end of 1963, about three out of four* families owned life insurance in an average amount of over \$12,000* per family in Canada. More than 87%* of the workers in Canadian industry are in firms with a group insurance plan. The amount of life insurance owned by Canadians at the end of 1963, \$60 billion*, was more than triple* the amount held in 1952. I cite these statistics in order to indicate that there seems little, if any, need for the federal government to attach death benefits to the plan. Again, in the case of a family having no connection with the C.P.P., no death benefit is available and yet this type of family is more likely to be part of the minority with no private insurance. Thus we might say that even if there is an area of need for death benefits, does tying the payment of the benefit to a connection with the C.P.P. truly meet the needs of all the people?

B. Design of the plan

9. I wish to comment on four features of the design of the plan, i.e., the earnings exemption of \$600, the ten-year benefit build-up period, the funded concept and the indexing of benefits.

The earnings exemption and multiple employers

10. The idea of the earnings exemption seems to be to give lower-paid employees a little better deal, since it means that they pay a smaller percentage of earnings but share the same 25% benefit formula as higher-paid employees. But will the exemption create hardship for groups like the Toronto Musicians' Association, whose members commonly work for many different employers during the year (assuming such groups are in pensionable employment)? Suppose a member worked for ten different employers earning \$500 from each—he has earned \$5,000, but would he be covered under the plan, considering that the earnings exemption is \$600? Although the exemption is supposed to be to the advantage of lower-paid employees, would it actually create hardship for many?

The same general effect of the exemption could be created if the first dollar of earnings were covered for all pensionable employment and the benefit formula weighted in favour of lower-paid groups. This general approach might ease administrative problems even where single employers were involved, since the \$600 dividing line would not exist. Could this approach be given consideration?

*Canadian Life Insurance Facts, 1964, published by The Canadian Life Insurance Officers Association.

Welfare—in Reverse

11. The ten-year period during which benefits build up to 100% means that those who retire thereafter will receive, individually, a large gift, most of it coming from the younger participants. To illustrate, a participant who with his employer contributes \$158.40 (3.6% of contributory earnings) each year for ten years on account of an income of \$5,000 will get a lifetime pension on retirement of \$1,356* a year. At current government annuity rates, this pension will have a value at 65 of about \$13,800 and at 70 of about \$11,800. This value may be significantly increased by the available widow's benefit and the proposed indexing of benefits in payment. Ignoring this increase, however, the values may be compared with the accumulated value of the contributions which will equal, with 4% interest, about \$1,935. Thus this participant retires at 70 with a gift, in actuarial terms, of at least \$9,865. Those whose earnings were more than \$5,000 will be getting a little larger gift. It is safe to say there would be many thousands of persons retiring who would receive these gifts but who would not need them.

The 1961 Census of Canada (excluding Quebec) indicates there were at that time 111,502 persons age 55. The survivors of these persons reaching age 70 in 1976 may be estimated at 82,000*. If we assume that all those in this group who were participants retired at age 70, and that the number of these was 28,300‡ (22,700 male and 5,600 female) then we may estimate the total value of all gifts to this group. Using an average gift of \$5,000 for men and \$2,500 for women, which seems conservative, the total gift works out to over \$125 million for this group alone. Unfortunately, there won't be any gifts for the old men who sell newspapers on Bay Street, but there will be for all the insurance men, lawyers and stockbrokers there.

Surely such gifts should be directed to those in need. Such a group is the present aged who are not members of census families, i.e., those who live alone, who are lodgers or who double up with relatives. In Miss Podoluk's memorandum the statement is made in reference to this group:

"The statistics suggest that the majority of this segment of the population have incomes which are inadequate to provide for even very minimum basic needs."

The position of this group has improved relatively since 1961 because of increases in O.A.S., but is this group retired in decency and dignity? Why not make gifts to this group, which needs them?

Pay-as you versus Funding

12. The funded concept was adopted by the federal government in the spring of 1964 after the Quebec government revealed details of its funded plan. Previous to that the federal plan was "pay-as-you-go"—thus the design of the plan was radically changed in a short space of time. Does this mean that the pay-as-you-go concept was no good, or that it was good but it was more important to adopt the Quebec concept? In any case, were the interests of the people held paramount when such radical changes in plan design occurred in such a short space of time? Has fullest consideration been given to the question of pay-as-you-go versus funding?

* Actuarial Report, Nov. 6, 1964, page 6.

‡ Canadian Life Tables, 1961

‡ Actuarial Report, Appendix 2, page 46, Schedule 3.

Legislation for Inflation

13. The indexing of pension benefits represents, I believe, a departure from traditional pension thinking in North America. I think it is justifiable in the sense that those living on fixed incomes have suffered a continual loss of purchasing power since World War II, through no fault of their own but rather because of "creeping inflation". In October 1964 the consumer price index was 135.6 as compared to 100.0 in 1949, a compound increase of about 2% a year. It is surely the responsibility of the government to fight inflation because of the plight of some of these persons and because the government issues bonds which are redeemed in fixed dollars and are thus cheapened by inflation. In Canada, our record of containing inflation is better than that of many other countries. It is surprising therefore, that the government is proposing "legislation for inflation", by introducing automatic indexing of benefits according to changes in the consumer price index. It seems like an admission of defeat on the part of the government, as if creeping inflation were a way of life. The maximum increase in benefit in any year is 2%, but suppose we suffered 3% inflation, would we then have to amend the law? And what if deflation occurred—should we reduce pensions? In my opinion, periodic studied adjustments of the level of pensions, depending on what has happened in the recent past, would have the advantage of more flexibility and would not have the disadvantage of emphasizing inflation.

Conclusions

14. I believe that the objective of government-sponsored welfare programs should be to help people live in decency and dignity. It seems to me that because the plan adds a *third* retirement pension for many thousands of Canadians who don't need it; because it provides gifts for many thousands who don't need them; because it is tied to an earnings record and thus ignores those without such a record and who are thus in greater need; because of problems created by the earnings exemption, the funding and indexing techniques, the plan as it now stands should not be put into law.

In 1908 Dominion Government Annuities were established and 44 years later, in 1952, Old Age Security. Surely we could wait another year, or five if necessary, in order to adopt a plan that would efficiently and equitably meet the pension needs of Canadians.

Respectfully submitted,

Robert A. Nix
Toronto, Ontario.

December 29, 1964.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

SPECIAL JOINT COMMITTEE OF THE SENATE
AND OF THE HOUSE OF COMMONS

Appointed to Consider and Report upon Bill C-136, An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors.

Joint Chairmen: Senator Muriel McQ. Fergusson
and Mr. A. J. P. Cameron (*High Park*).

MINUTES OF PROCEEDINGS AND EVIDENCE

(Meetings held during the adjournment of the Senate and of the House of Commons, as of January 12, 1965.)

INCLUDING:

1. Third and Final Report to the House (Pages 2041-43)
 2. References to Evidence; Appendices; Witnesses and Exhibits (Pages 2045-50)
 3. *Corrigendum* (Pages 2039-40)
-

No. 24

MONDAY, FEBRUARY 8, 1965

WITNESSES:

Dr. Joseph Willard, Deputy Minister of Welfare; Messrs. D. Thorson, Assistant Deputy Minister of Justice; E. E. Clarke, Chief Actuary, Department of Insurance; D. Hart Clark, Director of Pensions and Social Insurance Division, Department of Finance.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

MEMBERS OF THE COMMITTEE FOR THE SENATE

Honourable Senator Muriel McQ. Fergusson, *Chairman*,
and Honourable Senators:

Blois
Boucher
Croll
Denis
Flynn
Lefrançois

McCutcheon
Smith (*Queens-Shelburne*)
Smith (*Kamloops*)
Stambaugh
Thorvaldson

MEMBERS OF THE COMMITTEE FOR THE HOUSE OF COMMONS

Mr. A. J. P. Cameron M.P. (*High Park*), *Chairman*
and Messrs.

Aiken
Basford
Cantelon
Cashin
Chatterton
Côté (*Longueuil*)
Enns
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Gray
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Howe (*Wellington-Huron*)
Knowles

Laverdière
Leboe
Lloyd
Macaluso
Monteith
Morison
Munroe
Perron
Prittie
Rhéaume
(Mrs.) Rideout

(Quorum 10)

Maxime Guitard,
Clerk of the Special Joint Committee.

CORRIGENDUM

February 5, 1965

Maxime Guitard, Clerk,
Special Joint Committee of the Senate and
House of Commons on the Canada Pension Plan,
Parliament Buildings,
Ottawa, Ontario.

Dear Sir:—

Further to our letter of Jan. 29th we wish to inform you of a correction which must be made on page 20 of our submission.

We are enclosing a copy of the final page with the correction made and underlined and would appreciate it if copies of this could be distributed to members of the Joint Committee as we understand was done with the original brief.

We are therefore forwarding to you, under separate cover, 100 copies of the corrected page.

As you will see on reading it the last portion hardly makes sense without the correction that we have indicated.

We have also heard that the decision has been reached that the full text of our brief will be included in the printed record. We urgently request that this correction be made prior to the printed record being completed if at all possible.

Yours sincerely,

UNITED FISHERMEN & ALLIED WORKERS' UNION

Per Homer Stevens,
Secretary-Treasurer.

HS/ak
enclosure

— 20 —

That approach also, however, poses some threats to the basic objections for providing a decent level of security for all. The increasing productivity of the in the future, may produce spectacular incomes for some people, but will be very unevenly reflected as between varying segments and strata of the population.

Automation, which will be the decisive factor in raising national income in the future, may produce spectacular incomes for some people, but will almost certainly produce disastrous consequences for others. One need only consider the situation in a one-industry community where production becomes automated, with the results that total production and income is at an all-time high, but the population is more or less permanently reduced to living on social welfare (e.g. some of the U.S. coal mining communities). Here we would have the means for supporting a high level of security, but an earnings-related pension would yield virtually none.

Therefore, we propose a three part contribution formula, under which two thirds of the total would consist of matching earnings-related contributions by employer and employee, while the remaining third would be a levy against

industry at a fixed percentage of the value of production. Then, in the event that automation yields high production and little employment, pension plan revenues would, nevertheless, grow and the minimum pension provision which we have outlined above would protect the working force from being automated out of their pensions as well as their jobs.

In conclusion, we wish again to thank the Committee for this opportunity to present our views, and to stress, once again, the urgency of placing fishermen on an equal footing with other employees for the purposes of the Plan.

All of which is respectfully submitted.

UNITED FISHERMEN & ALLIED
WORKERS' UNION

H. Stavenes,
President.

H. Stevens,
Secretary-Treasurer.

J. H. Nichol,
Business Agent.

REPORT TO THE HOUSE OF COMMONS

TUESDAY, February 16, 1965.

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan (Bill C-136) has the honour to present the following as its

THIRD REPORT

1. Pursuant to its Order of Reference of November 16, 1964, your Committee had before it for consideration Bill C-136, an Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors.

2. Your Committee was comprised of thirty-six members: twelve Senators, namely, Honourable Senators Blois, Boucher, Croll, Denis, Flynn, Fergusson, Lang, Lefrançois, McCutcheon, Smith (*Queens-Shelburne*), Stambaugh and Thorvaldson, and twenty-four members of the House of Commons, namely, Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Gundlock, Klein, Knowles, Laverdière, Lloyd, Macaluso, McCutcheon, Monteith, Moreau, Munro, Olson, Paul, Perron, Rhéaume and Scott.

3. Subsequently, Honourable Senator Smith (*Kamloops*) was appointed in place of Honourable Senator Lang, and the following members of the House of Commons, namely, Mrs. Rideout and Messrs. Marcoux, Howe (*Wellington-Huron*), Leboe, Morison, Enns and Prittie were appointed in place of Messrs. Klein, Olson, Paul, Marcoux, Moreau, McCutcheon and Scott respectively.

4. A Subcommittee on Agenda and Procedure was appointed. The members were: Honourable Senators Croll, Fergusson, McCutcheon, and Messrs. Cameron (*High Park*), Chatterton, Côté (*Longueuil*), Francis, Knowles, Monteith and Munro. During the latter stages of the Subcommittee's proceedings Mr. Aiken was appointed in place of Mr. Monteith, Mr. Basford in place of Mr. Côté (*Longueuil*), and Senator Smith (*Queens-Shelburne*) in place of Senator Croll.

5. Your Committee held 51 sittings and heard approximately 116 witnesses, including individuals speaking on their own behalf and others who represented various public and private organizations. A list of individuals appearing on their own behalf is attached hereto and is marked Appendix A. A list of various public and private organizations presenting briefs, and the individuals who represented such organizations, is attached hereto and is marked Appendix B. A list of individuals and organizations who presented briefs but did not appear is attached hereto and is marked Appendix B-1. The members of the Committee expressed their gratitude to these witnesses for their efforts and contributions.

6. Your Committee also heard officials of Government departments, a list of whom is attached hereto and is marked Appendix C. The members of the Committee expressed their gratitude to these witnesses for the time and effort they expended by their attendance at numerous committee meetings and their forthright and able explanations and advice throughout the hearings. The Committee wishes to thank especially the following: Mr. J. E. E. Osborne,

Technical Adviser to the Committee, for his very able assistance; Dr. Maurice Ollivier, Parliamentary Counsel, who advised the Committee as to the proper procedure to be adopted; and Mr. Maxime Guitard, Clerk of the Committee, for the thorough and capable way in which he assisted in organizing all of our committee meetings.

7. The Committee, after full study of the matters placed before it, endorses the principles of the Canada Pension Plan as an addition to the existing pension benefits provided to the Canadian people by Old Age Security. These principles are as follows:

- (i) The total pension available to Canadians in retirement should be in part flat rate and in part earnings related.
- (ii) Earnings related coverage should be as broad as practicable.
- (iii) The level of combined benefits available under the Canada Pension Plan and Old Age Security should represent a high proportion of the previous earnings of those people whose income does not permit other adequate provision for their retirement.
- (iv) There should be scope for further benefits under private pension plans for those in a position to afford them and integration of private pension plans with the Canada Pension Plan should be a matter of consultation between employers and employees.
- (v) There should be protection for widows, orphans and disabled persons.
- (vi) Full pension benefits under the Canada Pension Plan should become available after a relatively short transition period to retired persons 65 years of age and over.
- (vii) Pensions available at retirement should reflect the rising productivity of the Canadian economy and should therefore bear a direct relationship to the increases in the level of earnings that have taken place during a person's career; pensions should also be protected against the inroads of any possible future rise in price levels.
- (viii) There should be safeguards in the Canada Pension Plan which will guarantee that future efforts to increase the level of benefits will require that full consideration be given to the cost thereof.

8. As will be noted in paragraph 10 of this Report, your Committee recommends the adoption of Bill C-136 amended in the manner set out in Appendix D. However, your Committee also recommends that consideration be given to the making of the following changes in the Bill:

- (i) that the provision exempting the Armed Services and the Royal Canadian Mounted Police from coverage under the Canada Pension Plan should, if integration is technically feasible, be deleted;
- (ii) that the provision of a maximum benefit of \$104.00 a month payable in respect of the orphans of one contributor be deleted, and that in lieu thereof provision be made for the payment of a flat rate benefit of \$25.00 a month for each of the first four orphans, and an additional benefit of \$12.50 a month for each additional orphan, of one contributor;
- (iii) that an additional type of benefit, namely, a dependent child benefit, payable in respect of each child of a disabled contributor, be included in the Bill, the amount of such benefit to be the same as that provided in respect of orphans.
- (iv) that the provision authorizing a drop out of 10% of the months of lowest average monthly earnings be deleted and that in lieu thereof there be a drop out of 20% of the months of lowest average monthly earnings for the purpose of calculating a contributor's benefit upon retirement;

- (v) that more specific authority for regulations respecting benefits for disabled persons be included in the Bill, such regulations to cover:
 - (a) the conditions upon which a benefit may be paid and continue to be payable,
 - (b) initial, periodic and other assessments of disability and for the payment of the cost thereof under the Plan,
 - (c) the requiring of an applicant to undergo rehabilitation where practicable and available,
 - (d) the payment of a benefit to such person while undergoing rehabilitation if under the circumstances it is considered appropriate,
 - (e) the granting of authority for an applicant to engage in therapeutic employment while undergoing rehabilitation if such is recommended as part of therapy,
 - (f) a provision that where rehabilitation is recommended failure without good cause as defined by regulation to undergo rehabilitation be a ground for determination that a person has ceased to be disabled, and
 - (g) a provision that where rehabilitation is required and undergone, the cost thereof be payable under the Plan;
- (vi) that the Old Age Security Act be amended so that a person who has not resided in Canada for the 10 year period immediately preceding his application should be able to draw the Old Age Security without having resided in Canada for the last year immediately preceding approval of his application, providing he has resided in Canada for a total of at least 40 years since attaining the age of 18.

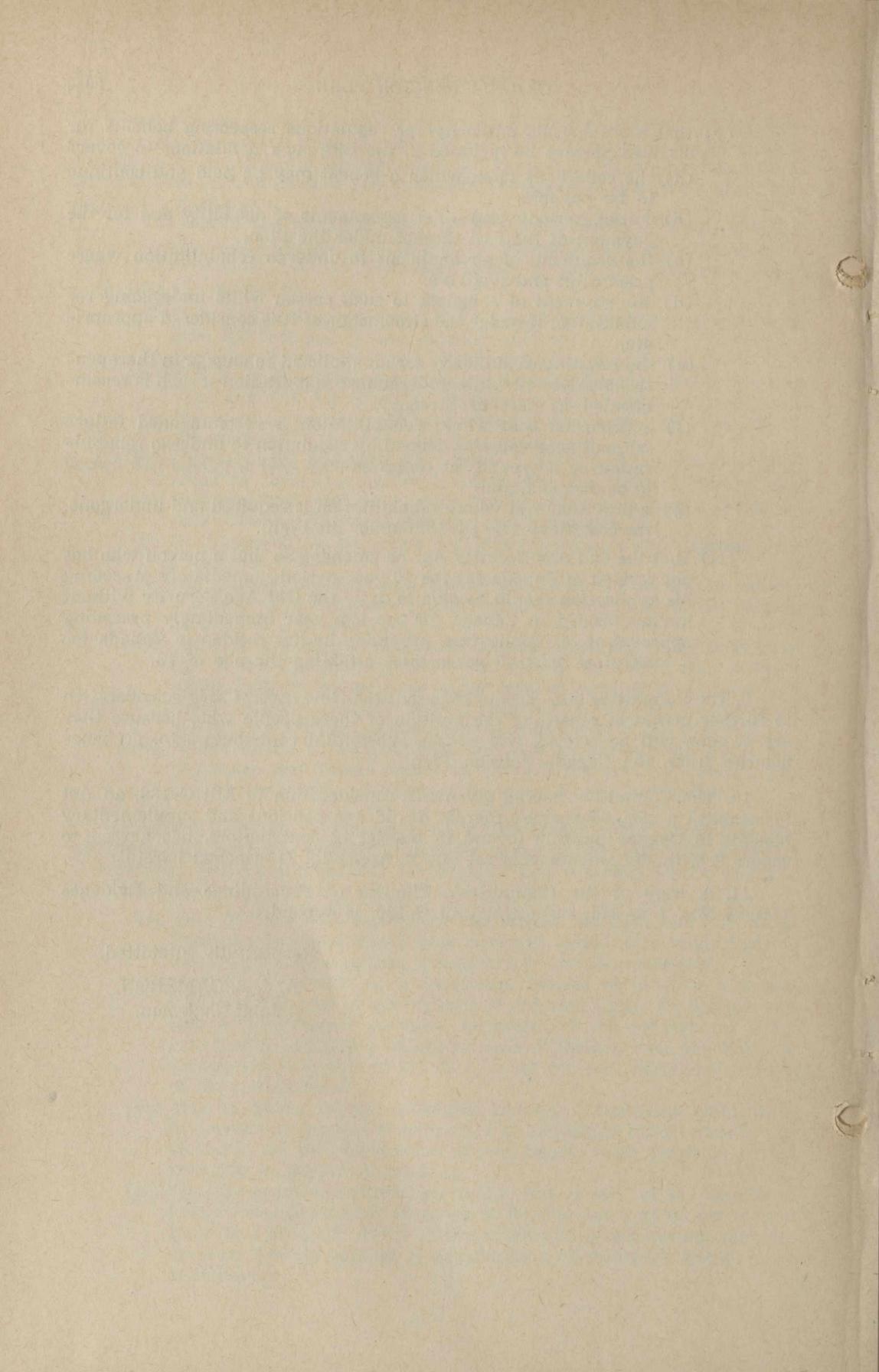
9. The Committee also recommends that the Government give consideration to further measures regarding the position of those people who, because they are or soon will be retired, will not be substantial contributors to, or beneficiaries from, the Canada Pension Plan.

10. The Committee having given full consideration to Bill C-136, an Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors, has agreed to report it with the amendments set out in Appendix D attached hereto.

11. A copy of the Committee's Minutes of Proceedings and Evidence (*Issues Nos. 1 to 24*), respecting Bill C-136, is appended.

Respectfully submitted,

A. J. P. CAMERON,
Joint Chairman.



APPENDIX A

INDIVIDUALS

The following appeared before the Committee and presented briefs:

Mr. S. M. Thompson, Toronto, Ontario
Mr. Robert J. Myers, Washington, D.C.
Mr. G. N. Watson, Toronto, Ontario
Mr. R. C. Dowsett, Toronto, Ontario
Mr. D. E. Kilgour, Winnipeg, Manitoba
Mr. Wallace R. Joyce, Toronto, Ontario
Mr. Edward Ruse, Toronto, Ontario
Mr. W. M. Anderson, Toronto, Ontario
Mr. Samuel Eckler, Toronto, Ontario
Dr. Robert H. Clarke, Vancouver, B.C.

APPENDIX B

ASSOCIATIONS, ORGANIZATIONS, FIRMS

The following appeared before the Committee and presented briefs:

The Canadian Life Insurance Officers Associations:

Messrs. H. L. Sharpe, M. K. Kenny, B. T. Holmes,
D. E. Kilgour, G. R. Berry, G. E. Brown, J. M. Linnell,
J. W. Popkin, J. L. Clare, J. A. Tuck, Q.C.,
Frank G. Dimock.

The Retail Council of Canada:

Messrs. A. J. McKichan, E. E. Went.

The Canadian Welfare Council:

Miss Marian Murphy and Messrs. B. M. Alexandor, Q.C.,
Eric Hardy, Horace S. Racine, M.L.A., Reuben Baetz,
Brian J. Iverson and Dr. R. E. G. Davis.

The Congress of Canadian Women:

Mrs. Helen Weir.

The Senior Women's Committee for Pension Increase:

Mrs. Ethel Neilson.

The E. B. Eddy Company:

Messrs. W. D. Moffatt, D. Hutton.

The Canadian Federation of Agriculture:

Messrs. David Kirk, Lorne Hurd.

William H. Mercer Limited:

Mr. C. J. Woods, F.I.A., F.S.A.

Life Underwriters Association of Canada:

Messrs. J. L. Etherington, R. L. Kayler,
Fraser Deacon, R. A. Mitchell.

The Canadian Chamber of Commerce:

Messrs. A. J. Little, H. F. Hoerig, D. L. Morrell,
Dr. W. H. Cruickshank, W. J. McNally, R. B. MacPherson,
Léon Mondoux, R. S. Davies.

The Winnipeg Chamber of Commerce:

Mr. G. R. Hunter, Q.C.

The Canadian Manufacturers' Association:

Messrs. H. B. Style, C. C. Belden, Willis George,
L. E. Marrs, H. Taylor, J. F. Villeneuve,
J. C. Whitelaw, L. F. Wills.

Alexander Services and Dubley Funnell, Consulting Actuary:

Messrs. Norman G. Kirkland and J. W. Moreland.

Federal Superannuates National Association:

Messrs. Fred W. Whitehouse, Walter R. McLaren.

*The National Legislative Committee International
Railway Brotherhoods:*

Messrs. Paul Raymond, J. H. Clarke, J. A. Huneault, S. Wells.

The Canadian Association of Social Workers:

Messrs. Harry M. Morrow, M.S.W., Walter Lyons, M.S.W.
and Miss Florence Philpott.

The Canadian Labour Congress:

Messrs. Claude Jodoin, Donald McDonald, A. Andras,
Russel Irvine.

The Government of Ontario:

Messrs. L. Coward, D. W. Stevenson

Canadian Teachers' Federation:

Messrs. George MacIntosh, Dr. Gerald Nason, Norman M. Goble, Tom
Park, Harry Cuff, Alfred H. Kingsett, Miss Marie Duhaime, Miss Ruby
McLean, Miss Nora Hodgins, Messrs. William Jones, David R. Brown,
F.S.A., Douglas Beaman, Robert Gordon

The Canadian Construction Association:

Messrs. P. D. Dalton, M. C. Stafford, G. Desmarais, S. D. C. Chutter,
P. Stevens

*Chesapeake and Ohio Railway Company, Great Northern Railway Company,
Midland Railway Company of Manitoba, New York Central Railroad Com-
pany, Norfolk and western Railway Company and Northern Pacific Rail-
way Company:*

Mr. Cuthbert Scott, Q.C.

The International Association of Firefighters:

Messrs. Bernard Bonser, Richard Chamber, O. Bolton, John Jessop,
Ernest Haché, Wes Chatterton

APPENDIX B-1

LIST OF BRIEFS SUBMITTED BY PEOPLE WHO
DID NOT APPEAR AS WITNESSES

Mr. Earl Sager, Madoc, Ontario
Mr. P. Ackerman, P.Eng., Montreal, Quebec
Mr. Douglas R. Butt, Willowdale, Ontario
Mr. Robert A. Nix, Toronto, Ontario
Mr. Donald C. Macgregor, Toronto, Ontario
Canadian Pulp and Paper
United Fishermen and Allied Workers' Union
Senior Citizens Advancement Committee
Age and Opportunity Bureau

APPENDIX C

OFFICIALS OF THE GOVERNMENT OF CANADA

Department of National Health and Welfare:

Dr. Joseph W. Willard, Deputy Minister of Welfare
Mr. John E. Osborne, Director,
Research and Statistics Division
Mr. J. A. Blais, Director of Family Allowances and
Old Age Security Division
Mr. Robert Curran, Legal Adviser
Mr. C. D. Allen, Research Officer,
Research and Statistics Division

Department of National Revenue, Taxation Division:

Mr. D. H. Sheppard,
Assistant Deputy Minister of Taxation
Mr. G. J. MacKenzie, Pension Section
Administrator, Administration Branch
Mr. M. F. Sprott, Assistant Director,
Planning and Development Branch
Mr. A. G. Butler, Assessments Branch
Mr. C. Grandy, Assessments Branch

Department of Finance:

Mr. Robert Bryce,
Deputy Minister
Mr. H. D. Clark,
Director of Pensions and Social Insurance

Comptroller of the Treasury:

Mr. Bruce MacDonald, Director,
Operations and Methods Branch

Prime Minister's Office:

Mr. Tom Kent,
Policy Secretary

Department of Justice:

Mr. D. S. Thorson,
Assistant Deputy Minister

Department of Insurance:

Mr. E. E. Clarke,
Chief Actuary
Mr. T. Hall, Actuary
Mr. Z. Jarkiewicz, Actuary
Mr. P. Treuil, Actuary

Unemployment Insurance Commission:

Mr. James McGregor, Director
Mr. Robert L. Beatty, Assistant Director

APPENDIX D**AMENDMENTS TO BILL C-136**

1. Strike out line 3 on page 2 and substitute the following:

“in respect of his self-employed earnings, and includes a person the amount of whose earnings on which a contribution has been made for a year under this Act calculated as provided in subparagraph (i) of paragraph (b) of section 53 exceeds zero;”

2. Amend sub-section (1) of section 41 by re-lettering paragraphs (f) to (j) as (g) to (k) respectively and by adding thereto immediately after paragraph (e) the following paragraph:

“(f) respecting the manner in which any provision of this Act that applies or extends to an employer of an employee shall apply or extend to any person by whom the remuneration of an employee for services performed in pensionable employment is paid either wholly or in part, and to the employer of any such employee;”

3. Amend section 52 by adding thereto the following sub-section:

When contribution deemed to have been made.

(3) For the purposes of this Part,

(a) a contributor shall be deemed to have made a contribution for any year for which his unadjusted pensionable earnings exceed his basic exemption for the year, and shall be deemed to have made no contribution for any year for which his unadjusted pensionable earnings do not exceed his basic exemption for the year; and

(b) a contributor shall be deemed to have made a contribution for earnings for any month for which a contribution is deemed by sub-section (1) to have been made by him.”

4. Delete sub-clause (8) of clause 62 and substitute the following therefor:
Death within one year of marriage.

“Where a contributor dies within 1 year after his marriage, no survivor’s pension is payable to his surviving spouse if the Minister is not satisfied that the contributor was at the time of his marriage in such a condition of health as to justify him in having an expectation of surviving for at least 1 year thereafter.”

5. Strike out line 3 on page 52 and substitute the following:

“amount equal to 1.5% of the Year’s Maximum Pensionable”

6. Strike out line 38 on page 63 and substitute the following:

“relating to the earnings or a contribution of a contributor shall be conclusively presumed to”

7. Strike out line 44 on page 71 and substitute the following:

“(a) all amounts received under this Act as or on account of contributions or otherwise;”

8. Strike out lines 10 and 11 on page 72 and substitute the following:

“(a) all amounts payable under this Act as or on account of benefits or otherwise;”

9. Strike out lines 7 to 9 on page 73 and substitute the following:

“calculated at such rate on the average daily operating balance in the said Account for the preceding month as the Minister of Finance may fix.”

10. Strike out lines 41 and 42 on page 80 and substitute the following:

“employers, self-employed persons and the public, each of whom shall be appointed by the Governor in Council for such term, not exceeding 5 years, as will ensure as far as possible the expiration in any one year of the terms of appointment of fewer than one half of the members, and one of whom shall be appointed by the Governor in Council to be the Chairman of the Committee.”

11. Renumber subsections (4) and (5) of section 117 as subsections (5) and (6) and add immediately after subsection (3) the following subsection:

Rules of procedure.

“(4) The Advisory Committee may make such rules as it deems necessary for the regulation of its proceedings, for the fixing of a quorum for any of its meetings and generally for the conduct of its activities.”

12. Amend the French version of the said Bill by striking out the word “ensuite” in the expression “ayant ensuite acquis droit à l’autre pension susdite” wherever that expression appears in subsections (2) to (5) of section 56 and subsections (2) to (5) of section 57 of the said French version.

(Presented the same day)

(Meetings Held During the Adjournment of the House)

MINUTES OF PROCEEDINGS

MONDAY, February 8, 1965.

(51)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met *in camera* at 2:40 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Blois, Boucher, Denis, Fergusson, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh—(7).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Francis, Gray, Knowles, Laverdière, Lloyd, Macaluso, Morison, Munro, Prittie, Rhéaume—(17).

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare and Messrs. Tom Kent, Policy Secretary, Prime Minister's Office, J. E. E. Osborne, Technical Adviser to this Committee, D. Thorson, Assistant Deputy Minister of Justice, D. Sheppard, Assistant Deputy Minister of National Revenue, D. Hart Clark, Director of Pensions and Social Insurance Division, Department of Finance.

The Chairman opened the meeting.

The Committee instructed the Clerk of the Committee to delay the printing of this Committee's Minutes of Proceedings of the sittings held on Thursday, February 4, 1965; Friday, February 5, 1965 and Monday, February 8, 1965 until the final report of the Committee is presented in the House of Commons.

Mr. Knowles moved, seconded by Mr. Lloyd,

That all written representations and/or briefs submitted by individuals who did not appear as witnesses before this Committee, be printed as appendices to this Committee's Minutes of Proceedings and Evidence of Friday, February 5, 1965.

And debates arising thereon, Mr. Basford moved, seconded by Senator Denis,

That this motion be amended to delete the name of Mr. Latulippe, M.P. from the list of individuals who have submitted written representations to this Committee.

After further debate, the question being put on the said amendment, it was resolved, by show of hands, in the affirmative;

Yeas: 10; Nays: 8.

And the question being put on the said motion as amended, it was resolved, by a show of hands, unanimously in the affirmative.

The Committee then unanimously agreed and it was *Ordered*: That the following written representations and/or briefs be appended to this Committee's Minutes of Proceedings and Evidence of Friday, February 5, 1965, for the convenience of the members of the Committee.

(see Appendix A66 Issue No. 23)

WRITTEN REPRESENTATIONS

- (a) Mr. Donald C. Macgregor, Toronto, Ontario
- (b) Edmonton Chamber of Commerce
- (c) John Labatt Limited, London, Ontario
- (d) The Wyatt Company, Ottawa
- (e) Mr. D. C. Baillie, University of Toronto
- (f) Colonel Robert Watt, Financial Secretary, The Salvation Army, Toronto, Ontario
- (g) Mr. Fred Richardson, Professional Agrologist, Toronto, Ontario
- (h) Mrs. James A. Macdonald, Ottawa
- (i) Mrs. G. Steele, Victoria, B.C.
- (j) Miss Mary T. Roberts, Victoria, B.C.
- (k) Mr. John Cheadric, The Action Committee for the Advancement of the Blinded, North Vancouver, B.C.
- (l) Mr. F. W. D. Campbell, Messrs. Campbell, Lawless & Punchard, Chartered Accountants, Toronto, Ontario
- (m) Miss M. E. Campbell, Ottawa
- (n) Mr. K. Campbell, Secretary, Fisheries Association of B.C.
- (o) The Canadian Labour Congress, Ottawa
- (p) Mr. Leslie C. Johnson, Crescent Beach, B.C.
- (q) Communist Party of Canada

BRIEFS

- (r) Mr. Earl Sager, Madoc, Ontario
- (s) Mr. P. Ackerman, P.Eng., Montreal, Quebec
- (t) Mr. Douglas R. Butt, Willowdale, Ontario
- (u) Mr. Robert A. Nix, Toronto, Ontario

On motion of Mr. Knowles, seconded by Mr. Lloyd,

Resolved unanimously: That corrections requested to be made in the brief submitted by the Fishermen and Allied Worker's Union as specified in their letter dated February 5, 1965, appear in this Committee's Minutes of Proceedings of today; (see *Corrigendum*)

On motion of Mr. Basford, seconded by Mr. Macaluso,

Resolved unanimously: That a memorandum prepared by Mr. Hart D. Clark, Director of Pensions and Social Insurance Division, Department of Finance, be printed as an appendix to this day's Minutes of Proceedings and Evidence. (See appendix A67)

Then the Committee began its consideration of Bill C-136.

By unanimous consent, all clauses of Bill C-136 were adopted except the following, on division; namely clauses: 2 (1) (h); 41 (1); 52; 56 (2) (3) (4) (5); 57 (2) (3) (4) (5); 62 (8); 69 (1); 99 (1); 110 (2) (a); 110 (3) (a); 112 (2); 117 (1); 117 (4) (5).

On Clause 2:

On motion of Mr. Munro, seconded by Mr. Francis,

Resolved unanimously: That paragraph (h) of subclause (1) of Clause 2 of Bill C-136 be amended by striking out line 3 on page 2 and substituting the following:

"in respect of his self-employed earnings, and includes a person the amount of whose earnings on which a contribution has been made for a year under this Act calculated as provided in subparagraph (i) of paragraph (b) of section 53 exceeds zero:"

On Clause 41:

On motion of Mr. Munro, seconded by Mr. Francis,

Resolved unanimously: That subclause (1) of Clause 41 of Bill C-136 be amended by adding thereto immediately after paragraph (e) the following paragraph:

"respecting the manner in which any provision of this Act that applies or extends to an employer of an employee shall apply or extend to any person by whom the remuneration of an employee for services performed in pensionable employment is paid either wholly or in part, and to the employer of any such employee;"

On Clause 52:

On motion of Mr. Munro, seconded by Mr. Francis,

Resolved on division: That Clause 52 of Bill C-136 be amended by adding thereto the following subclause:

When contribution deemed to have been made.

"(3) "For the purposes of this Part,

- (a) a contributor shall be deemed to have made a contribution for any year for which his unadjusted pensionable earnings exceed his basic exemption for the year, and shall be deemed to have made no contribution for any year for which his unadjusted pensionable earnings do not exceed his basic exemption for the year; and
- (b) a contributor shall be deemed to have made a contribution for earnings for any month for which a contribution is deemed by subsection (1) to have been made by him."

On Clauses 56 and 57 of the French Version of Bill C-136:

On motion of Mr. Munro, seconded by Mr. Francis,

Resolved on division: That the French version of the said Bill C-136 be amended by striking out the word "ensuite" in the expression "ayant ensuite acquis droit à l'autre pension susdite" wherever that expression appears in subclauses (2) to (5) of clause 56 and subclauses (2) to (5) of clause 57 of the said French version.

On clause 62:

Mr. Aiken moved, seconded by Mr. Basford,

That subclause (8) of Clause 62 of Bill C-136 be deleted.

And debate arising thereon, the question being put on the said motion, it was, by a show of hands, negatived;

Yeas: 5; Nays: 15

Thereupon, Senator Stambaugh moved, seconded by Mr. Francis, That subclause (8) of Clause 62 of Bill C-136 be amended to read as follows:

Where a contributor dies within 1 year after his marriage, no survivor's pension is payable to his surviving spouse if the Minister is not satisfied that the contributor was at the time of his marriage in such a condition of health as to justify him in having an expectation of surviving for at least 1 year thereafter.

After debate thereon, the question being put on the said motion, it was, by a show of hands, resolved unanimously.

On Clause 69:

On Motion of Mr. Munro, seconded by Mr. Francis,

Resolved unanimously: That subclause (1) of Clause 69 of Bill C-136 be amended by striking out line 3 on page 52 and substituting the following:

"amount equal to 1.5% of the Year's Maximum Pensionable".

On Clause 99:

On Motion of Mr. Munro, seconded by Mr. Francis,

Resolved unanimously: That Sub-clause (1) of Clause 99 of Bill C-136 be amended by striking out line 38 on page 63 and substituting the following:

"relating to the earnings or a contribution of a contributor shall be conclusively presumed to".

On Clause 110:

On motion of Mr. Munro, seconded by Mr. Knowles,

Resolved unanimously: That subparagraph (a) of subclause (2) of Clause 110 of Bill C-136 be amended by striking out line 44 on page 71 and substituting the following:

"(a) all amounts received under this Act as or on account of contributions or otherwise;"

On Clause 110:

On motion of Mr. Munro, seconded by Mr. Knowles,

Resolved unanimously: That subparagraph (a) of subclause (3) of Clause 110 of Bill C-136 be amended by striking out lines 10 and 11 on page 72 and substituting the following:

"(a) all amounts payable under this Act as or on account of benefits or otherwise;"

On Clause 112:

On motion of Mr. Munro, seconded by Mr. Francis,

Resolved unanimously: That subclause (2) of Clause 112 of Bill C-136 be amended by striking out lines 7 to 9 on page 73 and substituting the following:

"calculated at such rate on the average daily operating balance in the said Account for the preceding month as the Minister of Finance may fix."

On Clause 117:

On motion of Mr. Munro, seconded by Mr. Francis,

Resolved unanimously: That subclause (1) of Clause 117 of Bill C-136 be amended by striking out lines 41 and 42 on page 80 and substituting the following:

“employers, self-employed persons and the public, each of whom shall be appointed by the Governor in Council for such term, not exceeding 5 years, as will ensure as far as possible the expiration in any one year of the terms of appointment of fewer than one half of the members, and one of whom shall be appointed by the Governor in Council to be the Chairman of the Committee.”

On Clause 117:

On motion of Mr. Munro, seconded by Mr. Knowles,

Resolved unanimously: That subclauses (4) and (5) of Clause 117 of Bill C-136 be amended by renumbering sub-clauses (4) and (5) and adding immediately after subclause (3) the following subclause:

Rules of procedure.

“(4) The Advisory Committee may make such rules as it deems necessary for the regulation of its proceedings, for the fixing of a quorum for any of its meetings and generally for the conduct of its activities.”

Then the schedule, part of Clause 124 of Bill C-136 was carried on division. The title and the Preamble were carried unanimously.

The Bill as amended carried unanimously.

The Committee agreed, on division, that the Joint Chairman report the said Bill C-136 as amended.

Then the Committee proceeded in camera to its consideration of the Draft Report.

Paragraphs: 1, 2, 3, 4, 5, and 6 of the Draft Report were carried unanimously.

Sub-paragraphs 1 and 2 of paragraph 7 of the Draft Report were carried unanimously.

Mr. Knowles moved, seconded by Mr. Prittie,

That subparagraph (3) of paragraph 7 to the Draft Report be deleted, and that the following be substituted therefor:

“The level of combined benefits available under the Canada Pension Plan and the Old Age Security Act should be adequate for those people for whom such benefits will be the only source of income after retirement.”

And debate arising thereon, the question being put on the said motion, it was resolved, by a show of hands, in the affirmative; Yeas: 15; Nays: 5.

Sub-paragraphs 4, 5, 6, 7, and 8 of paragraph 7 of the Draft Report were severally carried.

On paragraph 8:

Mr. Aiken moved, seconded by Mr. Chatterton,

That paragraph 8 of the Draft Report be amended by adding, after the words “following changes in the Bill”, the following:

The Committee supports the stated objective of the government as enunciated in the white paper on the Canada Pension Plan tabled in the House of Commons on August 10, 1964, which is as follows:

"This is to establish a contributory pension plan, ensuring that, as soon as is possible in a fair and practical way, all Canadians will be able to look forward to retiring in security and with dignity."

The Committee favours a portable, contributory retirement plan geared to the needs of all Canadians and implemented without further delay.

Having heard the extensive evidence presented to the joint Committee, it is apparent that the plan as presently drafted falls far short of this objective, in that persons in greatest need, such as those already retired; and those with small income or casual employment will never benefit; and that large numbers of those who do qualify will have completely inadequate benefits,

THEREFORE to correct these gross omissions and inequities the Committee recommends that consideration be given to amending Bill C-136 to provide that:

- (a) all persons over age 70 receiving Old Age Security benefits shall receive an additional uniform flat amount of not more than \$25 a month to be paid from the Canada Pension Plan fund when the first benefit payments are made from the fund.
- (b) all persons between 65 and 70 who meet a retirement test and who elect to draw the actuarially reduced Old Age Security payment shall receive an additional uniform flat amount of not more than \$25 a month to be paid from the Canada Pension Plan Fund when the first benefit payments are made from the fund.
- (c) Subject to an appropriate residence test, all persons qualifying for any pension benefit under the Canada Pension Plan shall receive a minimum pension of \$25 a month in the case of a single person and of \$40 per month in the case of a married couple.
- (d) No one regardless of the smallness of his income shall be excluded from the plan, and to this end contributions shall be required on total income up to the earnings ceiling from all persons earning \$600 or more in the case of employed persons and \$800 or more in the case of self-employed persons; and that persons earning less than these minima in each class respectively shall be credited with their actual earnings for the purpose of determining the amount of pension which they will be entitled to draw, without making a contribution.
- (e) A student who has attained the age of 18 and is less than 25 years of age shall, at his option, not be required to make contributions in such of those years in which he is registered as a full time student at a recognized educational institution, in which case the years in which such person did not make contributions shall not be included in determining lifetime earnings.
- (f) The transition period under the Canada Pension Plan be 20 years rather than 10 years, and the benefits be recalculated accordingly.

After debate thereon, the question being put on the said motion, it was, by a show of hands, negatived; Yeas: 5; Nays: 18.

Also on paragraph 8 of the Draft Report:

Mr. Aiken moved, seconded by Mr. Cantelon,

That paragraph 8 of the Draft Report be amended by adding the following:

"That a student who has attained the age of 18 and is less than 25 years of age shall, at his option, not be required to make contributions in each of those years in which he is registered as a full time student at a

recognized educational institution, in which case the years in which such person did not make contributions shall not be included in determining lifetime earnings.”

And debate arising thereon, the question being put on the said motion, it was, by a show of hands, negatived; Yeas: 5; Nays: 18.

Again on paragraph 8 of the Draft Report:

Mr. Aiken, moved, seconded by Mr. Rhéaume,

That paragraph 8 of the Draft Report be amended so that after the words: “following changes in the Bill” a sub-paragraph (1) be added and the other sub-paragraphs be renumbered accordingly, to read as follows:

“That those persons described in Clauses 6 (h) and (j) of the Bill as being in accepted employment, at their option be permitted to declare themselves as self-employed persons and therefore to be entitled to make contributions and receive benefits accordingly.”

After debate thereon, the question being put on the said motion, it was, by a show of hands, negatived; Yeas: 5; Nays: 16.

Thereupon, sub-paragraphs 1, 2, 3, 4, 5, and 6 of paragraph 8 of the Draft Report were carried.

On paragraph 9:

Mr. Knowles moved, seconded by Mr. Prittie,

That paragraph 9 of the Draft Report be deleted, and that the following be substituted therefor:

“The Committee also recommends that consideration be given to the amending of Part IV of Bill C-136 to provide for an increase in the pension paid under the Old Age Security Act to \$100.00 a month and for the lowering of the eligible age for the full pension under the Old Age Security Act to age 65.”

And debate arising thereon, the question being put on the said motion, it was, by a show of hands, negatived: Yeas: 2, Nays: 19.

Thereupon Mr. Knowles moved, seconded by Mr. Prittie,

That paragraph 9 be deleted, and that the following be substituted therefor:

“The Committee also recommends that consideration be given to the amending of Part IV of Bill C-136 to provide for an increase in the amount of the pension paid under the Old Age Security Act and for the progressive lowering of the eligible age for a full pension under the Old Age Security Act to age 65.”

After debate thereon, the question being put on the said motion, it was, by a show of hands, negatived; Yes: 6; Nays: 15.

Paragraphs 9, 10 and 11 were carried.

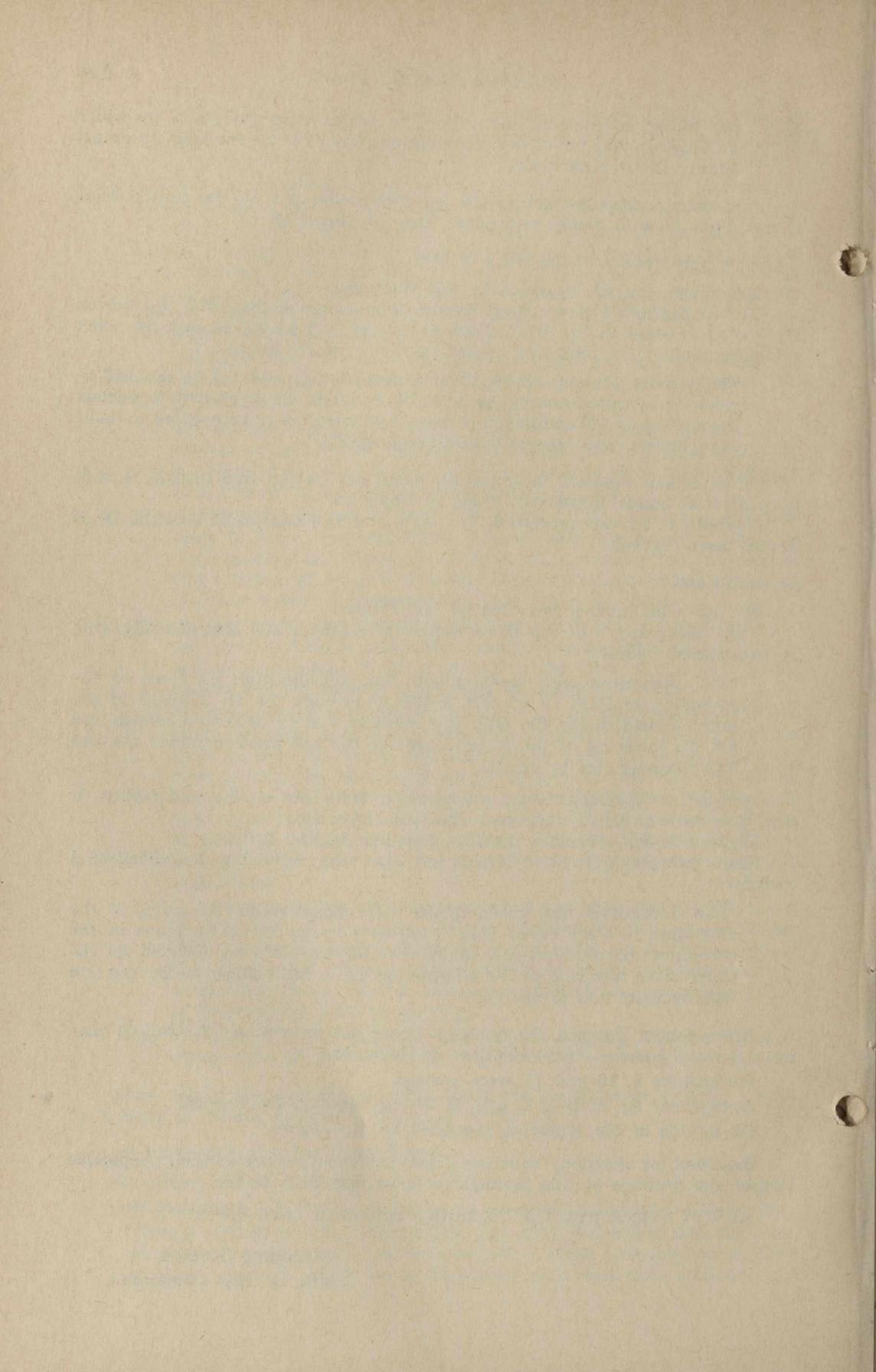
Appendices A, B; B-1; C and D to the Report were carried.

On motion of Mr. Knowles, seconded by Mr. Munro,

Resolved, on division: That the Joint Chairmen report to their respective Houses the findings of this Committee respecting Bill C-136.

At 7:07 o'clock p.m. the Committee adjourned “*sine die*”.

Maxime Guitard,
Clerk of the Committee.



EVIDENCE

MONDAY, February 8, 1965.

The CHAIRMAN (*Mr. Cameron*): We have a quorum; will the committee please come to order.

This is a meeting in camera. I would ask anyone who is not entitled to be present to kindly retire at this stage of our proceedings.

I also would like to say that the understanding arrived at by the steering committee this morning is that the minutes of this meeting will not be printed until after the report, when it is agreed to, is filed in the house. This will be controlled by reason of the fact that the minutes will be in the possession of the clerk and he will not hand them over to the printing bureau until after the report has been filed. Of course, the intention is to preserve the secrecy of the report until it is filed in the house.

Mr. AIKEN: Mr. Chairman, on that particular point, although I may be mistaken, it was my understanding that we would have the proceedings tabled with the report, but not before.

The CHAIRMAN (*Mr. Cameron*): Well, that is correct, Mr. Aiken, the proceedings will be tabled with the report, but the minutes of this meeting are not going to be printed until after the report is provided. Do you mean that it should be done at the same time?

Mr. AIKEN: Well, I thought that is what would be done.

The CHAIRMAN (*Mr. Cameron*): Mr. Guitard, how do we get over that difficulty? If we do not have these minutes printed until after the report is filed how can we table them?

Mr. KNOWLES: I suppose you could table the typewritten copy.

The CHAIRMAN (*Mr. Cameron*): The clerk has advised me that we could table in the house the typewritten copies of the unrevised minutes. Is that not correct?

The CLERK OF THE COMMITTEE: Yes, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): Is that satisfactory to you, Mr. Aiken?

Mr. AIKEN: Yes. We merely felt that they all should be filed at the same time.

The CHAIRMAN (*Mr. Cameron*): Now, we have a number of written representations and briefs. If someone will make the necessary motion and someone else will second it, the motion will be as follows:

That the following written representations and briefs, submitted to this committee by people who did not appear as witnesses, be printed as appendices to this committee's minutes of proceedings and evidence. (*See Minutes of Proceedings*).

Mr. CHATTERTON: Mr. Chairman, for the sake of tidiness and so as not to clutter up the final report too much would it be feasible that this could be printed in another part of the minutes?

The CHAIRMAN (*Mr. Cameron*): I was going to ask that this be included in the minutes of our meeting held on Friday night, if that is agreeable.

Hon. Mr. DENIS: Mr. Chairman, was the name of Mr. Laprise or Mr. Lattulipe mentioned in that motion?

The CHAIRMAN (*Mr. Cameron*): Mr. Latulippe was mentioned.

Hon. Mr. DENIS: Is that the speech which Mr. Latulippe made in the house?

The CHAIRMAN (*Mr. Cameron*): This is a paper he presented in connection with the Canada pension plan.

Hon. Mr. DENIS: Another paper?

The CHAIRMAN (*Mr. Cameron*): Yes.

Mr. BASFORD: Mr. Chairman, I have two questions. In respect of my first, it may be that I missed something that was said the other day. But, could you advise me when the brief of the United Allied Fishermen was made part of the minutes?

Mr. CHATTERTON: It was submitted to the steering committee.

Mr. KNOWLES: That was made part of the proceedings last week along with one or two others.

Mr. BASFORD: I just wanted to make sure.

I object, Mr. Chairman, to the inclusion of the correspondence from Mr. Latulippe. I think it is an unusual procedure for members of parliament to be able to write to a parliamentary committee and ask that their submission be made part of the record. The Creditiste party has a representative on this committee and they, as a party, could have participated in the proceedings of the committee. But, their representative has hardly ever been present, and I see no reason for this. As I say, it is most unusual for a parliamentary committee, under the rules, to call a member of parliament before the committee as a witness. It is most unusual and happens only in very unusual circumstances. I think it even unusual that a member of parliament write to the committee and ask that something be made part of the record.

I can see the necessity and fairness of putting on the record communications from individuals, who have a right to expect, as citizens, that their views be made known to the committee, but a member of parliament has his own way and has his own right to debate and put forward his proposals at the appropriate time in the House of Commons. I do think it is improper for him to ask that it be made part of the record and, as well, I think it would be most improper for the committee to agree that it be made part of the record.

The CHAIRMAN (*Mr. Cameron*): For your information, after it was intimated that Mr. Latulippe, through his secretary, wanted to do this I went and discussed it with his secretary. The document he wants to file is a paper in which he sets out his views in respect of the Canada pension plan. Perhaps I am wrong in this but, as a member of parliament, I thought if he wanted to have put on the record what his views were that perhaps it was not unreasonable that we should accede. But, that is for the committee to decide.

Mr. BASFORD: Mr. Chairman, I would like to move an amendment to the motion, that his communication be struck out of the motion.

Mr. CHATTERTON: He was not a member of the committee?

The CHAIRMAN (*Mr. Cameron*): No.

Mr. BASFORD: I am of the opinion, on the grounds that his party has had a representative on the committee, who has hardly seen fit to participate in the proceedings, that it is improper for a member of parliament to make such a request.

The CHAIRMAN (*Mr. Cameron*): We have not a mover for this motion which I have before me. Is someone prepared to move it?

Mr. KNOWLES: Is that the original?

The CHAIRMAN (*Mr. Cameron*): Yes.

Mr. KNOWLES: I will move the original motion.

Mr. LLOYD: I will second the original motion.

The CHAIRMAN (*Mr. Cameron*): Mr. Basford has moved an amendment, that the reference to Mr. Latulippe be struck out. Could I have a seconder for the amendment?

Hon. Mr. DENIS: I second the motion.

Mr. KNOWLES: Mr. Chairman, before the amendment is put may I say that I do think it is an odd way for Mr. Latulippe to go about doing this but it is not completely unheard of for a member of parliament who is not a member of a committee to ask to be heard by this committee. Now, this committee does not have to be governed by all past practices; we would not be committing an unpardonable sin if we did it. But, Mr. Chairman, I would like to be guided by your judgment because you have looked at this situation.

Mr. FRANCIS: Mr. Chairman, I think my question is relevant to Mr. Knowles' point. Did Mr. Latulippe produce a paper or was it an extract from his speech in the House of Commons?

The CHAIRMAN (*Mr. Cameron*): Both. It was a résumé of a speech, together with another document setting forth his views in respect of the Canada pension plan, something which he considers a superior plan.

Mr. FRANCIS: I would like to say that if all he is bringing to the attention of the committee is his speech in the House of Commons, that is one thing, but if it is something above and beyond anything he has previously placed on the record of *Hansard*, that is another thing, in my opinion.

The CHAIRMAN (*Mr. Cameron*): It is over and beyond what he has placed on *Hansard* of the house. I could not tell you what is in it because not being fluent in both languages I was unable to translate very accurately from French into English. But, I had an assurance from his secretary that what I stated it to be is what it is.

Mr. CHATTERTON: I feel like Mr. Knowles, that since he was not a member of the committee, although it is unusual, I think we should give him that right.

Mr. KNOWLES: Let us not be ungenerous.

The CHAIRMAN (*Mr. Cameron*): Is there any further discussion? If not, all those in favour of the amendment proposed by Mr. Basford and seconded by Mr. Denis? All those opposed? The motion carries.

Mr. AIKEN: You mean the amendment carries.

The CHAIRMAN (*Mr. Cameron*): Yes. Now, the main motion. Before dealing with that, I think I should call to your attention that the Canada Pulp and Paper brief apparently already has been recorded in the minutes so I think it would be in order that reference to it be struck out. Do I have your consent to do that?

Mr. KNOWLES: Yes.

The CHAIRMAN (*Mr. Cameron*): And, yours, Mr. Lloyd?

Mr. LLOYD: Yes.

The CHAIRMAN (*Mr. Cameron*): All those in favour of the motion as amended?

Mr. BASFORD: What is the motion?

The CHAIRMAN (*Mr. Cameron*): The motion as amended?

Mr. KNOWLES: By your ungenerous act.

The CHAIRMAN (*Mr. Cameron*): Are there any contrary minded? Motion agreed to. Then, we have the letter from the United Fishermen and Allied Workers' Union dated February 5, 1965, in which they request permission to make a change in their brief as filed. I assume we could have a motion agreeing to their brief being amended.

Mr. KNOWLES: Is this a typographical error of some sort?

The CHAIRMAN (*Mr. Cameron*): No. I understand the brief has already gone to the printer. Apparently they have come to the conclusion that they want to change it in a material way because they think it is important enough to be changed. They ask that their brief, as filed, be changed in accordance with the request.

Mr. BASFORD: I read their brief with great care. If this is a change of substance, I would like to know what is the change.

The CHAIRMAN (*Mr. Cameron*): The letter says:

Further to our letter of January 29 we wish to inform you of a correction which must be made on page 20 of our submission.

We are enclosing a copy of the final page with the correction made and underlined and would appreciate it if copies of this could be distributed to members of the joint committee as we understand was done with the original brief.

We are therefore forwarding to you, under separate cover, 100 copies of the corrected page.

As you will see on reading it the last portion hardly makes sense without the correction that we have indicated.

We have also heard that the decision has been reached that the full text of our brief will be included in the printed record. We urgently request that this correction be made prior to the printed record being completed if at all possible.

Yours sincerely,
 United Fishermen and Allied Workers' Union
 Per Homer Stevens, Secretary-Treasurer.

On page 20 of their letter the part that is underlined reads as follows:

Therefore, we propose a three part contribution formula, under which two thirds of the total would consist of matching, earnings related contributions by employer and employee, while the remaining third would be a levy against industry at a fixed percentage of the value of production.

Mr. KNOWLES: Does the clerk know whether the minutes are already set in type and whether it is too late to change them? If so, all we can do is to suggest that this be made an appendix to Friday's minutes. I will so move, Mr. Chairman.

Mr. LLOYD: I second it.

The CHAIRMAN (*Mr. Cameron*): It is moved that the letter dated February 5, 1965, from the United Fishermen and Allied Workers' Union and the memorandum enclosed therewith be printed as an appendix to Friday's minutes. You have heard the motion. Is there any discussion?

Mr. BASFORD: Is there an addition of a new paragraph?

The CHAIRMAN (*Mr. Cameron*): It is a change; I could not tell you whether it is an addition or a correction.

Mr. BASFORD: Where is it corrected?

The CHAIRMAN (*Mr. Cameron*): It appears on page 20. You can have a look at it.

Mr. PRITIE: Did you get 100 copies? Could you give them out? Perhaps it would be helpful.

Mr. MUNRO: While this is being examined by Mr. Basford could I raise another point that has nothing to do with this?

Appendix D was just handed out. Would the members be kind enough to turn to page 2 and see whether page 2 has anything to do with these amendments, because a mistake was made. Page 2 should start out: "4. Strike out line 3". Would the members that have not got the second page hand me their appendices so that they can be corrected?

The CHAIRMAN (*Mr. Cameron*): Are you now satisfied, Mr. Basford?

Mr. BASFORD: Yes, I am satisfied.

The CHAIRMAN (*Mr. Cameron*): Are you prepared to support the motion?

Motion agreed to.

Is the report ready to be tabled, Mr. Munro?

Mr. MUNRO: It will be down very shortly. I was wondering whether we could proceed now. Mr. Knowles suggested a procedure whereby we might proceed with the amendments which we now have. The report which is to be tabled should be down here any minute; they are putting it together with staples.

Mr. KNOWLES: Mr. Chairman, I suggest that we go ahead with the proposal with which we agreed in the steering committee this morning even though we had not got the draft report before us. Those of us who are on the steering committee know it includes a paragraph which says that the committee has agreed to report the bill with certain amendments. This is a part of the recommendation. I would suggest that you, Mr. Chairman, ask for unanimous consent to deal with all the clauses of the bill except the ones that are being amended as set out in appendix D, the appendix that was just passed around. We could then call these individual clauses and get to the point where we will report the bill as amended knowing that we will then have a committee report in which we say "However, we think certain other changes should be made."

The CHAIRMAN (*Mr. Cameron*): This follows along the lines of Mr. Knowles' suggestion, and as he has indicated, it was agreed to in the steering committee this morning. I am therefore asking: Is there unanimous consent that all clauses of Bill No. C-136 be adopted except the following: clause 2 (*h*), clause 52; clause 56, subclauses (2), (3), (4) and (5); clause 57, subclauses (2), (3), (4) and (5); clause 69, subclause (1); clause 99, subclause (1); clause 110, subclause (2) (*a*); clause 110, subclause (3) (*a*); clause 112, subclause (2); clause 117, subclause (1), and clause 117, subclauses (4) and (5).

Is there unanimous consent that all clauses of Bill No. C-136 be adopted except the ones that I have read?

Mr. AIKEN: Mr. Chairman, there are two things I would like to say on this suggestion. Firstly, I want to add one other clause which I wish to be considered, and that is clause 62, subclause 8, which I have raised on previous occasions. It relates to the so-called death-bed marriages. In respect of the remainder of the clauses, if they are adopted, the adoption would have to be on division, because we have several recommendations which might affect any of the provisions of the bill. Subject to that, we can proceed on that basis.

Mr. KNOWLES: This is the understanding we had in the steering committee.

The CHAIRMAN (*Mr. Cameron*): Did you say clause 62, subclause (8)?

Mr. AIKEN: Yes.

The CHAIRMAN (*Mr. Cameron*): Mr. Thorson has also suggested we except subclause (4).

Is it agreed that all clauses of Bill No. C-136, except the ones I have read and these two additions, be adopted on division?

Agreed to.

The CHAIRMAN (*Mr. Cameron*): We will therefore proceed with the amendment in respect of clause 2 (h). The amendments are those which we have had the opportunity of having presented to us by Mr. Thorson. The amendment in respect of clause 2 (h) would be to strike out line 3 on page 2 and substitute the following:

in respect of his self-employed earnings, and includes a person the amount of whose earnings on which a contribution has been made for a year under this Act calculated as provided in subparagraph (i) of paragraph (b) of section 53 exceeds zero;

Mr. MUNRO: I would move, seconded by Mr. Francis, that clause 2 (h) be so amended.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion. Is there any discussion? All those in favour of the motion?

Motion agreed to.

Mr. KNOWLES: It is also understood that when the agenda to the report is finally prepared it will contain these amendments.

Mr. MUNRO: I should have repeated the wording clause by clause, but the Chairman did.

Mr. KNOWLES: It will be clear in the report.

Mr. MUNRO: Yes.

The CHAIRMAN (*Mr. Cameron*): Shall clause 2 (h) as amended carry on division?

Clause 2 (h) as amended agreed to.

The CHAIRMAN (*Mr. Cameron*): The next amendment relates to subclause (1) of clause 41 which will be amended by adding thereto immediately after paragraph (e) the following paragraph:

(f) respecting the manner in which any provision of this act that applies or extends to an employer of an employee shall apply or extend to any person by whom the remuneration of an employee for services performed in pensionable employment is paid either wholly or in part, and to the employer of any such employee;

Mr. MUNRO: I would move, seconded by Mr. Francis, that subclause (1) of clause 41 be amended by adding immediately after paragraph (e) the paragraph you have just read, Mr. Chairman.

Mr. CHATTERTON: Mr. Chairman, I am not objecting, but I do not think this clause has been explained by Mr. Thorson.

Mr. D. S. THORSON (*Assistant Deputy Minister, Department of Justice*): No, sir. This is an additional amendment to meet the point raised by the teachers, that there may be occasions when a person other than the person by whom the teacher is employed is the person who pays the remuneration. This would permit dealing with not only the employer but also the person who pays the remuneration and would permit adjustments of the obligation arising under the bill accordingly.

Mr. CHATTERTON: Does it also cover such cases of municipal employees where part of the remuneration is paid by the provincial government?

Mr. THORSON: That could be.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion. Do you agree to the amendment?

Amendment agreed to.

The CHAIRMAN (*Mr. Cameron*): Does subclause (1) of clause 41, as amended, carry on division?

Subclause agreed to.

Mr. KNOWLES: Are these all on division?

Mr. CHATTERTON: Just carried.

The CHAIRMAN (*Mr. Cameron*): Very well.

The next one we have to deal with is clause 52.

Mr. MUNRO: Mr. Chairman, I would move, seconded by Mr. Francis, that clause 52 be amended as follows by adding thereto the following subclause:

- (3) for the purposes of this part,
- (a) a contributor shall be deemed to have made a contribution for any year for which his unadjusted pensionable earnings exceed his basic exemption for the year, and shall be deemed to have made no contribution for any year for which his unadjusted pensionable earnings do not exceed his basic exemption for the year; and
- (b) a contributor shall be deemed to have made a contribution for earnings for any month for which a contribution is deemed by subsection (1) to have been made by him.

Amendment agreed to.

The CHAIRMAN (*Mr. Cameron*): Clause 52, as amended, agreed to.

Mr. AIKEN: On division, Mr. Chairman. We agree to the amendment, but this touches the whole contribution question.

The CHAIRMAN (*Mr. Cameron*): Clause 56.

Mr. MUNRO: This is item 11 on page 3 of our appendix; that clause 56, subclauses (2), (3), (4) and (5) be amended as follows:

Amend the French version of the said Bill by striking out the word "ensuite" in the expression "ayant ensuite acquis droit à l'autre pension susdite" wherever that expression appears in subsections (2) to (5) of section 56 and subsections (2) to (5) of section 57 of the said French version.

The CHAIRMAN (*Mr. Cameron*): You have heard the amendment. Is there any discussion? All those in favour of the amendment?

Amendment agreed to.

Clause 56, subclauses (2), (3), (4) and (5) as amended agreed to on division.

Mr. KNOWLES: You had better call clause 57, too.

The CHAIRMAN (*Mr. Cameron*): Clause 57.

Mr. MUNRO: Do I have to read it all out again? I would move that clause 57 be amended as set out in the previous amendment.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion. Is there any discussion?

Amendment agreed to.

Clause 57, subclauses (2), (3), (4) and (5), as amended, agreed to.

The CHAIRMAN (*Mr. Cameron*): Clause 58.

Mr. MUNRO: Mr. Chairman, we now move to the top of page 2, item 4. I would move that clause 69, subclause (1), be amended by striking out line 3 on page 52 and substituting the following:

—amount equal to 1.5% of the Year's Maximum Pensionable—

Mr. FRANCIS: I second the motion.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion.

Motion agreed to.

Clause 69, as amended, agreed to.

Mr. MUNRO: Mr. Chairman, I would move that clause 99 (1) be amended by striking out line 38 on page 63 and substituting the following:

—relating to the earnings or a contribution of a contributor shall be conclusively presumed to—

Amendment agreed to.

Clause 99 (1), as amended, agreed to.

The CHAIRMAN (*Mr. Cameron*): Clause 110, subclause (2) (a).

Mr. MUNRO: This is item 6 on page 2. Mr. Chairman, I would move that clause 110, subclause (2) (a) be amended by striking out line 44 on page 71 and substituting the following:

(a) all amounts received under this Act as or on account of contributions or otherwise;

Mr. KNOWLES: Perhaps I might second the motion because this is one suggestion I made to help the fund get some money.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion?

Motion agreed to.

Clause 110 (2) (a), as amended, agreed to.

The CHAIRMAN (*Mr. Cameron*): Clause 110 (3).

Mr. MUNRO: Mr. Chairman, this is item 7 on page 2. I would move that clause 110, subclause (3) (a) be amended by striking out lines 10 and 11 on page 72 and substituting the following:

(a) all amounts payable under this Act as or on account of benefits or otherwise;

Mr. FRANCIS: I second the motion.

Motion agreed to.

The CHAIRMAN (*Mr. Cameron*): Shall clause 110 (3) as amended, carry? Clause agreed to.

Mr. MUNRO: I move that clause 112 (2) be amended as follows:

Strike out lines 7 to 9 on page 73 and substitute the following:

“calculated at such rate on the average daily operating balance in the said Account for the preceding month as the Minister of Finance may fix.”

Mr. FRANCIS: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It has been moved by Mr. Munro and seconded by Mr. Francis. You have all heard the motion? What is your pleasure?

Motion agreed to.

Shall clause 112 (2) as amended, carry?

Clause agreed to.

Mr. MUNRO: I move that clause 117 (1) be amended as follows:

Strike out lines 41 and 42 on page 80 and substitute the following:

“the employers, self-employed persons and the public, each of whom shall be appointed by the governor in council for such term, not

exceeding 5 years, as will ensure as far as possible the expiration in any one year of the terms of appointment of fewer than one half of the members, and one of whom shall be appointed by the governor in council to be the chairman of the committee."

Mr. FRANCIS: I second the motion.

The CHAIRMAN (*Mr. Cameron*): Does clause 117 (1) carry?

Motion agreed to.

Mr. MUNRO: I move that clause 117 (4) and (5) be amended as follows:

Renumber subsections (4) and (5) of section 117 as subsections (5) and (6) and add immediately after subsection (3) the following subsection:

Rules of Procedure.

"(4) The advisory committee may make such rules as it deems necessary for the regulation of its proceedings, for the fixing of a quorum for any of its meetings and generally for the conduct of its activities."

Mr. KNOWLES: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It has been moved by Mr. Munro and seconded by Mr. Knowles. Shall clause 117 (4) and (5) as amended carry?

Motion agreed to.

Let us pause for a moment, I have clauses 56 (2), (3), (4) and (5) marked down. I do not know if they have been moved yet.

Mr. MUNRO: Yes, that has been done.

The CHAIRMAN (*Mr. Cameron*): We have carried them all?

Mr. MUNRO: I believe we have, through you, Mr. Chairman, and Mr. Thorson. I believe that covers them all.

The CHAIRMAN (*Mr. Cameron*): I see there is an error in the typing, which says clause 57 for amendment, and clause 58 as amended is carried. It is clause 57. Is there any necessity to go back and check on it?

Mr. KNOWLES: Clauses 56 and 57 were amended. They have to do with the French version.

Mr. MUNRO: That is right.

The CHAIRMAN (*Mr. Cameron*): Shall the schedule to clause 124 of the bill carry?

Carried.

Shall the title of the bill carry?

Carried.

Mr. AIKEN: There are two things which remain to be dealt with, one is clause 41.

Mr. MUNRO: No, we have dealt with it. Mr. Chatterton asked a question about it and we carried it. Was there another one?

Mr. AIKEN: Yes, clause 62. I have from time to time raised a question about clause 62(8), which relates to the question of marriage within three years of the death of the contributor, and the possibility of the widow having married for the sole purpose of securing a contributor's pension. It has been explained that under the civil service superannuation legislation there is a similar provision, but that it has actually never been used, or if so, in very few circumstances. The subcommittee, I believe, has left it with some members, or some of the officials of the department, to look into the question of

veterans' pensions under the War Veterans' Allowance Act, I believe. That is a matter we have not yet received a report about, and I wonder if there is any further report on it?

The CHAIRMAN (*Mr. Cameron*): Dr. Clark is here and he has a memorandum to be distributed to the committee.

Mr. WILLARD: Mr. Clark has looked into the matter and he has a document to distribute. He will speak to it.

Mr. H. D. CLARK (*Director, Pensions and Social Insurance, Department of Finance*): The paper which has been distributed sets forth the provisions in the Pension Act and in the War Veterans' Allowance Act which are intended to deal with the so-called deathbed marriage. You will notice that the provision is somewhat similar in each case, and that it is different from that contained in the Canada Pension Plan bill, and also different from the provisions appearing in the three superannuation acts to which I referred in my previous testimony.

You will note that the criterion here really boils down to a medical opinion of whether at the time of the marriage the veteran had a reasonable expectancy of surviving for at least one year. I consulted with officials of the Canadian pension commission and the war veterans' allowance board since this was related last Thursday, and I am advised that in so far as the pension act is concerned, they do not keep their statistics in a way which would show actual cases disallowed for this reason. All I can say is that there have been some.

In the case of the War Veterans' Allowance Act, however, I am advised that in the last two years there have been 12 cases where death occurred within one year of the marriage. In 10 of these the allowance was awarded to the widow. In the other two the restriction contemplated by this section was enforced. In other words, the health of the veterans concerned was held to be such as to disqualify the widow in accordance with that section.

The CHAIRMAN (*Mr. Cameron*): Have you an amendment, Mr. Aiken?

Mr. AIKEN: Mr. Chairman, I still feel that, in the first place, this particular provision in the Canada pension plan goes much further than either of the other two acts. They are one-year provisions and this is a three-year provision. Secondly, there is a principle here that allows what I think is undue interference in the private lives of individual Canadians.

I would like to move, therefore, that subclause (8) of clause 62 be deleted.

Mr. BASFORD: I would like to second that motion.

Mr. MUNRO: Before the motion is put to the committee, I wonder if we could hear from Mr. Thorson with regard to this?

Mr. THORSON: The provision in the bill is in a real sense less onerous than the provisions indicated on the mimeographed sheets attached.

You will notice that in both of the two acts referred to on the attached sheet there is a positive obligation—in the first case on the pension commission and in the second case on the war veterans allowance board—to make a finding concerning the person's expectation of life. This is not the case under subclause (8) of clause 62 of the bill.

The CHAIRMAN (*Mr. Cameron*): Before I put your motion, Mr. Aiken, may I have permission to call attention to the fact that we should probably have a motion that this memorandum, which has been prepared by Dr. Hart Clark be made part of the record.

Mr. AIKEN: It should be, Mr. Chairman, except for the fact that it is a reprint of two statutory provisions. I have no objection, but they could very easily be referred to as section 37 of the Pension Act and section 11 of the War Veterans' Allowance Act.

The CHAIRMAN (*Mr. Cameron*): It would all be in one place if this course were adopted.

Is it agreed that these should be incorporated?

Agreed.

Mr. THORSON: I agree with the point of the amendment in substance.

Would there be any merit in a provision which would limit the period of operation of the subsection from three years to a single year and that would vary the basis on which a pension might be reduced to an appraisal of that person's expectation of life—

Mr. CHATTERTON: Oh, no.

Mr. THORSON: —in a negative sense, not in the positive way in which it is done in either of the two acts here.

If I may, I will illustrate. It would then read somewhat as follows—and I have just sketched something out very roughly here to see what reaction there might be.

Where a contributor dies within one year after his marriage no survivor's pension is payable to his surviving spouse if the minister is not satisfied that the contributor was at the time of his marriage in such a condition of health as to justify the contributor in having a reasonable expectation of surviving for a period of at least one year thereafter.

Again, I would point out that it is different from the provision that appears in the War Veterans' Allowances Act in that it would only come into play where the minister was not satisfied. He would not have to satisfy himself in each and every case of a death within one year. It would only come into play in a case where there were circumstances indicating that the man did not indeed have an expectation of life of at least one year.

I simply put that out to the committee as being a possible alternative to the total deletion of the provision.

Mr. AIKEN: Mr. Chairman, I appreciate that this is an alternative, but I am objecting to the principle in toto. I would like to have the question put to the committee.

Mr. FRANCIS: A further question arises. I would like to understand Mr. Aiken's position. He is objecting in toto. Mr. Aiken feels there should be no provision whatever in the legislation relating to the so-called death-bed marriage problem. In other words, any dying veteran who has single status at that time could make quite a substantial present to anyone who was attending him on his last day by contracting a marriage just a few hours before death, and thereby incurring a pension for life at the expense of the taxpayers of Canada. Is this Mr. Aiken's intention?

Hon. Mr. STAMBAUGH: As long as he lives long enough to say "I will".

Mr. FRANCIS: That is right. Is that the intention?

Mr. AIKEN: I object to the whole principle of looking into the reason for marriage. I cannot see how, in the normal case, one reason can be sorted out from another if one excuse or statement were as plausible as another. I assume under this section, for example, if the widow could persuade the department that she entered this marriage bona fide for affection or love, she would therefore be able to establish that; and I do not know who is going to make the decision. That is why I object to the principle.

Hon. Mr. STAMBAUGH: I would move an amendment along the lines of Mr. Thorson's suggestion. I think that is very reasonable and I would move that. I think three years is a little too long; one year is reasonable, I think.

The CHAIRMAN (*Mr. Cameron*): We will have to have the text written out exactly. Mr. Aiken's is quite clear. He has moved, seconded by Mr. Basford, that subclause (8) of clause 62 be deleted.

Mr. FRANCIS: Mr. Chairman, I understand Mr. Aiken has made it clear that he does not want any clause dealing with this in the legislation.

Mr. AIKEN: That is correct. I have indicated that subclause 8 should be deleted. There has been an amendment which I believe is in order because it provides an alternative, but I would like to have the question put to the committee.

The CHAIRMAN (*Mr. Cameron*): I have not the amendment in a form in which I could put it to the meeting.

Mr. THORSON: There is one point that I should mention about switching to the base I indicated a minute ago. It does not involve looking into the reasons for marriage at all. It involves merely an examination of the man's health, should it be apparent that his state of health was not such as to warrant an expectation of life of one year.

The CHAIRMAN (*Mr. Cameron*): Is that in such a form that I could put it to the meeting?

Mr. FRANCIS: I would be prepared to support an amendment cutting this from three years to one year, but I would not be prepared to go as far as Mr. Aiken.

Mr. AIKEN: You will have your chance.

Mr. MUNRO: I feel that Mr. Aiken has made a definite contribution by bringing this to the attention of the committee, but I would think the suggestion of Mr. Thorson does go a long way to meeting Mr. Aiken's point, if not completely meeting it.

Mr. AIKEN: I think both questions should be put.

The CHAIRMAN (*Mr. Cameron*): Senator Stambaugh has moved an amendment; it has to be seconded.

Mr. CASHIN: I think we have already had some evidence that this is seldom applied in the two other pieces of legislation.

Is there any evidence to suggest that the mere existence of this provision does perhaps persuade people not to enter into death-bed marriages of the type that would not be bona fide under this act?

Mr. THORSON: It is a very difficult point to establish, but I believe the provision is generally known, and has been pointed out by the various staff organizations to their membership, as far as the Public Service Superannuation Act is concerned.

Mr. CASHIN: It is a very difficult case to prove anyway, is it not?

Mr. THORSON: To prove?

Hon. Mr. SMITH: If a man's anticipated life is going to end within one year, on medical advice, then the minister is going to look into it.

Hon. Mr. STAMBAUGH: It seems reasonable that there would be some preventative. I think it is some prevention.

Mr. E. E. CLARKE (*Chief Actuary, Actuarial Branch, Department of Insurance*): I would just like to say one thing. It is probably not quite the same, but when the Return Soldiers' Insurance Act came into force the provisions were unrestrictive in this regard, and the administration had very bad experience with death-bed marriages at that time. Eventually they had to put in a provision which had the effect of cutting down the number of death-bed marriages. They actually had bad financial experience and the fund, partly for this reason, ran into the hole very badly for a number of years.

Mr. KNOWLES: What was the provision? Was there a one year closure?

Mr. CLARKE: I do not remember the details at all; I just know the financial experience was very bad, and they had a lot of death-bed marriages at that time.

Mr. WILLARD: I might mention to the committee that in the case of the United States there is an absolute rule of one year.

Mr. CHATTERTON: Expectancy?

Mr. WILLARD: One of the following conditions must be met. First, that the wife was married to the deceased worker for at least one year just before he died—so, it is either a case of she was or she was not; it is a matter of fact.

Mr. FRANCIS: That is just the hard and fast rule? Mr. Lloyd was just asking if it would include a common law wife, for example. I think there are very delicate situations here, and I am curious to know what they do. The United States legislation would not presumably cover that type of situation.

I think the hard and fast rule of one year prior to the eligible benefits is not unreasonable. I think for a widow to have been married for one year prior to the death of the deceased does not appear to be an unreasonable requirement.

Mr. CHATTERTON: In the United States proposal they do not recognize love at that age?

Mr. AIKEN: It might be at any age.

Mr. FRANCIS: If we leave this we are just encouraging abuse.

The CHAIRMAN (*Mr. Cameron*): Senator Stambaugh, I take it your motion would read as follows:

That subclause (8) of clause 62 be amended to read as follows:

(8) Where a contributor dies within one year after his marriage no survivors pension is payable to his surviving spouse if the minister is not satisfied that the contributor was at the time of his marriage in such a condition of health as to justify him in having an expectation of survival for at least one year thereafter.

There has been no seconder for that motion.

Mr. FRANCIS: I second it.

Mr. LLOYD: Can someone explain to me where the criminal legislation comes into the operation of the statutes of Canada with a provision of this kind?

The CHAIRMAN (*Mr. Cameron*): What we have before us is a motion by Mr. Aiken seconded by Mr. Basford that subclause (8) of clause 62 be deleted. And we have an amendment by Senator Stambaugh, seconded by Mr. Francis that subclause (8) be amended and, as amended, read as follows. Do I need to read it again?

Mr. CHATTERTON: No.

Mr. KNOWLES: Mr. Chairman, one of these is hardly an amendment to the other, but perhaps we could take the votes on the two proposals.

Mr. AIKEN: Mr. Chairman, on a point of procedure, perhaps the senator's amendment should read that clause 62 (8) should not be deleted but amended as follows. I think that would be proper.

Mr. KNOWLES: There are two separate proposals.

The CHAIRMAN (*Mr. Cameron*): If there are two separate proposals I suppose Mr. Aiken's is first, and we would have to take a vote on it.

You have heard the motion that subclause (8) of clause 62 be deleted. All those in favour of the motion will please signify? Contrary minded, if any? Motion negatived.

Then, the motion of Senator Stambaugh, if I put it in your words, seconded by Mr. Francis, is that subclause (8) of clause 62 be not deleted but amended, and as amended reads as follows. Is that the proper interpretation of it?

Mr. KNOWLES: You do not need the phrase "be not deleted".

The CHAIRMAN (*Mr. Cameron*): Then, that subclause (8) of clause 62 be amended and, as amended, reads as follows:

Where a contributor dies within one year after his marriage, no survivor's pension is payable to his surviving spouse if the minister is not satisfied that the contributor was at the time of his marriage in such a condition of health as to justify him in having an expectation of surviving for at least one year thereafter.

Mr. AIKEN: Mr. Chairman, I intend to support this motion because it is a vast improvement on the present clause.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion. What is your pleasure? All those in favour? Contrary, if any? Motion agreed to.

Then, at the suggestion of Mr. Thorson, I believe, we will also reserve clause 41.

Mr. KNOWLES: I think we did that. That was item 2 of page 1 of Mr. Thorson's memorandum.

Mr. THORSON: Yes.

The CHAIRMAN (*Mr. Cameron*): All right. I thought we had two. Mr. Aiken said we had two. Maybe I am getting confused.

Shall the schedule of clause 124 of the bill carry?

Mr. KNOWLES: Mr. Chairman, I would like to enter "on division" in respect of this. I will suggest my reasons when I move an amendment later on to one of the sections of the report.

The CHAIRMAN (*Mr. Cameron*): Then clause 124 of the bill carries on division.

Title agreed to.

Preamble agreed to.

The CHAIRMAN (*Mr. Cameron*): Shall the bill as amended carry?

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Shall I report the bill as amended?

Mr. AIKEN: On division.

Some hon. MEMBERS: Agreed.

The CHAIRMAN (*Mr. Cameron*): I am glad that that is over with.

Mr. CHATTERTON: Now we come to the meat.

Mr. MUNRO: Mr. Chairman, if you are about to enter into the area of the report may I state that in respect of the report that has been handed out appendix D should be regarded as part of it. That is the part we received earlier. And, I suggest that we handle the report in a manner similar to the way we did in the steering committee; that we go through the report, as was suggested by Mr. Basford. I believe we should proceed with clauses 1, 2, 3, 5, and clause 6, but when it comes to clause 7, which contains the principles, I suggest that we leave consideration of that and pass on to clause 8, and let the principles stand because, again, those principles as set out in clause 7 may be prejudiced or prejudged by whatever happens to certain changes we are proposing in respect of clause 8. It seems to me that the practical way would be to find out what we have done in the way of changes to the bill under clauses 8 and 9 before we consider the principles in clause 7.

Some hon. MEMBERS: Agreed.

Mr. AIKEN: Mr. Chairman, this is satisfactory but it may raise some difficulties in the form of an amendment we have, but we will let it stand and move our amendment in respect of clause 8.

The CHAIRMAN (*Mr. Cameron*): You all have the report before you. I presume that the first order of business would be that the report be tabled and also that it will be recorded in the minutes. Is that correct?

Some hon. MEMBERS: Agreed.

The CHAIRMAN (*Mr. Cameron*): Where do we start? Is it your wish that I read it. If so, I will:

The special joint committee of the Senate and of the House of Commons on the Canada pension plan (Bill No. C-136) has the honour to present the following as its third report.

Mr. AIKEN: Mr. Chairman, I think that clauses 1, 2, 3, 4, 5 and 6 have been before the subcommittee and they have been agreed upon. It seems to me we could save some time if we do not read all these.

Mr. LLOYD: Mr. Chairman, shall we dispense with reading it but have it recorded?

Mr. KNOWLES: The blank in clause 5 will be filled in when we have had our last meeting.

Mr. MUNRO: I think it will be 51 but, if we go on tonight, it will be 52. But, the first six clauses are more in the nature of a formality.

The CHAIRMAN (*Mr. Cameron*): Shall paragraph 1 of the report carry?

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Shall paragraph 2 of the report carry?

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Shall paragraph 3 of the report carry?

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Shall paragraph 4 of the report carry?

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Shall paragraph 5 of the report carry with the insertion after the word "held" of the number?

Mr. MUNRO: If we do not meet tonight this evening's meeting will be the 51st meeting. Is that not correct?

The CHAIRMAN (*Mr. Cameron*): This is the 51st meeting. I suppose we could put in the figure "51" then.

Mr. CHATTERTON: Take a chance.

Mr. KNOWLES: If we do meet tonight, Mr. Chairman, we can amend it later on.

The CHAIRMAN (*Mr. Cameron*): Does paragraph 5, with the insertion of the figure "51" carry?

Some hon. MEMBERS: Carried.

Mr. BASFORD: I thought it was agreed in the steering committee. I have read the draft presented to me, and I suggest that appendix B (1) be appendix C, and that it be renumbered.

Mr. MUNRO: I consider that very frivolous.

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Paragraph 5 is carried. Shall paragraph 6 carry?

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Shall paragraph 9 carry?

Mr. AIKEN: How about paragraph 8?

The CHAIRMAN (*Mr. Cameron*): We are letting paragraphs 7 and 8 stand.

Mr. KNOWLES: No; clause 7 stands.

The CHAIRMAN (*Mr. Cameron*): Then, paragraph 8.

Mr. AIKEN: Mr. Chairman, I have an amendment, and we intended to move this on clause 7, primarily because we have a preamble of our own within the amendment we intend to move. Now, if it would be of assistance to the members of the committee we have prepared an amendment to go in, and we could have it distributed to the members of the committee, and then read it.

This is the major amendment in substance which our party would put before the committee. I merely wanted to say a few words in explanation of it. We have gone through the bill very carefully in the steering committee and we have discussed many of the clauses. But, these are basic principles that were not accepted, and I would like to move them now, with a certain amount of explanation, if I may.

Mr. KNOWLES: Mr. Chairman, I would like to put one question to Mr. Aiken. Mr. Aiken has been good enough to show me a copy of his amendment. Would it be in substitution of paragraph 8 or in addition to paragraph 8?

Mr. AIKEN: This is the difficulty we had because we intended to move an amendment to clause 7. What I would move is that after the words "following changes in the bill" in line 5 of clause 8 the following words be added. I think perhaps I will read the amendment because it is not too long.

WHEREAS the committee supports the stated objective of the government as enunciated in the white paper on the Canada pension plan tabled in the House of Commons on August 10, 1964, which is as follows:

"This is to establish a contributory pension plan, ensuring that, as soon as is possible in a fair and practical way, all Canadians will be able to look forward to retiring in security and with dignity,"

AND WHEREAS the committee favours a portable, contributory retirement plan geared to the needs of all Canadians and implemented without further delay,

AND WHEREAS having heard the extensive evidence presented to the joint committee, it is apparent that the plan as presently drafted falls far short of this objective, in that persons in greatest need, such as those already retired; and those with small income or casual employment will never benefit; and that large numbers of those who do qualify will have completely inadequate benefits,

THEREFORE to correct these gross omissions and inequities the committee recommends that Bill No C-136 be amended to provide that:

- (a) all persons over age 70 receiving old age security benefits shall receive an additional uniform flat amount of not more than \$25 a month to be paid from the Canada pension plan fund when the first benefit payments are made from the fund.
- (b) all persons between 65 and 70 who meet a retirement test and who elect to draw the actuarially reduced old age security payment shall receive an additional uniform flat amount of not more than \$25 a month to be paid from the Canada pension plan fund when the first benefit payments are made from the fund.
- (c) Subject to an appropriate residence test, all persons qualifying for any pension benefit under the Canada pension plan shall receive a minimum pension of \$25 a month in the case of a single person and of \$40 per month in the case of a married couple.
- (d) No one regardless of the smallness of his income shall be excluded from the plan, and to this end contributions shall be required on

total income up to the earnings ceiling from all persons earning \$600 or more in the case of employed persons and \$800 or more in the case of self-employed persons; and that persons earning less than these minima in each class respectively shall be credited with their actual earnings for the purpose of determining the amount of pension which they will be entitled to draw, without making a contribution.

- (e) A student who has attained the age of 18 and is less than 25 years of age shall, at his option, not be required to make contributions in such of those years in which he is registered as a full time student at a recognized educational institution, in which case the years in which such person did not make contributions shall not be included in determining lifetime earnings.
- (f) The transition period under the Canada pension plan be 20 years rather than 10 years, and the benefits be recalculated accordingly.

Mr. BASFORD: Mr. Chairman, on a point of order. I raise the point of order that the amendment is out of order as it is contrary to Doctor Ollivier's advice. The amendment, as it is now moved, says: "The committee recommends that Bill No. C-136 be amended", and then lists six items increasing the expenditure of the fund. This is contrary to Doctor Ollivier's advice.

The CHAIRMAN (*Mr. Cameron*): I understand it to be contrary to his advice. I understood we could not amend the bill in the manner you have suggested, but this is a recommendation to the government to do something.

Mr. KNOWLES: I think the point could be met. I could even show Mr. Aiken the wording of an amendment I have in which the following phrase is used: "Recommends that consideration be given to amending Bill No. C-136 along the following lines".

Mr. AIKEN: I did not understand Dr. Ollivier to go that far. I think he definitely said we could not bring in amendments to clauses of the bill, but I raised the question with him that this did not amount to a public expenditure or an expenditure of public funds in any case, and that this whole question had been raised when the resolution was first introduced. However, we are merely making recommendations along exactly the same lines as are included in the present clause 8, and if our amendments are out of order, so are the other amendments, and particularly clause 9 of the proposed report which recommends further government expenditures without specifying them. I do not see any basic objection. I do not know what else we can do but recommend. This is the same as a private member's notice of motion before the house. We can recommend anything, including expenditures, provided that we do not put it in the form of an enactment. I submit it is not out of order.

The CHAIRMAN (*Mr. Cameron*): Where does this amendment come in? I have not got it clearly in my mind. You have given us the substance of what is your proposal. but where do I fit it into clause 8?

Mr. AIKEN: Before item (a).

The CHAIRMAN (*Mr. Cameron*): Right after the words: "Of the following changes in the bill". What is your motion then?

Mr. AIKEN: I have already stated it, Mr. Chairman. I think I can state it again in the same words:

I move, seconded by Mr. Chatterton, that after the words "following changes in the bill" in line 5, clause 8, the following be added—and I have repeated the amendment that I wish to have added.

Mr. MUNRO: Mr. Chairman, did you rule that this is in order? If so, I would like to ask Mr. Aiken some questions concerning it.

Mr. KNOWLES: Mr. Chairman, I think we should deal with that point of order. May I say parenthetically that in substance I shall have to vote against this package, but I think that the only thing Mr. Aiken has failed to do is to put in a word or two. If he looks at clause 8 he will see the language we use is: "The committee recommends that consideration be given". All that Mr. Aiken needs to do is to amend the next to the last paragraph on page 1 where it says "Therefore to correct these gross omissions and inequities the committee recommends that Bill No. C-136 be amended to provide that" in this way: "The committee recommends that consideration be given to amending Bill No. C-136 to provide that". We will then be in line with the wording of our report, and we will be in line with the advice of Doctor Ollivier.

The CHAIRMAN (*Mr. Cameron*): Do you accept that suggestion, Mr. Aiken?

Mr. AIKEN: Without admitting the point—I am not going to argue with it—let us amend it and go ahead with the substance of our proposition.

The CHAIRMAN (*Mr. Cameron*): I will insert the word "consideration" between "recommends that Bill No. C-136".

Mr. BASFORD: Mr. Chairman, I raised the point of order because I think it is a good point of order regarding the advice we had. When Mr. Knowles made his interjection on how it was to be corrected, I was going to make the same suggestion.

Mr. AIKEN: I have not finished yet, Mr. Basford.

Mr. BASFORD: I am speaking to the point of order I raised. I was going to suggest, as Mr. Knowles did, that those words be added. I did not want to prevent Mr. Aiken from putting in the amendment and indulging in an exercise of political cynicism.

Mr. AIKEN: If you look at clause 9 you will see a much greater exercise in political cynicism.

The CHAIRMAN (*Mr. Cameron*): The motion has been made by Mr. Aiken and seconded by Mr. Chatterton. Mr. Aiken has agreed to the final paragraph before the operative paragraph being amended to read "Therefore to correct these gross omissions and inequities the committee recommends that consideration be given that Bill No. C-136 be amended to provide that". There seems to be something missing.

Mr. KNOWLES: "That consideration be given to amending Bill No. C-136 to provide that".

The CHAIRMAN (*Mr. Cameron*): "Therefore to correct these gross omissions and inequities the committee recommends that consideration be given to amending Bill No. C-136 to provide that". Is that correct?

Mr. LLOYD: With that change of wording I take it you rule the amendment is in order.

The CHAIRMAN (*Mr. Cameron*): Once I agree on the exact wording. It is "The committee recommends that consideration be given to amending Bill No. C-136 to provide that". If Mr. Aiken is agreeable, I will rule the motion in order.

Mr. AIKEN: It is a technical point, Mr. Chairman, and it is not worth our time to argue about it. I would be happy to accept it on that basis.

Without taking very long I would like to make just a few comments. It has been fairly evident throughout the whole of the evidence that there are several classes of persons within the Canadian economy for whom no provision is made under the bill. The first class which we had mentioned in our proposed amendment includes those now over the age of 70 who will not have an opportunity to come into the Canada pension plan under any circumstances.

The second group are those between the ages of 65 and 70 who have now retired or who will retire within those age groups. Some may continue in their employment, some may continue on to the pension plan to an age between 65 and 70 but will not have sufficient provision for their retirement.

The other group for which concern has been expressed are those people who will, because of unemployment, illness, widowhood or consistently small earnings, receive an inadequate pension although they have made contributions to the fund. We have recommended, as will be seen, that a minimum pension be established for those who are within the plan.

Then there are those whose incomes are under \$600, who have been unable to contribute to the plan, and who should have some pension. We have made a special provision under (d) for these people and have provided that those earning over \$600 shall be taxable from the first dollar on their earnings. Those earning under \$600 will not be required to make contributions, but they can be credited with earnings under \$600 without making a contribution. This would cover people who otherwise may have years of zero earnings or who would not be counted under the present plan and who may continue that way for some years. They would be able, in such a case, to use the amount of their actual earnings, small as it might be, to raise their average for pension purposes.

Also, we have made provision in connection with students. I think all of us on the steering committee were pleased that the report that came in raised the drop-out period to 20 per cent from 10 per cent, and we agreed with that. However, we think a special case should be made for students. It now has become quite the fashion and right to encourage young people to continue with their education as long as they can. We would not want to have anyone drop out of their educational effort because they might lose years of earnings which could be added to the Canada pension plan. For that reason we are suggesting that if they are registered as full time students at a recognized educational institution they may, at their option, not count that period in which they are students. On the other hand, it is not a necessity; they might have years of summer earnings which they would like to include, and if that is the case it is a matter of their option.

We have agreed finally to a transition period extension from 10 years to 20 years. This is actually part of the package making some provision for the collection of benefits and reduced out payments to assist in financing the first three recommendations.

That is all I have to say, Mr. Chairman, at the moment. Mr. Chatterton has seconded my motion, and I believe he has some remarks he would like to make as well. This is a brief outline of our major suggestions.

The CHAIRMAN (*Mr. Cameron*): I think we ought to hear Mr. Chatterton first as the seconder of the motion.

Mr. CHATTERTON: If somebody else wishes to speak now, I won't mind coming on later.

The CHAIRMAN (*Mr. Cameron*): Mr. Munro and Mr. Knowles both have indicated they wish to say something on the motion, but I think it is more appropriate that you make your remarks now as seconder of the motion. However, you may defer if you wish.

Mr. CHATTERTON: Mr. Chairman, I think evidence has been given that there are wide gaps in the plan; I do not think anybody denies that. In the report you are proposing you are bringing this to the attention of the government and asking the government to consider this by some other means. However, we feel the government has as much responsibility to those who now are retired as to those who may be retired in the next few years. For example, there are close to one million people now who are on old age security who

receive nothing under the plan. I know that in due course the retired group of over age 65 eventually will disappear; that is, those who receive nothing under the Canada pension plan. But how soon does this happen? For example, 10 years after the plan has been in operation it is estimated that for the whole of Canada, including Quebec, some 66 per cent of the retired people over age 65 will receive nothing under the Canada pension plan. Some 32 per cent of those retired over age 65 ten years after the plan has been in operation will receive an average benefit under the Canada pension plan of only some \$45, and some 1.5 per cent will receive an average benefit of \$119. Also, according to the figures prepared by the chief actuary, with regard to people over age 65—this is in the provinces excluding Quebec—by 1970, 86 per cent of those retired over age 65 will not receive any benefit under the Canada pension plan.

Even in 1980 a majority of those over age 65 retired will receive no benefit under the Canada pension plan. Now, this gap exists. But, on the other hand, a certain other group gets a very large windfall. For example, those who contribute for only 10 years and then retire. It has been estimated that a person with maximum earnings retiring at age 65 after 10 years contribution receives a windfall of an unearned bonus of up to \$18,000; that is over and above what his and his employer's contribution would pay for. So, on the one hand, we have a group that receives nothing, or very little, and another group which receives very large bonuses.

Our proposal is more or less to even out, by including the group retired as well as the group at age 65 who elect to take the reduced old age security. Then, there is another group who earn consistently less than the minimum of \$600 for those who are employed and \$800 for those who are self-employed. These are the people, I recognize, who with old age security may end up with a greater pension at age 70 than they may have been earning, but the fact is these people are those least able to provide for their future retirement. We feel there should be a minimum of at least \$25 to all those who are single, and \$45 to a married couple.

We realize all of this will cost money. I realize there may be other suggestions that this gap may be filled by way of an increase in the old age security contribution. However, we feel the Canada pension plan is the proper vehicle for doing this, because the plan will build up and there may be a fund estimated at some \$8 billion in the 1980s outside of Quebec. We feel there will be tremendous pressure before very long to have these gaps filled by drawing on the fund. We believe it is better to provide further now so that everybody knows this is going to be done now.

To provide for part of the additional revenue, we recommend extension of the transition period to 20 years and we recommend that for all those earning above the minimum, deduction shall be made from the first dollar. Further, generally speaking, Mr. Chairman, we feel this is more equitable all around. I know people will say we are giving something to those who do not contribute at all. The fact is that under the government proposal there is very little direct relationship between the benefits received and the actual contribution made in many cases. So, it is a matter of degree, whether you pay a person a large bonus for a small contribution or pay him something on the basis of no contribution.

We feel generally that our proposals do not make the bill perfect, but we think they improve it and even out the major inequities and fill some of the major gaps.

Mr. MUNRO: Mr. Chairman, looking at the document presented by the Conservative members of the committee and listening to their comments, I think some points should be brought out. It would appear, in looking at the document on page 1, and the majority of the recommendations on page 2 also,

that in essence they are recommending a flat rate benefit to all Canadians irrespective of whether or not they contributed to the plan or are covered under the Canada pension plan. You recommend a flat benefit be payable of \$25 each.

Mr. CHATTERTON: On retirement.

Mr. MUNRO: Yes. Obviously you are ignoring the principal feature of the Canada pension plan, inasmuch as it is an earnings related plan and a contributory plan to provide protection for all those people before retirement who are going to make contributions and thus provide some protection for themselves.

When you try to bring in a flat rate benefit for all people who do not make contribution under the plan, I think you are guilty of misinterpreting in essence the purpose for which the whole Canada pension plan was designed. This inconsistency and contradictory approach appears on page 1 of the document you have just presented. At the top of that page you quote from the White Paper of August 1964 and say:

This is to establish a contributory pension plan, ensuring that, as soon as is possible in a fair and practical way, all Canadians will be able to look forward to retiring in security and with dignity.

I would emphasize the words "all Canadians will be able to look forward to—". I think by quoting that particular paragraph they did not do any service to the point they wish to establish. In other words, this plan is for those Canadians now in the work force and who can come under it as wage earners, as well as people who are self-employed and who can make contributions.

So obviously that paragraph is completely inconsistent with the third paragraph down from the top of the page which goes on to say:

And whereas having heard the extensive evidence presented to the joint committee, it is apparent that the plan as presently drafted falls far short of this objective . . .

They are talking about that objective just quoted from the White Paper.

The paragraph then continues,

and they are taking in only persons of the greatest need such as those already retired.

In the first paragraph again I would point out obviously that it was designed as the wording indicates that this plan was not designed for those already in retirement. So the two paragraphs, in essence, indicate a basic misunderstanding of the Canada pension plan.

Another point that should be drawn to the attention of the Conservatives is that in their argument as presented here, these two objectives completely ignore the argument advanced by Premier Robarts and also by Senator McCutcheon, that there should be some concern for priorities in this country as far as governmental action is concerned. If we adopted their recommendation this would create the case, where in vain of the evidence on record, the Conservative proposal would establish a tremendous load on the fund even if you did lengthen the transition period. Thus we would be confronted with the first objection that money would not be available for social objectives required to be met by the provinces. This would run counter to the priorities argument immediately, as advanced not only by Premier Robarts but also by Senator McCutcheon, when they speak of such things as the unsatisfied need for schools and medical establishments.

Another point is that this plan has evolved through a series of compromises between the federal government and the various provinces in order to

preserve national unity, and that such compromises had to be made all along the line. It has been acknowledged by everyone, even by the premier of Ontario who said that is why his province was coming under it, in order to preserve national unity, and uniformity of legislation from coast to coast.

I am sure they are well aware that there is a particular province, such as the province of Quebec, that is concerned, and that province has insisted, in the initial stages, there be a healthy fund in order that some of these social objectives may be met, and that the province must be guaranteed some revenue through the fund in order to meet some of their obligations to provide some of the social objectives falling under these priorities.

I think another point to be emphasized is that when we talk about gaps, there is nothing in this report which would indicate that the government or the Liberal members are not aware of all these people in retirement, who were never meant to be covered under the Canada pension plan. We have advanced clause 9, of the Draft Report before the Committee, which is a recommendation to the government that action should be taken or consideration given to provide for these people already in retirement, or soon to be retired.

This committee has gone on record and they have taken note of clause 9 in requesting the government to give consideration to undertaking the care of some of these people who from the very nature of the Canada pension plan cannot be covered under it. So I think that this gap is taken care of right in the report itself.

Aside from these initial points, I would like to ask Mr. Aiken a few questions concerning paragraph (a) of their proposals. As I understand it, he recommends an additional benefit of \$25 maximum, presumably, and he says that the government after investigating may decide to make it \$15 or \$20. That is O.K., but they say not more than \$25 to everyone in Canada over 70 years of age who, of course, would be receiving old age security.

Even if we adopt their recommendation at the maximum, this would make it \$100 a month. In the last sentence of paragraph (a) he refers to "when the first benefit payments are made from the fund." My question is this: Does he mean that on the first of January 1966, presumably? Is that when the first benefits would be payable? Or does he mean rather that on January 1, 1967, the \$25 would be paid to all people of the age of 70 years but not to any of these people who will become 70 after January 1, 1967?

Mr. AIKEN: Well, in the first place, in answer to that, the benefit payment of course would not start on January 1, 1966, because if that is when the contributions start, there is nothing in the fund. We anticipate that no benefit payments would be made until the following year. You will notice that we have two clauses, (a) and (b). Clause (a) deals with persons over 70 at the time that the first benefit payments are to be made, while (b) deals with persons between 65 and 70 who will at the same time, or at the same crucial moment, meet the retirement test.

Mr. MUNRO: May we not just ask with respect to clause (a): Does this mean an additional \$25, if that were the maximum adopted, to be payable to those aged 70 on January 1, 1967, but not to those people who will become 70 after that date? That is just a simple question. I wonder if you can answer it?

Mr. AIKEN: I am afraid I do not quite understand the import of your question.

Mr. CANTELON: Might I answer the question?

The CHAIRMAN (Mr. Cameron): Yes.

Mr. CANTELON: I am not sure that I understand the question, but I think I do. If you will look at paragraph (c) to which we have not yet arrived, you will

see that after the pension plan begins, everybody who then qualifies for pension shall receive a minimum pension of \$25 a month, so this at the same time would take in everybody under our clause, and it would make provision for everybody in the plan.

Mr. MUNRO: Under paragraph (c) of your proposal let us suppose somebody is 69 years of age on January 1, 1967, and he has made no contribution and is not covered. I am thinking of a housewife or someone like that, under the Canada pension plan, and he or she is 69 on January 1, 1967. That person receives no benefit presumably, or does he come under paragraph (c)?

Mr. CANTELON: I do not see how he could fail to get a benefit under paragraph (c), because under it everybody would be covered, no matter how small his contribution.

Mr. MUNRO: Even though he has made no contribution?

Mr. CANTELON: I think that is our interpretation.

Mr. MUNRO: Your wording is:

Subject to an appropriate residence test, all persons qualifying for any pension benefit under the Canada pension plan shall receive a minimum pension of \$25 a month in the case of a single person and of \$40 per month in the case of a married couple.

I would emphasize the words "qualifying for any pension benefit under the Canada pension plan".

I put it to you this way: A person is 69 on the first of January 1967 and he does not qualify for any pension benefit under the Canada pension plan. He is not covered under it. He is not a wage earner and he makes no contribution. Presumably for those two reasons we would not qualify for benefit under paragraph (c) because he does not as your own wording states qualify for any pension benefit."

Mr. CANTELON: Yes, but let me refer to clause (d) which says:

No one regardless of the smallness of his income shall be excluded from the plan, and to this end contributions shall be required on total income up to the earnings ceiling from all persons earning \$600 or more in the case of employed persons and \$800 or more in the case of self-employed persons...

Mr. MUNRO: Under paragraph (d) what pension would he receive, if he does not get any pension under paragraph (c)?

Mr. CANTELON: He cannot be eliminated.

Mr. MUNRO: You are talking about the levels in paragraph (d), but you do not indicate what pension that person would get.

Mr. CANTELON: I think paragraph (d) is quite specific in the first couple of lines, when it says:

No one regardless of the smallness of his income shall be excluded from the plan,...

I do not see how it could be made more exact than that.

Mr. MUNRO: I see. In effect you say that people who never made any income at all are going to be covered under paragraph (d) but when you talk about incomes under the plan, they make no contributions and they are not covered. May I go back to your paragraph (a) and I see that the benefit there when the plan comes into operation is that of \$25 to everybody who is 70 and over, and what of those who later become 70? Are they going to qualify for benefits under paragraph (a), and if so, is it to be a benefit that they receive as an additional benefit to the benefit provided under your paragraph (c) over and above \$25?

Mr. AIKEN: No. Paragraph (c) is the minimum allowance under the Canada pension plan.

Mr. MUNRO: I take it it must be the case that you are referring in (a) just to those people who are 70 and over when the plan comes into operation but not to those who are 70 and over a year after the plan comes into operation. As far as those people are concerned, (a) has no application. Is that right?

Mr. AIKEN: They will receive a flat benefit if they are not under the Canada pension plan.

Mr. MUNRO: Under what clause in your amendment will they receive the flat benefit?

Mr. AIKEN: I do not know what Mr. Munro is driving at. Would you mind telling me who you think is excluded under the provisions of (a), (b), (c) and (d)?

Mr. MUNRO: I thought if the Conservatives were proposing these amendments they would tell us what they meant.

Mr. AIKEN: We understand them quite clearly. I am trying to find out what you do not understand.

Mr. MUNRO: Let me put it in this way. Can you tell me whether (a) pays a \$25 benefit to all those people, when the plan comes into operation, who are 70 and over and also to people who become 70 after January 1, 1967? I am going back to my original question under (a).

Mr. AIKEN: Yes.

Mr. MUNRO: I see. Then if the answer is yes to (a), I would say that under (c) which says, "subject to an appropriate residence test all persons qualifying for any pension benefit under the Canada pension plan shall receive a minimum pension of \$25 a month in the case of a single person and \$40 per month in the case of a married couple" that amount would be over and above the \$25 they receive in (a). It must be, must it not?

Mr. AIKEN: No, I do not think so.

Mr. MUNRO: Well, under (a) you do not even have to be a contributor. You do not even have to be a wage earner under the Canada pension plan; but under (c) you do.

Mr. AIKEN: Mr. Chairman, may I put it in this way? There is no intention to benefit twice under clauses (a), (b), (c) or (d). The intention is to provide a minimum additional pension for those people who have not otherwise qualified.

If there is a hiatus there for some people who may be 69 at a given date, that is regrettable, but I do not think there is. If not, it is not intended that a person should get \$25 additional old age security and also an additional \$25 under clauses (b) and (c). Clause (c) is merely a provision for a minimum pension. A person should not get \$23.97 or \$15.70; if he has contributed to that extent he will get a minimum pension of \$25.

Mr. MUNRO: Then, as I read it, under clause (a) somebody of 70 years age on January 1, 1967, would get \$75 old age security now and would get an additional amount of \$25 under this proposal, so it would be a total of \$100. If the wife is also 70 or over, and she would get \$100. That would be \$200 under clause (a) assuming both are over 70 on the 1st of January 1967, the time when the first benefit payments are made from the fund.

Mr. AIKEN: But they will continue to be over 70 as long as they live!

Mr. MUNRO: Under your clause they will each get \$100.

Mr. AIKEN: Yes.

Mr. MUNRO: Let us turn to clause (c). Say someone is 69 years of age and qualifies for a pension benefit under the Canada pension plan because

of being in it one year, prior to retirement and making contributions for that year counting your minimums, he and his wife in total would get \$190, \$10 less than the person who retired one year earlier and made no contribution at all.

Mr. CANTELON: May I comment on this, Mr. Chairman?

I see nothing wrong with that because that is what is built into the plan as it is today. You are actuarially reducing the pension for everyone retiring at ages below 70. All we have done is to add just another \$25.

Mr. MUNRO: I am saying the person of 69 who qualifies for benefit because he is covered under the Canada pension plan, who does not take his benefit, but who makes his contribution for that year, and becomes 70, would then, because he qualifies under the Canada pension plan in clause (c)—would not he and his wife both being under 70 fall under (c)?—thus they would get \$190; whereas the couple under (a), who are not covered under the Canada pension plan, who made no contribution at all, will get \$200.

Mr. CANTELON: But you are omitting the fact that he retired one year earlier than the other.

Mr. MUNRO: No, I am saying he does not retire, but that he is covered under the Canada pension plan and he is a wage earner for one year and retires at age 70.

Mr. CANTELON: He will not get anything if he does not retire.

Mr. MUNRO: Then he retires at 70.

Mr. CANTELON: He will not get anything until he is 70, and then he will get \$75 and \$25; he will get \$100, the same as the other man.

Mr. MUNRO: No.

Mr. CANTELON: I do not understand your mathematics.

Mr. MUNRO: When he retires at age 70 he will qualify for a Canada pension plan benefit, under clause (c). You have \$40 a month for the case of a married couple there, so when he and his wife are 70 he will get \$75 old age security, and his wife will get the same. Instead of each of them getting an additional \$25, which they would have under (a) if they were not covered under the Canada pension plan, they get \$40 or a total of \$190. So the poor man who is covered under the Canada pension plan will get less because he had to make contributions for 1 year before he and his wife attain the age of 70 and retire than the couple under your clause (a) who were not covered under the Canada pension plan, who made no contribution at all, and just because they retired at 70, one year sooner than the other. Can you point out the logic in that? Of course, this would apply equally from 69, 68, 67 and so on.

The CHAIRMAN (*Mr. Cameron*): I think Mr. Aiken has said that no one is intended to get more than \$25 a month.

Mr. MUNRO: But under this proposal they will get less. They will get less and presumably the reason for the advancement of the proposal in the first place was to wipe out inequities. All it does is point up some severe ones.

Mr. CHATTERTON: It is much less an inequity than exists now, in our opinion.

Mr. MUNRO: I think there are other questions we want to ask regarding this, but I would also like to ask them about clause (d).

I am wondering if it is not redundant in view of clause (c), which says that all persons qualifying for any pension benefit under the Canada pension plan shall receive a minimum of \$25 a month in the case of a single person and \$40 a month in the case of a married couple. This in fact guarantees a pension. So I am wondering what is accomplished by (d).

Mr. CHATTERTON: Under your proposal those who have not contributed under the \$600 and so on would get nothing at all. They would not qualify in your proposal. Is that right?

Mr. MUNRO: I thought you were guaranteeing a minimum here, either under (a) or (c). Under (a) you have indicated that you are guaranteeing the minimum, so what is the difference?

Mr. AIKEN: I think, Mr. Chairman, that subclause (d) carries out the intention that those who earn over \$600, or \$800 if self employed, shall pay their contributions from the first dollar instead of the amount that is over \$600, as presently is the case in the plan. Those who earn less than those minima will not be required to contribute, but on filing a statement of income of less than that amount they will be able to benefit for that year. They will be credited for that year with the amount of their income without making a contribution, and this will permit persons who have a low income in some years to declare their actual income—perhaps \$400 or \$550—in the calculation of their lifetime earnings—whereas otherwise they would be included as zero earnings. If they are people who are unemployed or disabled or widowed, or in some other way have low income over a number of years, this will assist in bringing up their average lifetime earnings.

That is the best explanation I can give of clause (d).

Mr. MUNRO: Then, Mr. Chairman, referring to clauses (e) and (f), as a result of compromises that were reached by the various parties represented on the steering committee it was resolved that a drop-out of 20 per cent—

Mr. BASFORD: Should you mention what happened in the steering committee?

Mr. MUNRO: If I was not supposed to refer to what happened in the steering committee, I apologize.

Mr. AIKEN: I did so. I said I was pleased that the 20 per cent had been arrived at and I made no other reference, but I said there was one class of person to whom it would not be sufficient an answer. That is why we suggested that in addition students be allowed to exempt years in which they attend an educational institution.

Mr. MUNRO: My point is that the 20 per cent provides a maximum 9.4 years of drop-out. This is quite extensive.

It has been pointed out that this, to a large extent, takes care of the objections of the teachers, firemen and everyone who has come before us. I think we are all agreed. I would suggest that 9.4 per cent also to a very large extent takes care of those students who go to school between the ages of 18 and 25. You can drop out those years of lowest earnings. Because of their education, they will probably come to the very maximum level of income in the rest of their years. They will certainly reach the ceiling and be well over the ceiling, thus they will get the maximum benefit under the plan in any event.

It should also be pointed out that one does not hear mention of any eligibility requirements, in clause (e) and you are prejudicing those students who might otherwise receive supplementary benefits, such as disability and so on, because they are not covered in the plan for those seven years from age 18 to 25. If they become disabled at any time during that period or if they die, their wives would not receive any benefit as survivors. If they became disabled their families would receive no benefit, nor would their children receive any benefit during that period.

And, for that matter, even after their educational period, say, at age 25, it takes, I think, a minimum of five years to qualify for disability, and if they were injured in the meantime during that five year period they would

be affected. I do not think it is fair to the students involved to implement subclause (e). I think it does a disservice to them in many ways.

So far as your subclause (f) is concerned, when they are talking about a 20 year transition period apparently the Conservative party wishes to go on record—

The CHAIRMAN (*Mr. Cameron*): Perhaps you should use the words "the mover of the motion".

Mr. MUNRO: Yes, the mover of the motion wishes to go on record to the effect that all those middle aged Canadians actually 10 years away from retirement or less than 10 years will be denied either maximum or almost maximum benefits under the Canada pension plan by extending the 10 year transition period to 20 years, and certainly I do not think any of us could agree with that proposal.

Mr. AIKEN: Mr. Chairman, in respect of the students, I would like to point out, firstly, that the right to exclude those years is optional. The student has the option of being in or out of the plan. Now, it is just possible, and in many cases it occurs, that a student may leave his university for two years and go out to work, and then come back at age 23 and take a master's or some such degree. The two years in which he was earning could well be taken as his option of two years of earnings. To say that this is not fair to the students seems, to me, to be absurd because if you take the 20 per cent we now have, which allows them, say, nine years, seven of those will be gone before he is age 25, and he will have just two years in his whole lifetime from age 25 until age 65 in which he could be sick, unemployed, unable to contribute, or any one of many things could arise, and it is not unfair to him. It leaves a margin of only two years. We say he should not have to think of this when he is trying to decide whether or not he should continue his education; he should be able to continue his education to age 25 without being penalized by being left out of earning years, and if he so desires he could start at any time up to age 25, and he could exempt any year or number of years. We think this is fair and equitable.

Mr. MUNRO: Mr. Chairman, surely if a student is earning a little over \$600 a year, that is the situation we are concerned with. The great majority of those years, if not all of them, are going to be excluded from the calculations in respect of the benefit due to the 20 per cent dropout. It is not going to hurt his benefits on retirement and, so far as the contribution is concerned, at \$600 or more you are talking in terms of less than \$12 a year, and for that minimal amount you are going to exclude the student from getting disability benefits as well as survivorship benefits.

Mr. CHATERTON: He has his option.

The CHAIRMAN (*Mr. Cameron*): This is rather an unusual sort of debate which is going on. I have allowed it to go on because Mr. Munro was putting questions and endeavouring to seek answers to the interpretation of Mr. Aiken's motion.

If there is nothing further you wish to say, Mr. Munro, Mr. Knowles has indicated he wants to say something on the motion.

Mr. KNOWLES: Yes, Mr. Chairman. Briefly, I say that I go with Mr. Aiken; perhaps I should say that he goes with me in the effort to do something about the gaps in our over-all old age program, which had been drawn to our attention repeatedly during the sittings of this committee. However, I am afraid that that is as far as we travel together because I feel that the proposals that are cut out in Mr. Aiken's amendment do not represent the best way to try and fill these gaps.

Several times during the course of our sittings I have criticized witnesses for telling us what was missing, but this is suggesting what we should do. I am not in that category. I would be critical of Mr. Aiken's proposal. And, may I indicate that when we get to clause 9 of the report I shall be moving an amendment, the purpose of which is to deal with the gaps Mr. Aiken is concerned about in his amendment.

Having said that, may I deal with the various proposals that he makes. I do not propose to try and tie up Mr. Aiken, Mr. Chatterton or Mr. Cantelon in the complications of their scheme; I prefer to meet it head on in terms of the principles or the philosophy behind it.

Parts A, B and C, as I take them, all aim at increasing the amount of income in the hands of our older people whether it is those now over age 70, those now between ages 65 and 70 or those who will get older later on. In all cases the proposal is either that there be a \$25 addition or that there be a minimum guarantee of \$25. Now, I want to see this kind of advantage, and I will be proposing it when we get to clause 9. But, the first thing I think that is wrong in respect of all three of these first items is that they make charges on the Canada pension plan which should not be made on the fund of that plan.

If we start in by paying \$25 a month to all Canadians over age 70 and charge that to the Canada pension fund we are going to throw that fund out of gear so far as the plans that have been made for it are concerned. I think that the \$25 a month which I believe should be given to our citizens aged 70 and over and to those between ages 65 and 69 should not be a charge on the Canada pension fund but should be a charge on the old age security fund, or should be provided by means of taxes on a basis of graduation.

If I might pick up one word which Mr. Munro used, I think what Mr. Aiken is trying to do is to bring some of the flat rate aspect of old age security over into the Canada pension plan. I do not think you can mix them. I favour a two stage plan, a flat rate benefit and an earnings related benefit; but, I think we have to keep the financing of these separate and that it is a mistake to charge a flat rate element for a retired person to the Canada pension plan. I also think there is a serious question of administration in respect of these first three categories, A, B and C in this respect; they all speak of payments being made out of the Canada pension fund. Now, I would like to know where these payments are to be made to persons over age 70 in provinces which are not participating in the fund. I would assume that if we are going to improve the pension position of persons over age 70 in Canada we will do it across the country. But, if there is any question about that I think it should be cleared up.

I would like to say a special word in respect of paragraph (b). One of the things I do not like about it is that it seems to accept the proposal in the bill for an actuarial reduced old age security benefit between ages 65 and 69. I think it is pretty clear in this committee that, generally speaking, I welcome Bill No. C-136 and that I like the Canada pension plan. I think it has stood up well to the criticisms made of it. But, this one feature in the bill, that of actuarial reduced pensions is one which, in my opinion, I do not think will stand up in our Canadian scene. If the bill goes through as it is and you have the situation of these people having to start off at \$51 a month old age security because they had to take it earlier and they have to stay with that rate for the rest of their lives, subject to any adjustment in the flat rate, in my opinion it will not work. I do not think we should be blessing that by this kind of proposal. In other words, all three of these first proposals made by Mr. Aiken, in my view, should be considered and should be dealt with. The problem should be met. But, I think they best can be met by direct increases in old age security and by lowering the eligible age. And, when we get to clause 9 of the report I shall make an amendment to that effect.

If I may move quickly now to paragraph (d) of Mr. Aiken's amendment I like the proposal that we find a way to blanket in for crediting purposes those whose income is less than \$600 a year employed or \$800 a year self-employed but I do not like the proposal to impose tax or contribution on the income of persons below these figures. One of the things I think is good about the present contribution structure is that it weights it in favour of the low income group. It does that by making no charge on the first \$600. If one starts putting a charge on the first \$600 you remove that weighting element.

Mr. FRANCIS: On a point of clarification, Mr. Chairman, it seems to me that this proposal will not make a levy on people who earn less than \$600 or \$800.

Mr. KNOWLES: Just a moment, read the second line: And to this end contribution shall be required on total income.

Mr. FRANCIS: Only in the case of persons earning in excess of that.

Mr. KNOWLES: Earning more than \$600.

Mr. FRANCIS: I am not being sympathetic; I am trying to clarify a point.

Mr. KNOWLES: I would like the part of (d) which gives to people who earn less than \$600 a credit, without making a contribution. I like that, but what I do not like is the fact that the \$1,000 man, under this plan, will have to pay his 1.8 per cent on the whole \$1,000, and in so doing lose the weighting advantage that is there when the first \$600 is not taxable for those who contribute. Again I do not think that (d) as proposed by Mr. Aiken meets this problem, and I suppose I am making part of the speech I will make tonight when we get to clause 9 of the report.

The CHAIRMAN (Mr. Cameron): Maybe you will not have to repeat it.

Mr. KNOWLES: You know me better than that! I think the simplest way to handle all this is by increasing the benefits paid under the flat rate program and by lowering the eligible age.

Now, with regard to (e), the points I wish to make have, for the most part, been already made, but perhaps I can restate them briefly. I think we were all impressed with the case made by the students, the firemen and the teachers, and no doubt there are other groups. Incidentally, as automation goes on there will still be more groups where this will be a problem, but I think it is better to deal with this by the kind of things we have done in the steering committee, by raising the drop-out period from 10 to 20 per cent, than by trying to pick out special categories. If one should pick out special categories, such as students, firemen or teachers, there will be other groups asking for the same all down the line. This is bound to grow as time goes on. I do not think Mr. Aiken has effectively answered the point that it is unfair to students to deny them the right to get the benefit of certain years of contribution for purposes of disability benefits and other supplementary benefits. I heard him say in answer "But there is an option there", but is it not too late, after the student is taken ill, has become disabled or after he has died? Should not the credit be automatic? That is what the bill provides as a deterrent, and with the 20 per cent I think we have gone quite a way in meeting this.

Point (f) in my view is quite unacceptable. I realize that Mr. Aiken offers it in part as a means of saving money so we can pay some of the other benefits. I think there are other ways to raise money on taxation scales that are equitable, but the plain fact of the matter is that what this does is to say to all the Canadians now 55 years of age and over, who have been anticipating 10 years from now a pension of so many dollars, "That pension under the Canada pension plan will be exactly half of what it would otherwise have been." I support the principle that if we will get this kind of scheme going, we should get it going as quickly as possible. Therefore, I do not like the effect of (f).

I am back where I started. I support the motives which Mr. Aiken has. I am with him in it, that we have to do something to fill the gaps. I shall try to make my proposal with regard to clause 9. I think this package, when you look at it in its entirety, is one that defeats the purposes that we are concerned about.

The CHAIRMAN (*Mr. Cameron*): A number of members of the committee have indicated they want to say something. They are Mr. Cashin, Mr. Lloyd, Mr. Francis, Mr. Basford, Mr. Prittie, Mr. Macaluso and Mr. Gray.

Mr. CASHIN: I will try to make it as brief as possible. I think the point has already been made before in this committee, that there seems to be, for one reason or another, confusion when we talk about the Canada pension plan and gaps that exist. I think we have to recognize that this is a device for planning for the future so that the people now in the working force will not be confronted, in the years to come, with the necessity of depending on the questionable beneficence of a paternalistic government.

I think enough has been said. The point I would like to emphasize now is that paragraph 9 in the draft recommendations of the steering committee seems to me to be infinitely superior to the suggestion here because it recognizes, as Mr. Knowles has said and others such as Mr. Munro, that these are separate problems. Consequently, since it is a separate problem, I think we must look at social security and what we are going to do for the present old aged in relation to the whole field of social security. In fact everyone agrees the present \$75 a month, or even \$100 a month or a higher amount, might still be inadequate pension for somebody who is retired. However, I think we have to admit there are a million old age pensioners in this country who, while they may not be treated as adequately as they would like, still have an opportunity to express their views and make demands for adequate treatment in a far more vocal way because of the size of their group than many other groups in our society who are being ignored in the amendment that has been brought here today.

I think that we have to have a balanced approach to the whole field of social security. I am thinking of education, present social assistance, and what we are going to do in health. If we are going, perhaps for political reasons or perhaps for humanitarian reasons, to increase the pensions to \$100 a month, we have to ask ourselves, "What does this do to our other social security measures?" I think this is a very important question and I think that by confusing, for one reason or another, the gaps and what we are trying to do in the Canada pension plan, we may be doing a disservice to the whole population and the whole problem of social security. We are now planning for the future. If we cannot, in so planning, remove all the problems of old age, then I think that is not a reason to deter us from doing what we are going to do in this Canada pension plan.

There were other things that were mentioned, for example, the great concern that is expressed about the \$600. In this plan now we might be taxing by giving a guarantee of \$100 a month to a man who is making \$400 a year and has been making that for the past 12 years. If we guarantee him \$100 a month when he is 70, what are we doing to the resources of the country so as to do something about his real problem? The fact that he had to wait to the age of 65 or 70 to make \$1,200 a year I think is a much greater problem than the \$1,200 a year.

For example, there are a great many inequities and anomalies that exist in our whole approach to social assistance. Widows, orphans and disabled persons are not covered here. We will go on neglecting them, will we? I would like to say that I think we made a sound start and a balanced approach to social security. I agree with Mr. Basford's comment that some political cynicism has been introduced here.

Mr. LLOYD: Mr. Chairman, in general I subscribe to and support the views expressed by Mr. Knowles when he indicated that he thought the flat rate benefit provision for old age security should be financed, if you like, from the existing structure of taxes, or some improvement made thereon, and that, in broad principle, the wage related pension plan should be financed, at this stage certainly and in the light of all the statistics and information we have, from the payroll deductions.

You could carry both of these things to extremes, and this reminds me of a quotation from the United States Supreme Court which said that the power to tax is not only the power to destroy but also the power to keep alive. Well, it seems to me that if you are going to keep alive the economic growth practice in your economy you should to some extent, certainly, relate what you do to the growth in your economy.

On the other side of the coin, if you have contributions from wages to finance a scheme of benefits, I think it is wrong to take the contributions from small wage earners; certainly, you are taking all of those above \$600 and asking them to contribute to a benefit scheme. I think it is wrong to ask that class of taxpayer to help finance the flat rate benefits to the extent that you would as proposed in the amendments submitted by Mr. Aiken. If Mr. Aiken had said that we wanted to divide the funds received from the payroll contributions between a wage related pension scheme and so much for the old age security, then one might perhaps have a better understanding of the objectives which this amendment propose to achieve. In principle, I cannot see any justification whatsoever for transferring funds, if you like, from the payroll deductions into flat rate benefits. I think that is something that stands on its own feet. I think that those who pay income tax above exemptions, such as corporation profits and sales taxes, are the sources for flat rate payments. I am afraid that the flat rate benefits proposed by Mr. Aiken in his resolution indeed would depart from the principle of financing which is inherent in the Canada pension plan. For that reason I simply cannot support his motion.

In short, Mr. Chairman, I think the old age benefits should be the subject of some other study. In the report on page 7, clause 9, we do indicate there is a need to examine a new situation which will arise when you bring the Canada pension plan into operation.

Mr. KNOWLES: I welcome your support for my amendment.

Mr. LLOYD: I should say I am keeping in mind the principle of responsible government, in respect of committing public funds, that the initiative must come from the government.

Mr. FRANCIS: Mr. Chairman, it seems to me that the recommendations follow fairly closely the recommendations of the province of Ontario. I have in mind that the government of Ontario in its brief to us indicated that they participated in no fewer than six federal-provincial conferences at which these matters were discussed. These proposals as spelled out in detail before the committee, if adopted, would call for another run of federal-provincial conferences and substantial delay before the plan could be brought into effect. If for no other reason, I think this committee should rule against it.

There is the additional problem that they would be applicable to participating provinces only, which would bring about an anomaly such as I have in mind in the Ottawa area. In the event these recommendations were adopted, on one side of the Ottawa river a person over 70 would get \$100 a month, and on the other side, the person would get a benefit of \$75 a month old age security. Whether or not the provincial plan would go along with this could be determined only after further negotiations.

Apart from that I find the recommendations confusing and difficult to understand. I think basically they are much simpler than they have been set out before us. As I understand the recommendations, for everyone over 70

there would be old age security plus \$25—\$100 a month. For everyone at age 65 who elects to take the actuarially reduced old age security payment—and that is not related in any way to labour force participation—a uniform flat supplement of \$75 a month is paid, so far I can understand it. However, I have difficulty when I try to go beyond this because what I think it means is that the whole structure of the benefit under the Canada pension plan is brought essentially to a flat rate structure with very little earnings related portion above the flat rate on a 20 year transition period. Certainly, for a long period there is very little.

I have two or three examples I tried to work out. If you take a man, say, who is self employed and earning \$799, according to this proposal he would be credited with \$800 on \$799 worth of pension credit. I hope the mover of the motion will correct me if I misinterpret the resolution at any point. The man who earns \$800 and is self employed would be contributing \$2,880 or 3.6 per cent. He will further qualify for the minimum pension benefit of \$25 a month, or \$25 plus an additional \$15 for the wife if the wife happens to be younger than the husband and not eligible for the actuarially reduced old age security benefit.

If you start working this further and put them in for the minimum benefit of \$40 a month, which presumably is continued as long as the wife does not fall under the actuarially reduced old age security benefit provision, what happens when the husband crosses his seventieth birthday? Does he draw the minimum plus \$100 a month? Is this the proposal? I wonder whether Mr. Aiken would be kind enough to tell me whether that is his proposal?

Mr. AIKEN: Mr. Chairman, in the first place Mr. Francis used the example of one person earning \$799 and another earning \$800. There always is a division line no matter where it is established. In the present plan it is a somewhat different situation.

Mr. FRANCIS: Will the benefit still be \$100 plus the minimum Canada pension plan benefit at age 70 under the proposals before us? Is this correct in respect of the man who had contributed on his earnings record of less than \$800 or \$600?

Mr. AIKEN: No. His minimum would be \$75 plus the additional amount, the \$25 if that should be the figure.

Mr. FRANCIS: We have (b) and (c); (b) says that all persons qualifying for any pension benefit under the Canada pension plan shall receive a minimum pension of \$25 a month, and (c) says there is a minimum pension of \$25 a month. Are these two benefits or are they one and the same benefit?

Mr. AIKEN: They are intended to work together. Subclause (c) provides a minimum pension for a person who contributes and who is under the plan; (b) provides a minimum which may be the same amount of \$25 but not necessarily, because we fixed it at not more than \$25; that is a person who is not a member of the Canada pension plan.

Mr. FRANCIS: My example—

Mr. AIKEN: And we feel this creates some equity between the people who contribute a small amount to the Canada pension plan who draw a minimum benefit and a person who has been unable for some reason, mostly because of age, to have come into the Canada pension plan.

Mr. FRANCIS: The answer to the question in my example of the man making \$799, retiring at age 65, and married with a wife, is that he is going to draw \$40 a month from the Canada pension plan on retirement plus an actuarially reduced old age security pension at age 65. At age 70 how much will he draw; is it \$125 a month, \$140 a month, depending on the age of his wife, or \$100 a month plus what his wife receives? I just cannot understand

from the information you have placed before us what the answer is to my question and I have conscientiously tried to understand what the benefits will be.

Mr. PRITTE: What does it matter? Let us have a vote on it.

Mr. FRANCIS: Maybe it does not matter, but I attempt to understand it before I vote on it, because to me it seems that the recommendation amounts to sort of a large grandstand play—a large amount of money to be paid out and nobody being hurt. This is what I consider to be a regressive tax base for adding an extra \$93 million a year.

Mr. AIKEN: This is not a grandstand play at all. However, in going into this and after giving it very careful scrutiny, if you feel there may be a gap between one group and another, this is because we have not attempted to draft the actual wording of the amendments, and that was not the intention of the committee. The intention of the committee is to propose in general what we would like to see the amended plan include. I can say no more than that. You have quoted some examples. I have tried to calculate them. I admit I cannot come to a conclusion. It was the intention that (a), (b) and (c) should together compromise a minimum benefit structure for those persons who had been left out. We attempted to fill the gap. We may have left one end out; I do not know.

Mr. FRANCIS: I do not wish to pick small holes. What I am attempting to understand is the level of the benefits. I think what you are saying is that it is \$100 a month for everybody over 70 and it is the actuarially reduced old age security plus \$25 after age 65 provided you are retired. It seems to me this is the proposal. I think you also are saying—and I am trying to be fair—that on the basis of a 20 year transition period with much more gradual build up of the Canada pension plan benefit wherever the Canada pension plan benefit rises through the man providing, then you would let the Canada pension plan benefit carry.

Mr. AIKEN: Exactly.

Mr. FRANCIS: I think you could have said that in much more simple terms. This is my view.

Mr. AIKEN: I will let you redraft our motion.

Mr. FRANCIS: I am quite prepared to be helpful, but I prefer being helpful in terms of something I believe to be desirable. If you take the \$600, or the first \$800, in the case of self employed persons, the full rate is 3.6 per cent and in the case of those on payroll deduction it is 1.8 per cent by the employee and 1.8 per cent by the employer.

I want to go on record by stating that I think this is a progressive form of raising \$193 million in a year, and it is not a form of taxation which I can support. And in regard to students, I cannot see the reason for putting in a particular category of contributors. I think the approach to the drop-out period is fair to all categories, but I think if you touch on the students you are creating problems of who are students, what is vocational training, and the determination of a large number of marginal categories. So I would prefer to adopt the approach in the bill with a 20 per cent drop-out period. It may be added to over a substantial period of time, but I think we have a drop-out of six per cent of benefits in the future, and it is not something easily calculated. I would prefer to see the first approach rather than to spelling out categories which I think is not a desirable thing to do, and which would create even greater complications in the regulations. Therefore I am not prepared to support the amendment.

Mr. AIKEN: In answer to the last point we did not feel we were taking a category of persons and giving them a special place. We felt we were taking

all Canadians, everyone, regardless of what his preparation for his life might be, and giving him all the breaks. They may be firemen or engineers, or anything. But if they want to continue their education, they are classed as people. We consider them merely as a group of people who are preparing for the future, and it would be applicable to anyone.

Mr. BASFORD: I have my own views concerning this amendment which I think perhaps I should express in the house rather than to take up the time of the committee.

I think the amendment has to be rejected for obvious reasons. It seems to me to be unfortunate that other Conservative party members of the committee could not have been present this afternoon to support it.

Mr. AIKEN: In view of this last remark—I am sure that it was not intended to be unkind—Senator McCutcheon has been available at many of our meetings, but he is ill today. He expressed his regrets this morning. We regret that he is not here because we think he could have made a better presentation than those of us who are left. I want to mention this one particular point.

Mr. CANTELON: May I make a point concerning section (c)?

The CHAIRMAN (*Mr. Cameron*): Yes.

Mr. CANTELON: I was pleased to see that Mr. Francis seems to have interpreted this in the way we did in some respects, and that this referred to married couples and \$40, and it did not matter whether the wife was under the age of retirement or not.

Mr. FRANCIS: It would have to be, or else she would have a benefit in her own right.

Mr. CANTELON: That is right. When she reaches the age of retirement she would get \$25.

Mr. AIKEN: Yes.

Mr. CANTELON: That is the point I raised before.

The CHAIRMAN (*Mr. Cameron*): Do you wish to reply, Mr. Munro? Or Mr. Prittie?

Mr. PRITTE: I pass.

Mr. MACALUSO: I have one small question. I wonder if Mr. Aiken and others of his group could tell me whether they have figured out what the cost would be of this enlarged proposal?

Mr. CHATTERTON: One reason we put it at not more than \$25 is that we asked for figures, and there was one figure given to the committee, for 1970, of an additional \$385 million. That would be additional revenue. That was for the whole package that was more or less in the Ontario proposal; and there was additional revenue required which was estimated to be \$120 million, but some of our officials estimated it to be considerably less, I think about \$110 million or something like that. The year 1970 was the only year we had any indication of.

Mr. MACALUSO: You would need some \$250 million plus?

Mr. CHATTERTON: Yes.

The CHAIRMAN (*Mr. Cameron*): Now, Mr. Gray.

Mr. GRAY: I think most of the points I intended to comment on have been quite well dealt with by other Liberal colleagues on the committee. For the reasons given with which I associate myself, despite the aims of the proposal, I do not think it really solves the problem it is supposed to meet and instead it creates new ones. Therefore, I am not in a position to support it.

Mr. AIKEN: Oh, I am sorry.

The CHAIRMAN (*Mr. Cameron*): Is there any further discussion before I put the question? The question as I understand it is in respect to paragraph 8, inserting after it, or the words below, the motion proposed by Mr. Aiken seconded by Mr. Chatterton with one amendment to it, that is, that the final concluding part of the recital should read as follows:

Therefore to correct these gross omissions and inequities the committee recommends that Bill No. C-136 be amended to provide that—

You have all heard the motion. Those in favour please indicate.

Mr. BASFORD: Do I take it that the three whereases printed above on that page are not to be part of the motion?

The CHAIRMAN (*Mr. Cameron*): Yes, they are part of the motion. They come in.

Mr. AIKEN: We did not anticipate that clause 7 would be passed over. We had intended to move this amendment under clause 7 which included certain things. But for the purpose of getting it before the committee we left it all together.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion. All those in favour of the motion will please hold up their hands? Those opposed?

Motion negatived.

Mr. AIKEN: We presented a package deal, but since it has been rejected we would like to submit without any further comment or statement, if possible, two of the amendments we made which we feel, regardless of the loss of our amendments, ought to be put before this committee. One refers to students, and I would like to move as a separate motion, seconded by Mr. Cantelon, that, in the same place as we proposed the previous amendment, the following amendment be included in clause 8 with which we are still dealing.

The CHAIRMAN (*Mr. Cameron*): It is in the words of paragraph (e) of your original motion?

Mr. CANTELON: We have it written out in exactly the same way.

Mr. AIKEN: We have an amendment, and it may be distributed.

Mr. MUNRO: It is not necessary, if it is the same as what you already have.

Mr. AIKEN: I think it is identical with what we already have.

Mr. MUNRO: In paragraph (e)?

Mr. AIKEN: Oh, there is something slightly different. It reads as follows:

Whereas, it is desirable to encourage students to continue their education without penalizing them under the Canada pension plan,

The committee recommends

that a student who has attained the age of 18 and is less than 25 years of age shall, at his option, not be required to make contributions in each of those years in which he is registered as a full time student at a recognized educational institution, in which case the years in which such person did not make contributions shall not be included in determining lifetime earnings.

Mr. LLOYD: Are we not ready for the question to be put, Mr. Chairman?

The CHAIRMAN (*Mr. Cameron*): Just as soon as we all receive a copy of the amendment. That is all.

You have all got it now. Members of the committee, you have Mr. Aiken's motion, seconded by Mr. Cantelon before you. All those in favour?

Mr. BASFORD: On a point of order, Mr. Chairman, I was on the verge of objecting to the last motion on the same ground, but Mr. Aiken explained the difficulty. Mr. Aiken is now presenting particulars, and I object to the conclusion of the particulars, the whereas clauses. The whereas clauses are not in any form that is presentable to the committee. I think the motion, to be in proper order, must have the whereas clauses excluded.

The CHAIRMAN (*Mr. Cameron*): That might be a matter of good draftsmanship.

Mr. BASFORD: I think it is far more than good draftsmanship. The whereas clauses contain inferences and arguments. I do not think they should be there.

If the mover of the motion wishes to add a paragraph to the draft report, that is fine, and if the paragraph is to the effect that the committee makes a recommendation with regard to the students, that is fine, but "whereas" is not part of the report.

Mr. AIKEN: I will be happy to withdraw the "whereas", Mr. Chairman—
Hon. Mr. SMITH: That is good.

Mr. AIKEN: —if we may proceed with the vote.

The CHAIRMAN (*Mr. Cameron*): Mr. Aiken is apparently prepared to withdraw the "whereas" to the recital and to limit it to "the committee recommends".

Will all those in favour of the motion please signify? Opposed?

Motion negatived.

Mr. AIKEN: Mr. Chairman, I have one more amendment to propose. It is not one to which we have referred previously but I think it could well be put in here. There is a "whereas" in it but rather than include that I will read it and leave the motion as it is.

I move, seconded by Mr. Rhéaume, that clause 8 be amended so that after the words "following changes in the bill" a clause (*i*) be added and that the other clauses be renumbered accordingly.

The CHAIRMAN (*Mr. Cameron*): Is that an "*i*" or is it a Roman numeral which stands for 1?

Mr. AIKEN: It is a small 1. It is as follows:

That those persons described in sections 6 (*h*) and (*j*) of the bill as being expected employment, at their option be permitted to declare themselves as self employed persons and therefore to be entitled to make contributions and receive benefits accordingly.

That is the end of the motion.

The CHAIRMAN (*Mr. Cameron*): The motion has been put by Mr. Aiken and seconded by Mr. Rhéaume. The motion is before you.

Mr. FRANCIS: I personally would prefer to see the regulations permissive to bring in categories of employment as soon as it is feasible to do so, but I would like to hear technical advice from the numbers of persons one can bring in at the beginning of a plan and the difficulties of extending coverage to this area right at the beginning.

I would hope that recommendations could be broad enough to extend coverage, but I would not like to create anything that would cause difficulty administratively right from the very beginning of the plan.

Mr. AIKEN: The purpose of the amendment is to carry out the desire that as many people who are residents of Canada as wish to be covered by the plan be permitted to be covered.

There are two groups mentioned in subsections (*h*) and (*j*). In general, they are employees from whom a payroll tax cannot be collected, groups such

as foreign government employees, and so forth. This provision would merely permit those people to declare themselves as self employed, and to belong to the Canada pension plan and pay the full contribution rate. This is the very simple objection of the amendment.

Mr. MUNRO: Mr. Chairman, I wonder if I may direct a question to Dr. Willard or to Mr. Thorson through you.

Are there any administrative objections to those amendments?

Mr. WILLARD: Mr. Chairman, I think one of the things the committee will want to consider is, if you do provide such provision or make such a provision, whether or not the employer, say a foreign government, would take advantage of this and would not then enter into an agreement, so that the net result would be that where you might have arranged an agreement by which the foreign government would pay the employer's contribution, you end up having most of these people paying double contributions.

I have no way of knowing how this might work out, but this is one possibility that you would have to consider.

Mr. AIKEN: Mr. Chairman, we will obviously have to sit this evening unless Mr. Knowles has made his complete speech.

We could amend this by including, after the word "employment" the words "for whom no provision is made" if this would assist the situation. We could let that stand for the time being until Dr. Willard can tell us more.

Mr. MUNRO: I think Mr. Aiken's suggestion to let it stand in order to give time for it to be considered would be appreciated.

Mr. AIKEN: Thank you.

Those are all the amendments we have for the moment.

The CHAIRMAN (*Mr. Cameron*): Would the committee like to adjourn now and come back at eight o'clock?

Mr. CHATTERTON: We could conclude in three quarters of an hour, I think.

Mr. MUNRO: Let us try.

There are these amendments, and Mr. Knowles does not come in until item 9. The rest of the matters in item 8 are pretty well—and I say this without trying to prejudge the matter—the result of agreements reached. I do not think there is any controversy involved.

The CHAIRMAN (*Mr. Cameron*): That may very well be the case, but I think Mr. Knowles should have the opportunity and the time. I do not think we could conclude in a limited time such as three quarters of an hour as has been suggested.

Mr. BASFORD: I move that we deal with paragraph 8 now, subject to the right to come back to Mr. Aiken's amendment.

The CHAIRMAN (*Mr. Cameron*): I would like to enquire of Mr. Knowles whether that would meet with his approval. Would you prefer to come back at eight o'clock and present your amendments?

Mr. KNOWLES: I do not think I make the choice; I think the committee will decide when it wants to listen to me.

I have an amendment to paragraph 9 of the report, which I dare to hope will be accepted in view of the kind of speeches that have been made on the other side this afternoon. If it is not, I have a second amendment to paragraph 9, and I have an amendment to subparagraph 3 of paragraph 7 when we get back to it. So far as I know, those are all the amendments I have.

Do the Conservatives—if I can use that word—propose anything on paragraph 7?

Mr. CHATTERTON: No. We intend to speak very briefly on these amendments of Mr. Knowles.

The CHAIRMAN (*Mr. Cameron*): Then we can proceed. I was only making a suggestion. A motion to adjourn will be in order at any time if anyone begins to feel we are taking too long. The right is reserved for the committee to come back to Mr. Aiken's motion.

Mr. PRITTE: On a point of order, I think we should really decide this matter. Are we prepared to sit now until eight o'clock and finish, or are we going to consider adjourning now and coming back at eight o'clock? I think it will take two hours to finish.

Mr. BASFORD: Let us see how far we can go by 6.30.

Mr. RHÉAUME: In order to satisfy Mr. Basford, may I say that the council of the Northwest Territories is sitting now and that I am expected there.

The CHAIRMAN (*Mr. Cameron*): We have one amendment on paragraph (i) of subclause (8), which is a provision exempting the armed services and the Royal Canadian Mounted Police from coverage from the Canada pension plan. The amendment is that paragraph (i) of subclause (8), which is a provision exempting the armed services and the Royal Canadian Mounted Police from coverage under the Canada pension plan should, if integration is technically feasible, be deleted.

Is that carried?

Clause 62, subclause (8), paragraphs (i) to (iv) inclusive, agreed to.

Mr. KNOWLES: Mr. Chairman, I am sure we all support paragraph (iv). Perhaps it is not inappropriate for me to repeat a word that I said this morning in the steering committee. Comments are often made about committees and oppositions and so on, and about discussions of bills, to the effect that they are not worth while. This is something that has been discussed a good deal, and I think it is to the credit of the parliamentary process that we are doubling this drop-out period from 10 per cent to 20 per cent.

I think this is one of the best things we have done in this committee.

Mr. LLOYD: I agree.

Some hon. MEMBERS: Agreed.

The CHAIRMAN (*Mr. Cameron*): Clause 5 is next.

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Followed by clause 6.

Some hon. MEMBERS: Carried.

Mr. KNOWLES: And, clause 6 is one I am glad we are recommending. It is an act of kindness to many people.

Mr. MUNRO: And, it is good Liberal philosophy that is providing this.

Mr. KNOWLES: The Liberals and Conservatives have refused it time and time again.

Mr. MUNRO: I just wanted to see if you would rise to the bait.

The CHAIRMAN (*Mr. Cameron*): Paragraph 8 in its entirety is carried.

Mr. AIKEN: We still have an amendment to dispose of, Mr. Chairman.

Mr. BASFORD: Mr. Chairman, my impression was that we proceeded with clause 8 subject to the right to come back to the amendment of Mr. Aiken.

Mr. AIKEN: Well, if we go back it will have to be in respect of clause 7.

The CHAIRMAN (*Mr. Cameron*): Yes, we passed all the others. We now come to clause 7. We have read the preamble to clause 7. What about subclause (i)?

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Subclause (ii)?

Some hon. MEMBERS: Carried.

Mr. AIKEN: Mr. Chairman, we had proposed in the first instance to move to eliminate clause 7 completely and substitute the preamble we ourselves prepared. In the circumstances we do not agree that all the worthy objectives in here have been carried in the bill. We would like to have this carried on division.

The CHAIRMAN (*Mr. Cameron*): Subclauses (i), (ii) and (iii) carried on division.

Mr. KNOWLES: Not subclause (iii).

The CHAIRMAN (*Mr. Cameron*): Then we will deal with subclause (iii).

Mr. KNOWLES: Mr. Chairman, I would like to move an amendment to subclause (iii), seconded by Mr. Prittie. Members of the steering committee and, for that matter, members of the entire committee, will probably recognize that I am asking the committee to put back language that was in an earlier draft of this report. I have copies available for everyone here. As I say, I move, seconded by Mr. Prittie, that subclause (iii) of clause 7 be deleted and that the following be substituted therefor:

- (iii) The level of combined benefits available under the Canada pension plan and the Old Age Security Act should be adequate for those people for whom such benefits will be the only source of income after retirement.

As I say, this was the wording that was before us at an earlier stage but it got changed somewhere along the line.

The draft report that we now have before us reads:

The level of combined benefits available under the Canada pension plan and old age security should represent a high proportion of the previous earnings of those people whose income does not permit other adequate provision for their retirement.

I do not want to bring the changes in respect of the discussions we had, and we had many sessions with the committee. But, I think there is a tremendous difference between aiming at a high proportion of previous earnings and aiming at benefits that are adequate. Now, I know we could have discussions about the meaning of high proportion and the meaning of adequate, but high proportion to previous earnings, particularly in the case of those whose earnings were low, means nothing. I think we would be better to stick, as an objective, with the earlier wording. I realize that neither in the wording that is in the draft report nor in my amendment are we enacting anything; we are stating a principle. But, if we are stating principles we should state adequate principles. As I say, Mr. Chairman, at this point I offer this amendment, seconded by Mr. Prittie.

Mr. MUNRO: Mr. Chairman, if I might comment at this time, I think Mr. Knowles is quite aware of why the wording was changed. If I might be permitted, without going into the details of what happened in the steering committee I would state that there has been considerable argument as to what was adequate, and what one member of the committee may have thought was adequate certainly was not adequate in the minds of others. It was a very subjective word. I suspect the reason that Mr. Knowles is requesting the word "adequate" here is this. He has indicated that he would be putting his motion in respect of increases in old age security this afternoon, and he will then contend that the members of the committee by voting for his proposal that the word "adequate" be inserted are in effect showing that we think the present level of old age security, without an increase, is adequate. I do not know whether or not he is endeavouring to tie this in with his later motion. Interpretations like those which might be put on the word could

be advanced for partisan purposes later. I think the present wording is preferable because in this way we steer away from this whole question of what some consider adequate and others consider inadequate. I am sure many of us have the same idea in respect of what adequate is. Certainly many witnesses have expressed that already the old age security is higher than that in the United States and is high enough, but many of us in this committee disagree with those witnesses who made that statement.

Mr. KNOWLES: But certainly in the steering committee the argument did not turn only on the definition of the word "adequate" but rather that there was this difference; at least one member did not agree that our plan should provide adequate benefit. At least one member thought it should be just a kind of floor. Some of the rest of us thought in principle that the combination of old age security and the Canada pension plan should provide adequacy, not just a certain proportion of former earnings but adequacy. In other words, I am asking if Mr. Munro thinks it is fair to say that all the argument was in respect of the definition of the word "adequate".

Mr. MUNRO: So far as I am concerned, Mr. Chairman, with the reservation I have expressed in respect of what use this word may be put later I do not think we take any particular exception to Mr. Knowles amendment, but I would like to hear what the rest of the members have to say.

Mr. BASFORD: I am happy Mr. Knowles made this amendment. I think we were agreed this morning, and I certainly will support the amendment.

Mr. FRANCIS: Mr. Chairman, I do not propose to support the amendment because I do not think anyone can say what is adequate. All the witnesses who came before the committee were asked the question: "Is \$75 a month adequate?", and the answer was no. Then, the question was put: "Is \$104 a month adequate?" In every case, to my knowledge, when the question of what was adequate was put to the witnesses who came we got evasive answers. No witness was prepared to say what an adequate benefit was, and it seems to me that if we buy anything that is as open as that we will be in difficulty. Naturally we say that we are going to have adequate benefits but we do not say we are going to provide a test for it or that we will have regulations covering it, nor do we contemplate machinery for determining figures in different parts of the country. In this way we would be opening up a line of criticism of the whole bill itself which I, personally, do not think we should support at this stage.

Mr. CHATTERTON: If I might just say a word, both "high proportion" and "adequate" are subject to interpretation. I think the crux of Mr. Knowles proposal is whether the base should be adequacy in respect of earnings or just adequate, and of the two I am inclined to favour Mr. Knowles in spite of what happened in the steering committee.

Mr. MUNRO: That is an interesting proposal. I am glad to see these things happening because Conservatives have expressed the thought that everything here was going to be rammed through, and as we know and this was one of the compromises we implemented in order to show that we are willing to listen to their point of view and now I am glad to see that they came back to Mr. Knowles' point of view which they objected to originally.

Mr. AIKEN: This points up our real objection to the whole of clause 7. It does not change one word of the bill or the section; it is just an exercise in semantics, and it really does not matter.

Mr. BASFORD: It is far more than that. If this parliamentary committee, representing all parties, can agree on the principle that pensions for those to whom pensions are their only source of income should be adequate I would regard that as a great step forward.

Mr. AIKEN: But how does it change the bill; we already have passed the bill.

Mr. GRAY: It is an expression of opinion.

An hon. MEMBER: Question.

Mr. BASFORD: If this carries I will be happy to see that this whole group will be adopting the Liberal philosophy.

The CHAIRMAN (*Mr. Cameron*): I have a motion by Mr. Knowles, seconded by Mr. Prittie, that subclause (iii) of paragraph 7 be deleted and the following be substituted therefor:

- (iii) The level of combined benefits available under the Canada pension plan and the Old Age Security Act should be adequate for those people for whom such benefits will be the only source of income after retirement.

All those in favour of the motion?

Mr. CHATTERTON: All philosophy and no action.

The CHAIRMAN (*Mr. Cameron*): All those opposed?

Mr. CHATTERTON: We tried anyway.

Motion agreed to.

The CHAIRMAN (*Mr. Cameron*): The motion carries.

We now proceed with paragraph 5.

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Paragraph 6.

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Paragraph 7.

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Paragraph 8.

Some hon. MEMBERS: Carried.

Mr. PRITTIE: Mr. Chairman, I wanted to put a question but I do not know under which paragraph to put it, so I will do it now. I believe the staff people were going to study, in respect of the brief submitted by the fishermen union the other day the question whether those people would be classed as employees or self-employed, and before we finish these proceedings I would like to know if they have done so, and what comments they have to make. I do not know under which section this is relevant.

Mr. KNOWLES: Perhaps it is appropriate to paragraph 7, in which we advocate certain principles.

The CHAIRMAN (*Mr. Cameron*): I do not know what we can do to help you, Mr. Prittie. If we adjourn, we might have the information, but the departmental official who could probably give the best answer to that is not here at the moment.

Mr. AIKEN: It might be answered at the conclusion of the proceedings.

Mr. PRITTIE: Let us reserve the right to bring it up before the end of the proceedings then.

The CHAIRMAN (*Mr. Cameron*): How do you propose to deal with it? Do you want to wait until we get the answer?

Mr. PRITTIE: Yes, and reserve the right to bring it up later.

The CHAIRMAN (*Mr. Cameron*): We might not have any time later if we carry on. Where do we end?

Mr. KNOWLES: Mr. Chairman, I suppose that unanswered questions regarding the bill, such as the one Mr. Prittie has, might be asked under paragraph 10 of the report.

The CHAIRMAN (*Mr. Cameron*): Paragraph 7 agreed to.

Paragraph 8 has been agreed to. We are now on paragraph 9.

Mr. KNOWLES: Mr. Chairman, I gather from the sounds I hear from across the room that everybody is anxious to get to paragraph 9. It reads as follows:

The committee also recommends that the government give consideration to further measures regarding the position of those people who, because they are or soon will be retired, will not be substantial contributors to, or beneficiaries from, the Canada pension plan.

I suppose that one has to be grateful for this admission; that there are some gaps in the total pension plan that we are building by combining the Canada pension plan with old age security and other measures. However, I must say that I regard this proposal as a very weak response to the representations that have been made to us regarding those gaps. We are all members of parliament and in public life, so that we do not really need to have representations made to us to let us know about the facts of Canadian life. Nevertheless, it is a matter of record that almost every delegation that appeared before this committee drew our attention to the gaps. There were quite a number of them. However, the gaps that were referred to most were the following two: Those Canadians 70 years of age and over who have only the old age security pension, and those Canadians between 65 and 70 whose chances of much appreciation of their pension position under the Canada pension plan are very slim.

I think it is fair to say that the discussions we had with these various delegations indicated concern on the part of the members of this committee that we should do something. This very paragraph that is in the report, minimal though it is, is an admission of their concern. I would contend that the government, in presenting the Canada pension plan in its various forms, has recognized that something had to be done at the same time for those who are on old age security. In that connection I may point out that when the first version of the Canada pension plan was presented to parliament, the old age security rate at that time was \$65 a month, and the government realized that if it was going to go in for this new Canada pension plan, it had to do something at the same time for those on old age security. And so it was part of the package in 1963 that there should be a \$10 addition to the \$65 that was then the rate under the old age security.

I think that the Liberal members will realize that they cannot go on forever trying to trade on the fact that that \$10 increase was made independently of the Canada pension plan. The fact is that we now have a situation under which in 1967 people will start to draw another kind of old age benefit, a benefit they will draw under the Canada pension plan. In 1967 the amount that people will draw will be small. The maximum in that first year will be in the order of \$10.40 a month. However, at any rate, this will build up and we will reach the situation in which we will have some of our older Canadians still living only on the old age security pension and some on that plus the Canada pension plan benefit that in the course of time can become substantial. I think the only answer to this problem of avoiding inequities in the transitional period, the only answer to the problem of people between 65 and 69, is to take action at the same time that we put the Canada pension plan into effect to increase the amount of pension under the old age security act and to lower the eligible age.

It has long been a fact of Canadian life that that gap between 65 and 70 has seemed most unfair, and I suggest that as time goes on, as automation plays its part in our life, retirement ages of 60 and 65 are going to be the rule rather than retirement ages of 65 and 70 and over as has been the case in years gone by. I think the time for us to recognize this whole proposition, the time for us to deal with it as a unit, is now while we are trying to put our pension provisions on a unified basis. I have no doubt that members can find remarks of mine and speeches when the whole Canada pension plan concept was being put out in which I suggested that it was not fair for the government to talk about total figures that included the two things, that it had to talk about them separately. I have become convinced, the more I studied the thing, that the virtue of what we are doing is the fact that it is a two stage plan; that we have both the flat rate benefit and the earnings related benefit. However, I think that that virtue is minimized, if not destroyed, if we leave the kind of gap that we leave by letting old age security stay at \$75 a month. There has been a good deal of support for what I have been saying this afternoon. I am not going to trade on the fact that you accepted my amendment to subparagraph (3) of paragraph 7.

Mr. FRANCIS: Not at the moment.

Mr. KNOWLES: No, not at the moment, but I will draw attention to things that members on the Liberal side of this room said before we ever got to paragraph 7, subparagraph (3). I refer to speeches they made when we were dealing with Mr. Aiken's amendment. Mr. Lloyd, Mr. Francis and Mr. Munro have all said this. They approved of the position I took, namely that if we were going to do something for the people in these areas on a flat rate basis, we should do it under the Old Age Security Act, under general taxation, not under the Canada pension plan.

Mr. MUNRO: I wish Mr. Knowles would speak for himself and let us speak for ourselves. I am prepared to defend my remarks in relation to what Mr. Knowles has said.

Mr. LLOYD: So far I have no objection to what he has said.

Mr. KNOWLES: Not only am I prepared to let the Liberal members speak for themselves, I was trying to remind them of what they said. I approve of what they said. We are agreed that you must not mix the flat rate and the earnings related so far as the financing of these two plans are concerned. We are also agreed, and it has come out around this table throughout the past few weeks, that we have got to do something for these people in the older groups. I say that—it is not a political comment—and I say it quite frankly, that you just will not be able to sell this country the idea of doing what we are doing under the Canada pension plan and not, at the same time, do something for those on old age security. It is not going to be good enough to have to face a lot of pressure, political and otherwise, about this, or have another election over it. It is not going to be good enough for the government to respond to it on the floor of the house because pressures build up the way they built up in 1963, so that we had to add another \$10 in the fall of that year. The time to do this on a well rounded logical basis, is now. As I say, the bill has provision for it, and the provision for it that is in the bill affords recognition of the fact that these two things stand together.

Therefore, Mr. Chairman, though it is pretty obvious that for one who has been making speeches on this subject for a quarter of a century, I can go on, although I do not mean go on for another quarter of a century tonight.

Mr. MACALUSO: I bet you can!

Mr. KNOWLES: Don't tempt me. I will, therefore, bring this to a conclusion by proposing an amendment that I think should be made to this paragraph.

I therefore move, seconded by Mr. Prittie, that paragraph 9 be deleted and the following be substituted therefor:

9. The committee also recommends that consideration be given to the amending of part IV of Bill No. C-136 to provide for an increase in the pension paid under the Old Age Security Act to \$100 a month and for the lowering of the eligible age for the full pension under the Old Age Security Act to age 65.

I would like to make one or two other comments. I wish to make it clear that a main distinction between this proposal and the proposal made by Mr. Aiken earlier is where it is to be charged. This is not to be charged to the Canada pension plan but rather to the old age security fund and would be raised by such devices as lifting the ceiling on the old age security or raising it on a graduated income tax basis.

The other point is that this proposal would wipe out the suggestion in the bill that we can have an actuarially reduced pension between ages 65 and 69. I want to see something done in this area and I would like to see it done on a no means test basis, but I am convinced this idea of having Canadians on old age security at a lesser rate who shall have to continue for the rest of their lives on that rate is not one that will stand up in our Canadian society or in our Canadian economy.

I have no doubt I will hear such questions as how is this going to be paid for. I can say I have been hearing this ever since I came to parliament, but we are doing far more now than I was told 20 years ago we could not do. I know we will be told about better ways, but I am convinced that with our growing economy we can meet all these needs. What we are concerned about in this committee is the problem of adequate retirement income, and I think this is the way to go at it.

Some of my friends may think my figures are high; I do not. I trust they will at least recognize that the principle that is proposed in this amendment is right and that if we are going to do this thing, this is the way to do it.

I hope we will give a wholehearted and proper response to the representations which have been made before us and see fit to adopt this amendment so that this paragraph 9 goes in the report instead of the one there which hardly fills the bill.

Mr. CHATTERTON: Is it the suggestion that there is no retirement test before age 65?

Mr. KNOWLES: That is right. One of the things I dislike about retirement tests in the 65-69 bracket is that we get into difficulty with provinces which have their own plan. I think a universal flat rate benefit is the proper one.

Mr. MUNRO: Mr. Chairman, I do not think we agree at all with Mr. Knowles when he says clause 9 is weak. The other members of the committee also have some proper feelings for these people who presently are on old age security, and that is the motivation behind our recommendation that the government give consideration to this whole area. We, too, are concerned in respect of this matter.

What we are saying here in effect is that we wish the government with all the facilities at its disposal to consider the matter in order to come up with a recommendation. Therefore, on the basis of that it is very difficult for us to accept any inference that we are not going to take action until subject to pressure or that we do not care. It is simply a question on the part of members of the committee and certainly the Liberal members of saying that we do desire that the government do something in this area. That is the position we take when we turn down a specific sum—I have your amendment here—of \$100; it is not because we consider it too little or too much; it is because

we wish the government to have an opportunity to consider the matter. We are urging upon the government to come forward with a recommendation after they have had time to give it full study in the area of a flat rate benefit outside the provisions of the Canada pension plan.

Mr. LLOYD: Mr. Chairman, the principle of financing flat rate old age benefits and the payroll deduction contribution for financing a wage related earnings pension scheme, as Mr. Knowles has described it, is something with which I have no criticism. The difficulty I have is on the question of timing and taking responsible financial action. At this stage of our proceedings I do not think we should get pension plans on the auction block. I am afraid if we do this we are likely to be putting ourselves into an irresponsible position. Earlier we heard about the question of what is adequate. I think there is general agreement that you have a variety of opinions in respect of what is adequate.

Paragraph 9 of the report expresses the opinion of the committee that we recommend that the government give consideration to further measures regarding the position of those people who, because they are or soon will be retired, will not be substantial contributors to, or beneficiaries from, the Canada pension plan. If we adopt this, in effect we are saying by adopting the Canada pension plan you now have a responsibility to examine this monthly payment of \$75 a month to those at age 70 and to examine the reduced pension at age 65 as has been proposed for the time the Canada pension plan becomes effective in 1966 and the first payments and benefits are made in 1967, and you should examine the implementation of the Canada pension plan in the meantime and should commit yourselves to making a report to the house on your policy in the light of these developments. However, in essence we give them time to do the appropriate financial analysis, to study the economic and social implications of what is proposed and the resources there are with which to meet these obligations. It may even be desired to amend the Canada pension plan by that time. I think you really have from now until this contrast of positions becomes apparent on January 1, 1966 or January 1967. We say to the government, you have a responsibility, but we do not stipulate what the amount should be because we would be irresponsible if we said it should be \$25, \$30, \$40 or \$20. For that reason I think clause 9 as it stands reflects responsibility on the part of the committee, both in relation to those in need as well as to those who will be called upon to find the funds to finance what we are seeking by way of improved social measures.

Mr. BASFORD: Mr. Chairman, I know Mr. Knowles has confidence in his own ability to recommend figures, but this committee never in the course of its proceedings has examined the question of adequacy. We have had evidence before us that pensions should be adequate and, in paragraph 7 we have adopted the principle that pensions should be adequate. However, we have not had before our committee any evidence on the question of what should be adequate. Even organizations for which I have a great deal of respect, such as the Canadian welfare council and the Canadian Association of Social Workers did not come before this committee recommending figures.

Before I support a resolution recommending precise figures I would like organizations of that nature to have an opportunity to make representations either to the government or to some subsequent committee appointed to examine adequacy so that we could have some expert evidence on that subject. I do not think this committee has had that sort of evidence. Since the social workers and the welfare council did not give us figures, I would like, as a member of the committee, to hear from this sort of an organization or allow the government to hear from this sort of an organization before a specific recommendation is made.

Mr. FRANCIS: Mr. Chairman, I would like to ask Mr. Knowles whether he considers his proposal to be adequate; would that meet the requirement of adequacy?

Mr. KNOWLES: At the present time I think that the combination possible would be pretty close to adequacy. This will change as time goes on.

Mr. FRANCIS: In other words, Mr. Knowles is serving notice that it is adequate for the moment. Is this what you would say?

Mr. KNOWLES: May I ask the gentlemen over there if they are prepared to have things remain static?

Mr. FRANCIS: I personally voted against the adequacy for exactly the same reason because I feel it is the kind of thing that we are in now. If Mr. Knowles feels that his recommendation would meet the test of adequacy, I shall pass over the amount, and how he arrives at it and accept his opinion. But I would like to make one other observation.

We have previous recommendations from our Conservative friends—if they do not mind my using that expression, because this was my concern. When we had their recommendation at least they were purporting to spend money out of the fund, and they were not implying the need for new tax measures as a result of what they proposed. I do not think they were. They said that the funds would be adequate for the benefits they proposed. But I cannot help but note the implication of Mr. Knowles' proposal and what it would mean, namely, that a new tax would have to be imposed, and that the existing old age security level would not be adequate. I think Mr. Knowles would be the first to concede this. And I question on these grounds whether his motion is within the scope and authority of the committee. I do not like to raise technical arguments, but I do believe in my own mind that it is beyond the power and authority of the committee.

Mr. KNOWLES: We have dealt with that point before. So far as whether or not I am recognized, Mr. Francis may recall that I do suggest a kind of taxation and that I prefer it rather than to charge it to the Canada pension plan. I said that the \$3,000 limit on personal income and the old age security tax should be removed, and that it should be enough. But on Mr. Francis' point of order, that this motion is beyond our power, I say that so long as we are merely asking for consideration to be given to a point, then it does not matter whether that point costs \$1 or \$1 million. I submit that the things we have asked for in paragraph 8 are going to cost money, but we have merely asked that consideration be given to making this change, and I think we are certainly in order in doing so. I have drawn attention to the fact that there is a part IV and that perhaps consideration should be given within part IV of the act.

Mr. CASHIN: I would like to endorse Mr. Basford's remarks, adding that as to this field of adequacy and social security I am not concerned about our approach to social security in a piecemeal fashion such as hitherto. I think that paragraph No. 9 gives us an opportunity to study this, and to have the indication that in such legislation as the Canada pension plan the present government is a little more prone than previous governments have been to take a look at social security.

Mr. AIKEN: Are you trying to wind this up in a hurry?

Mr. CASHIN: I do not think I can support a particular figure at this time.

The CHAIRMAN (*Mr. Cameron*): Is there any further discussion? The question is that paragraph 9 of the draft report be deleted and the following substituted therefor. You have heard the motion? What is your pleasure? All in favour will please signify. Those opposed. Motion negatived.

Mr. KNOWLES: I think this is my last amendment this afternoon, and it will not be necessary for me to make a speech about it. People who have spoken

in regard to the amendment which was just defeated said that they did not like to name a figure. But they agreed in principle that something should be done. So I now give them a chance to vote for the principle which they agree with. They said that they agreed that a flat rate increase should be paid out of the old age security program and not out of the Canada pension plan. They want to make a recommendation to the government that the government consider the matter.

Mr. Munro says they have, but I submit that paragraph 9 as it stands in the report does not make it very strong, because it is the kind of thing that you may put in a report, and nothing gets down about it, and it will stay there for years. I suggest that this committee should ask the government to do something about this problem in the context of part IV of this bill. Part IV is an indication of the government's belief that something has to be done about old age security, and if we do not make any changes we are going to fasten this actuarially reduced formula on to our system for a few years, because I do not think it will last. At any rate, let me emphasize that the people on the other side of the house agree with the principle of an increase. Therefore I move, seconded by Mr. Prittie, that paragraph 9 be deleted and the following substituted:

9. The committee also recommends that consideration be given to the amending part IV of Bill No. C-136 to provide for an increase in the amount of the pension paid under the Old Age Security Act and for the progressive lowering of the eligible age for a full pension under the Old Age Security Act to age 65.

The difference here is obviously that I do not name \$100 or any other figure. I just state that we have at this time an increase in the old age security pension, just as the government proposed to increase it in the first year of the plan in 1963. If we are not prepared to recommend an amount, we do recommend lowering the eligible age to 65. I suggest that we at least recommend that consideration be given to lowering the present progressive basis; that is, year by year, until we get it down to the age of 65, and that this is one of the most important things we can do to get it universal at a lower age. While I would like to see the age of 65 right away, I am hoping to make a start until we get it down. At any rate, there have been many speeches already made in support of this principle and I hope this amendment will fare a little better than the last one.

Mr. MUNRO: Paragraph 9 states that the government should give consideration to further measures regarding the position of those people who form part of the presently retired and the soon to be retired.

Mr. KNOWLES: May I point out that this could be met by a kind of thing which would merely be temporary. This could be met by some provision for those who are now retired or for those who are not going to get early benefits under the Canada pension plan. That is quite different from a clear-cut definite increase in the amount of pension under the Old Age Security Act. You can disagree with it if you wish, but I think you would have to agree that there is a difference between this and what is asked for in your paragraph 9.

Mr. MUNRO: I suppose it all depends on how you interpret further measures.

Mr. LLOYD: I would like to say that this committee feels, despite what the witnesses have said before us—many of whom did appear to be objective, but their opinions, I suggest, were suspect, because they were in many cases at least speaking to the position particularly of life insurance companies which occupy the conventional field—that there are many possibilities to improve upon our social security program in Canada across all schemes.

There are responsibilities of the provinces in the field of social welfare, and there are responsibilities of the municipalities. There is a tax structure

which it was proposed should be studied by the royal commission on taxation which was set up by the government, and that we should have a report from them before we could do anything. It seems to me that we should leave the door open wide in order to try to find other solutions beyond those suggested to us in the long run. I think we could begin this within the framework that we have before us and merely point out to the government that they should consider other measures.

To be specific about measures presumes a knowledge of all the alternatives which I for one do not possess. I suggest at this time that none of us appears to have the kind of measure which might be acceptable to us. But after we have had a report on the tax structure, and after we have had a royal commission report on taxation, I think at that time in the light of those things, which would still be before January, 1966, we can find an improvement to the social welfare program that we have in Canada in the light of a great deal more information than we have at the present time and in a much more reasonable way.

Mr. MACALUSO: I adopt Mr. Lloyd's remarks.

Hon. Mr. SMITH (*Kamloops*): I would like to ask Mr. Knowles if a while ago he did not approve of the last increase of \$10 in the old age security and referred to it as part and parcel of the two way approach to the new Canada pension plan scheme?

Mr. KNOWLES: Not only did I approve of the last \$10 increase, but I raised a storm to try to get it.

Hon. Mr. SMITH (*Kamloops*): I take it that Mr. Knowles related it to this present Canada pension plan as a two way scheme.

Mr. KNOWLES: I thought I explained that a moment ago. Let us face the facts of life. If the Canada pension plan had gone through in 1963, so that the benefits under the Canada pension plan were starting at the same time as the \$10 increase was starting, it might have been acceptable. But that has gone. The people have the right to say "what have you done for us lately?" The \$10 increase of two years ago will not be any help to the Canadian people in 1966 or 1967. Mind you, it is 1967 when the first benefits will be received under the Canada pension plan. It is in that year that those on old age security will complain, and I think rightly complain, that nothing has been done for them at the same time.

Mr. CHATTERTON: We believe, in accordance with our proposal, that the objectives Mr. Knowles has in mind could be better achieved by our proposals, but I go along with the objectives he has raised in his amendment.

Mr. BASFORD: I raise the matter I raised before with regard to the other amendment, which I think applies equally well to this. This committee has not had before it the sort of evidence which would enable it to accept this sort of motion. Mr. Knowles says the eligibility for full pension under old age security should be reduced to 65.

Mr. PRITIE: Look in your files.

Mr. BASFORD: I think we might well find that in our community there are greater welfare needs than that.

I think Mr. Knowles, in putting forward this sort of amendment, only supports something I would like to see, namely the recommendation to the welfare council that there should be a thorough study of our welfare needs.

My own personal view is that standing in higher priority than reducing the age generally to 65 is the plight of single and widowed women at the age of 60. I think it is far more important to direct our attention to that specific problem than to the general reduction to 65, for example. This is only something that can be properly brought out after a careful study of our whole welfare program.

Mr. KNOWLES: Paul Martin said things like that to me 20 years ago!

Mr. CASHIN: There has been a lot of progress in the last 20 years for which you have taken credit.

Mr. BASFORD: I do not want to support this specific recommendation.

The evidence will reveal that the chairman of the welfare council said that recommendations have always received very careful attention by governments over the past 20 years.

The CHAIRMAN (*Mr. Cameron*): The motion by Mr. Knowles, seconded by Mr. Prittie, is that clause 9 be deleted and the following substituted—

Mr. CHATTERTON: Let us dispense with the reading.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion. What is your pleasure? Will all those in favour please indicate. Opposed?

Motion negatived.

Mr. KNOWLES: We have gained a few votes; we will get there yet!

Mr. AIKEN: I have a motion before the committee and I think, without any comment, we might vote on it.

Mr. MUNRO: May I make one comment on Mr. Aiken's amendment? I presume Mr. Aiken is referring to his recommendation with regard to persons described in clause 6(*h*) and 6(*j*) of the bill.

The CHAIRMAN (*Mr. Cameron*): That is right.

Mr. MUNRO: The essence of that recommendation of Mr. Aiken does accomplish on the surface certainly a laudable purpose, no doubt, but the objectionable phraseology is comprised of the words "at their option be permitted to declare themselves as self employed . . ."

It is felt that by endorsing in any way an option for employees, be they of foreign governments or not, by giving them the right to declare themselves self-employed, in effect lays the basis for other employer-employee relationships where the employer can point to almost insurmountable administrative difficulties, or use that as an argument to request amendments to the act which would permit his employees also to have an option to declare themselves self employed. This is an element that should be very jealously watched. For that reason, and for that principal reason, we find it difficult to accept this recommendation.

We might also point out that, as Dr. Willard has stated, this might provide incentive to some foreign governments not to enter into an agreement with the Canadian government in order to provide the coverage under the Canada pension plan or other coverage for employees, but rather to encourage the employees to declare themselves as self employed and pay the whole contribution rate themselves.

For those two reasons we feel this is hard to accept.

Mr. PRITTIE: What would be the case if the foreign government would not agree to cover them? Then they would be out completely.

Mr. MUNRO: I think there was evidence given at one time to the effect that it was not expected that any difficulty would be encountered in having these agreements entered into.

I think that is a good question, Mr. Prittie, for Dr. Willard.

Dr. Willard, in the consideration of these employees of foreign governments, what were the indications, if any, as to the degree of difficulty in having them provided for under agreements?

Mr. WILLARD: Mr. Chairman, it is difficult to know because one cannot poll these different governments and organizations. However, international organizations such as ILO and some of the others which are in Canada and have employees here, would I believe participate. Foreign governments in some cases have a proportion of their staff who are Canadian, and I would not think the cost would be too onerous.

I would hate to see, for instance, the stenographers and drivers, and so forth, of some of these governments and international agencies having to pay double rates if we could get an agreement. On the other hand, there is the other side of the matter. If the foreign government refuses to enter into an agreement, these employees do not get covered. Therefore, there are difficulties either way. I think you can probably make as good a decision as anybody as to which way would be preferable.

Mr. PRITIE: It seems to me that the two biggest groups would be in ICAO and ILO in Montreal.

Mr. WILLARD: Yes, the aviation organization would be in Montreal, but the ILO branch is here in Ottawa. ILO have only a few people employed at that office.

Mr. KNOWLES: That is the case in regard to subclause (j), but in the case of (h) it could be private employers.

I hope I do not sound prejudiced if I say that I would be more worried about the private employers than about the crown agencies.

Mr. GRAY: This is something that can be observed in the first year of operation of the plan; and if the experience shows it to be necessary, this is the sort of technical amendment we can expect any government to bring forward without any undue delay.

Mr. CHATTERTON: Mr. Chairman, I do not think we need debate this. I think we are ready for the question.

The CHAIRMAN (*Mr. Cameron*): This should actually come under paragraph 8. I was going to suggest Mr. Aiken's motion, if he agrees, will be that the committee recommends that paragraph 8 be amended by adding thereto a subparagraph (vii), which will read as follows:

That those persons described in sections 6 (h) and (j) of the bill as being excepted employment, at their option be permitted to declare themselves as self employed persons and therefore to be entitled to make contributions and receive benefits accordingly.

Will you accept that as correct, Mr. Aiken?

Mr. AIKEN: Yes.

The CHAIRMAN (*Mr. Cameron*): Is there any further discussion?

Several hon. MEMBERS: Question.

The CHAIRMAN (*Mr. Cameron*): Will all those in favour of the motion please indicate. Opposed?

Motion negatived.

Before we go any further, Mr. Prittie you have a problem about which we have to do something.

Mr. PRITIE: It seems to me to be the reverse. I want those who are self-employed to declare themselves employed, I suppose. Is there an answer from the staff?

Mr. SHEPPARD: Mr. Chairman, when we originally dealt with this matter I mentioned, that fishermen are covered one way or the other under the Canada pension plan either as self-employed persons or as employees.

Under the plan, insofar as the employee is concerned, the contributions are divided between the employee and the employer and both amounts are collected through the employer. While collection through the employer is the best method, nevertheless difficulties and anomalies will arise and a great deal of study was required to formulate plans to overcome the problems. The extension of the employee's status to other groups would create other problems.

As I read the brief of the United Fishermen and Allied Workers' Union, it appeared to me that they had given a very complete outline of the classification of fishermen in British Columbia as employees or independent operators as a matter of law as well as of the manner in which they are covered for benefits under the Workman's Compensation Act of the province of British Columbia and under the Unemployment Insurance Act.

They recommend that all commercial fishermen be included in the definition of pensionable employment either by regulation or by specific provisions in the Canada Pension Plan and that the fish buyer be regarded as their employer. One of the purposes of this is to relieve the fishermen of having to pay the full self-employed contribution.

I could not at this time say what action could be taken as this is a matter that could only be decided by the government after a complete study has been made of all the problems and in the light of the facts. However, I can indicate that I can see many difficulties in trying to arrive at the income of a fisherman from his fish sales since expenses have to be taken into consideration; also I notice that under the Unemployment Insurance Regulations a number of exceptions had to be made. For instance, if the fish is shipped to an absentee person, the income received by the fisherman is not included; whereas, if he is dealing with a buyer face to face, the latter is regarded as the employer; also if the fisherman ships his fish products out of the country, the purchaser is not regarded as an employer.

Mr. Chairman, I could not give any indication as to what would be the proper course to follow in regard to this recommendation since it would require a great deal of study.

Mr. PRITTE: I would be satisfied if the study continued because the matter still could be dealt with in the committee of the whole in the house. It does not have to come out of this report. I realize it is quite a complex thing.

Mr. BASFORD: Mr. Chairman, it seems to me that the brief does make it clear in the third paragraph, page 10, that in the opinion of the fishermen or of the union the bill as presently worded is such as to allow the governor in council to include fishermen as employees and that the bill is sufficiently broad to make the fishermen employees, by which they pay only the one half of the contribution by regulation.

My advice to the fishermen, and I am writing to them in this respect, is that their representations should be made really to the government officials who are going to have to draw the regulations, and to the appropriate ministers in the government or in the council to assure that the special situation of west coast fishermen is taken into account when drawing the regulations. I certainly have offered to them my assistance in making those representations, and I am sure they will have assistance, as they always do, from Mr. Prittie and Mr. Chatterton. But, it seems to me, as the brief makes clear, they can be made employees by regulation. And, it would appear to me that it is to the ministry and to the officials that these representations should be directed because members of the committee from the west coast know that the west coast fishermen are in a very unique position. In many respects they are simply like employees. While legally they might appear to be self-employed people, they are certainly not masters of their own destiny in many respects of their operation. I know the conception in central Canada is that everyone on the west coast who goes fishing makes \$20,000

a season and pays for his boat all at the same time. This is not a fact. That sort of fisherman, unfortunately, is a very rare exception. Most of them are living on incomes equivalent to wage earning incomes, if not very much less than wage earning incomes. As I say, I am sure that the United Allied Fishermen, in making their representation to the cabinet, certainly will have my assistance and the assistance of Mr. Prittie and Mr. Chatterton.

The CHAIRMAN (*Mr. Cameron*): Paragraph 10 is next.

Some hon. MEMBERS: Agreed.

The CHAIRMAN (*Mr. Cameron*): Paragraph 11, appendix A.

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Appendix B.

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Appendix B (1).

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Appendix C.

Some hon. MEMBERS: Carried.

Mr. MUNRO: Mr. Chairman, in respect of appendix C an omission was made and if I may have the permission of the committee I would like to insert the headings of the departments over the names of the various officials. For instance, Dr. Willard and his officials come under the Department of National Health and Welfare. I think that heading should be put in as well as the other headings before the names. Could we have permission to insert the departments as subheadings over the officials' names. There are not alterations in the names involved.

Some hon. MEMBERS: Agreed.

Mr. BASFORD: Where does Mr. Kent come?

Mr. MUNRO: The Prime Minister's office.

Some hon. MEMBERS: Agreed.

Mr. MUNRO: Mr. Chairman, I have one other change. I was incorrect when I said there were no other changes.

Four gentlemen have been present at all the hearings. Although they have not given oral evidence before the committee they have been present and rendered advice, in the background, and assisted considerably in the committee's deliberations. They are government officials who, unfortunately and inadvertently have been omitted. I would like to mention the following: Mr. G. J. MacKenzie, Department of National Revenue, Mr. C. Grandy, Department of National Revenue; Mr. A. J. Butler, Department of National Revenue, and Mr. J. McGregor, Unemployment Insurance Commission. I would like agreement that these names be added.

Some hon. MEMBERS: Agreed.

Mr. BASFORD: It seems to me that Mr. Knowles is in the same category.

Some hon. MEMBERS: Agreed.

Mr. KNOWLES: I think some members are missing the point.

The CHAIRMAN (*Mr. Cameron*): Referring back to appendix B (1), it should read: "Canadian Pulp and Paper Association". The word "association" was left out.

Some hon. MEMBERS: Agreed.

The CHAIRMAN (*Mr. Cameron*): Shall the draft report—

Mr. SHEPPARD: If I may interrupt, Mr. Chairman, would you mind adding a further official from the Department of National Revenue, namely Mr. M. F. Spratt.

Some hon. MEMBERS: Agreed.

Mr. CANTELON: Mr. Chairman, before we take the final vote I would like to state our position. We consider that the rejection of our suggestions leaves the Canada pension plan with serious omissions. Nethertheless, we support the principle of the plan and intend to vote in favour of the report in spite of its inadequacies. We make this statement because we wish to maintain our right to criticize these inadequacies when the bill is before the house.

The CHAIRMAN (*Mr. Cameron*): Have you a similar statement to make, Mr. Knowles?

Mr. KNOWLES: Mr. Chairman, I think I have put enough words on the record already. I welcome the fact that we are making progress in a two stage plan. There is room for improvement but we will keep on improving it.

Mr. LLOYD: Mr. Chairman, I have something I would like to put on the record in view of the observations in respect of flat rate pension benefits and the discussions with regard to clause 9. I would like to remind Mr. Knowles, because he did direct some questions earlier to what he called the Lloyds, that as one of them I consider it is my duty to follow up, in the appropriate manner which is open to a government supporter as well as a member of the House of Commons, the objectives we talked about in clause 9, and we should ensure that they come under very active and early consideration.

Mr. KNOWLES: We will be looking for action.

Mr. MUNRO: Mr. Chairman, before calling the final vote I am sure I have the support of all the committee members in thanking you and Mrs. Fergusson and the government officials who have so ably and unselfishly during all these long and tedious hearings carried out their duties and given us all the help we could ever desire.

Mr. AIKEN: Do not forget the poor unfortunate reporters who have been here all during our deliberations.

Mr. MUNRO: Yes, together with all the staff involved.

Mr. BASFORD: Mr. Chairman, may I say that when I was a student I used to think the Senate should be abolished, but after sitting on this committee I think I have changed my opinion. As a member of the House of Commons I want to compliment the senators on their fantastic and faithful service to this committee.

Mr. MUNRO: There is one problem; I am not sure whether Mr. Kent should be regarded as a staff or a governmental official, but whatever his capacity is I wish to thank him.

Mr. KENT: I am a governmental official.

The CHAIRMAN (*Mr. Cameron*): I do not think there are any amendments to the draft report, at least that I can recall.

Mr. WILLARD: There is one amendment which Mr. Knowles made, which was passed.

The CHAIRMAN (*Mr. Cameron*): Yes, we went back to subparagraph (iii) of paragraph 7, which was amended. In accordance with your motion, is it agreed that the report, as amended, be—

Mr. KNOWLES: Did we pass appendix D?

Mr. MUNRO: Yes.

Mr. KNOWLES: Yes, we did as we were going through it, but have we passed the amendment itself?

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): I have not a copy of appendix D.

Mr. MUNRO: It is appendix C.

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Now, I will call for a motion that the joint chairmen report the respective houses the findings of this committee in respect of Bill No. C-136. Moved by Mr. Knowles—

Mr. AIKEN: Mr. Chairman, does the committee report to the Senate as well?

The CHAIRMAN (*Mr. Cameron*): Have I a seconder for the motion?

Mr. MUNRO: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It is moved by Mr. Knowles, seconded by Mr. Munro, that the joint chairmen report to their respective houses the findings of this committee respecting Bill No. C-136.

Motion agreed to.

Can anybody think of anything that has to be done now?

On behalf of myself I would like to express my appreciation of the assistance and co-operation received from the committee. You have overlooked many of my obvious deficiencies, and this I appreciate. Thank you very much. I also wish to thank the departmental officials and all those who have assisted in our work.

My co-chairman, Senator Fergusson, would also like to make a comment.

Hon. Mrs. FERGUSSON: I also would like to thank the members of the committee for the consideration and co-operation they have given me as the Joint Chairman of this committee every time that I was Chairman of a meeting.

Perhaps in the first days of our meetings I should have told the members of this committee that for some years before my appointment to the Senate I had represented in New Brunswick the Department of National Health and Welfare as regional director for family allowances. When the Old Age Security Act was passed, it was my duty, and really I considered it my privilege, to organize and put into effect payments under this act in my own province. I was very glad to hear so many commendatory remarks regarding the old age security because I feel strongly that it is probably the best piece of social legislation that the federal government has ever passed up to the present time. I am not biased because, as the director who set up the organization in New Brunswick, I had to see hundreds of people who benefited under this, and I could not help but realize what a great benefit conferred on people perhaps in the less wealthy provinces such as my own.

I would like to tell you also that I have sat on two joint committees, one on capital and corporal punishment and lotteries, and another on Indian affairs. Those were joint committees of the Senate and the House of Commons. I cannot tell you how impressed I have been by the attention and by the attendance and work done by this committee as compared to what was done by the other committees. Often we would have to wait for a quorum for a long time, and I must say that both houses were at fault. However, never have we had this experience here. We never had to keep witnesses waiting, which I particularly remember was the case in the Indian affairs committee. It infuriated some of the witnesses who had come from a great distance, and I can well understand it.

I just wanted to tell you how wonderfully I think the members of this committee have worked on this special piece of legislation, and although the news commentators and the news reporters do not seem to think so, I think that if they had bothered to come and listen to all these meetings and had heard all the evidence that we have heard, I am sure they would think that, although they do not now, every day and in every way we are all getting better and better. I am sure we are also. I thank you for all your kindness to me.

The CHAIRMAN (*Mr. Cameron*): The meeting is adjourned.

APPENDIX A67

PENSION ACT

Section 37. (1) Except as otherwise provided in this Act, in any case where pension may be awarded under section 13 in respect of the death of a member of the forces, his widow is entitled to a pension if

- (a) she was married to him before he was granted a pension for the injury or disease that resulted in his death, or
- (b) her marriage to him took place after the grant of such pension, and
 - (i) his death occurred one year or more after the date of the marriage, or
 - (ii) his death occurred less than one year after the date of the marriage and the Commission is of the opinion that he had, at the date of the marriage, a reasonable expectation of surviving for at least one year thereafter.

WAR VETERANS ALLOWANCE ACT

Section 11. Notwithstanding anything in this Act, no allowance under section 3 or 4 shall be paid to a widow of a veteran and no allowance under section 5 shall be awarded to the surviving spouse of a veteran if such veteran dies within one year from the date of his or her marriage, unless, in the opinion of the Board, such veteran was at the time of that marriage in such a condition of health as would justify him or her in having an expectation of life of at least one year.

REFERENCES TO EVIDENCE ADDUCED

I—Individuals, Associations, Organizations, Firms

The following persons appeared before the Committee and presented briefs which were printed as appendices.

	<i>See Issues Nos.</i>
Mr. S. H. Thompson, Toronto, Ontario	12
Mr. Robert J. Myers, Washington, D.C.	14, 15
Mr. G. N. Watson, Toronto, Ontario	13
Mr. R. C. Dowsett, Toronto, Ontario	16
Mr. D. E. Kilgour, Winnipeg, Manitoba	17
Mr. Wallace R. Joyce, Toronto, Ontario	22
Mr. Edward Ruse, Toronto, Ontario	22
Mr. W. M. Anderson, Toronto, Ontario	15
Mr. Samuel Eckler, Toronto, Ontario	18
Dr. Robert H. Clarke, Vancouver, B.C.	19, 20

The following associations, organizations, firms appeared before the Committee and presented briefs which were printed as appendices.

	<i>See Issues Nos.</i>
<i>The Canadian Life Insurance Officers Associations:</i>	12, 13
Messrs. H. L. Sharpe, M. K. Kenny, B. T. Holmes, D. E. Kilgour, G. R. Berry, G. E. Brown, J. M. Linnell, J. W. Popkin, J. L. Clare, J. A. Tuck, Q.C., Frank G. Dimock.	

	<i>See Issues Nos.</i>
<i>The Retail Council of Canada:</i>	14
Messrs. A. J. McKichen, E. E. Went.	
<i>The Canadian Welfare Council:</i>	15
Miss Marian Murphy and Messrs. B. M. Alexandor, Q.C., Eric Hardy, Horace S. Racine, M.L.A., Reuben Baetz, Brian J. Iverson and Dr. R. E. G. Davis.	
<i>The Congress of Canadian Women:</i>	15
Mrs. Helen Weir.	
<i>The Senior Women's Committee for Pension Increase:</i>	15
Mrs. Ethel Neilson.	
<i>The E. B. Eddy Company:</i>	16
Messrs. W. D. Moffatt, D. Hutton.	
<i>The Canadian Federation of Agriculture:</i>	16
Messrs. David Kirk, Lorne Hurd.	
<i>William H. Mercer Limited:</i>	16
Mr. C. J. Woods, F.I.A., F.S.A.	
<i>Life Underwriters Association of Canada:</i>	17
Messrs. J. L. Etherington, R. L. Kayler, Fraser Deacon, R. A. Mitchell.	
<i>The Canadian Chamber of Commerce:</i>	17
Messrs. A. J. Little, H. F. Hoerig, D. L. Morrell, Dr. W. H. Cruickshank, W. J. McNally, R. B. MacPherson, Léon Mondoux, R. S. Davies.	
<i>The Winnipeg Chamber of Commerce:</i>	17
Mr. G. R. Hunter, Q.C.	
<i>The Canadian Manufacturers' Association:</i>	18
Messrs. H. B. Style, C. C. Belden, Willis George, L. E. Marrs, H. Taylor, J. F. Villeneuve, J. C. Whitelaw, L. F. Wills.	
<i>Alexander Services and Dubley Funnell, Consulting Actuary:</i>	18
Messrs. Norman G. Kirkland and J. W. Moreland.	
<i>Federal Superannuates National Association:</i>	19
Messrs. Fred W. Whitehouse, Walter R. McLaren.	
<i>The National Legislative Committee International Railway Brotherhoods:</i>	19
Messrs. Paul Raymond, J. H. Clarke, J. A. Huneault, S. Wells.	
<i>The Canadian Association of Social Workers:</i>	20
Messrs. Harry M. Morrow, M. S. W., Walter Lyons, M.S.W. and Miss Florence Philpott.	

	<i>See Issues Nos.</i>
<i>The Canadian Labour Congress:</i>	20
Messrs. Claude Jodoin, Donald McDonald, A. Andras, Russel Irvine.	
<i>The Government of Ontario:</i>	21
Messrs. L. Coward, D. W. Stevenson	
<i>Canadian Teachers' Federation:</i>	21
Messrs. George MacIntosh, Dr. Gerald Nason, Norman M. Goble, Tom Parker, Harry Cuff, Alfred H. Kingsett, Miss Marie Duhaime, Miss Ruby McLean, Miss Nora Hodgins, Messrs. William Jones, David R. Brown, F.S.A., Douglas Beaman, Robert Gordon.	
<i>The Canadian Construction Association:</i>	21
Messrs. P. D. Dalton, M. C. Stafford, G. Desmarais, S. D. C. Chutter, P. Stevens.	
<i>Chesapeake and Ohio Railway Company, Great Northern Railway Company, Midland Railway Company of Mani- toba, New York Central Railroad Company, Norfolk and Western Railway Company and Northern Pacific Rail- way Company:</i>	22
Mr. Cuthbert Scott, Q.C.	
<i>The International Association of Firefighters:</i>	22
Messrs. Bernard Bonser, Richard Chamber, O. Bolton, John Jessop, Ernest Haché, Wes Chatterton.	

II—List of Briefs of Persons who did not appear as
Witnesses but which were printed

	<i>See Issues nos.</i>
Mr. Earl Sager, Madoc, Ontario	23
Mr. P. Ackerman, P. Eng., Montreal, Quebec	23
Mr. Douglas R. Butt, Willowdale, Ontario	23
Mr. Robert A. Nix, Toronto, Ontario	23
Mr. Donald C. Macgregor, Toronto, Ontario	13
Canadian Pulp and Paper	16
United Fishermen and Allied Workers' Union	22
Senior Citizens Advancement Committee	22
Age and Opportunity Bureau	22

III—List of Officials of the Government of Canada who
appeared as Witnesses

	<i>See Issues nos.</i>
<i>Department of National Health and Welfare:</i>	1, 2, 3, 4, 5, 6,
Dr. Joseph W. Willard, Deputy Minister of Welfare.	7, 8, 9, 10, 11, 21, 22, 23, 24.
Mr. John E. Osborne, Director, Research and Statistics Division.	4, 6, 7, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24.

See Issues Nos.

Mr. J. A. Blais, Director of Family Allowances and Old Age Security Division.	9
Mr. Robert Curran, Legal Adviser	6, 7

Department of National Revenue, Taxation Division:

Mr. D. H. Sheppard, Assistant Deputy Minister of Taxation.	2, 4, 6, 7
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Department of Finance:

Mr. Robert Bryce, Deputy Minister	8, 11
Mr. H. D. Clark, Director of Pensions and Social Insurance	6, 11

Comptroller of the Treasury:

Mr. Bruce MacDonald, Director Operations and Methods Branch	6
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Prime Minister's Office:

Mr. Tom Kent, Policy Secretary	2, 4, 6, 8, 9, 10.
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Department of Justice:

Mr. D. S. Thorson, Assistant Deputy Minister	2, 3, 4, 5, 6, 7, 8, 9.
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Department of Insurance:

Mr. E. E. Clarke, Chief Actuary	10, 11.
Mr. T. Hall, Actuary	10.
Mr. Z. Jarkiewicz, Actuary	10.
Mr. P. Treuil, Actuary	10.

Unemployment Insurance Commission:

Mr. Robert L. Beatty, Assistant Director	7
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IV—List of Exhibits filed with the Committee

1. A Table intituled "1961 Average of Non-Farm Individuals"
2. Canadian Pacific Railway Company "Pension Plan"
3. Canadian National Railways "Pension Plan"
4. Canadian National Pension Board 1963 Annual Report
5. Canadian Pacific Railway Company Pension Trust Fund and Pension Statistics year 1963.
6. By: Mr. H. Latulippe, M.P. "A Resume of his speech delivered in the (a) House of Commons, on Tuesday, November 17, 1964;
(b) A document intituled: "Laissons bien aller ce qui va bien:" "Réparons simplement ce qui va mal:"

By H. Latulippe, M.P.

