Canada. Parliament.
Special Joint Comm.
on Canada Pension
Plan.
Minutes of proceedings.

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Sept. 28/65	V.1

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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HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

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.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

TUESDAY, NOVEMBER 24, 1964
WEDNESDAY, NOVEMBER 25, 1964
THURSDAY, NOVEMBER 26, 1964

WITNESSES:

The Honourable Judy LaMarsh, Minister of National Health and Welfare,
Dr. Joseph Willard, Deputy Minister of Welfare.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

21648—1

MEMBERS OF THE COMMITTEE FOR THE SENATE

Honourable Senator Muriel McQ. Fergusson, Chairman,

and Honourable Senators:

Blois
Boucher
Croll
Denis
Flynn
Lang
Lefrançois
McCutcheon
Smith (*Queens-Shelburne*)
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
Cameron (*High Park*)
Cantelon
Cashin
Chatterton
Côté (*Longueuil*)
Francis
Gray
Gundlock
Klein
Knowles
Laverdière
Lloyd
Macaluso
McCutcheon
Monteith
Moreau
Munro
Olson
Paul
Perron
Rhéaume
Scott

Maxime Guitard,
Clerk of the Special Joint Committee.

ORDER OF REFERENCE OF THE SENATE

FRIDAY, November 20, 1964.

Ordered:—That the following senators be appointed to act on behalf of the Senate on the Joint Committee of the Senate and House of Commons appointed to consider Bill C-136, intituled: "An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors", namely, the honourable Senators Blois, Boucher, Croll, Denis, Fergusson, Flynn, Lang, Lefrançois, McCutcheon, Smith (*Queens-Shelburne*), Stambaugh and Thorvaldson; and

That a message be sent to the House of Commons to inform that house accordingly.

Attest.

J. F. MacNEILL,
Clerk of the Senate.

ORDERS OF REFERENCE OF THE HOUSE OF COMMONS

MONDAY, November 16, 1964.

Resolved,—That a Joint Committee of the Senate and House of Commons be appointed to consider Bill C-136, to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors;

That twenty-four members of the House of Commons, to be designated by the House at a later date, be members of the Joint Committee, and that Standing Order 67(1) of the House of Commons be suspended in relation thereto;

That the said Committee have power to call for persons, papers and records and examine witnesses; and to report from time to time and to print such papers and evidence from day to day as may be ordered by the Committee and that Standing Order 66 be suspended in relation thereto.

WEDNESDAY, November 18, 1964.

Ordered,—That the Members of the House of Commons on the Joint Committee of the Senate and the House of Commons to consider Bill C-136, approved November 16, 1964, be 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.

WEDNESDAY, November 18, 1964.

Ordered,—That 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, be referred to the Joint Committee of the Senate and House of Commons appointed to consider same.

TUESDAY, November 24, 1964.

Ordered,—That leave be granted to the House of Commons section of the Joint Committee on the Canada Pension Plan to sit while the House is sitting; and that 12 of its members constitute a quorum, provided that both houses are represented.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

REPORT TO THE SENATE

TUESDAY, November 24, 1964.

The Joint Committee of the Senate and House of Commons appointed to consider Bill C-136, intituled: "An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors", makes its first Report, as follows:

Your Committee recommends that its quorum be reduced to twelve (12) members, provided that both Houses are represented.

All which is respectfully submitted.

MURIEL McQ. FERGUSSON,
Joint Chairman.

With leave of the Senate,

The Honourable Senator Fergusson moved, seconded by the Honourable Senator Inman, that the report be adopted now.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

REPORT TO THE HOUSE OF COMMONS

TUESDAY, November 24, 1964.

The Special Joint Committee of the Senate and the House of Commons on the Canada Pension Plan has the honour to present the following as its

FIRST REPORT

Your Committee recommends:

1. That leave be granted to the House of Commons section of the Joint Committee to sit while the House is sitting.

2. That 12 of its members constitute a quorum, provided that both Houses are represented.

Respectfully submitted,

A. J. P. CAMERON,
Chairman.

(Presented and concurred in, November 24, 1964.)

MINUTES OF PROCEEDINGS

TUESDAY, November 24, 1964.
(1)

The Special Joint Committee of the Senate and the House of Commons on Canada Pension Plan met at 9:35 o'clock a.m. this day for organization purposes.

Members present:

Representing the Senate: Honourable Senators Blois, Denis, Fergusson, Lang, Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson (7).

Representing the House of Commons: Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Knowles, Laverdière, Lloyd, Macaluso, Monteith, Moreau, Munro (16).

The Clerk of the Committee presided over the election of a respective Chairman for the section of the Senate and of the House of Commons of this Committee.

Hon. Senator Lang moved, seconded by Hon. Senator Stambaugh,

That Hon. Senator Fergusson be elected Chairman of the Senate section of this Special Joint Committee.

Hon. Senator Stambaugh moved, seconded by Hon. Senator Denis,

That the nominations do now close.

Thereupon the Clerk of the Committee declared Hon. Senator Fergusson duly elected Chairman of the Senate section of this Special Joint Committee.

Then it was moved by Mr. Moreau, seconded by Mr. Basford,

That Mr. Cameron (*High Park*) be elected Chairman of the House of Commons section of this Joint Committee.

Mr. Macaluso moved, seconded by Mr. Gray,

That the nominations do now close.

Thereupon, the Clerk of the Committee declared Mr. Cameron (*High Park*) duly elected Chairman of the House of Commons section of this Joint Committee.

It was moved by Mr. Munro, seconded by Mr. Lloyd, that the Steering Subcommittee on Agenda and Procedure be comprised of 10 members, namely: the Chairman of the House of Commons section of this Joint Committee, five Liberal members including the Chairman of the Senate section of this Joint Committee and two other Senators, three Progressive Conservatives including one Senator and one member of the three minority Parties of the House of Commons.

And debate arising thereon,

Mr. Monteith moved, seconded by Mr. Aiken, That the said motion be amended to read four Liberal members, two Progressive Conservatives, one for the three minority Parties and also allowing the Chairman to discuss of the possible representation of the other small Parties.

After further debate, the question being put on the said proposed amendment, it was, by a show of hands, negatived: yeas, 7; nays, 13.

And the question being put on the main motion, it was, by a show of hands, resolved in the affirmative: yeas, 13; nays, nil.

On motion of Mr. Basford, seconded by Mr. Macaluso,

Resolved,—That Mr. Knowles be appointed as member of the Steering Subcommittee on Agenda and Procedure.

On motion of Mr. Aiken, seconded by Mr. Chatterton,

Resolved,—That Senator McCutcheon, and Messrs. Monteith and Chatterton be also appointed on the Steering Subcommittee on Agenda and Procedure.

On motion of Mr. Knowles, seconded by Mr. Chatterton,

Resolved,—That the Committee print 3,000 copies in English and 1,200 copies in French of its Minutes of Proceedings and Evidence.

On motion of Senator Thorvaldson, seconded by Senator Blois,

Resolved,—That the Senate section of this Joint Committee seek permission to sit while the Senate is sitting.

On motion of Mr. Francis, seconded by Mr. Macaluso,

Resolved,—That the House of Commons section of this Joint Committee seek permission to sit while the House is sitting.

On motion of Mr. Basford, seconded by Mr. Macaluso,

Resolved,—That the quorum be reduced from 20 to 12 members, provided that both Houses are represented.

On motion of Mr. Côté (*Longueuil*), seconded by Mr. Knowles,

Resolved,—That Mr. John E. E. Osborne be hired in the capacity of Research adviser to this Committee.

The Committee instructed the Clerk of the Committee to send prepared letters to the following:

1. To the Provincial Premiers.
2. To the organizations whose names appear on page two of the letter prepared specially for them.

At 11:15 o'clock a.m. Mr. Basford moved, seconded by Mr. Moreau, that the Committee adjourned to the call of the Chair.

WEDNESDAY, November 25, 1964.

(2)

The Special Joint Committee of the Senate and of the House of Commons on Canada Pension Plan met at 3:50 o'clock this afternoon. The Chairman of the House of Commons section Mr. Cameron (*High Park*), presided.

Members present:

From the Senate: Honourable Senators Croll, Denis, Fergusson, Flynn, Lang, Lefrançois, McCutcheon, Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson—(10).

From the House of Commons: Messrs. Aiken, Cameron (*High Park*), Cantelon, Chatterton, Côté (*Longueuil*), Francis, Gray, Gundlock, Knowles, Laverdière, Lloyd, Monteith, Moreau, Munro, Paul, Perron, Scott—(17).

The Committee began its consideration of Bill C-136.

The Chairman asked the Clerk of the Committee to read a prepared letter to be sent to the organizations the names of which appear on page 2 of draft of said letter.

On motion of Senator Croll, seconded by Mr. Francis,

Resolved,—That the prepared letter to be sent to the organizations the names of which appear on page 2 of the said letter, be sent as prepared.

Then, the Clerk of the Committee, on request of the Chairman, read the First Report of the Steering Subcommittee on Agenda and Procedure.

STEERING SUBCOMMITTEE ON AGENDA AND PROCEDURE

FIRST REPORT

TUESDAY, November 24, 1964.

The Subcommittee on Agenda and Procedure of the Special Joint Committee on Canada Pension Plan met at 5:00 o'clock this afternoon.

The Chairman of the House of Commons section of the Joint Committee,

Mr. Cameron (*High Park*), presided.

Present:

From the Senate: Honourable Senators Croll, Fergusson, McCutcheon.

From the House of Commons: Messrs. Chatterton, Cameron (*High Park*), Côté (*Longueuil*), Francis, Knowles, Monteith, Munro.

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare.

Dr. Joseph Willard presented a tentative draft schedule of the work of the Committee for a few sittings to come.

Your Committee agreed unanimously to the following decisions and recommends:

1. That this Special Joint Committee hold from five to six a week. Each sitting of the usual length of two hours being held on Monday afternoon, Tuesday morning, Wednesday afternoon, Thursday morning and, if at all possible, not on Friday.
2. That any question of interpretation or meaning be put to the Officials of each Department concerned when proceeding to a clause by clause consideration of the Bill but any question of principle or policy embodied in the clauses to be left until all briefs and representations have been made by interested persons to the Committee which will be at the discussion stage of the Committee report.
3. The Steering Subcommittee on Agenda and Procedure may well have to discuss that any other associations or individuals besides those of the special category to whom special invitations to submit briefs have been sent, may well have to be advised of some future cut-off date to be fixed by the Committee.

4. That the draft letter to the Provincial Premiers be sent as prepared.

At 6:15 o'clock p.m. the Subcommittee adjourned.

Respectfully submitted,

A. J. P. CAMERON,
Chairman

After debate thereon, the said report was amended so that paragraph numbered 2 read:

> "That any question of interpretation or meaning be put to the Officials of each Department concerned when proceeding to a clause by clause consideration of the Bill; this limitation applies to the preliminary discussions and evidence of the departmental Officials; but any question of principle or policy embodied in the clauses to be left until all briefs and representations have been made, by interested persons, to the Committee which will be at the discussion stage of the Committee report."

Instead of:

> "That any question of interpretation or meaning be put to the Officials of each Department concerned when proceeding to a clause by clause consideration of the Bill; but any question of principle or policy embodied in the clauses to be left until all briefs and representations have been made by interested persons to the Committee which will be at the discussion stage of the Committee report."

On motion of Mr. Monteith, seconded by Senator McCutcheon,

Resolved,—That the First Report of the Steering Subcommittee on Agenda and Procedure be adopted as amended.

On motion of Mr. Monteith, seconded by Mr. Munro,

Resolved,—That the Committee sit at 10:00 a.m. and at 3:45 p.m. in Room 256-S, on Thursday, November 26, 1964.

The Committee agreed to have the Steering Subcommittee deal with all correspondence received by the Committee.

The Chairman then invited Honourable Judy LaMarsh, Minister of National Health and Welfare to read a prepared statement. A question period ensued.

And the questioning of the Minister continuing, at 6:05 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m. on Thursday, November 26, 1964.

THURSDAY, November 26, 1964.
(3)

The Special Joint Committee of the Senate and of the House of Commons on Canada Pension Plan met this day at 10:10 o'clock a.m. The Co-Chairmen, Senator Fergusson and Mr. Cameron (*High Park*) presided.

Members present:

Representing the Senate: Senators: Croll, Fergusson, Lang, McCutcheon, Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson—(7).

Representing the House of Commons: Messrs. Aiken, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Francis, Gray, Gundlock, Knowles, Laverdière, Macaluso, Monteith, Munro, Scott—(14).

In attendance: The Honourable Judy LaMarsh, Minister of National Health and Welfare and Dr. Joseph W. Willard, Deputy Minister of Welfare.

The Committee resumed consideration of Bill C-136.

Mr. Gundlock moved, seconded by Senator Lang,—

That this afternoon's and next Monday afternoon's sittings be cancelled and that the Committee reconvene on Tuesday, December 1, 1964, at 10:00 o'clock a.m. And the question being put on the said motion it was *resolved*, by a show of hands, in the affirmative. Yeas: 9; Nays: nil.

Then the Committee resumed its questioning of the Minister of National Health and Welfare, Miss Judy LaMarsh.

And the questioning of the Minister being completed Miss LaMarsh withdrew and agreed to being recalled.

Whereupon Dr. Joseph Willard, Deputy Minister of Welfare was called and read a prepared statement. He was questioned.

And the examination of the witness continuing, at 12:18 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m. on Tuesday, December 1, 1964.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

WEDNESDAY, November 25, 1964

(*Text*)

The CHAIRMAN (*Mr. Cameron*): Gentlemen, we have a quorum. I will call the meeting to order.

I wish to inform the meeting that my Co-Chairman from the Senate, Senator Fergusson, is being interviewed with regard to her work on the committee on aging. She assures me she will be here just as quickly as possible.

Yesterday the steering committee met in my office and a proposal to send a letter to certain organizations was approved. Certain amendments were made to the letter. For the benefit of the members of the committee I will ask the clerk to read the letter and also the names of organizations to whom it is proposed to send it.

The CLERK OF THE COMMITTEE: Mr. Chairman, this is the letter that was agreed upon.

NOVEMBER, 1964

President,
Name of Organization

Dear Sir:

A Joint Committee of the Senate and House of Commons has been set up to examine and study Bill C-136 on the Canada Pension Plan. The main features of the plan were made public in a letter from the Prime Minister to the provincial premiers early in June of this year. This was followed by an outline of the plan in the White Paper tabled in parliament in early August. The Bill providing further details of the plan was available following first reading on November 9th. A copy of the White Paper, Bill C-136 and the actuarial report and its appendices, is enclosed.

It has been known for some time that a joint committee was proposed and national organizations especially interested in this legislation have been in the process of preparing their briefs. I am writing to let you know that the Committee is now desirous of receiving briefs on or before December 31, 1964. One hundred copies are required. Would your organization please let us know not later than December 10 whether it will be submitting a brief.

Following the receipt of these briefs, the joint committee will be in a position to plan its hearings and to advise you of a date when your representatives might testify before the committee should your organization in addition to its brief wish to make this type of presentation.

Yours sincerely,
Clerk of the Committee.

I will now read the list of the organizations to whom we are going to send that letter:

The Executive Council of the Canadian Chamber of Commerce
Canadian Labour Congress
Canadian Association of Social Workers
Canadian Manufacturers' Association
Canadian Welfare Council

Canadian Life Insurance Officers Association
L'Union Catholique des Cultivateurs
La Confédération des Travailleurs Catholiques du Canada, Inc.
Canadian Federation of Agriculture
Canadian Bankers Association
Canadian Investment Dealers Association
Federal Superannuates—Superannuation Association

The CHAIRMAN (*Mr. Cameron*): You have heard the letter, gentlemen, and the names of the various national organizations to whom it is proposed to be sent. If it meets with your approval I would like to have a motion to that effect.

Hon. Mr. CROLL: I so move.

Mr. FRANCIS: I second.

The CHAIRMAN (*Mr. Cameron*): It has been moved by Senator Croll and seconded by Mr. Francis that the draft letter and the names of the organizations attached thereto be approved. Will all those in favour please signify? Are there any members opposed to the motion?

Motion agreed to.

The steering committee met yesterday. I will ask the clerk to read the report which has been prepared of what transpired at that steering committee. I hope it will meet with the approval of the members of the committee.

Hon. Mr. SMITH (*Queens-Shelburne*): Mr. Chairman, before the clerk proceeds I wonder whether you can put on the record at this point the names of the members of the committee who are members of the steering committee.

The CHAIRMAN (*Mr. Cameron*): That is included in the report.

Hon. Mr. SMITH (*Queens-Shelburne*): We have not seen the report.

The CHAIRMAN (*Mr. Cameron*): I have just asked the clerk to read it. The names are all mentioned.

The CLERK OF THE COMMITTEE: The members of the steering committee are, from the Senate, Senators Croll, Fergusson and McCutcheon and, from the House of Commons, Messrs. Chatterton, Cameron, Côté, Francis, Knowles, Monteith and Munro. There are ten members of the steering committee altogether.

The report is as follows:

(See Minutes of Proceedings of Wednesday, November 25, 1964.)

The CHAIRMAN (*Mr. Cameron*): You have heard the report from the steering committee. Are there any comments?

Mr. CHATTERTON: It seems to me, if I heard correctly, that there might have been one omission. My understanding was that the organizations to whom invitations will be sent are not limited to that list; there may be others invited in the future.

The CHAIRMAN (*Mr. Cameron*): Yes, that is the understanding. These are the names of organizations selected principally because they submitted briefs and appeared at the 1960 meetings. There is no restriction. It is intended to invite everybody who is interested to make representations and to send in briefs.

Mr. MONTEITH: This list was chiefly just to get the proceedings under way.

The CHAIRMAN (*Mr. Cameron*): That is correct.

Mr. MUNRO: As I understand it, it was the general feeling that outside this main list—which I believe comprises ten, to which Senator McCutcheon added three—most organizations and individuals would be expected to follow the press and see that these hearings were being conducted, and to act on their own as far as letting the committee know that they wanted to appear and submit briefs.

The CHAIRMAN (*Mr. Cameron*): I think that is correct. However, if we receive any intimation that some organization is waiting for an invitation or if we think we should send some organization an invitation, then we reserve the right to do that.

Mr. MONTEITH: Undoubtedly you, Mr. Chairman, and the clerk and all of us as members will be apt to receive requests to be heard, and we will throw these into the pot and discuss them.

The CHAIRMAN (*Mr. Cameron*): I had a verbal request this morning from the legislative branch of the railway trainmen's organization. I explained to them that they should write to the clerk and say they wanted to be asked to submit a brief, and so forth.

May I have a motion for the adoption of the report of the steering committee?

Hon. Mr. MCCUTCHEON: I may not have heard the clerk correctly, but it was my understanding that we decided matters of policy would not be discussed with the officials who will go through the bill clause by clause. It seemed to me that the report went further and said that matters of policy would not be discussed until those who wished to present briefs had presented them and the witnesses had been heard.

The CHAIRMAN: I will ask the clerk to read that part again. I think you will find it covers the point you have raised.

The CLERK OF THE COMMITTEE: It reads as follows:

> ...that any question of interpretation or meaning be put to the officials of each department concerned when proceeding to a clause by clause consideration of the bill, but any question of principle or policy embodied in the clauses to be left until all briefs and representations have been made by the interested persons to the committee, which will be at the discussion stage of the committee report.

Hon. Mr. MCCUTCHEON: Surely, Mr. Chairman, we cannot conduct an effective discussion with the witnesses who appear in support of briefs if we are precluded from discussing matters of principle and policy.

The CHAIRMAN (*Mr. Cameron*): I see your point.

Mr. MUNRO: May I just comment on that?

As I understand the report there is no limitation on the discussion except when it is being dealt with clause by clause.

Hon. Mr. MCCUTCHEON: That was the understanding yesterday, but the report goes further.

Mr. MUNRO: It says:

> ...but any question of principle or policy embodied in the clauses to be left until all briefs and representations have been made...

Hon. Mr. MCCUTCHEON: It states that it shall be reserved until the discussion stage, but one cannot discuss this intelligently with witnesses if one is precluded from discussing interpretation and policy.

Mr. MUNRO: If we want it clarified, very well; but that still does not prohibit you from discussing policy with the witnesses when they come before the committee.

Hon. Mr. MCCUTCHEON: I would like it clarified.

The CHAIRMAN (*Mr. Cameron*): I think we can do it quite easily. I think one or two words will make it very clear. I had the same understanding that you have, that when you have a brief to consider or a witness before you you can discuss it with the witness.

Mr. FRANCIS: Mr. Chairman, it is my understanding that we agreed we would go through the bill itself just to gain an understanding and to obtain an explanation, but beyond that we should look at it.

The CHAIRMAN (*Mr. Cameron*): It is intended to go through the bill with the officials of the departments who will be involved in the carrying out of the bill.

Probably you would like to suggest a proviso, Senator McCutcheon, which we can add to this.

Hon. Mr. MCCUTCHEON: If a limitation is imposed on a first meeting with the officials going through the bill clause by clause then one does not need to say anything further.

Mr. MONTEITH: Yes.

Mr. MUNRO: I would suggest merely the addition in the second paragraph of the words "not to be interpreted as any limitation on discussion of policy and principle when all the representations and briefs are before the committee."

Hon. Mr. MCCUTCHEON: No, you are going to discuss it at the time they are before the committee, not when they have all been before the committee.

Mr. MUNRO: That can be added.

The CHAIRMAN (*Mr. Cameron*): Would the words "this limitation applies to the preliminary discussions with departmental or government officials" satisfy you?

Hon. Mr. MCCUTCHEON: Yes, that is right.

The CHAIRMAN (*Mr. Cameron*): May I have a motion?

Mr. MONTEITH: I move the reception of the report as amended.

Hon. Mr. MCCUTCHEON: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It has been moved by Mr. Monteith and seconded by Senator McCutcheon that the report of the steering committee as amended be adopted.

Mr. LLOYD: What is the amendment?

The CHAIRMAN (*Mr. Cameron*): The amendment is to add the words "this limitation applies to preliminary discussion by departmental officials only."

When they are before us we are not going to discuss matters of policy involved in their evidence. They will just give their evidence of the details of the bill itself, the interpretations they place on the various clauses, the legal meanings of the various clauses, and things of that kind.

While I am writing this amendment I would ask Dr. Willard to explain to Mr. Chatterton the situation in regard to the white paper.

Dr. J. W. WILLARD (*Deputy Minister of Welfare, Department of National Health and Welfare*): Mr. Chairman, we find we have a good supply of copies of the white paper. If members of the committee wish to have copies the clerk of the committee will see they are supplied.

Mr. CHATTERTON: At 50 cents a copy?

Mr. WILLARD: I think this is perhaps a matter for the committee and the department to work out. I am sure the minister would have no objections to the members of this committee—who after all are dealing with this matter in detail and will have many questions asked of them—having the same privilege in terms of the use of these copies as the department normally would have.

The CHAIRMAN (*Mr. Cameron*): Is that satisfactory, Mr. Chatterton?

Mr. CHATTERTON: Thank you, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, we can have the use of room 256S for a meeting at ten o'clock and a meeting at 3.45 tomorrow. I would be glad to know if you would be willing to sit at those hours.

Mr. MONTEITH: I so move.

Mr. MUNRO: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It has been moved by Mr. Monteith and seconded by Mr. Munro that the committee shall meet twice tomorrow in room 256S, at ten o'clock in the morning and at 3.45 in the afternoon.

This might be a convenient time at which to clear up any confusion in regard to 3.45. Is that to be interpreted to mean 3.45 or later if the orders of the day have not been concluded by 3.45?

Mr. MONTEITH: Mr. Chairman, I think probably it should be later if the orders of the day have not been concluded. When we settled on 3.45 for today we were of the opinion that as there is only a half hour question period on Wednesdays we would be quite safe, but it did not turn out in that way. I think perhaps we should have the understanding that it will not be before 3.45.

The CHAIRMAN (*Mr. Cameron*): What is the opinion of the committee? Is the committee in agreement with Mr. Monteith's suggestion?

Agreed.

Then it is understood that 3.45 means after orders of the day if orders of the day continue later than 3.45.

The clerk has one letter here which is from William M. Mercer Limited, addressed to the clerk of the committee, dated November 24, 1964, which reads as follows:

WILLIAM M. MERCER LIMITED
Consulting Actuaries

MONTREAL, 24th November, 1964.

The Clerk of Committees,
House of Commons,
Ottawa,
Ontario.

Dear Sir,

It is my desire to present a brief to, and be heard by, the Committee recently set up to examine Bill C-136 on the proposed Canada Pension Plan.

I will be grateful if you could let me know when it would be convenient for me to do so.

I presume that reasonable time would be granted me to prepare a suitable brief.

Yours, faithfully,

C. J. Woods, F.I.A., F.S.A.,
Vice President and Director.

CJW:MG

What action do you want to take?

Hon. Mr. CROLL: I think when the clerk receives letters from people asking to be heard they should be cleared with the steering committee. The steering committee should make a decision and then announce it.

The CHAIRMAN (*Mr. Cameron*): It that agreed?

Agreed.

Gentlemen, that concludes the routine business. We are to have the opportunity of hearing Miss Judy LaMarsh, the Minister of National Health and Welfare. I do not suppose it is necessary for me to introduce her; that would be superfluous in a committee of this nature with a person so widely known as the Minister of National Health and Welfare. She has had a very distinguished career at the bar, and she has had a very distinguished career as a parliamentarian.

I have very much pleasure in asking Miss LaMarsh to address the committee.

Hon. JUDY V. LAMARSH (*Minister, Department of National Health and Welfare*): Thank you, Mr. Chairman and gentlemen. I have a prepared statement which I should like to deal with first. I imagine that afterwards there may be some questions which you will wish to put to me.

In the first instance I would like to say that of course I cannot imagine anyone who would appear before you either on behalf of the government or otherwise who would object to any matters of policy being asked at any time the committee considered it appropriate. Civil servants, of course, are in a much different situation, and I would assume that all members of the committee can rely on their discretion in refusing to answer any questions of policy in any event. I am sure many of those who are interested to prepare briefs and appear before the committee will be as prepared and indeed as eager to discuss matters of policy as myself or other representatives of the government.

This is, Mr. Chairman, a rare opportunity to meet this particular committee. I have been waiting for about 18 months to meet a committee on the Canada pension plan. I understand that after I have spoken to you, and after you have heard from Dr. Willard, the deputy minister of welfare, you will begin—as I have heard mentioned in the steering committee's report—a clause by clause examination of the Canada pension plan bill. During that review my officials and those of other departments will be available to explain to you the many complex details of this plan.

In my remarks today I intend to review some of the main features of the plan and to answer some of the questions that were raised by hon. members during second reading of the bill in the House of Commons. I do this as much to give them answers as to have a general review for members of the Senate who may not have had the opportunity to read some of the early material and some of the government speeches in the house.

I would like first to discuss coverage.

In my remarks in the house on the second reading of the bill, I pointed out that our objective was to have as comprehensive coverage as possible. Employees earning over $600 a year, and self-employed persons earning over $800 a year, will be required to contribute to the plan. I mentioned that only a few groups would be excluded from coverage, and these are excluded for constitutional or administrative reasons. Provincial and foreign governments, as employers, are beyond our jurisdiction. While we cannot require an employer contribution from them, we hope that satisfactory agreements can be worked out with these governments to bring their employees under the Plan.

Since there are special provisions for the retirement of members of the armed forces and the Royal Canadian Mounted Police at a relatively early age, they have not been included under this plan; they can join it when they take up other employment after retiring from service. On the other hand, public servants do not retire until 60 or 65, so we saw no reason to exclude them from the plan; arrangements will be made to integrate the Public Service Superannuation Act with this act, as outlined by the parliamentary secretary to the Minister of Finance in his speech during the Second Reading.

Migratory and casual workers are excluded because of the difficulty of reaching them. In agriculture, horticulture, fishing, forestry, logging and lumbering, a worker who does not spend at least twenty-five working days a year with the same employer, or one who does not earn at least $250 a year from the same employer, will not be covered under the plan. Most fruit and tobacco harvesters, week-end wood-cutters, forest fire fighters, and other migratory workers in this country have other employment for much of the year, and spend less than 25 days on one job in these primary industries. The $250 a year represents an income of $10 a day for 25 days; it is also the amount of income a married woman can earn without affecting her husband's taxation status. In the United States program, a similar provision is made for farm workers. They are excluded from coverage unless they work for one employer for at least 20 days a year or earn at least $150.

Similarly, it would be extremely difficult to enforce the collection of contributions from employers of casual labour—labour that is not related to the purpose of the employer's trade or business, and is of an irregular or unpredictable nature. Such casual workers as grass-cutters, snow-shovellers, and part-time cleaning help will not be covered for this type of employment.

Mr. Monteith has asked about employees of federal crown agencies in Québec. Section 4 of the bill provides that federal public servants and employees of federal crown agencies will be covered under this act, as will any persons in employment which is outside provincial jurisdiction. However, the section also provides that where a province is operating a comparable plan, an agreement can be entered into with that province under which the collection of contributions and the payment of benefits for these employees will be administered by the provincial plan. Quebec is willing to enter such an agreement. Since comparable provisions will apply under both acts, it becomes a matter of convenience for the employee to deal with the nearest office. In any event, since the plans are the same, it will not make any difference which plan he is under. Identity cards, we anticipate, will also be identical.

I should perhaps say a few words about farmers and fishermen. As you will recall, Bill No. C-75 excluded all agricultural workers and all self-employed people from compulsory coverage, but allowed them to join the plan voluntarily. Bill No. C-136 has eliminated voluntary protection to these people. The Canadian Federation of Agriculture in its brief last year to the government advocated the compulsory coverage of farmers and the Quebec report recommended this approach for the Quebec pension plan. To critics who complain, and I hear some do, that this is another step to a regimented state, may I say that it is the approach which has been followed for almost the last 10 years in that bastion of democracy and individual enterprise, the United States.

Self-employed farmers and fishermen will contribute to the plan on the basis of their net earnings—gross earnings from operating their farms or boats, minus the expenses involved in carrying on their businesses. This, of, course, means net earnings before deducting personal exemptions for income tax purposes. It is not the taxable income but the net income.

We recognize that farmers and fishermen with net earnings of less than $1,000 or $2,000 if married, do not have to file tax returns. For that reason a simple form will be available for them to report their earnings for Canada pension plan purposes. However, to prevent people from making a minute contribution simply in order to participate in the plan, self-employed people will only contribute if their net earnings are $800 or more a year. This means they will be paying a minimum contribution, which is $7.20 a year, in order to participate in the plan.

I will deal next with contributions. The contribution rate proposed for the Canada pension plan is 1.8 per cent each from employer and employee, making a combined rate of 3.6 per cent. Self employed persons will pay the 3.6 per cent. This contribution will be paid on earnings between lower and upper limits which are initially $600 and $5,000 a year. This is called by some pension experts a "band" approach, and you may hear that particular expression used by some of the witnesses who will be appearing before you.

By exempting the first $600 of earnings, we have achieved, in effect, a contribution rate which rises on a sliding scale as earnings rise.

I am quite sure that some of you read some of the criticisms that were made of the earlier bill, that those with higher earnings paid less proportionately for the same benefits. Now, the man with low earnings will contribute a smaller proportion of them than will the man with average earnings. On earnings of $300 a month, the employee's contribution will be equivalent to 1.5 per cent of his total earnings.

Both lower and upper limits will rise during the 10 year transition period if the cost of living rises, and thereafter in ratio to an eight year moving average of earnings. Naturally, these rates are on the average higher than those proposed under Bill No. C-75, in order to finance the extensive supplementary benefits provided in this program, as well as higher operating costs.

You will be going further into the additional survivor's and disability benefits. The cost of living escalation features of this Bill will require more money. Therefore, it will require a higher rate than that initially proposed in Bill No. C-75, which did not have these features.

The combined contribution rate of 3.6 per cent on earnings between these limits can be expected to finance the plan for at least 20 years, without liquidating any of the investment reserve that will have been built up in the meantime.

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As I mentioned last week, the actuarial work for the Canada pension plan has been based on two different sets of assumptions about population growth. These were deliberately chosen by the chief actuary as extremes. That is to say, one is the lowest rate of population growth which seems at all reasonable, based on our experience in the 1930's; the other is the fastest which is reasonable, based on our population growth in the 1940's and 1950's. In the next 25 years, the divergence between the two estimates is very considerable. In 1990 the population of Canada would be 30 million on the first set of assumptions, and on the second set of assumptions it would be 37.2 million.

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The cost of the plan will also depend on the future development of prices and earnings, and especially on the relation between the two; that is, on productivity or real earnings per person. The amount of unemployment and the level of interest rates are other factors which will also affect the cost.

On anything from the lowest cost to the highest cost assumptions, the proposed contribution rate will result in building up an investment fund which is substantially but not, in relation to our economy, unduly large. The actuary's estimates indicate, therefore, that sometime after the plan is 20 years old, there will be a need to re-assess its finances. By that time, experience of the plan will have made possible considerably more precise estimates of its costs. It may be that by the late 1980's or early 1990's an increase in the contribution rate will be required. But, the timing of any change will, of course, depend in part on the views that are then taken about the desirability of continued partial funding and about many other points of economic policy. The one thing we can say is that the change in contribution rates that may be made 20 or 30 years from now is not likely to be a big increase. If the actuaries'

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conservative projections turn out to be right, the rate might go up by ¼ or ⅓. ! It would still be under 2½ per cent each for the employee and the employer.

I understand after you have completed your clause by clause review of the bill, you will be studying the actuarial report. During the debate on the second reading, I was asked whether government actuaries had been employed to prepare the actuarial report. I think this question came from Mr. Monteith, and this was, as indicated then, the procedure followed. As members of the committee know, it has been the usual practice to have the department of insurance carry out actuarial studies of this nature. Under the old age and survivors insurance program in the United States and the old age retirement program in the United Kingdom actuarial estimates are provided by the chief actuaries of these governments. We have followed the same policy to ensure that the actuarial report has been prepared as an independent study conducted by competent actuaries who are professionally recognized both in Canada and abroad.

I would like now to discuss in some detail the question of benefits. By now I imagine those who have read some of the material will be familiar with the range of benefits available under this plan and perhaps I need not say very much about them. There are a number of different types of benefits.

The first type is the retirement pension. This amounts to 25 per cent of one's average pensionable earnings, spread over one's lifetime under the plan, and adjusted for changes in the level of earnings. It is payable at age 65 to contributors who have retired or, if one waits to draw it at the age of 70 it is payable unconditionally. The test of one's retirement will be one's level of earnings after retirement. Failure to contribute to the plan in any year after the plan starts will act to reduce one's average earnings and therefore one's pension. If one retires during the first 10 years of the plan, whatever one has earned will be averaged over the whole 10 years, even if one has only worked two or three years. This provides for a gradual increase in maximum benefits from 10 per cent in 1967, or after one year's contribution, up to 100 per cent of the full benefit in 1976, or after 10 years of contributions. This will be one area of attack. Most private plans take 35 years or more to mature. 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 Ph mean that we would deprive our veterans of any opportunity to contribute na and to fully benefit from the plan.

The disability pension amounts to $25 a month plus 75 per cent of one's retirement pension. It is payable, following a three month waiting period, to contributors who are found to be so physically or mentally disabled that they are unable to pursue regular, substantially gainful employment. To be eligible, a contributor has to have contributed for five years, for five of the last 10 years, and for one third of the number of years in which he could have contributed. It ceases, of course, to be payable at death, or on recovery, whichever occurs first, or at age 65 when the retirement pension is available. Any period during which a person receives a disability pension, and therefore does not contribute to the plan, will not be counted against him when calculating his retirement pension. On recovery from his disability, he will of course resume his contributions.

This feature, of course, was not included under Bill No. C-75, as we did not then have the necessary constitutional power. This is an expensive feature and will cost $63 million in 1975.

I now come to survivors' pensions. These features are also rather expensive. They are features which, on constitutional grounds, could not be included in Bil C-75 although we had intended at that time, when the constitutional matter was resolved, to enact such a pension. These survivor pensions are payable to unmarried orphans, widows and disabled widowers of contributors who have contributed for three years and for one third of the number of years in which they could have contributed. Permanently insured status is achieved after 10 years of contributions.

The orphans' benefit amounts to $25 a month for each orphan up to a maximum of $104.17 for the orphans of one contributor. These amounts are escalated as prices rise after 1967. If a contributing mother dies, her children can get a benefit only if she was maintaining them before her death, and they are not already receiving a benefit.

The pension is paid to an orphan until he or she reaches age 18 or until age 25 if still attending school. I might note that age 18 is the same age at which youth allowances are discontinued and the age at which blindness and disability allowances can commence.

The widows' pension amounts to $25 a month plus 37½ per cent of the husband's retirement pension for widows under 65. This is payable to widows with dependant children, disabled widows and to all widows over 35 when their husbands die. If the widow is under 45 when her husband dies and without dependant children and not disabled, her pension is reduced by one twentieth for each month short of 45 the widow is at the time she becomes such a widow; at 35 the pension is reduced to zero.

As I pointed out in the house, the basis for this is the relative difficulty any woman has in finding employment after she has been out of the labour force. I am sure it is the experience of all of us that difficulty increases the older she is when she is left as a widow. As I pointed out in the house, the basis for this is the relative difficulty in finding employment at various ages.

For widows 65 and over the pension is 60 per cent of the husband's retirement pension, subject to reduction if they also receive their own retirement pension. The pension is payable the month after the husband dies, and ends when the widow dies. It is suspended during any subsequent marriage; it is also suspended until age 65 for widows who are under 35 when they cease to be disabled or to have dependant children to care for.

Some of you may not agree it is a good thing that a woman will not be able to accumulate husbands and accumulate their pensions. She is, of course, going to be allowed to draw the maximum for one pension. Personally, I am not sure it is a good idea, but since most of the members of the committee are gentlemen, perhaps they will think it is a fair thing.

The disabled widows' pension is the same as the widows' pension. However, to qualify, a widower must have been disabled and dependant on his wife before her death.

So, you see the equality of the status between the sexes is pretty much one way.

The death benefit amounts to $500 or six times the monthly retirement pension, whichever is less. It is payable to a deceased contributor's estate in a lump sum.

All these pensions and fixed dollar amounts, such as the death benefits, are subject to escalation by the cost of living index. The $25 flat rate component of the disability, widows' and orphans' benefits will be adjusted in line with the cost of living index from 1968 on, the first year in which any of these benefits can be paid. The disability benefit will not be paid before 1970. If this seems unduly harsh, remember that it is a very generous and long term benefit.

A man or woman who has paid a contribution for only five years may, on disability, be drawing from the pension plan for the rest of his or her life. It should also be remembered it is considerably more generous than the plan in the first Quebec report which was payable only when the contributor reached the age of 60.

The flat rate old age security pension, which will be integrated with the Canada pension plan, will be adjusted in the same way as the other flat rate benefits.

There has been considerable discussion about the limitation on the cost of living adjustment to the old age security pension. The provision for automatic adjustment of benefits in line with changes in the cost of living represents the introduction of a new and very important principle in Canadian social security. This is the first use of this factor in North America, although several west European governments use such an escalating feature in their social security payments.

It is a principle which is being applied both to the benefits under the Canada Pension Plan and to Old Age Security payments. The method for making the adjustment and the timing for the implementation of this new feature is the same. The new earnings-related pensions which are integrated with the old age security pensions will be paid for the first time in 1967 and therefore the first adjustment to the cost of living will be in the next year, 1968.

The Canada pension plan and the features which provide for automatic adjustments in line with changes in wage levels and the cost of living are designed to provide a more satisfactory level of income for pensioners in the years ahead than has heretofore been available either by state or by private plans. While these features to keep pensions up-dated represent additions to cost, they will provide a much greater measure of old age income security than a program of unadjusted benefits. People can plan for their old age knowing that a given level of real income will be available on retirement.

The adjustment of the $75 a month old age security pension provided for as a part of this legislation is quite apart from any further or future decision which may be made with regard to the present $75 a month. An increase of $10 a month was provided by parliament a little over a year ago at a cost of $116 million. We anticipate that the cost of old age security pensions even at the present rate of $75 a month will rise to $906 million in the fiscal year 1965-66. Many individuals have suggested a sharp increase. Some pensioners' groups, and, surprisingly, the chamber of commerce, in its annual presentation, suggested $100 pensions, payable at age 65. You may be interested in the estimated cost—which would about double the present expenditure. The increased payment would, if taken from the personal and corporate income tax, and sales tax allocation, require it to be doubled. This seems hardly responsible at a time when so many are advocating tax cuts.

As I mentioned during the Second Reading of the bill, this feature has necessitated some rather complex sections in the bill. It is not desirable to adjust pensions annually if there have been only minor changes in the cost of living, nor is it desirable to provide either for large jumps from year to year or reduction of pensions should the cost of living fall. The formula provided in the bill will therefore have the effect of keeping the pension adjustment closely in line with the cost of living without ever making reductions and without making increases from year to year of less than 1 per cent or more than 2 per cent.

When I went to Europe last year to inquire why certain things had been done in certain ways in some west European plans and to get up-to-date experience, you will appreciate that you cannot always do this by letter and it is better to go and ask—I found several plans which included provision for a reduction if the cost of living fell. However, neither the officials nor the elected people to whom I spoke indicated that they really anticipated their parliament would permit a reduction in the payment to their pensioners. We therefore dropped it as being more realistic.

It was pointed out during the debate that an increase of 2 per cent in the pension index would result in an increase of $1.50 a month in old age security, and that an increase of 1 per cent would yield an increase of 75 cents or six bits a month on the basis of the present $75 pension. It was not pointed out that an increase of 2 per cent would result in an increase of up to $3.60 a month at age 70 or up to $3.10 a month at age 65 in combined pensions payable, and that an increase of 1 per cent in the pension index would lead to increases of up to $1.79 or up to $1.55 a month.

It was not clear from the criticism whether it was the principle of tying increases to the Consumer Price Index that was being opposed, or simply the fact that such increases were not to exceed 2 per cent a year. It might be pointed out that increases in the consumer price index have varied between 1 and 2 per cent since 1955. Clearly, if the objective is to maintain the purchasing power of the pension from the time a pensioner starts receiving it until his death, then tying it to the consumer price index would seem to meet this objective.

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 of people still in the labour force. There is considerable merit in this proposal, but on balance the government favoured the objective of maintaining purchasing power.

There seems to have been a gradual change in the philosophy underlying old age security. Its original objective was to augment the retirement income that people had been able to provide for themselves, to provide a basic floor of retirement income on which they could build. It was not intended to be the sole source of income in old age. Since then, successive governments have recognized that the floor selected was not high enough to provide a substantial level of income to the older members of our population. They have therefore gradually increased the monthly pension on several occasions, by 15 per cent, 19 per cent, 18 per cent and 15 per cent, in order to come closer to meeting the income maintenance needs of our older people. In other words, the increases of $10 a month have been intended to increase the amount of the purchasing power of the pension rather than simply to maintain the 1952 level of its purchasing power. This approach is still available for any future increase in flat-rate old age security, but it is, of course, not within the scope of this bill.

Financial Provisions

The plan will generate substantial funds for investment for a good many years. These funds will be made available to provincial governments in proportion to the contributions coming from each province. This will be done by investing the funds in either obligations of the provincial government or obligations of crown agents guaranteed by the province. Such obligations will provide the fund with interest at the long-term rate on federal securities.

There is no suggestion that the plan should be fully funded, but in a pension plan which has reasonable contribution rates and one which has a transitional period during which pension benefits are built up to their ultimate level, there will be some accumulation of capital funds. These funds will be made available to the governments which are responsible for financing our social capital needs in the fields of education, transportation, health and urban development.

The plan's financial provisions are set forth in sections 110 to 114 of the bill. These provide for a separate account in the consolidated revenue fund to be called the Canada pension plan account. All contributions and interest payments will be paid into this account, and all benefit payments and administrative expenses will be charged to this account. A small operating balance will be maintained at a level sufficient to cover anticipated expenditures on benefits and administration for three months. Each month, the Minister of Finance may invest amounts in excess of this balance in provincial securities. All the securities he buys will be charged to a special account, called the Canadian pension plan investment fund. In this way, the operations of the Canada pension plan can be kept separate from the rest of the government's operations. The plan will be financed solely by contributions from employers, employees, and self-employed persons, and by interest on its investments.

Participating Provinces

A number of speakers in the debate on second reading asked how many provinces had given any indication of their intention either to join the Canada pension plan or to operate their own comparable plans. The province of Quebec has made known its intention to operate comparable legislation as a part of this Canada wide pension program. No other province has given any indication of such an intention.

I should point out that the bill provides in section 3 that any province can make known its intention to operate its own plan within 30 days after this act has been given royal assent. In other words, until this parliament signified its intention by adopting this proposed plan there is no need for a province to signify its intention one way or the other. Since the introduction of the white paper last August, no province has signified any intent to set up its own plan, including the tax-collecting machinery necessary to receive contributions.

Reciprocal Agreements

An increasing number of countries have been entering into reciprocal agreements to ensure the portability of pensions and other social security benefits for people who spend their working lives in more than one country. Provision has been made in the bill for this reciprocal type of arrangement.

Since considerable variations exist in the legislation in different countries, a great deal of flexibility will be needed in working out the details of such agreements. For example, an agreement might specify that past participation in a foreign pension scheme could build up credits under the Canada pension plan for persons moving to Canada, provided that past participation in the Canada pension plan creates entitlement under the foreign scheme for residents of Canada who move abroad. Arrangements would also be made to transfer any funds between the plans that might be necessary in this process. Under such an agreement the foreign country might also agree to administer benefits on our behalf to our pensioners residing abroad.

One of the first such agreements might be with the United States which for 27 years has had a contributory pension plan similar in many respects to the Canada pension plan. In view of the mobility of workers across our border, in both directions, and in view of the number of our retired people who move to the southern United States in particular, at least for part of the year, the advantages of such an agreement will be obvious to all.

Mr. Monteith asked if the federal government would be required to enter into a reciprocal agreement with a foreign country on behalf of Quebec if the Quebec government asked us to do so. The power to enter into such an agreement under the bill rests with the federal government.

Administration

In my speech in the house a week ago, I pointed out that the administrative arrangements for the Canada pension plan had been designed to take advantage of existing machinery for collecting contributions and paying out benefits. I also described how this administration would be co-ordinated with the provincial administration in the case of Quebec. Mr. Monteith asked if my departmental officials were going to be given access to the income tax records of the Department of National Revenue. This and other details of internal administration will be discussed by the committee. At this stage I might make a few brief remarks.

The arrangements will be as follows: Employers will remit their own and their employees' contributions every month to national revenue as they do now with income tax deductions. Once a year, using the T4 slips, employers will report the annual earnings and contributions of each employee, giving his name and social insurance number. These earnings data will be aggregated by national revenue to determine actual average earnings for construction of the earnings index. Information about contributors—name, number, amount of pensionable earnings, and amount of contribution—will be transfered to magnetic tape which will be passed to my department. This information is, of course, basic to the operation of an earnings-related scheme. The Department of National Health and Welfare will not have information about people's incomes other than their pensionable earnings under this Plan. My department will be responsible for maintaining a record of earnings for each contributor, and for establishing his eligibility for benefits and the amount of his benefit. It will also be responsible for administering the retirement test.

Once a pension has been approved for a contributor, the comptroller of the treasury will be asked to issue him a cheque for the appropriate amount. This cheque will include his old age security pension if it has been claimed and approved. As there is no computer in my department, at the outset of the plan, the comptroller will actually maintain the record of earnings and calculate the amount of the pension. My department's regional offices will handle all queries from contributors about their entitlement or earnings record.

The Unemployment Insurance Commission will expand its index of insured people under its program to include people who are covered only under this program. It will thus assign all social insurance numbers and maintain the master index.

I discussed with my officials whether I might have my signature and perhaps my picture on this cheque, but the idea was not received very well. So I suppose it will be the signature of the comptroller of the treasury, as usual.

I regret that this is such a lengthy statement, but in order to do this at one time, it is necessary to go into this much detail.

Federal-Provincial Consultation

In my remarks last week, I emphasized the unique constitutional position that exists regarding pension legislation. I pointed out that our legislation must ensure continuing consultation and co-operation with the provinces. To make such consultation mandatory, section 115 of the bill provides that amendments of substance will require the consent of two-thirds of the provinces having two-thirds of the population. With the present distribution of our population, as honourable members know, this means that Ontario must be one of the consenting provinces if the amendment is to be made. There is also a provision that amendments which alter the general level of benefits and contribution rates can only be made after a notice period of at least two years.

Mr. Chatterton asked what would happen if 25 years from now the funds are depleted and Ontario refuses to agree that the act should be amended so as to increase the contribution rate. It is difficult and perhaps impossible to imagine a province with so many of its people drawing benefits from the fund taking such a position if the proposed amendment to the contribution rate is a reasonable one. If in the province's view the proposed increase appeared unduly large, this provision would mean that the federal and provincial governments would have to get together to work out a mutually satisfactory change.

Mr. Monteith asked why a province had to give at least two year's notice before it could withdraw its people from this act. The requirements that two year's notice be given before amendments to this Act could take effect, and before a province could start operating its own plan are related. Two years was considered the minimum time that would be needed for provincial legislative action and for the complicated administrative task of sorting out all the records regarding contributions arising in that province and benefits paid to contributors from the province.

Mr. Knowles suggested that the provisions for consultation, as set forth in section 115, were too much one way, and that there was insufficient provision for the provinces to consult the federal government before making changes in their plans. Similarly, Mr. Chatterton asked if the agreement between the federal government and a province which operates its own plan prevents that province from changing the terms of its plan in a way which would destroy portability.

Section 115 deals only with proposed changes in the federal act, and therefore must be concerned with arrangements whereby the federal government may consult the provinces about these proposed changes. As Mr. Chatterton has recognized, Section 4, subsection (3) provides that the Minister of National Health and Welfare may enter an agreement with a province which operates its own plan. Such an agreement would provide that the provisions of the provincial act will apply to persons employed in that province who are engaged in employment which is under federal jurisdiction. In the absence of such an agreement, of course, such employees would be covered under the terms of the federal act. The agreement itself will set forth the terms and conditions under which consultation between the province and the federal government will take place if amendments are proposed in the provincial plan.

In addition to this provision, there are provisions under Sections 40, 82, and 108 whereby the federal government may enter into agreements with the province regarding the refunding of over-payments of contributions, the sharing of the costs of benefits, and the exchange of information about earnings of contributors who have contributed under both acts. The terms and conditions of these agreements would also have to indicate the consultation procedures required before the provincial plan could be changed in the manner suggested.

Integration

Mr. Olson asked about the arrangements to reconcile this plan with existing private pension plans, particularly the civil servants' plan. Mr. Chatterton also asked this question. I would refer members of the committee to the speech by the parliamentary secretary to the Minister of Finance which followed their remarks. Mr. Pennell outlined in detail the arrangements for integrating the Public Service Superannuation Act with this act.

As far as private pension plans in outside industry go, I would refer members to page 22 of the White Paper I tabled last August 10, where the following points are made:

> "The adjustment of private pension plans cannot be prescribed through the Canada pension plan. Those responsible for each private pension plan will be free to decide whether or not they wish to make some modification in their plan. In plans where the contribution rates are relatively high, it may be decided that the overall rate of employer-employee contributions should not be increased; in such cases the

> private plan's contribution rate might be reduced by the contribution required under the federal plan, and its benefits might be adjusted accordingly. In other cases, the private plan may remain entirely unchanged, with its benefits augmenting those available from the Canada pension plan.
>
> As an alternative way of adjusting to the Canada plan, a private plan may simply pay the difference between the total retirement benefit it now provides and the benefit provided under the federal plan; the private contribution rates would then be reduced accordingly. Another possibility would be to adopt a benefit formula which makes different adjustments for earnings above and below the Canada pension plan ceiling.
>
> Another approach may be adopted in private plans with early retirement ages. The private plan benefits might be accelerated so as to provide a level combined benefit beginning at, say, age 60. The private plan would thus provide a higher pension between ages 60 and 65 than would normally be provided, offset by a lower-than-normal private pension from age 65 on. The difference would be made up by the Canada pension plan payable at age 65".

Incidentally, we believe that this approach will particularly commend itself to our school teachers across the country who express concern because their retirement age is normally 65.

> "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."

The question of the integration of existing private pension plans is an important one, and one which has been dealt with successfully in other countries. The officials appearing before the committee will be ready to answer questions about different methods of integration, provincial supervision of the portability and solvency of private pension plans, and the details of integration proposed for public service pension plans. It seems to me that it should be borne in mind that the federal government is the employer in the biggest single pension plan in the country, and the federal government is well aware that its action, with respect to federal civil servants all covered under the same plan, will be watched very closely as an indication in the country of what other large scale employers might be likely to do. You have before you the individuals who have been working out the way in which the Canada pension plan and the public service plan would be integrated.

Some questions have been raised in the house, notably by Mr. Monteith and Mr. Knowles regarding the requirement that a person must reside in Canada the year he applies for old age security. There are one or two things I would like to say about this.

First of all, when the old age security program came into operation in 1952 there was a 20 year residence requirement. This was amended and it is now only 10 years.

Secondly, the act was amended to provide for the payment of pensions outside of Canada to persons who have resided in Canada 25 years after their 21st birthday. This has taken care of the great majority of people who are retired and who are living outside of Canada. The number of persons receiving pensions outside of Canada ranges from a peak of about 9,400 in the wintertime, to a low of about 6,200 in the summertime.

Thirdly, the amendment to the Old Age Security Act in Part IV of the bill to provide for an age adjusted pension at an earlier age will, when it becomes fully operative, remove the difficulty insofar as it affects persons between the ages of 65 and 69. In other words, where a man and his wife leave Canada when he is age 70, he would be entitled to receive $75 a month, while she would be entitled to receive $51 a month if she were age 65. There are a wide variety of combinations in between. However, if the wife had not reached age 65 and was not eligible for the pension at the time she left, the one year requirement would still stand.

On this matter of residence requirement I would be most interested in hearing any comments and suggestions that the committee might have.

As you will see in the other sections we have tried to clean up a number of other small points respecting old age security which appeared to be a matter of irritation over the past few years.

Gentlemen, I am very grateful for your attention to such a long and exhausting speech of almost an hour. It is not that often any more that I get to speak for an hour without getting interrupted. I think this will be a general review, and I will be very happy to answer any questions which any members of the committee may have.

The CHAIRMAN (*Mr. Cameron*): I am sure we all appreciate your very complete and very comprehensive report. It will be included in the minutes and proceedings, and undoubtedly will furnish a great deal of information for the members of the committee. We thank you very sincerely for its completeness.

Mr. CHATTERTON: May I ask the minister a question The minister indicated that there had been consultations with the provinces in arriving at this plan. I presume that the plan was designed in the knowledge that the provinces would approve it, even those provinces which would not participate. Is that correct?

Miss LAMARSH: I did not hear your last sentence.

Mr. CHATTERTON: In other words, the plan as submitted is acceptable to the provinces, and it is ascertained that if they wanted to opt out they would be able to provide a plan comparable to this one.

Miss LAMARSH: I want to be perfectly fair. I thought I went over this. The provinces are not required, until some 30 days after royal assent is given to the bill, to indicate whether they intend to pass comparable legislation. This plan has been discussed at some considerable length, as you will appreciate, at the dominion-provincial meetings, and the details have been made public to all interested individuals, and certainly also to the provinces since the publication of the white paper last summer. Throughout this time we have had no expression of intent from any province, other than Quebec, that it planned to set up its own plan, comparable or otherwise.

Mr. CHATTERTON: I understand that, but I presume that this plan, submitted by the minister now, is agreeable to the province of Quebec.

Miss LAMARSH: I want to make it quite clear that this plan is in effect a compromise between the report on the Quebec pension plan and the Canada pension plan which was in Bill No. C-75, with, of course, suggestions made from other sources. We understand that the bill with which the Quebec legislature will be presented is a comparable one. I cannot say it is identical because there are obviously certain provisions which are in the federal legislation—for example, dealing with other countries—which cannot be in provincial legislation, but in so far as practicable it will be identical legislation presented by the Quebec legislature.

Mr. **Chatterton**: In other words, the government does not consider substantial changes in the bill unless it gets indications from Quebec that they will agree with you?

Miss **LaMarsh**: Perhaps that is going a little far. This committee, if it has changes to make or suggestions to make, will, I suppose, include them in its report, which will then be an object of discussion. It may well be that such changes would commend themselves to the government. They will certainly have wide public discussion through the medium of this committee and might commend themselves as well to the framers of the Quebec pension plan. It might well be possible—because we would expect this legislation might be passed in advance of the Quebec pension plan—for them to consider and revise any proposed legislation which they have. It may well be that minor changes would remain, that there might be minor differences between the two pieces of legislation.

Mr. **Chatterton**: I understand the definition of "substantial" in clause 3 is probably your definition, but the fact is that so far as the government is concerned no substantial changes would be considered unless there was agreement from Quebec or concurrence of the province of Quebec or unless a province might want to opt out.

Miss **LaMarsh**: In the first place, I would say that I would hope there would not be any reason for the committee to wish for any substantial change. We hope that this plan would commend itself to all members of the committee after they have listened to the discussion. However, I think it quite fair to say that before we indicate as a government whether we are prepared to accept such a recommendation we would certainly discuss it with Quebec, and if there were other provinces in the same situation that wished to pass their own legislation, the federal government would discuss it with them.

Mr. **Aiken**: My questions are very much along the lines of Mr. Chatterton's questions. I want to put it this way. I have heard that the committee's hands are pretty well tied in connection with this plan for the reason that Mr. Chatterton has indicated. In other words, there is an agreement between the federal government and Quebec that the basic parts of the plan will not be changed, that is the amount of benefits, the amount of contributions, and so forth. What I want to ask the minister is the following question: If we do make recommendations in this committee regarding the broad nature of a principle, is the government going to be able to bring in such a change?

The **Chairman** (*Mr. Cameron*): Do you think that is a question which should be asked at this stage? That is getting into the realm of government policy. I do not want to rule it out on any narrow grounds, but I think you are beginning to pass into a rather dangerous realm in asking the minister to comment on this.

Mr. **Aiken**: I should have been more direct and should not have beaten around the bush. I am told that we are here to rubber stamp this bill, and I am wondering whether we are sitting here for any useful purpose.

Miss **LaMarsh**: I cannot imagine you being a rubber stamp for anything in this government, Mr. Aiken. This committee was selected. It is completely without direction, guidance under the table, over the table, around it, or any other way. It is the committee of the House of Commons, the hands of which is the government—it is a minority government, as you well appreciate. If you are talking about broad areas of principle, I think I would have to say that the government has made its decisions on the principle and policy, as it is required to do as the government. It has made them with great consideration, whether arising from discussion with another province or from its own initial decisions. I would think it would be prepared to stand in the usual way behind such decisions on policy.

In regard to this bill, we are in a field which is unique. No parliament has ever had to deal in just such a field before. You as a lawyer are well aware of the constitutional basis, a difficult basis at best. It means that if a province is not to enact legislation dealing with pensions, it must be certain that the federal legislation is of a kind that it is content to have applied to its people. It seems to me that since we have had experts dealing together on the published report of the Quebec pension plan and the published report of Bill No. C-75 it is obviously a compromise plan on which both governments have gone a very long way to meet. It would seem to me that as reasonable men and a reasonable woman in this committee you, of course, notwithstanding your point of departure, will follow that same line of reasoning. I am not really foreseeing that there will be great divergence on questions of principle by the time you conclude these hearings.

Mr. AIKEN: I think the minister confirmed in my mind exactly the point I was trying to make.

AN INTERESTING DISCOURSE

Hon. Mr. MCCUTCHEON: I have several questions which I would like to put.

Hon. Mr. CROLL: May I just say at this moment that if there is a line of questioning being taken at present, as has been by Mr. Aiken, maybe some of us would like to follow it up before we divert to another line of questioning. If Mr. McCutcheon's question is not in line with the same trend of thought, I would suggest that we could exhaust the other trend first. I do not know what Senator McCutcheon is going to ask but I suggest that the Chairman direct those of us who want to question the minister along the same line as were Mr. Aiken's questions.

Mr. CHATTERTON: The answer is for members to ask supplementary questions.

The CHAIRMAN (*Mr. Cameron*): We will first deal with Senator McCutcheon. Does he want to proceed along the line of questions asked or does he want to ask something else?

Hon. Mr. MCCUTCHEON: I have several questions.

The CHAIRMAN (*Mr. Cameron*): Are you willing to yield for the time being?

Hon. Mr. MCCUTCHEON: My questions grow out of questions already asked by Mr. Aiken and the others who preceded him.

The CHAIRMAN (*Mr. Cameron*): Do you wish to follow along the same line?

Mr. FRANCIS: I think Senator McCutcheon has a question which is related to this line of questions.

Hon. Mr. MCCUTCHEON: My first question follows from the previous questions. The minister has said that Quebec is the only province that has stated its intention to operate its own plan. Nevertheless the bill contemplates that all the other provinces, or any of the other provinces, may opt out within 30 days after the legislation becomes effective. Assuming that five provinces decided to operate their own plan, would that affect the operation of the Canada pension plan in the minister's opinion?

Miss LAMARSH: It depends on which five provinces, of course. If members of the committee look at the actuarial report, they will see it is prepared on the basis that nine provinces are in the plan. These are the assumptions which were made. Certainly the figures would be quite different if some provinces opted out, depending on which these would be.

If you are asking whether it would be necessary to have higher contribution rates initially or lower benefits, or to make other changes, then I could answer you that it would not be the case. I wish to be frank with the committee. If you got down to the point where only one or two provinces were left in the Canada pension plan, it would be worth while for any federal government to consider whether it would be useful to go on in that way or whether other arrangements might be made for the provinces to conduct the plan. This is an unavoidable difficulty. If you believe, as I think everyone in the room and most individuals do, that there should be benefits which are available across Canada on an equal basis, then I think you will agree that there is room for federal initiative and that because of the peculiar phraseology of the appropriate subsections of the British North America Act the federal government has complete freedom to operate unless and until the provincial legislature is operating.

Hon. Mr. McCUTCHEON: There has been no published report of the Quebec plan since the Canada pension plan was established or was brought in in bill form. You have already said that the Quebec plan would be substantially the same as this plan. By that I take it, it will at least provide for the same contributions, the same benefits, and the same measure of escalation. Is that correct?

Miss LAMARSH: Yes.

Hon. Mr. McCUTCHEON: Do you consider that any other province which decided to operate its own plan could only do so if it met those requirements?

Miss LAMARSH: Yes, sir. The legislation provides "comparable legislation".

Hon. Mr. McCUTCHEON: How comparable?

Miss LAMARSH: Well, comparable in comprehensive coverage, comparable in low contribution rate and comparable in benefits.

Hon. Mr. McCUTCHEON: But, not identical.

Miss LAMARSH: "Identical" is not the word used by the draftsman.

The CHAIRMAN (*Mr. Cameron*): Mr. Francis are the questions you are about to put along the same line?

Mr. FRANCIS: Yes. I have one or two general questions which are along the same lines as those put by Mr. Aiken and Mr. Chatterton. I understand that every province participated in the discussions in respect of the plan and that every province was represented at one time or another.

Miss LAMARSH: Yes.

Mr. FRANCIS: And can we say that to the best of our information the plan generally meets with the approval of every province in Canada?

Miss LAMARSH: I can only say that no one has expressed disapproval of this plan.

Mr. FRANCIS: And, we have had a unanimous resolution in the House of Commons on the principle and on second reading of the bill. It seems to me if there is anything further that Mr. Aiken or someone else is concerned with they would have the opportunity during the clause by clause consideration in the House of Commons to move amendments. I feel as we have gone this far we should not be gravely concerned about the principle at this stage. Perhaps we should be at the end but not at this time.

The CHAIRMAN (*Mr. Cameron*): It is not my function to comment on that statement; the minister has answered it.

Have you a question, Senator Croll.

Hon. Mr. CROLL: Mr. Francis has not left me much of a question.

The CHAIRMAN (*Mr. Cameron*): Have you a question, Mr. Knowles.

Mr. KNOWLES: I have, Mr. Chairman, but it is in respect of another field.

Hon. Mr. CROLL: Following the questioning of Mr. Aiken, from which one could gather the impression—and he put it very bluntly, because he can speak very bluntly—that we are rubber stamping, may I ask in what respect this committee differs from any other committee that has been handed a bill for the purpose of study and making a report.

Miss LAMARSH: 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 on respect of matters of detail.

Hon. Mr. CROLL: Then this committee is at liberty to make such recommendations as it sees fit?

Miss LAMARSH: Yes.

Hon. Mr. CROLL: That was the impression I received when you originally spoke.

Miss LAMARSH: Yes.

Hon. Mr. MCCUTCHEON: But, this committee does differ from the 1950 committee.

Miss LAMARSH: Of course it does; the 1950 committee did not have any legislation at all before it. This was just a general review of the whole subject.

Hon. Mr. MCCUTCHEON: That is the essential difference.

Mr. AIKEN: On the same point, Mr. Chairman—

The CHAIRMAN (*Mr. Cameron*): Mr. Scott is next. Have you a question on the same subject, Mr. Scott?

Mr. SCOTT: Yes. I want to revert to what Mr. Aiken said in respect of substantial changes. For example, if the committee, in its wisdom, saw fit to impose limitations on the use to which the investment fund could be put by the provinces would this, in your judgment, jeopardize participation by the provinces?

Miss LAMARSH: That is a very difficult question to answer. I would think that first your recommendations would have to be considered by my colleagues. It might well then be circulated for comment to all the provincees; then on the basis of the comments received the government would have to make up its mind whether or not it was prepared to accept such changes.

We are not trying to prejudge you in any way, and I hope you realize there is not any intention of freezing or limiting you in your discussions of the bill and its underlying philosophy any more than any other legislation and, I do not think any committee member should take the attitude that we are going to take this piece of legislation and tear it apart in a sense, which is not the usual attitude of a member of another committee. I think this committee was formed to look at the legislation, to improve it, I think, generally, and this is what we hope all members will do.

Mr. SCOTT: Then, in your opinion or, at least, the extent to which you speak for the government, it is wide open for us to discuss this bill?

Miss LAMARSH: Oh, certainly, it is wide open to discuss it.

The CHAIRMAN (*Mr. Cameron*): Mr. Chatterton has indicated he has a question.

Mr. CHATTERTON: My question is in respect of a different subject.

Mr. AIKEN: Mr. Chairman, I have a question.

The CHAIRMAN (*Mr. Cameron*): Is it on the same subject?

Mr. Aiken: Yes, Mr. Chairman, I want to make my position clear because I do not expect that people read our speeches when we speak on second reading, unless they are particularly interested in the subject. But, on second reading, I read into the record the return of parliamentary papers, which I do not have here, setting forth the Prime Minister's answer to various letters about the duties of this committee. These were quoted. He said that this committee would have the fullest liberty to go into the whole plan and change it not only as to detail but fundamentally as to principle. It is on that basis I voted second reading and, as I expressed it then, we were dealing with this bill in the same way as we would deal with a private bill in the House of Commons.

Miss LaMarsh: A private bill?

Mr. Aiken: Yes, that we would follow the same procedure, pass it in principle because we had agreed to the principle of a pension plan, but that fundamentally the committee can consider it. Now, that is the basis on which I voted second reading; it was on the letters that the Prime Minister wrote to a large number of persons detailing the duties of this committee as he saw them, and I was not concerned too much at the time about the principle. But, I feel we are being narrowed down to the point where the committee has nothing to do effectively because we cannot change anything except detail.

Mr. Gray: On a point of order, Mr. Chairman—

Mr. Aiken: Go ahead and put your point of order.

Mr. Gray: I did not intend to interrupt your remarks, Mr. Aiken. However, I think it would be helpful if the clerk read the order of reference in order that we can ascertain if it is any different from the usual orders of reference to committees in respect of any other legislation.

The Chairman (*Mr. Cameron*): If that is the wish of the committee I will ask the clerk to read the order of reference.

The Clerk of the Committee: It reads as follows:

> *Resolved:* That a joint committee of the Senate and House of Commons be appointed to consider Bill C-136, to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors;
>
> That twenty-four members of the House of Commons, to be designated by the house at a later date, be members of the joint committee, and that standing order 67(1) of the House of Commons be suspended in relation thereto: That the said committee have power to call for persons, papers and records and examine witnesses; and to report from time to time and to print such papers and evidence from day to day as may be ordered by the committee and that standing order 66 be suspended in relation thereto.

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

Mr. Gray: I would like to conclude now.

The Chairman (*Mr. Cameron*): Is it on the point of order?

Mr. Gray: Yes, and you may stop me if you think I am getting away from it. It would seem to me the order of reference is the same as that of any committee called upon to consider a piece of legislation, and that we have full powers in that respect. I think any witness or anyone else is entitled to express his opinion, as we have our duty to do under the powers given to us.

The Chairman (*Mr. Cameron*): I think the minister has made it clear in her answers that this committee is untrammeled in anything it cares to do. Mr. Aiken has made his position clear and what his views are, as well as the reason he voted for the bill on second reading. I would like to close that part of the discussion.

I think Mr. Knowles is the next one I have on the list, and I believe he is opening a new subject matter.

Mr. Knowles: I would like to open one or two new subjects but before doing so perhaps I might be permitted to say that I do not think at this point we should decide we are either a committee that is going to tear the bill apart or that we are a rubber stamp; let us do our job the way all committees do and let it be decided at the end what kind of a committee we were.

There is one brief correction I would like to make in respect of something the minister said on one occasion when she used my name. I think when I referred in the House of Commons to the fact that in a certain respect the bill was a one way street I was not talking so much about the avenues of consultation between the federal government and the provincial governments; I was referring rather to the fact there seemed to be provisions for opting out at any time but so far as I can ascertain no provision for a province which is out to opt in. However, I think we can deal with that when we come to it.

The other two subjects I wanted to refer to—and I will be very brief—are these. Both come under the heading of the proposed amendments to the Old Age Security Act which are contained in the latter part of Bill No. C-136. First, with respect to the one year's residence clause required before a person could apply for old age security, I welcome that part of her attitude in which she said she would be glad to hear from the committee in respect of whether we thought there should be any change in that provision. I hope, as a result of our discussions, we might have something practical and concrete to suggest.

The other subject has to do with the cost of the living bonus provision that is being written by this bill both into the Canada pension plan proper and into the Old Age Security Act. I gather that the minister, in effect, was asking me if I was opposed to increasing pensions in accordance with the increase in the cost of living. The answer to that is no, but I am opposed to that being regarded as the only basis for adjusting pensions. In the main I think there are two factors that call for increases in pensions; one is the increase in the cost of living, and the other is the increase in productivity which is reflected at least in an earnings index. I welcome the fact that the earnings index provisions have been put into the calculation of a Canada pension plan benefit, but I am sorry, in respect of the Canada pension plan, once it has been put in pay and with regard to old age security in pay, that there is no provision for any increase other than the increase related to the cost of living index.

I thought the minister was quite fair in her description of this when she pointed out that what the government proposal does is to preserve the purchasing power of the dollar as at a certain point, but that it does not increase the purchasing power of the individual as such.

It is my view that the revolutionary thinking that is taking place with regard to pensions in the last decade is to include the concept that people on pensions deserve not only to have the purchasing power that they were given protected, but deserve to share in the improved conditions that develop even after people retire. It is that principle that I would hope we might yet persuade this committee and persuade the house and the government to accept for writing into this bill.

I gathered that the minister was reading from a text, but I also gathered that she enjoyed putting in one or two asides that were not there, especially the reference to six bits. She drew attention to the fact that people on old age security stood to get, under this bill, a 75 cents a month increase, but she did not point out that under the combination of the old age security and the Canada pension plan this amount of increase could be more. Of course, that is true for people on both, but in respect of people now on old age security or now 70 years of age or more, there is no opportunity for getting the combined increase.

I share the views of those who would like old age pension increases removed from politicking, but it seems to me that you do not do it if all you make automatic is increases according to the cost of living index. You might achieve the desire of getting it away from politicking if you made old age security and Canada pension plan increases automatic on the basis of both factors, namely the cost of living index and the earnings index, or some other index which measures the increased productivity.

I would be glad to develop these things later.

Hon. Mr. CROLL: Mr. Chairman, I do not know what the rules are, but when do I get my opportunity to make a speech?

The CHAIRMAN (*Mr. Cameron*): Probably I was lenient, but Mr. Knowles was explaining certain statements and interpretations put on them, and I think he now has cleared the air very nicely in respect of this.

Mr. MUNRO: Mr. Chairman, would the minister tell us, as a result of a series of meetings which were held between the federal government and the provincial government, which were referred to earlier, were the viewpoints of any other provinces taken into consideration and reflected in Bill No. C-136, other than Quebec?

Miss LAMARSH: Oh, yes. In bringing the two bills together, very great regard was had for the comments of the other provinces, particularly at the Quebec city meeting when the Quebec pension report was revealed to all the premiers. If I may use one example, the province of Saskatchewan was quite anxious, as was the Federation of Agriculture, that the plan be extended on a wider basis and that the voluntary feature be removed.

Some considerable favourable comments also came from the premiers of the Atlantic provinces, in particular, who were afraid that without an involuntary feature in the case of those who are self employed, a great many of their people might not be able to take advantage of the benefit.

These things were taken into consideration. We considered at some length the major parts of the plan, the period in which the plan comes into full maturity, the contribution rate, the level of benefit, the inclusion of survivors' benefits, and all these things which appeared to have the approval of the provinces when discussed.

When you come to a clause by clause discussion of the bill, there are one or two clauses in respect of which your questions and your discussions may make it apparent that a particular section was inserted obviously at the request of a province, and therefore with the approval of one or more provinces.

My impression was that the premiers took a lively interest in the development of the plan from the beginning and commented on a number of features. To the best of our ability we have adopted features which the greatest number of them found favourable the greatest number of times.

We have endeavoured to do everything possible to produce the best bill which will satisfy the people who have responsibilities in this field of jurisdiction.

Mr. MUNRO: I have one other question. This is based on what Mr. Knowles was saying. Am I correct, Miss LaMarsh, that this particular bill does not preclude at any future time any government of the day altering the flat rate pension payable under the old age security?

Miss LaMarsh: Yes. There is no amendment, of course, under the old age security portion reflecting the flat rate payment.

There is one other comment I would like to make in respect of Mr. Knowles' remarks. I have not discussed this yet with my officials, because I have not had the opportunity, but I was somewhat struck, in his discussion in the house, by the comment that there appeared to be a way to opt out but not a way to opt in. It seems that this point is well taken. A provision very usefully might be put in, or it might be—although I do not expect at this time that you might have ten provinces to start with—that this could be sort of a useless appendage like the provision to lower pensions as the cost of living index goes down, and that it is not necessary to have it in.

Mr. Knowles: A province may opt out and then, having reassessed the situation, later might decide to come in.

Miss LaMarsh: I think it is a good suggestion and this may be a matter for consideration by the members of the committee when they have the draft bill before them.

Mr. Chatterton: Mr. Chairman, the minister made a general statement with regard to the proposed amendments to the act. When we come to clause 6 we will have to decide whether or not a civil servant should be included, and before we make that decision I think we should have the details of the proposed amendments to the Superannuation Act and the effect of such changes on the superannuation fund. Would the minister undertake to have such information available?

Miss LaMarsh: Mr. Clark, the official of the Department of Finance, is in this room now, and I wish you well with him; I have heard him explain this now about six times, and I have not got it yet.

Mr. Chatterton: I think at least we should have the draft bill in respect of the superannuation plan so that the civil servants and we will have this knowledge.

Miss LaMarsh: You will not have a draft bill, but the proposal the government has is one which will require no greater contribution from the civil servants than at present and we will give them a slightly better benefit than they have.

Mr. Chatterton: I asked whether we could have a report at least on the effect of the proposed amendment in respect of the superannuation fund?

Mr. Francis: Surely we are restricted to this bill.

Mr. Chatterton: Before we are in a position to make an intelligent decision, we should know what will be the effect of the amendments to the Superannuation Act.

Mr. Francis: This will be before parliament. Our terms of reference do not include an investigation of the Superannuation Act.

Mr. Munro: I believe Mr. Chatterton was present yesterday when the deputy minister named all the officials who would appear before this committee to go into the whole question of integration, not only generally, but with reference to civil servants in particular. I believe he indicated that almost immediately after the clause by clause study we would be going into all the information required of a specific nature; in other words, that would be the appropriate time to take this up.

Mr. Chatterton: I think it is up to the minister to indicate that she at least would ask the Minister of Finance whether he could make this information available to us and also ask the same minister to have his officials here before this committee to make available this economic report which Mr. Willard mentioned last night.

Miss LAMARSH: It was my understanding that your steering committee would determine the course you would follow.

The CHAIRMAN (*Mr. Cameron*): I think, while your point is very well founded, it is a little early in the deliberations of this committee to be considering it. Senator Croll, I believe you are next.

Hon. Mr. CROLL: No, please go ahead.

Mr. FRANCIS: Surely we can discuss the principle of integration. But surely there is a limit about how far we can go with details concerning amendments to the Civil Service Act which will have to be adopted by parliament. I think the discussion before this committee should be in terms of the principles of the existing private plans.

Mr. AIKEN: Mr. Chatterton has said that because this is a government plan, people would be watching very closely what the federal government does with the superannuation plan.

Miss LAMARSH: It should be appreciated that the government must meet representatives of the organizations in the civil service who must approve of it. These are the contracting parties, just as we would anticipate that any other employer would do this, and would have to accept the government's proposal before legislation was submitted to parliament.

Hon. Mr. CROLL: I think we are talking about integrating other plans into the Canada pension plan rather than integrating the Canada pension plan into other plans.

The CHAIRMAN (*Mr. Cameron*): That is why I suggested to Mr. Chatterton that he was probably previous with this type of questioning.

(*Translation*)

Mr. PERRON: Considering that a while ago it was given to understand that consultations, with a wide enough arrangement between the federal authority and especially with the Quebec authority which seems to want exclusion from the said plan, it was also defined that subsequently there had been consultations with the other provinces. Since witnesses will be called, will it be possible to have officials of the Quebec government as witnesses, who may define here Quebec's philosophy with regard to this pension plan?

(*Text*)

The CHAIRMAN (*Mr. Cameron*): I do not think we should ask this type of question of the minister. I think it is something which the committee itself should decide upon, that is, we are going to call, or whether we want to call provincial officials or not. That is something we should decide. I do not think the minister would be prepared to answer that type of question.

Mr. CHATTERTON: Such a decision would have to come from the federal government.

Miss LAMARSH: Quebec is not a foreign state. We have direct mail between Ottawa and Quebec city.

Mr. CHATTERTON: Should not the request come from the provincial government to the federal government?

The CHAIRMAN (*Mr. Cameron*): We have not got to that bridge yet, so let us not cross it until we come to it.

Miss LAMARSH: It is up to the committee, if you want to invite them. As part of the government I certainly could not require Quebec officials to come, nor could the Prime Minister of Canada. Only the premier of Quebec could do that. He is the only person who could do it.

Mr. CHATTERTON: It would require the government of Canada to invite them.

Miss LAMARSH: It would not be my impression that we have to do so.

Hon. Mr. CROLL: The Chairman of the committee has the right to invite them, and we have done so upon occasion.

The CHAIRMAN (*Mr. Cameron*): That is the same answer I would give to you. If the committee decides that we should call some official, or someone from a provincial government, then the committee would do so. The procedure of doing it however would be a matter for consideration.

(*Translation*)

Mr. PERRON: Does the committee intend to call representatives of the Quebec provincial authorities as witnesses?

(*Text*)

The CHAIRMAN (*Mr. Cameron*): Well, I do not think that is a question which should be answered at the present time. We have not reached that stage. There has been no suggestion along that line. We are still in the preliminary stage of studying this piece of legislation, and if it becomes obvious to the committee that such a witness would be of value, then that is the time the matter should be decided. I do not think you can decide these matters in advance, whether you are to do or not to do something. I suggest we reserve it until a later date.

(*Translation*)

Mr. PERRON: Mr. Chairman, since it has been pointed out, and on many occasions that this bill which is before us has been for quite some time the outcome of consultations between the provinces and the federal government regarding this pension plan, I think that we could enlighten many others who are wondering about it. What does Quebec think in such circumstances or in the face of such a fact? It automatically and voluntarily excludes itself from that pension plan at the present time, while participating in it in a general way, leaving to the federal authority the task of making agreements with other countries with regard to the possibility for a former Canadian contributor to benefit by it if he comes to live in another country. And that very section being left entirely to the federal authority—

(*Text*)

The CHAIRMAN (*Mr. Cameron*): Well, it is a very interesting subject matter you are bringing up, but I do not think the time has come to talk about things of that nature. We are going to proceed to have a meeting of the steering committee, and then have a clause by clause study of the bill. Things will come out, and decisions will have to be made as we go along. I am not one to make decisions in advance, or to prophesy what we will do or not do under certain circumstances. I suggest that when we come to that bridge, then we will cross it. Whether or not as a matter of procedure we should be thinking of calling these officials, I suggest, is a matter which should remain in abeyance until the necessity arises when we must deal with it.

Miss LAMARSH: May I suggest that the committee is here to deal with a piece of federal legislation, the Canada pension plan, and not to deal with provincial legislation, or with the Quebec legislation.

All the officials of whom I suggest you are thinking, have their federal counterparts, all of whom are sitting behind you at the moment. I hope I shall be forgiven a measure of pride on behalf of the federal government in saying that I think you will find them to be every bit as knowledgeable as anyone else you might call from the province of Quebec.

Hon. Mr. MCCUTCHEON: I want to ask the minister one general question. When she introduced the first edition of the Canada pension plan in 1963, as you will recall, that is, the pay as you go plan, the minister spoke very eloquently of the advantages of that plan. She told us however of the great dangers arising from creating a very large fund, and some people I think were very impressed by that part of her presentation, and there may have been some other recommendations. Might I ask if the minister would tell us what influenced her to depart from that principle.

Mr. CÔTÉ (*Longueuil*): I do not think we are discussing Bill No. C-75 now, but rather Bill No. C-136.

The CHAIRMAN (*Mr. Cameron*): Well, it may be a borderline question, but I think the minister probably would be prepared to answer it, and I would not be prepared to rule it as an improper question at this stage. It is a matter of asking a direct question as to why you changed your opinion.

Hon. Mr. MCCUTCHEON: I do not think the minister would rely on that answer.

Miss LAMARSH: I do not think I could get away with it. Personally I say that most of the plans in the world are pay as you go plans. That was the government's original intention, but it was criticized by some individuals who, oddly enough, in the last year, came to change their thinking, and to go along with the plan, who would not have been so prepared a year or so ago. But the influence was, of course, the discussion among the premiers concerning this type of plan. The premiers had the benefit of their own economic and financial specialists for advice. Their reaction to the proposed Quebec plan was that of providing a greater degree of financing. It will be recalled that in Bill No. C-75 it was proposed that the resultant large reserves would be offered on a proportional basis to the provinces. The Quebec view was always very candid about the fact that it was moved by two considerations. The first was to provide protection to its citizens by a pension plan, and the second was to provide a fund for the development of its province.

Hon. Mr. MCCUTCHEON: Is that the order of priority?

Miss LAMARSH: I cannot ascribe an order of priority to the province of Quebec, but both items were important considerations.

The more they talked about it the more the provinces became interested in the same kind of provision for their people, or so it appeared to us.

I think the Senator, at least in his former line of endeavour if not in his present, must have had many occasions when compromise required rather considerable changes on the one hand in order to get considerable changes on the other.

When the members of the committee have become more familiar with the changes as between this legislation and Bill No. C-75, relatively minor though they may be, they will find these changes are of two types, one being the things which we gave away, in a sense, for things which were given away to us. I think it is fair to say that the government does not believe in a fully funded plan or anything approaching it, and the alarm which I indicated at that time I still hold with respect to accumulation of very large reserves.

I think the Senator is aware, and most people are, that only one country in the western world has a scheme approximating that, and that is Sweden. They do not have many years experience; it is about three or four years.

Hon. Mr. MCCUTCHEON: They are starting to express some concern about it.

Miss LAMARSH: The Senator and the committee may know that they are not just starting to express concern. That legislation caused the defeat of one government and it was only passed with one vote after an election. It has been a matter of concern throughout to the people of Sweden. That is a fully funded plan, a far cry from Bill No. C-136.

Pay-as-you-go

As I have been careful to indicate, it is almost impossible to say what is a substantial reserve and what is partial funded; it depends whether you are an optimist or a pessimist. This particular amount of money which is being built up is not on the face of it anything like fully funding when it would run out in less than 30 years.

Mr. MUNRO: May I ask a supplementary question?

The CHAIRMAN (*Mr. Cameron*): It is six o'clock, gentlemen. What is the wish of the committee?

Miss LAMARSH: May I add one further thing?

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

Miss LAMARSH: I think the Senator will appreciate that every plan can become, and probably will when it is fully matured, a pay-as-you-go plan; in other words, the payments out are equivalent to the payments in. It is quite clear that some time before 30 years have elapsed the government of the day will have to decide—that is, not only the federal government but the provincial governments—whether they wish to convert to a fully pay-as-you-go plan or whether they wish to continue on the same basis as this. That is what will affect any increase in contribution rate.

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

Hon. Mr. CROLL: On a few occasions here today you have said that the money that will be accumulated will be returned to the provinces on a *pro rata* basis. Do you mean entirely?

Miss LAMARSH: No, sir. There is a three month reserve which is held for payments and administration costs. Not every dollar that comes from the province of Newfoundland goes back to the province of Newfoundland exactly, but that is roughly the case.

Hon. Mr. MCCUTCHEON: I would like to discuss that particular aspect of the bill, Mr. Chairman, but not tonight.

The CHAIRMAN (*Mr. Cameron*): It is six o'clock. If the committee is willing to carry on and if Miss LaMarsh is willing to carry on, then they may do so; it is up to the committee.

Perhaps Miss LaMarsh can come back tomorrow morning.

I have recognized Mr. Munro.

Mr. GRAY: If the minister is willing to come back there will be further questions.

Miss LAMARSH: I will be happy to do so.

The CHAIRMAN (*Mr. Cameron*): Do you wish to ask your supplementary question, Mr. Munro?

Mr. MUNRO: If the Minister is coming back I need not do so now.

The CHAIRMAN (*Mr. Cameron*): We have arranged to meet tomorrow morning at ten o'clock in room 256 in the centre block. I understand there is no translation service there. I would be glad to know what is the opinion of the committee having regard to that fact.

Mr. Guitard, can you assure us of a French reporter or someone who can translate from English into French and from French into English?

I understand from the clerk that we can have an interpreter who will interpret from English into French for the benefit of those who want such an interpretation, and who can similarly interpret from French into English for those who require the English interpretation. Is that satisfactory? Is that satisfactory to you, Mr. Perron?

(*Translation*)

Mr. PERRON: For my part, if there is no possibility of having simultaneous translation, I would certainly accept interpretation by the official reporter who will come and translate from English to French and vice-versa, but I would very much like to understand completely the discussions concerning this pension plan.

(*Text*)

The CHAIRMAN (*Mr. Cameron*): That is right. That is the understanding. The understanding is that the interpreter can translate into either language with equal facility.

Is it agreed that the committee will meet tomorrow in room 256S in the centre block?

Agreed.

The committee will adjourn until tomorrow morning at ten o'clock. Thank you very much, gentlemen.

EVIDENCE

THURSDAY, November 26, 1964.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, I see a quorum.

It has been brought to my attention by some members of the Committee that they would like if possible to be in the House of Commons this afternoon and this evening and would find their dutties sitting on this committee conflicting with that desire. I have also had representations by some members of the committee that, while they approve of our sitting on Mondays, they had already made commitments not knowing of that suggestion and they have wondered if we could commence our next week's sittings on Tuesday instead of Monday. It strikes me that that is reasonable.

As you know, the facilities in this room are not of the best and I am going to suggest—and I hope it will meet with your approval—that we continue with the meeting this morning and that we cancel the meeting scheduled for this afternoon and the meeting scheduled for Monday and that we then continue on Tuesday. If we have lost any undue amount of time or retarded our progress unduly by reason of that arrangement we can probably make it up in the succeeding weeks.

If someone is prepared to make a motion to cancel this afternoon's meeting and to commence next week's meetings on Tuesday instead of Monday I will be very glad to consider it.

Mr. FRANCIS: Tuesday morning?

The CHAIRMAN (*Mr. Cameron*): Tuesday morning, yes. I hope we will have better facilities at that time. I have decided that we must insist on having a committee room in which we have all the facilities that we require.

Mr. GUNDLOCK: I move that this afternoon's meeting be cancelled and that Monday's meeting be transferred to Tuesday.

Hon. Mr. LANG: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It has been moved by Mr. Gundlock and seconded by Mr. Lang that the meeting scheduled for this afternoon and the meeting scheduled for Monday be cancelled. Is there any discussion on that motion?

Will all those in favour please indicate. Opposed?

Motion agreed to.

When the meeting adjourned last evening Miss LaMarsh had agreed to come back and answer further questions, and she is here to do so.

I will now vacate the Chair and ask the Co-Chairman to take my place.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any questions by members of the committee?

Mr. CANTELON: I have a simple question I would like to ask.

The minister mentioned the matter of an identiy card. What did she have in mind?

Hon. JUDY V. LAMARSH (*Minister, Department of National Health and Welfare*): As you will appreciate, in any system that is as massive as this a card is necessary; and it is necessary for it to contain numbers because we have to use computers, which of course deal with numbers not with names.

As I explained in my remarks yesterday, the system which is in operation for unemployment insurance has been expanded to include workers not covered by that system. I imagine you have a card for that purpose; I have one and all the members of the house have them.

Mr. CANTELON: No, school teachers do not get them!

Miss LAMARSH: This is the card that will be used for the pension plan. We expect that card to be in English and French; and it may well be that on one side there will be something in connection with the Quebec pension plan and on the other side something in respect of the Canada pension plan, and it will depend upon the one to which you belong which side will be filled in.

Mr. GUNDLOCK: Madam Chairman, may I ask for just a short explanation? I know that the minister has probably not concluded on this, but I wonder if Miss LaMarsh could give us just a little of her thinking in relation to integrating the civil service into this plan.

Miss LAMARSH: Madam Chairman, I thought I also referred to that yesterday. We have an official of the Department of Finance, Mr. Hart Clark, who has been working on this almost from the beginning. I cannot explain the detail of it; I have asked him to explain it five or six times but I am not too sure that I can repeat it. He will be available to the committee if you would care to call him.

Civil Service

However, I can say in broad terms that the way the two plans are integrated will mean that the individual contributor does not pay more than he presently pays and that the pension which he receives will be slightly larger than it is currently under the superannuation.

In addition, I think Mr. Clark will confirm that the contributions made on behalf of the employer—that is the federal government—will be slightly less than they now have to make.

Mr. MUNRO: May I interject here?

At the steering committee yesterday the report read and it was not specifically set out in the report that—and the steering committee will recall this—it was decided that after the clause by clause study this whole area of integration in general and integration of civil service plans would be considered by this whole committee and that all the officials who had been working on it would be before the committee for that study. That procedure seemed to be acceptable.

Mr. CHATTERTON: Will the officials explain also, Madam Chairman, why the R.C.M.P. and the armed forces pensions were not integrated?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Will that explanation be given by the officials?

I understand it will, Mr. Chatterton.

Mr. MONTEITH: I suppose I could ask this of the officials but it does seem to me to be a matter of policy and therefore I will put it to the minister.

I asked the question earlier, and yesterday Miss LaMarsh I think answered to the effect that the federal government were the only ones who had power to enter into agreements with other countries.

Miss LAMARSH: Yes.

Mr. MONTEITH: My real question is this. If Quebec asks for a reciprocal agreement with another country must the federal government undertake that?

Miss LAMARSH: There is nothing in the act which would require the federal government to do so. You will appreciate, Mr. Monteith, that the idea of this is that the Quebec and Canada pension plans will march together. I would assume if we entered into an agreement with another country we would enter into it on behalf of the Quebec pensioners as well.

You will know from your years in office that there were frequent representations made from West Germans who had moved to Canada and who, because of the law of West Germany, were unable to draw pension benefits if they became Canadian citizens. This is a matter the Canadian government has never been able to resolve with West Germany because our flat rate pension was so very different from their scheme. If a West German moved to Quebec and was in the Quebec pension plan and we made an arrangement with West Germany on behalf generally of the Canada pension, we would certainly attempt to include Quebec pensioners.

Mr. MONTEITH: The Canadian reciprocal agreement would cover both schemes?

Miss LAMARSH: Yes.

Mr. MONTEITH: Would it cover any province which had its own scheme?

Miss LAMARSH: Yes.

Mr. MONTEITH: I have one other question in connection with investment funds. These are going to be turned over to the provinces as they accumulate and so on. What is the estimated amount at the end of 20 years before the dip may start down?

Miss LAMARSH: The estimate is $6 billion to $8 billion.

Mr. MONTEITH: This $6 billion to $8 billion will be in the hands of the provinces, and at that time is it estimated that the rates would have to be increased to meet the payments or would any of this reserve be called upon that is then in the hands of the provinces?

Miss LAMARSH: This would be up to the government of the day. I am not sure that I understood your question correctly but—

Mr. MONTEITH: Say for example there is $6 billion to $8 billion in the hands of the provinces which they have not borrowed on the open market and then all of a sudden the reserve starts down. Is it the thought that these reserve funds would be called upon or that an increase in rates would take care of the extra outlay at that time?

Miss LAMARSH: This will depend I should think, Mr. Monteith, on those who are in government and have the responsibility at that time. It is up to them to decide at that time whether or not one continues on a partly funded basis or converts to a pay-as-you-go plan.

Mr. MONTEITH: Can you visualize a position in which the provinces would be rather on the spot if, for argument's sake, you needed a couple of billion dollars over a couple of years and, rather than increasing the rates, you had to call upon the provinces for a return of those funds?

Miss LAMARSH: I do not think so.

Mr. MONTEITH: And they would then have to go to the open market, would they not, to replace them? If not, why not?

Miss LAMARSH: The bill which is before you calls for actuarial reports at stated intervals. Those reports will be available to all provinces as well as the federal government and you will be able to watch what is happening to a fund. We do not anticipate any possibility of sudden change, a change which is not obvious for years in advance to all governments.

As you know, even if there is an amendment produced or brought into the house by any individual, this lays upon the chief actuary the responsibility of preparing an actuarial report so that you will know the projected effect. When I said "any individual" I certainly did not mean anyone who is not of the government.

Mr. CHATTERTON: The loans to the provinces would be callable in two years, say?

Miss LAMARSH: They are not loans in that sense; they are purchased securities.

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

Mr. SCOTT: I want to deal with integration so I think I will leave my questions for the time being.

Mr. AIKEN: Madam Chairman, I wonder if the committee might permit me just to precede my question with a very short background.

I know that everyone came on to this committee with a great sense of opportunity to do a public service and I think we want to proceed without a sense of partisanship to produce the best pension bill we can.

A question was raised yesterday—and very seriously—about how badly tied the federal government and this committee have become because of reciprocal arrangements with the province of Quebec. I say it is useless to have a broad range of inquiry without having a broad range of recommendation or amendment.

I wonder whether, having had some time to think about it overnight, the minister can tell us just where we stand on this problem of integration and reciprocal arrangements. If we are merely here to talk about integrating this plan with other plans and so forth, it seems that we are not doing the job many of us thought we were here to do. Can the minister tell us now frankly how far we can go without disturbing the arrangements that have already been made?

Miss LAMARSH: May I say first that if I were to be so bold as to suggest to any member of the committee what his responsibility was I would say it was not to deal with integration of plans. I have repeated this in every speech I have made. This is not within the purview of the government; it is a matter of contractual obligation. Therefore, it is the parties to the contract who will have to make any change.

As I also tried to make clear yesterday to the committee, the committee is the same as every committee constructed of two houses of parliament or one house of parliament; you are asked to prepare a report on a piece of legislation before you. That report, of course, will come back into the house and the government will have to take its position then on the basis of the report the committee makes. Whether there are any amendments which the government is prepared to support is a decision which will have to be taken at that time. I do not suggest to the committee that this legislation in its function is in any way different from any other before a committee.

Mr. AIKEN: The latter statement, Madam Chairman, is what I differed with yesterday. The terms of reference were read. However, I also mentioned the very broad statements—and I have them with me this morning—the Prime Minister made with regard to the duties of this committee. It rather struck me yesterday when I raised this question that some of the members said, "Well, read the terms of reference." In other words, they were saying do not pay any attention to what the Prime Minister said, we are here to do what the order of reference says.

Mr. MUNRO: On a point of order, Madam Chairman, as I recall there were a lot of questions on this matter. Mr. Aiken pursued the same tactics in yesterday's committee at some length with the minister and then Mr. Knowles and others commented, and the Chairman at that time said there had been sufficient discussion on this matter. We then moved on to other areas.

Am I to take it that by opening up this again we are now going to have a lengthy discussion on whether the committee can make changes?

Mr. CHATTERTON: I think this is the most fundamental question that this committee has faced, Madam Chairman.

The minister stated that this committee is the same as any other committee. I do not think it is. The committee may be circumscribed not only by the federal government but by any circumstances that may exist in the province of Quebec. There are organizations that may want to submit briefs. We want to know how far we can go. Yesterday they said they accepted the principle. The principle is simple, but some of the fundamental details are not.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I cannot see, Mr. Chatterton, that there is any difference today in what you are bringing up from what was brought up yesterday. I think the minister answered the questions yesterday in a way that should have satisfied the committee. I do not think this matter should be pursued further.

Mr. AIKEN: It will be pursued and we will pursue it from meeting to meeting, if this is the attitude that is going to be taken. The minister said that after you have looked at this bill you will find it to be just a dandy bill, if I understood her corectly. So what are we sitting here doing?

Mr. GRAY: In support of the first question about the non-partisan approach by Mr. Chatterton and Mr. Aiken—

Mr. AIKEN: It was not non-partisan.

Mr. GRAY: I think it is clear that our committee has a duty imposed upon it by the House of Commons and the Senate, pursuant to our order of reference; and if any member of this committee wishes to move an amendment to the Canada pension plan as part of the report, or if he wants to make any comments, improvements, or changes—even criticisms, he has the right and the duty to do so. I do not believe any member of this committee—and I include Mr. Chatterton and Mr. Aiken—if he has any change to recommend, would lack the courage to do so, and would not just set up a smokescreen. So let us carry out the duties imposed upon us by the house, that should be our guide. The house and the government will deal with the report like any other report. That would be the time to complain about any matters not being taken into account. If any member has some suggestions to make, let him make them rather than to pretend that he is being circumscribed by some illusory limitation which does not exist under the order of reference at all. Then the committee could assess the validity of any such complaint.

Mr. KNOWLES: I would like to say a word or two on this point. I would say, as one of the members of the committee, that it seems to me there is a pretty clear indication given in the answer to Mr. Aiken, and in the program outlined and recommended by the steering committee, namely, that we recommended that apart from hearing a preliminary statement from the minister, our first study would be to go through the bill clause by clause without deciding anything, but being guided by the officers of the various government departments, so that we may get to know what the bill is all about.

Having done this, and having become informed concerning the bill by reading it, and by being taken through it, then the next stage should be that we would hear representations form outside organizations.

Then we would come to the third stage when we would again go through the bill clause by clause, voting on each clause. And it seems to me that at that stage, on the basis of having done all this studying, it is implied that we would be free to propose amendments. I know that I have some which I intend to propose. It seems to me that that is the way to find out whether we are a free committee, and are able to go ahead and exercise that freedom.

Mr. FRANCIS: I have what Mr. Knowles has said in mind. The question was raised last night about a reference of the detailed terms of the Public Service Superannuation Act for inspection by this committee. I am thinking about the time of the committee and the job that has to be done. If we look at a number of extraneous tasks, which are extraneous to the main problem before us, then the work of this committee could go on indefinitely. But our purpose here is to examine a reference to this house of a piece of legislation, and it is proposed that we go through it in three stages; first, to look at it clause by clause, then to hear representations, and examine what is involved; and if I understand the procedure, members of the house are free to propose such amendments as they see fit at that time. I do not see what is to be gained by further prolonging the debate at this stage.

Mr. AIKEN: It is all very well to say that we can bring in amendments. Of course we can. I have sat on committees—not as long as Mr. Knowles has; but, as you know, when you go into a committee meeting, you may be advised by the government that whatever you come up with that is reasonable, they will accept. They may use these words: "You may set up a plan, and you may do the best you can with this bill, and we will accept it". This is the basis on which I have gone into many committees both in this parliament as well as in others, that the government has given us a job and has said: "We are giving you the principle, and you may do what you can with it".

But there are other committees, when you go in you are told that this is government policy and that you may fool around with it a bit if you like, but it will come back the same way as it went in or we will not accept it. It is not a case of technicalities. It is a case of the spirit you are sitting under.

I have received the impression from what the minister said, and what was said yesterday, that we do not have an open committee to deal with these matters and to go ahead with them. It is very simple. The government should be prepared to say: "We will accept whatever you bring back to us. You have a free hand". But the minority does not have any chance whatever on the committee to enforce its will, if there is no open hearted agreement. Therefore, I say it is the spirit of the committee and not technicalities which should count, because the government can vote down every amendment we make.

Mr. MUNRO: I have a point of order. Surely, all these questions were raised yesterday, when the minister indicated quite clearly that any changes that this committee wanted to make as far as the pension plan was concerned would be discussed during the third stage. Actually that aspect of it was determined by the steering committee. And then it would be embodied in the report of the committee which would go to the government. The minister indicated that if changes were amenable to the government, they would take steps to implement them. She said that if it involved discussion with the provinces then there would be discussion with the provinces. Moreover, the minister has said again this morning that this committee is not bound. That has been her statement twice.

Mr. AIKEN: No, she did not say that. She said only that we were free to make amendments.

Mr. MUNRO: If the suggestion is that changes were made in order to conform to the wishes of Quebec, then there is a false impression being left. The minister said that changes had been made in response to various proposals which came from other provinces. But these impressions are false, and I would not like them to stand on the record without rebuttal. Yesterday the Chairman made a ruling that we should proceed in three stages, and no one objected at that time, and we did proceed indeed with the first stage. I think we should now have a ruling from the Chair on whether or not the Chairman's ruling of yesterday is to be set aside, and if we can open up this whole thing again.

Mr. AIKEN: If you want to run this committee on technical points, then go right ahead, but you will get nowhere. That is the point I am trying to make. If you are going to tie us down, you may use your majority power.

Mr. KNOWLES: Is it proper for a member of this committee to threaten us by saying that if we do such and such a thing we are going to get nowhere?

Mr. AIKEN: I would like to say on Mr. Knowle's account that what he has said about getting ahead with this plan does not help anything, whether it is any good or not.

The CHAIRMAN (*Hon. Mrs. Fergusson*): We have appointed a steering committee, and they have made a plan. We are trying to carry out that plan. I think Mr. Knowles has outlined it very well indeed. But if you have no intention to pay attention to what the steering committee is going to do, then there is little use in our having one. I do not think this matter should be pursued any further. Of course, if the minister wishes to say something, then very well. But if not, perhaps we might now move on to another matter.

Mr. AIKEN: I was expecting your ruling. Surely it is not the basis on which witnesses come before us, that they may answer or not as they see fit.

The CHAIRMAN (*Hon. Mrs. Fergusson*): But she has already answered it. I feel that this was adequately answered by the minister yesterday.

Mr. AIKEN: But would she be good enough to answer it this morning?

Miss LAMARSH: If I may, I shall do so. I do not want any member of the committee to feel that there is anything I would not answer. It is true that I did not any anything while the point of order was being discussed, because it was not my place as a witness to do so. But Mr. Aiken said that he received an impression. I do not understand how he received it. I thought I made it clear last night, as I have done today, that this committtee is no different from any committee on which I have sat as a member. It is completely within the power of any individual member.

This is quite separate from one other thing which to Mr. Aiken may be confusing, namely, that the pension plan is not just like any other piece of legislation. It differs in that it is dovetailed, and is almost like a mosaic. I think if any member of the committee wants to bring in amendments, he will have to realize that when you pull out one piece of the bill and replace it with another, it may change the whole shape. But this has absolutely nothing to do with the government's position, or in putting any directives on the committee. I am sorry that Mr. Aiken feels the way he does. I am sure that if I were in his place and felt as he does, I would ask my leader to replace me on the committee.

Mr. AIKEN: Let me say that I will not be replaced, and that I intend to stay here.

Miss LAMARSH: I am not suggesting that Mr. Aiken should be replaced. But I cannot understand how any such impression could be gained from what I said yesterday or today. Any amendment contained in the committee report, be it a majority report, a minority report, or the report of the whole, will be given the most careful consideration. It may have to be discussed with the provinces, and if so, it would most certainly be so discussed, and with my colleagues. But this would be no different from any other bill placed before any committee.

Mr. AIKEN: I shall not pursue it any further at the moment. I do hope that I have made my point.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I would like to make one remark. Mr. Aiken said that the witnesses are not being given an opportunity to answer; that is, that they are not free to answer. When I said that the minister would answer if she saw fit, the reason I said it was that I thought the minister had made an adequate answer to it before. I did not see why she should be called upon this morning to answer the same thing again. I did not mean that the witness might just answer if she felt like it.

Mr. MONTEITH: I am not sure whether the minister mentioned this in her various remarks before the house, but I wondered if there was any thought given to phasing out disability allowances, old age assistance, and so on.

Miss LAMARSH: Well, Madam Chairman, the question raised by Mr. Monteith really goes beyond the scope of the Canada pension plan. What I think he was referring to are some other features which I mentioned, such as the welfare provisions. I think it should be quite clear that with the introduction of disability pensions into the Canada pension plan there would be an impact on the number of people who would otherwise, in the absence of the Canada pension plan, be dependant on a shared cost disability program. We do not know exactly what that impact would be. Obviously it would depend upon when a man or a woman has to declare whether he follows the Canada pension plan or an individual program. As to the matter of phasing out, there is no intention on behalf of the government to repeal its participation in shared programs as a result of the Canada pension plan. I think unless the suggestion is mistaken, it arises really under your Canada pension plan, and your three other pronouncements of the government to converting to a wider, more generous, and less restricted social assistance program on the welfare side, which uses a means test basis, and not a type of disability pension. But these programs are not intended for the Canada pension plan. They are unrelated.

Mr. MONTEITH: There is no doubt so far as the actual impact on these other programs as a result of the Canada pension plan is concerned.

Miss LAMARSH: No.

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

Mr. CANTELON: Yesterday I was left with a very distinct impression by the minister's comment that the government was prepared to adopt a very flexible attitude towards integration of private pension plans with the Canada pension plan, and she mentioned three ways in which they could be integrated. I am very much concerned, particularly with the integration of private pension plans which start with pensions at the age of 60. I suppose this flexibility would extend to the integration of such a plan as well as of those which start at the age of 65.

Miss LAMARSH: I find this is one area in which there is less public understanding than in any other. The federal government does not have anything to do with the integration of private plans. Our only interest in private plans is when we would be acting in the role of an employer; that is, when dealing with the federal civil service. But under the Canada pension plan we are not obliged to integrate any private pension plan. We do not want to have anything to do with them. We will not be giving guidance in the sense that we will instruct or suggest to the private employer, or to a group of employees what they should do.

We have with us Mr. Clark from whom you will be hearing on this matter. We have also made available to some provincial groups information on what the federal government is going to do. It is vital when you are talking about a pension plan, to see how to integrate it with the Canada pension plan. But the responsibility for this is usually initiated by private employers who often hire an actuary, or who deal with a life insurance company which is underwriting their plans.

We have suggested three ways in which the individual pension plan may be associated with the Canada pension plan. In my remarks yesterday I spoke of one possibility which is going to make the plan somewhat richer, and at an earlier age, and thinner at an older age, when the Canada pension plan comes into effect. Therefore, you will have a complete outlook. I am sure this is familiar to members of the committee. I know that concerning my own insurance retirement portfolio, my agent discussed it with me, and stressed that in the last few years, this should be taken into account. As to the rate of the old age pension, when you retire at 60, or 65—they advise you to take more of your retirement benefits at that time than at the age of 70. But it is not a part of the federal government's responsibility to deal with private pension plans.

I noticed in the press and from what I hear from interested sources, such as actuaries who are most interested in this, I am informed that at their meetings in the last few months in particular, they have been discussing different forms of integration. I know a number of major employers have liaison with actuaries to study particular plans with a view to integration. It would be only in the rarest case I think, or in a very small number of cases, that there would be any association with present plans, and this would only be when it was of little benefit to the individuals concerned.

Mr. CHATTERTON: I wonder if the minister would care to comment briefly on the armed forces and on the R.C.M.P. who are going to be excluded. The government has the power under the act to exclude them. But no other private group is in the position of opting out. There may be others; I am not sure. I have not looked into it yet. There may be other groups such as pilots who usually retire at an early age, or athletes, who would have no opportunity to opt out. But I am thinking of the R.C.M.P. and the armed forces.

Miss LAMARSH: May I suggest that opt out is a misnomer; there is no option at all given to the members of the armed forces or the R.C.M.P. They are out.

Mr. CHATTERTON: But the government has taken the option.

Miss LAMARSH: They are not in. There is no option for these people. The reason is the military requires retirement sometimes at the age of 42. My experience has been—and this is the common experience of those who have made this suggestion—that most of the people who leave the armed forces go to work elsewhere. You will appreciate that a man at age 42 who goes out and goes to work will have 20 years in the work force during which he may contribute to the Canada pension plan and his pension would be in addition to the military pension; so also in respect of the R.C.M.P. These are the two large groups, in respect of which the federal government is the employer, which are out.

Individual states deal with this, some in this way and others in different ways; others have a separate pension plan for people of this kind. It is quite true that pilots, for instance, are not in anywhere near the same position; they are not employees of the federal government in toto; they too, I would suggest, likely will go to work and will be contributors. Athletes, certainly, as will pilots, will be contributors all through their working life, whether as athletes, or as pilots, or in some other line of work. An athlete may retire from one endeavour at age 34—I suppose it depends whether he is a judo artist or a hockey player—but almost invariably he will be working again in a year or two in some other line as a self-employed person.

Mr. SCOTT: You have raised a matter of policy about which I would like to raise a point. You seem to suggest that the federal government feels it has no responsibility in the general area of integration. It seems to me, however, that in effect you are forcing integration because of the mandatory provisions of the act which bring all the employees under its jurisdiction. Since in most cases it will not be economically feasible for working people to continue their entire private pension plan, and in addition assume responsibility under the Canada pension plan, by that action you are forcing integration upon these people.

Does the goverment not feel it should assume a great responsibility and perhaps give a little leadership in the matter of integration.

Miss LaMarsh: The question is an interesting one, but it is not a matter of whether we feel the responsibility; it is a matter of jurisdiction. The federal government just cannot operate in this particular field.

I concede that by enacting a national contributory pension plan, which is applicable to most of the labour force, many other pension plans will have to be adjusted or changed—integrated. We are attempting to show the three ways in which pensions may be adjusted, in an effort to indicate what can be done. The way in which we can give leadership is in our approach to our own employees. This is the reason we have spent so much time and study on it, and it is the reason Mr. Clark will be before you subsequently. We hope this will indicate what we would like to see done, but we cannot require it be done because we do not have jurisdiction over it.

Mr. Scott: You say you have no jurisdiction constitutionally, but surely by the very act of passing this legislation you will have intruded into this field and, in effect, will be forcing integration upon all these private plans. Has any thought been given to how you could assume a greater degree of leadership and responsibility for a situation which you, in effect, are creating?

Miss LaMarsh: No; we have not intruded on a contractual basis; there is absolutely nothing to prevent the continuation of private pension plans as they are at the moment.

Hon. Mr. McCutcheon: That is ridiculous.

Miss LaMarsh: I suggest there is nothing to prevent it. The economic feature is what I assume will prevent it, but there is nothing which we will do which in any way will interrupt those plans.

I do not know whether or not this committee will suggest ways in which the committee will give what Mr. Scott considers as leadership in this. Because of the pronouncements which have been made and the indications of what can be done, there is no question but that all employers will do what they did when they set up their own plan; that is, they will hire people who are in the business to look into it. They have been, in many cases, calling in these people and will be calling in these people to discuss the matter.

I suggest, Mr. Scott, because you are a resident of Ontario, that you think back a few years to what happened when the hospitalization scheme came in. I can recall receiving—and I think we all received—letters and circulars from those who underwrote our own private medical and hospitalization schemes to the effect, by virtue of the new Ontario hospital act which was obligatory, that by paying the same premium and continuing on with our private schemes we would receive increased benefits, but we had to have the Ontario scheme first. This integration was accomplished smoothly without any complaints from any source.

Mr. Scott: I am not being unduly critical at this stage, but your comments disturb me, because there is no single matter in connection with the pension plan in respect of which we receive more representations than the very widespread fear of what will happen to the private pension plan.

Although you say you have no responsibility in this, in effect you are making it economically impossible for working people to continue with their private plans, and continue with the Canada pension plan too. It seems to me we are heading into trouble if the attitude of the government is going to be that we have no responsibility in this field.

Miss LaMarsh: I said we have no jurisdiction, which is quite a different matter from responsibility. You want the federal government to intercede between the employer and the employee in their own contractual relationship. As you know, in many ways these private pension plan have been part of a wage packet.

Mr. Scott: Has any consideration been given to trying to achieve such a possibility?

Miss LaMarsh: There are some 7,000 different plans.

Hon. Mr. McCutcheon: Integration is possible if you have a flat rate scheme, if you have fixed dollars; in other words, if your payments have been made under the flat rate scheme wherein there is some certainty of what the pay out and the pay in is going to be in the future, the integration can be accomplished, although with strong unions it might be very, very difficult.

Personally, I am certain that even under those circumstances there would be a substantial additional burden placed on employers which can do only one or two things; that is, narrow their profit margin, or force them to increase prices and thereby make themselves less competitive both in the domestic market and in the export market. However, here you have a scheme where, when wages go up and the cost of living goes up, you bring inflationary escalators into the scheme and you never know what you are going to pay under the scheme 10, 12 or 15 years from now. Under those circumstances, integration is impossible, because the flat rate pension was applied to private schemes, and the government takes the bland attitude that it did nothing.

Your comparison, Miss LaMarsh, with the introduction of the hospitalization plan and its integration with private plans is not an appropriate comparison at all. All these hospital costs are going to be paid for, then you simply subtract that from your other coverage, and the two together give the same coverage that many private individuals had before. That is not the situation under this scheme.

The Chairman (*Hon. Mrs. Fergusson*): The speaker who was to be next on my list is Mr. Munro.

Miss LaMarsh: May I answer the question? I have read your views, Senator. I do not say that integration is impossible. I am sorry you were not here when I was explaining integration in general terms in respect of the superannuation act. This has been worked out with great care. Mr. Clark has been working on the aspect of integration of the plans. It is far fram impossible. I do not say that it is easy to understand, because I do not understand Mr. Clark; I only understand the result, but it is easy for him. He may leave the government and go out as a private consultant and make a fortune; I would hope not, and expect not. However, with great respect, I cannot accept what you say about integration. A great many employers are quite content that integration will be fairly simple.

Hon. Mr. McCutcheon: They are very naive.

Mr. Munro: The minister really has answered my question. I was going to ask her whether she felt when Mr. Clark and the other officials have outlined to the whole committee the terms of integration of the Canada pension plan with the civil service plan, that in effect that formula of integration would in itself indicate some leadership in the integration field. This is in relation to Mr. Scott calling for some leadership by this government. I would think the work which has been done in this regard would be an indicator, at least, of the formula which could be followed elsewhere, which in effect would be supplying that leadership.

Miss LaMarsh: I might also say that Mr. Clark will be able to describe this in more detail than I can. He made a trip for the government through the west at which time he dealt with the provincial representatives who are responsible for administering the plan in the provinces. He also invited Ontario where he had the same type of discussions. As you know, there are a number of different kinds of schemes in which the provincial governments are the employers, in the sense that they pay an employer's portion. On all these occasions in respect of Mr. Clark's discussions, the suggestions which were made were warmly met, and we have not had any indication from any of the provinces to the effect that they consider integration of the plans in which they are the employers impossible.

Hon. Mr. McCUTCHEON: They do not have to come in under the plan.

Miss LAMARSH: They invited Mr. Clark to come and enter into these discussions, and as I say they appeared to be pleased. Certainly anyone who is an employer does not have to come in; that was the whole point in the trip made by Mr. Clark. All I can represent to you is that their reaction was favourable, and that they felt integration was completely possible.

Hon. Mr. LANG: Mr. Chairman, probably I know less about this complicated piece of legislation than does anyone else in this room. Although I find the questioning and the discussion most interesting, I really cannot bring much judgment to bear on it. I would appreciate it very much if the committee could get on to a clause by clause study of this bill. I think after we have done this, the minister might reappear to answer questions and the questions and the answers themselves could be dealt with by all of us in a more enlightened fashion, and with a more thorough grasp of the significance of the various clauses. I would suggest that if possible the committee move on to the clause by clause study of the bill.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think the steering committee considered we would be taking up the clause by clause study right away until after we have heard from some officials from the Department of National Health and Welfare.

The Co-CHAIRMAN (*Mr. Cameron*): I think that is what he means.

Mr. SCOTT: Surely at this stage we are in the position where we can discuss matters of policy with the minister and the attitudes generally concerning the plan. I am sorry Mr. Lang does not understand what we are getting at. However, I still reiterate what I said earlier; that is, I think a pretty unusual attitude has been taken when you are bringing about these basic changes and yet seem to feel no responsibility for carrying them through.

Miss LAMARSH: Again you use the word "responsibility"; no jurisdiction is the situation. I would like to say, Madam Chairman, that I would be happy to come back before this committee any time you choose to call me. Since you are dealing mainly with the Canada pension plan, perhaps after that has been discussed, the question of integration may be raised again, and I would be very happy to appear.

Mr. CANTELON: I was very interested in the comment regarding the financial phase of integration, but there are many other phases of integration which I am afraid are going to be under strong pressures if the attitude is that they must just integrate on their own with the Canada pension plan. Over the years, some of these schemes have worked out certain terms which in many cases are phrased on the age at superannuation. Undoubtedly, with the Canada pension plan coming into effect, these will have to be modified very drastically. They may not have to be modified very drastically, but I would think that would be the case. From what I heard yesterday, I gather that the government is prepared to adopt a very flexible attitude toward these private plans in respect of how they fit in with the federal plan.

Miss LaMarsh: With respect, how could one be more flexible? It is completely liberal. They can do whatever they want. It is not within the Canada pension plan. The Canada pension plan is what the committee is discussing. It is not the role of a witness to ask the committee for suggestions, but certainly if any member of the committee has suggestions on the way in which the federal government can intervene between some 7,000 employers and employees in their personal relationship I would be glad to hear them.

The Chairman (*Hon. Mrs. Fergusson*): I think we should end the discussion on this topic.

Senator McCutcheon has asked to speak. Did you wish to speak on this subject?

Hon. Mr. McCutcheon: I wish to speak on another subject and I do not want to interrupt anyone talking about integration.

Mr. Chatterton: In drafting this plan was consideration or serious study given to the possibility of certain groups of employees that are covered by the private plan to opt out, such as the provincial governments' employees.

Miss LaMarsh: I would be glad to deal with this.

There is no option given to provincial employees to opt out. This is a jurisdictional matter. The constitution does not permit us to deal with provincial employees.

I think what Mr. Chatterton was referring to was something which is normally called contracting out.

Mr. Chatterton: Yes.

Miss LaMarsh: And that is permitted in some jurisdictions.

Contracting out

The department has studied this for some considerable length of time. When I went to Europe last year one of the first things I inquired about, particularly from the United Kingdom where contracting out is permitted, was their opinion of this particular feature. I will be quite frank with you and say that representations were made to me on behalf of insurance companies, and made repeatedly, to permit contracting out.

As I say, I discussed this particular issue with the responsible officials, both elected and appointed. Their unanimous and candid opinion was that it should never be permitted.

I went into the background to find the reasons why it is permitted in the United Kingdom legislation. It happens never to have been a matter of debate at all in the United Kingdom. Both major political parties had promised a pension plan which permitted contracting out from the beginning, to avoid the obvious political difficulties and disturbance of any particular groups.

Officials of my department had been informed of this attitude earlier, and the more we discussed this the more we realized it was contrary to the very nature of a comprehensive scheme.

I would not want the members of the committee to think we did not give very careful consideration to contracting out, whether on a group basis, on an industry-wide basis, as in Sweden, or on an individual company basis as in the United Kingdom.

Hon. Mr. McCutcheon: What are the objections of the people who said it should never be permitted? Both governments, Labour and Conservative, in the United Kingdom have permitted it so why do they say it never should have been allowed?

Miss LaMarsh: Perhaps I might leave this for my deputy who is more familiar with it than I. However, I can say that all major parties in this country have said they believe in a comprehensive plan to apply to as many people as possible in this country. I appreciate that the upper chamber did not have the same opportunity as the lower chamber to discuss this matter. It believes in the same thing. It leaves an opportunity, of course, to pull away should they desire to do so.

Hon. Mr. McCUTCHEON: You talk about having everyone covered and a certain minimum standard. What is the objection?

Miss LAMARSH: I am informed that contracting out does not apply to the supplementary benefits but only to the retirement portion.

Hon. Mr. McCUTCHEON: That is true.

Mr. AIKEN: I would like to ask a question in reference to jurisdiction.

It has been assumed in the statements you have made that the federal government does not have jurisdiction over private plans. I submit it would be most undesirable, but is it not a fact that the constitutional amendment which was put in this year gives the federal government if it so desires complete jurisdiction over all ranges of retirement plans?

I am following up Mr. Scott's question, I know it would not be desirable to move into this field; I am not suggesting it would. However, does the federal government not have jurisdiction if they want to have it?

Miss LAMARSH: I suggest that though we may be graduates of the same law school we differ on this point. Jurisdiction given previously to the provincial government did not move into the private field at all. The provincial government did not hitherto have any jurisdiction over private contractual arrangements; this was given to the federal government only by the constitutional amendment.

Mr. AIKEN: Is it any different from the hospital plan?

Miss LAMARSH: The federal government did not move into private contractual relationships.

Mr. AIKEN: Then I take it your answer to my question is no, the federal government did not acquire any jurisdiction over private plans.

Miss LAMARSH: Yes.

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

Hon. Mr. McCUTCHEON: Yesterday afternoon I asked the minister some questions with regard to what she felt might be the result of opting out by a number of provinces, rather than by one province.

In this connection we must bear in mind that the bill gives each and every province the right to opt out. The bill does not say that this will come into effect when six provinces, having two thirds of the population of Canada or something like that, agree to it. Every province can step out.

As I recall, the minister put the case of four or five provinces opting out. In this case you would be left with four. She indicated that would present some problems if there were a change in the scale of benefits or a change in the contributions, and that it would depend on the provinces.

The minister has said that the net funds available after the payment of expenses, or after a reasonable reserve—I think she said three months—would be made available to the provinces in proportion to their contributions.

On the face of it, that sounds very reasonable. The province that opts out, however, will have its total net funds, the entire fund, available for investment. That is the sum of the contributions plus interest, less expenses and less payout. Why should the other provinces not receive the investment funds on the same basis?

I think it is obvious from what the minister said yesterday that a distribution of the funds, making available the funds on the basis of the contribution, will mean that some provinces will not have as great an investment fund available as if they had operated their own plan and other provinces will have more funds available.

Miss LAMARSH: The senator is suggesting a separate plan for each province.

Hon. Mr. MCCUTCHEON: I am suggesting that you keep books for each province.

Miss LAMARSH: I know that is what is suggested by the senator. When Senator McCutcheon talks about opting out he talks about a province enacting its own legislation. The opting out is for a province to enact similar legislation to the Canada pension plan.

Hon. Mr. MCCUTCHEON: I am not sure that the federal government has the right to put that in.

I am sorry if I was misunderstood. I accept what the minister says.

Miss LAMARSH: Further, I think it is no secret if the members of the committee will think about it, that if an individual province wants to pass its own Canada pension plan it is going to need machinery for collecting such contributions. At the moment only one province has such machinery. That is not an insuperable matter. It is not an insuperable problem for a province to set up its own machinery, of course.

The pension plan is so designed as to be an all-Canada plan, not a plan for British Columbia, for Alberta, for Saskatchewan, for Manitoba, for Ontario and the Atlantic provinces province by province. It is not intended to make it an orange with all these segments just barely held together by the skin. It is one integrated, plan, and it will take the action of a province to segment itself out. It is not the responsibility of the federal government to enact segments, but to enact the whole orange.

Hon. Mr. MCCUTCHEON: Of course, the federal government is not enacting the whole orange now.

Miss LAMARSH: It is within its constitutional limits. We can only act if the provinces do not act.

Hon. Mr. MCCUTCHEON: I think the minister has answered my question up to a point.

If magnetic tapes can keep a record of contributions in provinces, surely they can make a further computation and have an equitable contribution for profits.

Miss LAMARSH: We have that in the bill.

Hon. Mr. MCCUTCHEON: Then that is the answer. We do not agree on everything.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think anyone else asked to put questions to the minister so I will thank her for coming here today.

Miss LAMARSH: Thank you. The last time I was in this particular committee room there was a man by the name of Mr. Coyne in this chair. I would like to say that I feel myself not quite as badly bruised as he may have felt when he left!

However, the task to which members have to address themselves is a difficult one and I know it will be time consuming. Not only for your sakes and for the sake of the two houses of parliament but for the sake of the millions of Canadians who will be affected by what you do and by what you recommend, I would like not only to wish you a good study but a heart felt God speed.

Hon. Mr. MCCUTCHEON: It is understood that the minister will return when we have had an opportunity to hear further evidence and discuss the bill clause by clause?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes.

Is it the wish of the committee that we should continue the meeting now and hear Dr. Willard?

Mr. CHATTERTON: Dr. Willard is probably one of the most important witnesses from the department and it seems to me we should have time to question him immediately after his presentation.

Mr. SCOTT: I think the reverse is true. I would prefer to hear him and take some notes and then have a chance to ask him questions when I have studied my notes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): May we have a show of hands?

Hon. Mr. McCUTCHEON: I suggest that we could hear Dr. Willard now but not start questioning him today.

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

Agreed.

Before we ask Dr. Willard to start his presentation there is one matter we should take up, and that is with regard to the appointment of a vice chairman.

Mr. SCOTT: I nominate Mr. Knowles.

Mr. KNOWLES: I nominate Mr. Francis.

Mr. MONTEITH: I do not think we need a vice chairman; we have two chairmen.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think the reason this was brought up was that in the former committee on pensions there was a vice chairman as well as joint chairmen.

Do you wish to continue your motion?

Mr. SCOTT: Stanley does not want the restriction put upon him so I will withdraw the nomination!

Mr. KNOWLES: You are a very understanding colleague!

I withdraw my nomination for the time being. I do not want to lose Lloyd Francis because I think we should make use of him!

The CHAIRMAN (*Hon. Mrs. Fergusson*): I certainly do not want to lose Lloyd Francis either; he adds a great deal to the committee.

Most of you know Dr. Willard. He is the deputy minister of welfare.

Dr. J. W. WILLARD (*Deputy Minister of Welfare, Department of National Health and Welfare*): Madam Chairman, it is rather difficult to know how to deal with my remarks before the committee. The minister has covered a great deal of the material as far as the bill is concerned and has discussed the details of a number of important sections.

First of all I should mention the officials who will be involved in the hearing and explain why there seems to be a very considerable number of them. I would suggest that in the preparation of this Bill we have had the broadest involvement of government departments and agencies of any legislation considered by parliament for some time. This is a measure of the complex nature of the legislation and an indication of the variety of aspects in which these different departments and agencies were able to be of assistance.

They include, in addition to the Department of National Health and Welfare, the Prime Minister's office, the Department of National Revenue, the Department of Finance, the department of insurance, the office of the Comptroller of the Treasury, the Unemployment Insurance Commission, the Department of Labour, the dominion bureau of statistics and last, but certainly not least, the Department of Justice.

As the committee proceeds with its study of the bill, the way in which these government agencies are concerned with the program will become apparent.

History

The officials at the table, when we get into the clause by clause consideration of the bill will be available to answering any questions. We have with me at the official's table to-day Mr. Tom Kent, who is policy secretary in the Prime Minister's office; Mr. Thorson, assistant deputy minister of justice; and Mr. Sheppard, assistant deputy minister of national revenue.

I thought I should say one or two words as a connecting link with the work of the joint committee of the House and Senate of 1950 to which I was the research adviser. Canada has followed a number of different approaches to old age income security in the past, and it is rather interesting to look over the parliamentary record.

Early references in the debates as to what should be done with regard to income maintenance for older people began to appear after the turn of the century. There was considerable discussion in Parliament in the years 1906 and 1907, and the question then was whether some formal government program should be undertaken. New Zealand had adopted a means test type of old age assistance; Denmark had done the same. A number of European countries had legislation. After consideration of the matter parliament decided to follow a voluntary approach, and in 1908 the government annuities program was brought into operation.

The next occasion when the matter received very considerable debate and discussion was in the mid-twenties. In 1924 and 1925 there was a parliamentary committee which made certain recommendations suggesting the adoption of a social assistance approach. Following this development Canada adopted in 1927 the Old Age Pensions Act, which was patterned on the legislation in a number of other countries. I have mentioned Denmark; it took this approach in legislation in 1892. New Zealand introduced similar legislation in 1898, followed by the United Kingdom and Australia in 1908.

Canada took this basic social assistance approach and adapted it to a federal-provincial structure suitable for a federal state. These other countries, except for Austrlia, were, of course, unitary states. Canada took the basic elements of this type of assistance program which had a means test, a residence requirement, a citizenship requirement at that stage, and even an eligibility requirement that the recipient must be of moral character. The first pension was for $20 a month. It was payable on the basis of a test of means which meant that information on income, property and other assets had to be provided to determine whether or not the recipient would be eligible for the benefit. This means test program, payable to persons 70 years of age and over, as we know, was carried on from 1927 up to the time the recommendation of the 1950 Parliamentary Committee was implemented.

When the universal flat rate benefit payable at age 70 was brought in, a new old age assistance program was introduced for those in the age group of 65 to 69. We now have 105,000 recipients under this old age assistance legislation. They represent 21 per cent of the people in the age group of 65 to 69. The total federal-provincial expenditure is about $90 million for this fiscal year.

In 1957 there was another important step in the development of the social assistance approach. The threshold under the Unemployment Assistance Act was removed and this action converted the Unemployment Assistance Act into a public assistance program or a general assistance program. As time went on, federal sharing of the cost of supplementation of recipients of the old age security and the old age assistance began to take place under the unemployment assistance legislation.

At the present time, therefore, we have provision through the Unemployment Assistance Act for sharing half the cost with the provinces of supplementation for any person in need who is in receipt of old age security or of old age assistance. About 18.6 per cent of the recipients of old age assistance and about 4.8 per cent of the recipients of old age security are receiving such supplementation. It is up to the provinces, of course, whether or not they give such supplementation. In those provinces in which the general assistance program is operated through the municipalities, the decision rests with the local municipality. Costs of supplementation under this assistance program are running at an estimated $11.5 million for this fiscal year.

The major recommendation of the 1950 committee was the universal flat rate pension. This represented a very important new approach and change in emphasis with regard to income security for the aged in Canada. We had adopted, as I have mentioned, a voluntary approach back in 1908 and a social assistance approach on a means test basis in 1927 with a needs test type of supplementation after 1957.

ts The number of beneficiaries under the old age security program at the present time, is nearing the one million mark and will pass that number next year. Expenditures in the current fiscal year are of the order of $882 million. The minister mentioned that it will be $906 million in the next fiscal year.

For the current fiscal year the total federal-provincial expenditure for old age income security is $983.5 million. Of this the federal share is 94.8 per cent. It is apparent that at this stage the universal flat rate benefit is the dominant measure in the provision of old age income security.

The bill before us suggests a new approach. It does two things. First, it introduces an earnings-related type of old age pension and, second, it adjusts the flat rate pension so that the two programs form an integrated system.

This means that a double deck program is suggested with a flat rate portion plus an earnings related portion. This approach has been developed in a number of countries over the past few years.

In the United States, under their old age survivors and disability insurance program, they have incorporated a minimum pension as part of the benefit provision, so that anybody who qualifies, regardless of his previous earnings record, will receive $40 as a minimum pension.

In the United Kingdom, where over the years they had developed a system of flat rate benefits, they introduced in 1959 a contributory scheme with graduated benefits which are in addition to their old age flat rate benefits. This program came into operation in 1961.

The other day I had an opportunity to attend a luncheon at which Pofessor Titmus from the United Kingdom was the speaker. He was here for meetings at the Canadian welfare Council. He indicated that in his view, the United Kingdom was moving away from what he called a "flat rateism", and that they were at the stage where they were seriously considering graduated benefits, not only in the case of retirement pensions but also in connection with their many other benefits which are on a flat rate basis.

Sweden had flat rate pensions, and those of you who were present at the committee in 1950 will recall that a great deal of attention was focused on the Swedish scheme and the fact that they for many years had a flat rate pension system. However, in 1959 Sweden added supplementary graduated pensions for all employees and self-employed persons earning $800 a year or more.

If I may turn now to question of survivors and disability benefits. Canada has had a variety of assistance programs. The earliest and main intervention in this field was by provinces which began following world war I with the introduction of mothers' allowances programs. They have provided a great deal of income security for widows with dependent children. At the present time about 45,000 families with 116,000 children receive such assistance, and the cost is about $50.6 million.

Mr. CHATTERTON: That is to the federal government?

Mr. WILLARD: No, to the provinces, These are all provincial programs for the payment of mothers' allowances. This is quite apart from any assistance which may be provided to these same families, as well as to other families through federal family allowances and other federal-provincial assistance programs, such as the programs of allowances for the blind and disability.

Allowances for the blind were introduced in 1937, and the minimum age of eligibility was progressively reduced from 40 to the age of 18 at the present time. There are about 8,600 recipients. The federal-provincial expenditure runs about $7.5 million.

Three provinces Alberta, Ontario, and Newfoundland had disability allowance program schemes before the federal government entered the field in 1954. All the provinces participate in the existing federal-provincial program, and their combined expenditure runs in the order of $45.6 million. In addition, of course, assistance is being provided by the federal government to widows and to disabled persons through the Unemployment Assistance Act.

Some provinces, such as Ontario and Quebec, have legislation providing for assistance to widows. The federal government shares the cost of this assistance through the Unemployment Assistance Act.

The same is true of disabled persons who are unable to meet the test of being permanently and totally disabled, but who, because of their disability, are unemployable and in need, or are unemployed and in need. They may receive assistance through the provincial general assistance program and the federal government shares the cost.

There are two other schemes which are very important to widows and disabled persons. They are the provincial programs for workmen's compensation, and the federal veterans' pension legislation. They provide benefits for the disabled and for survivors arising from work-cennected injury or death in the case of workmen's compensation, and from war-connected injury or death in the case of war pensions. In addition, there is the federal assistance program of war veterans' allowances.

Disability of survivors benefits are an important part of this Bill. The approach followed in this case and in many countries and is to make these benefits and integral part of the basic pension program. This has been the method followed in the United States, and indeed it has become a common approach in many countries.

In the United Kingdom, flat rate benefits have been part of the over-all national system of national insurance and have included survivors and disability benefits. In the United States these benefits are part of the old age, survivors' and disability insurance program. In the bill which the Committee has before it, the proposal is for a flat rate component, plus a variable component representing a percentage of the retirement pension.

Mr. Monteith asked about the effect of the bill on these various assistance programs. We have discussed this matter at several federal-provincial conferences; one was held a year ago September and another last May, at which the welfare ministers were present. There was a federal-provincial conference of Deputy Ministers of Welfare dealing with assistance matters February last and it has been discussed by officials in the interim.

The introduction of the Canada pension plan will have some effect on these several assistance programs. Let us look at old age assistance first. The reduction of the age limit and the provision for adjusted benefits under the old age security legislation means that people who take the reduced benefit earlier will, if they are in need, have at least that income, and this will have to be taken into account in relation to old age assistance. This change will take place gradually, so there is no large and imminent impact. However, this is a matter which will have to be worked out with the provinces.

In the case of disability allowances and blind person's allowance's programs, there are certain eligibility periods which are required with respect to comparable benefits under the Canada Pension Plan. Because of this the situation is not a matter which has to be worked out this year or even next year. However, it is one in which the federal and provincial governments will work towards a mutually satisfactory solution.

Closed related to this question is the fact that the provinces have certain views with regard to assistance generally and the Unemployment Assistance Act in particular. Accordingly it is not just a case of discussing these three categorical programs, as they are called; that is, the old age assistance, the blind and disabled allowances programs. It is also a matter of working out a new and over-all approach to social assistance or public assistance in Canada. The provinces in some cases are interested in approaching the matter through a test of need rather than a test of means, and the questions which have to be faced also relate to this general question.

The long run effects, of course, are that we would hope and expect that the impact of the old age, survivor's and disability insurance program would be to reduce the assistance load. Surely this is one of the basic objectives. As the age reduced benefit becomes available, as the years go along in the transition period, and as larger amounts are available under the earnings related portion, the area for assistance will decline.

This has been the experience in the United States and I am sure it would occur here. At the time the joint parliamentary committee of 1950 was discussing this matter there were some questions whether old age assistance would decline in relation to O.A.S.I. in the United States. Dr. Davidson gave some testimony at that time which indicated that in spite of the period of time that O.A.S.I. had been in operation, the assistance loads were still considerable. In 1949, for instance, O.A.S.I. was paying out $495 million in benefits while old age assistance program was paying about $1.3 billion. At one time—I think that was in 1951, they were paying out about $1.4 billion under the insurance program, and also about $1.4 billion under the assistance program. More recent figures for the fiscal year 1962-63 show O.A.S.I. benefits to be about $12.1 billion, while old age assistance is paying out about $2.2 billion, which represents about 18.5 per cent of the amount being paid out in O.A.S.I. Relatively the positions have changed considerably since 1949. While taking into account the rises in the cost of living standards of living and so on, which are reflected in the increase in the absolute amount of assistance being provided, the relative load that that program carries in terms of income security in the United States has been greatly reduced.

One would expect, too, that over the long run the survivors' benefits available under the Canada Pension Plan would reduce some of the burden under the provincial mothers allowance programs. Similarly, that in the future, the new cases of disability including blindness would have an impact on the caseload under the disability and blindness allowances programs.

Before we get into a clause by clause review of the bill, Madam Chairman, I might just make a few general comments. Mr. Thorson, the draftsman of the bill for the assistance of Parliament has included opposite pages 1 and 2, an explatory note outlining the arragement of the bill. It might be helpful just to take a look at it for a moment.

Following the interpretation sections there are two sections dealing with the application and operation of the act. This covers the situation where a province on or before 30 days after Royal Assent, signifies its intention to establish a comparable plan. It also deals with the situation in the future where a province might wish to take such action. It makes provision for the federal government to enter into an agreement with any province providing a comparable plan under which employees of the federal government and federal crown companies and any other people who may be under federal jurisdiction will come under a provincial plan.

Part I deals with contributions and you will notice that in division A the main coverage provisions are considered in section 6 and 7 under pensionable employment. The approach has been to make pensionable employment all-inclusive and then to provide for certain types of excepted employment.

The minister has mentioned most of these and has pointed out that legal and administrative considerations were the determining factors in the exclusions. Provision is made for the extension of coverage, by means of agreements, with groups such as provincial legislators, provincial civil servants, and employees of foreign government.

Sections 8 to 10 deal with contributions by employees and employers in respect of pensionable earnings and by persons in respect of self-employed earnings. It is in this part that we have a reference to the 1.8 per cent rate each for employees and employers, and the 3.6 per cent rate for self-employed earnings over and above the basic exemption.

The employer is responsible for deducting the employee's contribution and submitting it along with the employer's contribution. This is the same principle that is followed under Unemployment Insurance and in other social insurance systems. The self-employed person will make his payment at the time his income tax return is filed. The minister mentioned that in the case of those who will not be filing an annual return, a simplified form will be available.

A choice had to be made of the most suitable machinery for contributions for this type of program. Careful study was made of the alternatives to create new machinery or use the existing administrative machinery of the Unemployment Insurance Commission or the Department of National Revenue. Having consideration for the broad coverage under this program, and for the fact that self-employed persons are covered it was considered more suitable to extend the administrative operations of national revenue department to deal with this part of the program. Both in the United States and in the United Kingdom national revenue carries out this task.

It is in division B, of Part I, dealing with the calculation of contributions, it is indicated that contributory earning do not relate to income received before the age of 18, during a period of disability, or after the person reaches 70, or dies, or the pension becomes payable.

There is also reference in this part of the Bill to the year's maximum pensionable earnings, and to the provision that in 1966-1967 it would be $5,000; and that for the years 1968 to 1975, inclusive, it would be adjusted by the pension index. The "pension index" refers to the index used to make the cost of living adjustment. And from 1976 on, maximum pensionable earnings would be adjusted according to the eight year moving average of the earnings index; the earnings index will be obtained from the actual earnings of the people covered under the plan.

This is also where we find reference to the year's basic exemption, $600 initially. In order to provide for its adjustment when the ceiling goes up it is tied to the maximum pensionable earnings by being 12 per cent of that ceiling; however, any change must be in multiples of $100.

The effect of the exemption has been mentioned and it is quite important. On earned income of $1,000, for instance, the contributory income is $400. The amount of the graduated contribution rate in relation to that income is only 0.72 per cent. On $3,000 earned income the rate is 1.44 per cent; and on $5,000 earned income it is 1.58 per cent.

One question often raised in correspondence received by the Department is: "On what type of income does a person pay his contribution"? It is important to recognize in answer to this question that the words an "earnings related program" are very meaningful. No contribution is paid on investment income or pension income and non-employed people or people who do not receive a remuneration for their employment do not make a contribution. Provision of course, is made for the widow of the contributor and the survivors of the contributor. This is one point which it may be helpful to keep in mind.

Mr. AIKEN: Is there definition of earnings in the bill?

Mr. WILLARD: Yes, we will cover that as we go through the Bill clause by clause.

Mr. AIKEN: Thank you.

Mr. WILLARD: The payment of contributions will be integrated so that, while there would be federal legislation and provincial legislation providing comparable contribution rates, employees, employers and the self-employed persons have to deal with only one administrative agency even though the contributor may be a dual contributor under the federal and provincial legislation in one year or over his working life.

The pension index and the earnings index are provided for in sections 20 and 21 of the bill, and their application is covered in other sections of the bill.

Divisions C, D and E of Part I deal with the collection of contributions and some questions related to these matters such as overpayment and offences. You will note that the collection aspects have been worked out so that they complement provisions already available in the Income Tax Act.

Part II deals with pensions and supplementary benefits. Section 43 gives some additional definitions pertinent to this part. Division A deals with benefits payable. These various types of benefits are listed at this point. At the beginning of division A, the minimum qualifying periods for disability benefits and other supplementary benefits are set out.

Division B goes into the question of how benefits are calculated. It provides for annual adjustment of the basic amount or flat rate component using the pension index. Then the retirement pension and other benefits related to that pension are dealt with at some length. You will note that the supplementary benefits for the most part are geared to retirement benefits. This is not so in the case of the orphans' benefit, but even in this case the ceiling for the benefit is related to the ceiling which applies generally, and for the retirement pension in particular.

As has been mentioned by the minister, the retirement pension is 25 per cent of the average monthly pensionable earnings. These average monthly pensionable earnings are to be updated as time goes on. The upward adjustment of the year's maximum pensionable earnings is provided for in section 17. In the calculation of the pension the monthly pensionable earnings will be revalued by the ratio of the average maximum pensions earnings—or earnings ceillings—for the three years ending with the year of retirement to the ceiling in the year the earnings were paid.

During the first 10 years, total pensionable earnings are divided by 120. After the first 10 years they are divided by the total number of months the person could have been covered. The 10 years transitional period mentioned in section 47 enables the full benefits to be reached gradually over a 10 year period. There will be considerable discussion of this particular provision which enables the full level of benefit to be reached on a gradual basis over a ten year period. Obviously, a very short transitional period would produce a situation where some older people would be substantially better off than others. There will be a wide range of views about the most appropriate length of transitional period.

Drop-out features have been mentioned. Of course they come into operation after the 10 year transitional period. There are two types. One is the 10 per cent provision designed to try to provide for unemployment, for illness, and other circumstances making for low earnings or no earnings. These unfavourable years, or months can be deleted from the contributors record of earnings up to 10 per cent of his contributory period. In this way a greater measure of protection is provided for those who have had the misfortune of illness, or have had periods of unemployment.

Another type of drop-out provision is available for the 65 to 69 age group. If they are years of higher earnings during this period they may be used to replace earlier years of lower earnings.

The earnings test is set out in section 69. I should mention that the earnings test does not apply to old age security benefits; in any attempt to assess the impact of that test one has to take into account that $51 a month or a higher amount is available to persons under old age security with no application of the earnings test to it. It might be noted in passing that the earnings test has been incorporated in the United States and United Kingdom programs.

I shall not mention the various supplementary benefits now because the minister has dealt with them individually. They are described in this part. These benefits include the flat rate component of $25 adjusted to the pension index, and the earnings related component usually expressed as a percentage of retirement benefits. Pensions in pay consisting both of the flat rate and earnings related components are adjusted according to the pensions index. Throughout the Bill the integration of administrative machinery with any comparable provincial plan is provided for. This applies both to matters such as the payment of benefits in Part II, and the question of contributions in Part I. Also there is provision for integration with regard to appeals. It was considered important that the rights of contributors and beneficiaries should be protected so that they would have an inexpensive and readily available type of review of any situation which they might feel to be unsatisfactory. It also was considered important that we have an ultimate court of appeal which could be integrated with appeals under any comparable provincial plan.

Part III, administration, is where we find the financial provisions concerning the appropriate government accounts for the receipt of contributions, the payments of benefits, and how funds over and above the "operating balance" which are in the Investment Account will be available for investment. There is a section on future amendments of substance to the act. There are general administrative provisions including the question of records and also the use of information. Finally, there are certain other provisions such as the question of reciprocal agreements with other countries, to which the minister referred, the provision of future reports by the actuaries to parliament in the case of changes, and also on a periodic basis; the establishment of an advisory committee to advise the minister, and, of course, the normal reporting to parliament through the annual report.

Part IV, amendments to Old Age Security Act, deals with the benefits which will become available at an earlier age, commencing in 1966. The age reduced benefits are based on the month of retirement between age 65 and 69, and the adjustment is on the basis of 40 cents a month for each month of delayed retirement. There is provision for backdating of an application for one year, which is a matter to which the minister has referred, and also to which Mr. Monteith referred in his comments in the House. Both Mr. Monteith and Miss LaMarsh are aware that there are a number of cases the department has received over the years where individuals have lost benefit because, in many cases, through no fault of their own, their applications came in at a late date. A comparable provision has also been provided in the

Canada pension plan, or the part of the legislation dealing with the earnings-related pension after age 70.

The use of the pension index for old age security has been incorporated in this section. All I wish to add at this stage is that it parallels the provision that is made with regard to earnings related to pensions.

Now, Madam Chairman, that has been a rather hurried tour through the bill, but I thought it might be helpful to review this outline showing the arrangement of the bill which Mr. Thorson has provided for us prior to the clause by clause discussion. Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much.

Mr. CHATTERTON: Madam Chairman, to help the members of the committee, may I ask whether Dr. Willard might prepare for us a brief statement of the existing programs and how they work vis-à-vis the provinces and the federal government. Otherwise, I would have to spend, as I believe would other members, a good deal of time doing research.

Mr. WILLARD: I would think the research adviser, Mr. Osborne, could take that on as a project.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes. I was going to suggest that.

Mr. CHATTERTON: Will that be done?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes. Thank you, Dr. Willard. You will be with us on Tuesday. I am sure we have a much better insight into this matter than we had previously.

Hon. Mr. SMITH (*Queens-Shelburne*): How long do you suppose it will be before we can obtain the printed report of the Minutes of Proceedings and Evidence of this committee?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Smith, it is hoped we will be able to obtain these within three days and perhaps two. We will make a special effort to have them.

The committee is adjourned until Tuesday morning at ten o'clock.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

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.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

TUESDAY, DECEMBER 1, 1964

WITNESSES:

Dr. Joseph Willard, Deputy Minister of Welfare and Messrs. D. Thorson, Assistant Deputy Minister of Justice, D. Sheppard, Assistant Deputy Minister of National Revenue, Tom Kent, Policy Secretary, Prime Minister's Office.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

MEMBERS OF THE COMMITTEE FOR THE SENATE

Honourable Senator Muriel McQ. Fergusson, *Chairman,*

and Honourable Senators:

Blois
Boucher
Croll
Denis
Flynn
Lang
Lefrançois
McCutcheon
Smith (*Queens-Shelburne*)
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
Cameron (*High Park*)
Cantelon
Cashin
Chatterton
Côté (*Longueuil*)
Francis
Gray
Gundlock
Klein
Knowles
Laverdière
Lloyd
Macaluso
McCutcheon
Monteith
Moreau
[1]Olson
Paul
Perron
Rhéaume
Scott

Maxime Guitard,
Clerk of the Special Joint Committee.

(Quorum 12)

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[1] Mr. Marcoux replaced Mr. Olson, on November 30, 1964.

ORDER OF REFERENCE

MONDAY, November 30, 1964

Ordered,—That the name of Mr. Marcoux be substituted for that of Mr. Olson on the Joint Committee on the Canada Pension Plan.

Attest.

LÉON-J. RAYMOND,
Clerk of the House.

MINUTES OF PROCEEDINGS

TUESDAY, December 1, 1964

(4)

The Special Joint Committee of the Senate and of the House of Commons on Canada Pension Plan met at 9:40 o'clock a.m. this day. The Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Senators Croll, Denis, Fergusson, Lang, McCutcheon, Smith (*Queens-Shelburne*), Stambaugh (7).

Representing the House of Commons: Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Chatterton, Côté (*Longueuil*), Francis, Gray, Gundlock, Knowles, Laverdière, Lloyd, Macaluso, Monteith, Moreau, Munro, Rhéaume, Scott (18).

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare.

The Committee resumed its consideration of Bill C-136.

Questioning of the witness, Dr. Joseph Willard, was resumed.

On motion of Mr. Chatterton, seconded by Mr. Basford,

Resolved,—That the brief intituled "Selected Income Maintenance Programs in Canada" be published as an appendix to today's Minutes of Proceedings and Evidence. (*See Appendix "A".*)

Mr. Moreau moved, seconded by Mr. Basford,

That the question of cancelling this afternoon's sitting be referred to the Steering Subcommittee on Agenda and Procedure for consideration and report.

And the question being put on the said motion, it was resolved, by a show of hands, in the affirmative: yeas, 13; nays, 2.

The examination of the witness continuing.

At 11:50 o'clock a.m. the Committee adjourned to the call of the Chair.

AFTERNOON SITTING

(5)

The Special Joint Committee of the Senate and of the House of Commons on Canada Pension Plan reconvened at 3:42 o'clock this afternoon. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Present:

Representing the Senate: Senators Croll, Fergusson, Lang, Lefrançois, McCutcheon, Smith (*Queens-Shelburne*), Stambaugh (7).

Representing the House of Commons: Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Chatterton, Côté (*Longueuil*), Francis, Gray, Knowles, Laverdière, Marcoux, Monteith, Moreau, Munro, Rhéaume, Scott (16).

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare; and Messrs. D. Thorson, Assistant Deputy Minister of Justice; D. Sheppard, Assistant Deputy Minister of National Revenue; Tom Kent, Policy Secretary, Prime Minister's Office.

The Committee resumed consideration of Bill C-136.

The Joint Chairman invited the Clerk of the Committee to read the second Report of the Steering Subcommittee on Agenda and Procedure:

"STEERING SUBCOMMITTEE ON AGENDA AND PROCEDURE

SECOND REPORT

TUESDAY, December 1, 1964.

The Steering Subcommittee on Agenda and Procedure of the Special Joint Committee on Canada Pension Plan met at 11:50 o'clock a m. this day. The Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Present:

From the Senate: Senators Croll, Fergusson, McCutcheon (3).

From the House of Commons: Messrs. Chatterton, Cameron (*High Park*), Côté (*Longueuil*), Francis, Knowles, Monteith, Munro (7).

Your Committee agreed to the following decisions and recommends:

1. That this Special Joint Committee do sit this afternoon, as well as on Wednesday afternoon, but not on Wednesday morning, December 2, 1964.
2. That all individuals expressing, in writing, their desire to submit briefs and be heard, be acknowledged receipt of their letter and advised that this Committee is most desirous of receiving briefs before December 31, 1964; and that their request to appear and the date of their appearance before the Committee will be considered by the Steering Subcommittee.
3. That the Clerk of the Committee be instructed to write to the Federal Teachers' Association in connection with a letter received from Miss Nora Hodgins, Secretary-Treasurer of the Ontario Teachers' Federation, expressing the desire of her association either to submit a brief or be heard by this Committee. Miss Hodgins should also be informed that such a letter is being sent to the Federal Teachers' Association.
4. That any member of this Committee who wishes to submit the names of prospective witnesses, do so by writing to the Clerk of the Committee who in turn will take the matter up to the Steering Subcommittee on Agenda and Procedure for consideration.

At 12:15 o'clock p.m. the Subcommittee adjourned.

Respectfully submitted,

(s) A. J. P. Cameron
Joint Chairman"

On motion of Senator Croll, seconded by Mr. Côté (*Longueuil*),

Resolved,—That the Second Report of the Steering Subcommittee on Agenda and Procedure be adopted as read.

Then on motion of Mr. Chatterton, seconded by Mr. Côté (*Longueuil*),

Resolved,—That the question of the length of this Committee's sittings be referred to the Steering Subcommittee on Agenda and Procedure for consideration and report.

On motion of Mr. Moreau, seconded by Mr. Chatterton,

Resolved,—That a memorandum intituled "Automatic Cost-of-Living adjustment of Pensions in Foreign Countries" be published as an appendix to this afternoon's Minutes of Proceedings and Evidence. (*See Appendix "B"*).

The Committee having completed its questioning of Dr. Joseph Willard, began examining the other witnesses.

And the examination of the witnesses continuing, at 5:20 o'clock p.m., on motion of Senator Croll, seconded by Mr. Marcoux, the Committee adjourned until 3:45 o'clock p.m. on Wednesday, December 2, 1964.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

TUESDAY, December 1, 1964.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, we have a quorum well represented by both houses. I will call the meeting to order. I have no announcement to make at the beginning of our meeting.

As you know, Dr. Willard had completed his preliminary statement but had not had an opportunity to answer any questions which members might wish to ask. I think he now is available for that purpose.

Mr. CHATTERTON: At the last meeting I believe we were assured we would have the Minutes of Proceedings and Evidence in time for today's meeting. These have not been received.

The CHAIRMAN (*Mr. Cameron*): They are not here yet.

Mr. CHATTERTON: At the last meeting we were assured the Minutes of Procedings and Evidence would be available in two or three days, and that the Minutes of Procedings and Evidence of the last meeting would be available for the succeeding meeting.

The CHAIRMAN (*Mr. Cameron*): We have been given an order for priority so far as the printing is concerned, which I think means the Minutes of Proceedings and Evidence will be about two days behind our meetings. The French translation will take slightly longer. The clerk informs me these minutes will be here very shortly.

Hon. Mr. MCCUTCHEON: Mr. Chairman, there are a number of questions I would like to ask Dr. Willard so that the answers will be on the record. The minister and Dr. Willard have described in general terms the benefits that will accrue in due course under the plan, and also have indicated the persons who will be covered. I would like to deal with each type of benefit. I turn first to what I will call the old age pension benefit. I am ignoring the built-in cost of living factor in the present flat rate pension, something which I hope will never come about because I do not look forward with anticipation to creeping inflation. Regardless of that, will any person aged 70 or over benefit from this plan?

Dr. J. W. WILLARD (*Deputy Minister of Welfare, Department of National Health and Welfare*): Any person aged 70 and over?

Hon. Mr. MCCUTCHEON: Aged 70 or over as of today.

Dr. WILLARD: The plan itself is designed to provide a contributory scheme for the future. Obviously, you have to have some contributions into the scheme before benefits are payable.

Hon. Mr. MCCUTCHEON: I understand that. So, the answer is no.

Dr. WILLARD: That would be correct.

Hon. Mr. MCCUTCHEON: Would any person aged 69 or over benefit?

Dr. WILLARD: No.

Hon. Mr. MCCUTCHEON: Would any person aged 68 or over benefit?

Dr. WILLARD: Yes; it would be possible.

Hon. Mr. MCCUTCHEON: To what extent?

Dr. WILLARD: Such a person could have contributed for one year after the time the scheme gets into operation.

Hon. Mr. McCutcheon: If he is age 68 now, he would be 70 some time in 1966. Would he benefit?

Dr. Willard: Yes. He could have contributed in 1966.

Hon. Mr. McCutcheon: For part of a year.

Dr. Willard: Yes, provided his earnings are over the minimum he would receive one tenth of the full benefit on the basis of that contribution.

Hon. Mr. McCutcheon: Would any person who has retired from the labour force, or who will retire from the labour force prior to the first of January, 1966, benefit from this plan?

Dr. Willard: Are you assuming he remains retired or stays retired continuously?

Hon. Mr. McCutcheon: I am assuming he is retired at age 65 on a very generous private pension plan and is not on the labour force.

Dr. Willard: No. This is an earnings related plan and unless he comes back into the labour market and has earnings in covered employment or is a self-employed person, he would not be covered by the plan.

Hon. Mr. McCutcheon: Will persons who are widows or who are widowed prior to January 1, 1966, benefit from this plan?

Dr. Willard: Prior to January, 1966?

Hon. Mr. McCutcheon: Yes.

Dr. Willard: There would not be an opportunity to contribute prior to that time.

Hon. Mr. McCutcheon: Dr. Willard, I want to put this on the record and perhaps I could do it much quicker if you would say yes or no. The answer is no.

Mr. Basford: The witness should be allowed to answer the question without being interrupted.

Dr. Willard: There really are two answers to that question.

Hon. Mr. McCutcheon: Let us have both.

Dr. Willard: It is no, if she remains out of the employment market; but there are many widows who will come back into the employment market.

Hon. Mr. McCutcheon: I am talking about purely the widow's pension.

Dr. Willard: It is yes, in a case where she remarries or in a case where she goes back into the employment market and earns a benefit in her own right, so you have perhaps three situations.

Hon. Mr. McCutcheon: Let us take the case of a woman who is married today, and we will limit discussion to the benefits she might obtain upon losing her present husband; we will not worry about her future husbands. How long must her husband live before she will obtain any benefit? We will assume he is in covered employment.

Dr. Willard: He must have contributed for three years. Provided in the third year he had a month's contribution, which would mean earnings over the $50 basic exemption calculated on a monthly basis, it would be possible for the widow to be qualified after the husband had contributed for two years and one month. If the husband then died, she would be entitled to a widow's benefit.

Hon. Mr. McCutcheon: So, the widow's benefit will be first paid to persons who become widows in, let us say, February, 1968.

Dr. Willard: Yes; that would be the earliest.

Hon. Mr. McCutcheon: Persons who are widowed prior to that or who presently are widows have no immediate benefit.

Dr. Willard: That is right.

Hon. Mr. McCUTCHEON: Let me turn to the benefit for orphans. Again I am not speaking about the subsequent entering into the labour force 50 years from now and getting a pension. Today's orphans obtain no benefit under the plan.

Dr. WILLARD: No; they would have to be covered by mothers' allowances as some are now.

Hon. Mr. McCUTCHEON: But under this plan there is no benefit.

Dr. WILLARD: That is right.

Hon. Mr. McCUTCHEON: And I take it their situation is the same as the widow; it is only persons who become orphans subsequent to January, 1968, who benefit.

Dr. WILLARD: That is right.

Hon. Mr. McCUTCHEON: Persons who presently are disabled obtain no additional benefits under this plan.

Dr. WILLARD: That is right.

Hon. Mr. McCUTCHEON: At what stage will disability benefits be paid under this plan to any individual?

Dr. WILLARD: February, 1970. There is a five year eligibility requirement. Where it is three years in the case of widows and orphans, it is five years in the case of the disabled.

Hon. Mr. McCUTCHEON: A person disabled prior to 1970 obtains no benefit under this plan.

Dr. WILLARD: That is correct.

Hon. Mr. McCUTCHEON: If you take a person who will be 60 on the first of January, 1966, and who is in covered employment, and who has a covered income of $5,000 a year, what will be the total contributions he will make, assuming he lives for ten years?

Dr. WILLARD: If he contributes from age 60 to age 70?

Hon. Mr. McCUTCHEON: Right.

Dr. WILLARD: About $792, I believe.

Hon. Mr. McCUTCHEON: Something of that order. I think it is a little less, but it would be something of that order. What pension does he receive?

Dr. WILLARD: Well, he would receive $104 a month for as long as he lives commencing at age 70.

Hon. Mr. McCUTCHEON: Would you tell me what that is worth on an actuarial basis? He has contributed $792; what is that pension worth?

Dr. WILLARD: I do not have those figures here, but I will obtain them for you.

Hon. Mr. McCUTCHEON: In advance of getting those figures, would you agree with me that this is the man who receives the greatest benefit from this operation?

Dr. WILLARD: That is correct. In a system which provides for a transitional period, it tries to get to full benefits in that period.

Hon. Mr. McCUTCHEON: I will correct myself. I think the man who is aged 55 and who retires at age 65 probably receives the greatest benefit.

Dr. WILLARD: Let us put it this way; the people in the older age groups will benefit more than people in the younger age groups because the pension system tries to get to full benefits over a period of ten years.

Hon. Mr. McCUTCHEON: Could you let me have the value of the pension of $104, and whatever number of cents it is a month at both age 65 and age 70.

Dr. WILLARD: Yes; we can obtain that information for you.

This discourse is the crux

Hon. Mr. McCUTCHEON: I take it your last answer means that the children are paying for their parents.

Dr. WILLARD: Not necessarily.

Hon. Mr. McCUTCHEON: Or paying for somebody else's parents.

Dr. WILLARD: The employers' contribution—

The CHAIRMAN (*Mr. Cameron*): I think our intention is to hold an inquiry and not to carry on exactly a cross-examination. I do not think this is the proper way to frame the question.

Dr. WILLARD: The employers' contribution is considered one of the elements in a social insurance system such as this which provides for cross-subsidies, and which finances the provision of full benefits at an earlier age under the ten year transition period. Most social insurance programs provide for cross-subsidies. In some instances late entrants are blanketed in when coverage under the system is extended.

Hon. Mr. McCUTCHEON: At the present time I am not criticizing Dr. Willard. I want to lay out these facts where they can be seen. I would like to refer you to tables II and IV.

Mr. CÔTÉ (*Longueuil*): May I ask a question on this same subject which the senator has opened up?

The CHAIRMAN (*Mr. Cameron*): Are you opening up a new subject, Senator McCutcheon?

Hon. Mr. McCUTCHEON: I am going to ask Dr. Willard to compare the benefit and contribution under the United States scheme to our scheme. I will come back to that later.

Mr. CÔTÉ (*Longueuil*): I would like to ask Dr. Willard whether persons who now are 68 and over, or persons who have been widows for about three years, or orphans of these widows, would have benefited from the plan if the plan had been put in force eight years ago?

Dr. WILLARD: I think it is apparent what the eligibility requirements are. If three years contributions are required for the widows' benefit and the orphans' benefit, obviously the widows and orphans of such a contributor would be eligible.

Mr. CÔTÉ (*Longueuil*): Would you say that as soon as this plan is in force, in two or three years, even the same people Senator McCutcheon named will have benefits under this plan, and even will be able to get a part of it?

Dr. WILLARD: Provided the contributor has contributed for three calendar years from 1966, the benefits for widows and orphans would be available to his widow and orphans in the case of his death.

Mr. KNOWLES: Mr. Chairman, I do not wish to indulge in any questioning at this time, but I would like to ask Dr. Willard, when he produces the figures Senator McCutcheon asked for, will he produce some comparable figures in respect of the actuarial value of a pension for life of $104 at age 65 and age 70, and at the same time, would he give us the actuarial or insurance value of the protection afforded say to a 40 year old person? I have in mind all the elements, the pension, the widow's benefit and the disability and orphans' benefit. In other words, Senator McCutcheon asked what it would cost to provide this pension. Would you also give us what it would cost to provide the various elements of protection provided in the bill?

Cross subsidies

Dr. WILLARD: We will endeavour to obtain some figures along these lines. I think I should mention there is a very considerable difference between a government financed social insurance type of program and a private type of deferred equity insurance scheme. Within a social insurance system you get cross-subsidies to different groups and these are provided in a wide number of ways.

Senator McCutcheon has asked about the persons who qualify for widows and disabled pensions, and I think it is apparent that those who become eligible right after the qualifying period are going to benefit more than if death occurred to the breadwinner a decade or two later. This would occur both under a deferred equity type of scheme, or social insurance scheme. A social insurance scheme, such as is provided in many countries, tries to achieve certain social objectives on the one hand, and tries to introduce certain deferred equity principles on the other. The elements designed to achieve these social objectives within this type of government program comes from measures such as the transitional period, which tries to get people in the older age groups to a full level of benefit as soon as it reasonably can be done. The basic exemption of $600 is another such element; the flat rate components in the various benefits are others. They try to achieve certain social objectives which would not occur if one took, for instance, the government annuities scheme and converted it into a national compulsory insurance system. In other words, there is a difference in the nature of the program under this bill than if it were a deferred equity program.

Welfare role

The **Chairman** (*Mr. Cameron*): Now, Mr. Moreau.

Mr. **Moreau**: Dr. Willard has covered many of my questions, but these are supplementary to Senator McCutcheon's question. I was going to ask Dr. Willard if he knows of any privately operated scheme or of any other scheme which could provide benefits to people, for instance, who have not contributed, such as people who are over 68, and to widows before 1968, or to orphans before 1968, or before 1970? Does he know of any private scheme or any other way in which to provide these benefits to them under any sort of contributory scheme where there is no transfer payment?

Dr. **Willard**: Offhand I cannot think of one, but it may be that there is some possibility that I have not thought of.

Mr. **Moreau**: Would you agree with Senator McCutcheon's point that the man who gets the greatest benefit is the one who is nearing retirement age?

Hon. Mr. **McCutcheon**: I am 66 and I am in pretty good condition.

Mr. **Moreau**: You are in pretty good condition anyway. But would you agree, Dr. Willard, that in all these categories there are widows, orphans, disabled and so on, who would achieve a very dubious status, that is, who would be widowed, orphaned, or disabled after the beginning of the plan, and that they would all be receiving a high degree of benefit in relation to the contributions which have been made?

Dr. **Willard**: That is quite true.

Mr. **Moreau**: So essentially what we are really doing is paying something of a price for the fact that we are bringing in this scheme very late. In other words, if we had started 20 years ago or so, we would have overcome many of these objections, if they could be called objections. ?

The **Chairman** (*Mr. Cameron*): Has Mr. Aiken a question along this line?

Mr. **Aiken**: No, I have a question on a new subject.

The **Chairman** (*Mr. Cameron*): Now I have Mr. Gray.

Mr. **Gray**: I want to examine Dr. Willard with respect to the point raised by Senator McCutcheon, and ask if something similar is not done with many private schemes where credits are given to employees for service which they have rendered before the start of the scheme, even though they do not contribute enough to make up the years of service before the scheme began.

Dr. **Willard**: I understand that some private schemes do try to make some adjustments in this regard.

Hon. Mr. **McCutcheon**: You mean back service benefits.

Dr. WILLARD: Yes.

Mr. GRAY: There are back service benefits for which the employee does not actually make contribution, but which he is granted just as if he had made contributions in those years.

Dr. WILLARD: Yes, that is right.

Mr. GRAY: Is it not also correct that in many of the schemes referred to the employed party personally must pay in to them for 10 years to get that status, which would be about the case of our own Canada pension plan scheme?

Dr. WILLARD: There are many different types of schemes and I would not want to generalize about them.

Mr. GRAY: But with a 10 year transition period, the private scheme would not grant these credits for previous service without contribution being made available by the employee in question.

Dr. WILLARD: We might take a look at some of them later on when dealing with the question of integration of private schemes. We might see whether there could be an answer given to this particular question.

Hon. Mr. McCUTCHEON: There is a wide variety of them.

Dr. WILLARD: Yes, there is a wide variety.

Mr. GRAY: My point is that you have been taking a private insurance scheme as a precedent, if that is possible, to the idea that a person may begin to get benefits, although he has contributed for no more than a short period, and you say that this is not particularly novel.

Dr. WILLARD: That is correct. It is done in private schemes, and of course it is done even more so in public schemes.

Mr. CANTELON: I would like to emphasize what Senator McCutcheon said when he spoke of the wide variety of schemes. I think we would be left with this extremely generous scheme, and I agree; but there are other schemes which have been just as generous.

Mr. MOREAU: I think you must have missed Senator McCutcheon's question earlier.

Mr. CANTELON: Yes, I did. I thought the committee was going to begin at 10 o'clock.

The CHAIRMAN (*Mr. Cameron*): We did originally intend to meet at 10, but on account of the short supply of committee rooms and the fact that we wanted to give as much opportunity as we could to Dr. Willard and the other witnesses to tell their story, I moved the meeting ahead to 9.30.

Mr. CANTELON: It is quite all right.

The CHAIRMAN (*Mr. Cameron*): Are there any other questions?

Mr. CANTELON: I have not asked my question yet. I believe there are other schemes which have had all these benefits in them from their inception, such as the Saskatchewan teachers' federation plan.

Dr. WILLARD: I am not acquainted with that particular plan, but it is quite possible.

Mr. LLOYD: The schemes usually break down into two broad classifications: those which are planned and put into operation by federal, provincial and municipal governments, or school boards, as against private corporations; and the governing factor in the case of a corporation is that it establishes a fund for past services for benefits. That is quite different from what takes place with school boards or a city which perhaps had over a period of years no superannuation fund. It might feel that it had some obligation to its employees, and it brings in a scheme which is funded. Or they feel that through conscience they should establish benefits, and they use the general taxing power of the community to finance such benefits. That is quite a different approach when compared to the government's operation, and the private employees. Is that not basically the difference?

Dr. Willard: That is a basic difference. Any program for the payment of pensions or survivors benefits that is financed and administered by the government, such as the one proposed, depends on the taxing power of the government over the years. This is a point that also comes up in a discussion of the question of funding under a public plan. That is one of the reasons it is possible to have a wide variation in the funding. But always in the last analysis you do have the taxing power of the country behind it.

In the case of the private pension plans, there has been wide variation in the amount of funding that has been provided, and wide variation as to the extent of solvency. One of the concerns of the Ontario government's legislation has been the solvency of private pension plans. You do not have continuing taxing power behind the private scheme, as you do in the case of the public plans. Therefore, if solvency is not protected, the rights of the beneficiaries may not be protected in the future.

Mr. Rhéaume: Dr. Willard, do I understand correctly that a person who makes no contribution to the Canada pension plan draws out no benefits? Is that right?

Dr. Willard: That is correct, unless the person benefiting is a wife or spouse, and the husband has been the contributor. These benefits are derived through the contributions of the contributor. Even though subsequently she becomes a widow she may not have contributed herself. In the same way the orphan benefits from contributions of his parent or parents.

Mr. Rhéaume: That is survivorship benefits?

Dr. Willard: Yes.

Mr. Rhéaume: Does this mean that for the extremely low income group or category—and there are many of these people in Canada—they will get nothing from the Canada pension plan as it is now constituted?

Dr. Willard: Well, it is a question of how low the income is.

Mr. Rhéaume: If they are earning less than $600 a year, my understanding is that they would not be contributing anything.

The Chairman (*Mr. Cameron*): I think that question should be framed in different language, made clearer and more precise.

Dr. Willard: It is quite true that there is a basic exemption of $600. If a person working for 47 years was each year earning below that amount, he would not come within coverage of the program. But it would seem to be quite unusual that this would occur. Certainly, in the case of the retirement part of the program, the earnings related portion has to be taken together with the flat rate portion under old age security, and this latter benefit is, of course, available.

Mr. Rhéaume: Would you say that it is rather unusual? I am sure that you are not forgetting the average annual income of the Indian and Eskimo people in this country—and they constitute quite a few hundred thousand, I think. There is a whole group of Canadian people. I am directing my question to this group now, whose average income over the period of their lifetime is such that they would not be contributors. I am referring to the Indian and Eskimo people. My question is this: as it is presently constituted, there are no benefits in the Canada pension plan for people in that group who earn less than $600 a year.

The Chairman (*Mr. Cameron*): I think Dr. Willard has repeated this at least twice.

Mr. Rhéaume: There is nothing for them, or for the widows or orphans of this group. Would that be true?

Dr. Willard: That is correct. If a person has not contributed under the plan, then of course his widow or his orphans would not be eligible. But I would repeat that in the case of people with relatively low income, as far as the old age benefit is concerned—flat rate pension—is available; and the payment of $75 a month would amount to $900 a year, which the person would be receiving at age 70 even if his former income had been below $600 a year. That is why it is extremely important that the two programs need to be taken together. I want to expand on my original explanation.

Mr. Rhéaume: That applies only to those people who live beyond 65, or to widows and orphans of those who do not live to 65. They will not be covered in this plan.

Dr. Willard: It is true that widows and orphans under the circumstances would not be covered. But the other point is this: at the age of 65 under the proposal, which is included along with this bill, the age reduced benefits would be available, and this would provide $51 to a person at age 65; and if his normal income had been less than $600 a year previously, then obviously he will be getting more under old age security than he would have been receiving from other means.

Mr. Rhéaume: I think Dr. Willard understands the drift of my question. Because of these two categories of people—and there are numerous other Canadians in these categories too who are living on the land, so to speak—they are not eligible to contribute, and consequently they will not be able to draw, and neither would their widows and orphans except they do so under their own rights as individual people, assuming that they live that long.

The Chairman (*Mr. Cameron*): I think we should make it clear that the line of questioning you ask might be answered and you might then draw your own deductions. But do not preface your questions by a statement and then say is this the answer?

Mr. Rhéaume: I am not prepared to accept it. Let me reword my question, if you wish.

The Chairman (*Mr. Cameron*): If you so wish, go ahead.

Mr. Chatterton: You indicated that a person might retire after 10 years contribution, and might die at 65. Assume he had a maximum pension; he pays in a total of something like $800. Of those who have already retired by 1966, let us say one of them says: "I will pay in $900, because I want to have as much pension as possible". Is there provision for such a payment?

Dr. Willard: No, there is no provision made for the payment of contributions under the plan, unless the person is under pensionable employment, or is a self-employed insured person and makes contributions on his earnings.

Mr. Scott: What happens in the case of a person in the borderline area who one year may earn more than $600, and in another year less than $600? May he pay for any year in which he does earn over that amount?

Dr. Willard: That is correct. Let us suppose his income in a given year is $700, then he only contributes on $100. But he will get the benefits on the basis of $700.

The Chairman (*Mr. Cameron*): Are there any more questions along the line opened by Senator McCutcheon? I think Senator McCutcheon has another question for Dr. Willard.

Hon. Mr. McCutcheon: I would like to refer you to table II on page 12 of the white paper, and on table IV, on page 13. Table II sets out the maximum pension available to a single contributor at the age of 70, and after the transition period has expired, based on his average monthly earnings and with the old age security pension added in. The combined pension is shown in the right hand column. You referred, I believe, if I recall it in your evidence, to the fact that a floor had now been placed in the act, setting it at $40 a month.

Dr. WILLARD: That is correct.

Hon Mr. McCUTCHEON: That floor of course is available for such contributors, that is, under the universal flat rate pension.

Dr. WILLARD: It has become very close to universal, because over the history of the program the number of people who have contributed is very considerable. Once they get within the category of insured status, they automatically get the minimum benefit of $40. It does represent a very considerable benefit for those who have made minimal contributions. It has been recognized by those administering the United States program that it represents a flat rate provision built into their system.

Hon. Mr. McCUTCHEON: But it is available only to contributors?

Dr. WILLARD: Yes, it is comprehensibly available rather than universally available, if you want to put it that way.

Hon. Mr. McCUTCHEON: And in that comprehensive definition are self-employed included?

Dr. WILLARD: Yes, but there are a few exceptions, for instance, doctors. As you know the United States program has been expanded in recent years to cover farmers and other self-employed persons.

Hon. Mr. McCUTCHEON: But there are still groups which are not covered?

Dr. WILLARD: Yes, but the number and proportion are small indeed.

Hon. Mr. McCUTCHEON: Is it fair to say that the minimum pension in the United States is available to contributors in the sum of $40 a month at the age of 70, let us say, and that the minimum pension available to everyone in Canada is $75?

Dr. WILLARD: At the age of 70?

Hon. Mr. McCUTCHEON: Yes.

Dr. WILLARD: Yes.

Hon. Mr. McCUTCHEON: It is $40 in the United States as compared to $75 in Canada.

Dr. WILLARD: It is $40 in the United States available at the age of 65.

Hon. Mr. McCUTCHEON: All right. Let us make the comparison of $40 against $51.

Dr. WILLARD: Fifty one dollars in Canada; in a few years time, of course, the United States legislation will undoubtedly be amended, because they have had a proposal before congress to raise it somewhat. This occurred just before the recent election when different proposals were approved by their house and by the Senate but they did not reach a compromise on it. But, we would reach $51 in 1970 under this Bill.

Hon. Mr. McCUTCHEON: Well, let us not try to predict what the United States is going to do.

Dr. WILLARD: I am not trying to predict it. However, it is important, if we are talking about $51, that we are not talking about it in 1964; it is $51 in 1970, and what the level will be in the United States at that time is perhaps an "ify" question, as President Roosevelt used to say.

Hon. Mr. McCUTCHEON: But it is $40 today. Let us go back to age 70; while the pension starts at age 65 in the United States the relation is $40 today in the United States compared with $75 in Canada today.

The CHAIRMAN (*Mr. Cameron*): Would you allow Dr. Willard to answer that question.

Dr. WILLARD: At the moment, in the United States, the minimum amount of $40 is available at age 65, and in a reduced amount at age 62. In Canada at age 70 we have $75, and in 1970 the proposal is that $51 will be available at age 65.

Hon. Mr. MCCUTCHEON: Mention was made in the Senate proceedings that there was a compromise on the proposals that were made. Could you tell us what the new proposed minimum is.

Dr. WILLARD: I have a note here which states that in July the House of Representatives passed a bill which would have given a 5 per cent increase across the board in the monthly payments payable to present and future O.A.S.D.I. beneficiaries.

Hon. Mr. MCCUTCHEON: Five per cent would make it $42?

Dr. WILLARD: That would make it $42, and it would make the combined rate $143.40.

Hon. Mr. MCCUTCHEON: What do you mean by the combined rate?

Dr. WILLARD: Their proposal was to put the ceiling from $4,800 to $5,400, and when combined with the 5 per cent increase this eventually would have led to a maximum retirement pension of $143.40.

Hon. Mr. MCCUTCHEON: At what age?

Dr. WILLARD: At age 65.

Hon. Mr. MCCUTCHEON: That is, to the maximum that we are proposing of $156.17 after the transition period.

Dr. WILLARD: Yes, after ten years.

Hon. Mr. MCCUTCHEON: After all, there is a certain transition period in the United States although they have not passed the legislation to date.

Dr. WILLARD: If you look at the record of change in the United States I think you will find that the number of amendments over the years have been considerable.

Hon. Mr. MCCUTCHEON: I appreciate that.

Dr. WILLARD: In, say, 12 years time from now there could be a number of other changes, so it is difficult to compare in absolute terms what the comparison will be 12 years hence.

Hon. Mr. MCCUTCHEON: And, I appreciate that. All I am trying to do is compare what the situation is today or what the present proposal in the United States is today with what will be available in Canada after the transitional period. Would you go so far as to agree with me, assuming no further change is made in respect of the United States plan than the change you have referred to, that after the transitional period we will have a higher level of pensions in Canada than in the United States?

Dr. WILLARD: Yes, we would.

Hon. Mr. MCCUTCHEON: Now, Dr. Willard, I would like to refer you, if I may, to table 8 on page 25 of the white paper.

The CHAIRMAN (*Mr. Cameron*): If this is a new line of questioning, Senator McCutcheon, there might be someone else who would like to put questions in respect of table number 2.

Hon. Mr. MCCUTCHEON: All right, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): Apparently no one wishes to put any further questions in respect of table 2. Would you proceed, Senator.

Hon. Mr. MCCUTCHEON: I would like to refer to table 8 at page 25 of the white paper. The table sets out the old age and aged survivors' benefits as a percent of gross national product at market prices in certain selected countries, and if we take the figures for 1961-62, which is the year for which I have some other figures which I want to refer to, it shows Canada is rather a poor relation, 1.8 per cent compared to New Zealand's top of 3.7 per cent, Great Britain's 3.3 per cent, United States 2.7 per cent, and Australia, 2.4 per cent. I believe your department produced these other figures for 1961-62 which showed Canada was devoting 12.8 per cent of its national income to social welfare in 1961-62, compared with 14.8 per cent for Australia, 12.6 per cent—a lower figure—in the United Kingdom, 10.6 per cent in Australia and 8.5 per cent in the United States. I do not expect you to verify these figures at the moment, but I am quite certain this information came from your department. Could you check these figures and verify or correct them, as the case may be, at a later date?

Dr. Willard: Yes, I would be very glad to do that.

Hon. Mr. McCutcheon: What I am trying to bring out, Mr. Chairman, is that we are dealing with only one branch of welfare in this particular battle and that the comparison is an unfair one to Canada because welfare is something that is indivisible, and we have to look at the whole and entire expenditure; if we do that then I think Canada ranks high among the western powers in that connection.

The Chairman (*Mr. Cameron*): The witness has been requested to provide that information for you.

Mr. Francis: I would like to ask if those figures relate to health and welfare or health, education and welfare, or just welfare?

Hon. Mr. McCutcheon: I included health in the welfare.

Mr. Francis: And, education also?

Hon. Mr. McCutcheon: No.

Mr. Francis: Some of the other countries lump these in the white paper.

Hon. Mr. McCutcheon: I am producing figures which Dr. Willard's department gave to me. I received these figures recently, and I will check my source. However, Dr. Willard could check these figures much more readily.

Dr. Willard: I believe the figures Senator McCutcheon is quoting cover income maintenance programs—that is, cash benefit programs—health services, welfare services at three levels of government, federal, provincial and municipal.

Hon. Mr. McCutcheon: But, not unemployment insurance and not education.

Dr. Willard: Unemployment insurance benefits paid out are included but education is not.

Mr. Côté (*Longueuil*): I think really it is unfair to make comparisons in this respect for reasons which, I think, are obvious.

The Chairman (*Mr. Cameron*): Well, we will have that information before us for whatever use we see fit to make of it.

Would you proceed, Mr. Moreau.

Mr. Moreau: Would you agree, Dr. Willard, that it would be fair to say that there would be a certain amount of transferring of benefits here. I am thinking of social welfare payments and, perhaps, of people who are receiving old age assistance, widows' allowance and so on, which are financed in some other way, and that these people now would be brought in under this plan. The result will be that, although perhaps there would not be an improvement in our social welfare plan, it will be financed more on a different basis, rather than necessitating any tremendous change in the pattern of the percentage of the gross national product which goes into social welfare payments.

financing the welfare state.

Dr. WILLARD: Yes, that would be a factor in some portion of all the benefits. If you take widows with dependant children, for instance, as I mentioned last time, we would expect the relative cost to or the relative expenditures by provincial governments under mothers' allowance to decrease.

Hon. Mr. McCUTCHEON: That is, all future widows.

Shift in welfare from prov. to Federal.

Dr. WILLARD: Yes. This would mean that many widows instead of having to have a test of need to receive the benefit would receive the benefit as of right under this program without going through that procedure. So, it would be a shift from a social assistance type of protection we now have to a social insurance type of protection. I have some figures here on assistance costs.

Mr. SCOTT: Have you any figures in respect of the estimated amounts which the provinces will not have to pay out as this shift takes place?

Dr. WILLARD: We do have figures, and the research adviser, Mr. Osborne, hopes to have some of the material for this afternoon's meeting, if not for later this morning. This was prepared in response to a request at our last meeting; this will give you a measure of the level of expenditures by the provinces, for instance, under the mothers' allowance program and under the other assistance programs. But, as I mentioned before, any reduction of these costs will take some time before it begins to take effect. As the age reduced benefit becomes available it will have some effect on old age assistance; as the benefit for widows with dependant children become available it will have some effect on mothers' allowances. Similarly, as the disability benefit becomes available, it will affect the assistance program for the permanently and totally disabled. But, this would be a matter which will take place gradually over a period of time.

Mr. Chairman, I do have with me some expenditure data on health and social welfare as a percentage of gross national product at market prices in 1962-63 and, if you wish, I will read them into the record at this time. I am sure they are from the same basic material which Senator McCutcheon quoted. It shows New Zeland at 12.1 per cent; the United Kingdom 10.5 per cent; Canada, 9.4 per cent; Australia, 8.2 per cent, and the United States, 7.0 per cent. This is for 1962-63, and I am not sure whether that was the same year quoted by Senator McCutcheon.

Hon. Mr. McCUTCHEON: My figures related to 1961-62.

Dr. WILLARD: Well, this is on year more recent.

The CHAIRMAN (*Mr. Cameron*): Dr. Willard, is that all you wish to read into the record at this time?

Dr. WILLARD: Yes.

The CHAIRMAN (*Mr. Cameron*): Have you a question, Mr. Chatterton.

Mr. CHATTERTON: Yes. I would like to refer again to the contributor who pays for a period of 10 years and retires at the age of 65. Let us say that contributor had annual average earnings of $20,000 per year. Am I correct in assuming that he will pay only some $800 total?

Dr. WILLARD: Yes, he would only pay on up to $5,000 for each year.

Mr. CHATTERTON: But a total sum of $800?

Dr. WILLARD: Also, there would be the basic exemption.

Mr. CHATTERTON: So, even though he would be earning $20,000 he would retire at 65 with $104 a month. According to figures I have, discounting the insurance supporting benefits, if he bought a government annuity, which would give him an equivalent benefit, it would cost over $10,000. Generally speaking, where does that transfer payment come from?

Dr. WILLARD: In respect of those sectors of the plan where there may be some cross-subsidization favouring this or that group under coverage it is apparent that those in the earlier age groups are not going to get the bargain that those in the older age groups get; proportionately, they will have to pay more through contributions to receive their benefits, but at the same time you have going into the system the employer's contribution which is not allocated to any individual's earning record. And, of course, in the case of the self-employed they are paying double the rate. So, there is a very considerable amount of money going into the system for cross-subsidization which, of course, is designed to meet certain social objectives. One of these is the one you have mentioned, the provision of a transition period of 10 years. In effect, you get the same kind of situation that happened when the old age security program came into operation; those age 70 and over, and those who were just below age 70, got a great deal more in old age security benefits than they possibly could have paid through their personal income tax under the 2-2-2-formula, at that time.

Mr. Moreau: Dr. Willard, would you agree with this implied criticism of the plan?

Mr. Chatterton: I was not implying criticism, Mr. Chairman; I was seeking information.

Mr. Moreau: Well, be that as it may, would you agree that the longer maturity period perhaps would cure some of the transfer payments that are embodied in the plan, and if we had a longer maturity period there would not be the element of subsidization in the older worker.

Hon. Mr. McCutcheon: You are saying that if we took the Quebec plan the subsidy would be less?

Mr. Moreau: That is not what I was saying. I asked that if a longer maturity period were agreed upon would that not alleviate some of the subsidization of the older workers.

Dr. Willard: That is correct; the longer the transition period the less benefit it would be to the older age group.

Mr. Moreau: Would you say also if you had a longer maturity period the very thing which Senator McCutcheon was worried about, the widows, orphans, disabled and so on, would be covered for a much longer period of time?

Dr. Willard: Well, in the case of the widows and orphans, you have a certain eligibility condition, and the longer you make this eligibility requirement, of course, the longer you delay the benefit. And the longer it takes for benefits to be payable the less cross-subsidization would take place.

Mr. Moreau: In other words, you cannot have it both ways.

Mr. Chatterton: I understand from the white paper that the wife who is paid by her husband is not eligible to contribute and, therefore, not eligible for pension.

Dr. Willard: That is correct where the spouse is employed by the husband. If they form a corporation the situation is different but this will be discussed in more detail when we come to that section of the Bill. There are certain reasons for that provision which will be discussed at that time.

Mr. Chatterton: But, in the average case, let us say a housewife is paid by her husband for whatever work she does, would she not be eligible?

Dr. Willard: No.

Mr. Chatterton: In other words, she cannot claim that her husband is paying her $200 a month; in these circumstances she is unable to contribute and, therefore, she is not eligible for a pension?

Dr. Willard: No, Mr. Chairman, she would not be eligible.

Mr. Chatterton: But, if she engaged a housekeeper and the wife went out and worked, then she builds up an entitlement.

Dr. WILLARD: Yes; she would be in pensionable employment and she would contribute as an employed person.

Hon. Mr. MCCUTCHEON: And the housekeeper also would be in covered employment.

Dr. WILLARD: That is correct.

Mr. CHATTERTON: Take the case of a young girl who works for four, five or six years after finishing school and then gets married. She pays for the six years which she has worked, becomes married, remains married until the end of her life, and never works again; what happens to her contribution?

Dr. WILLARD: Her contribution never is lost. It is updated according to the earnings index so that when she reaches age 65 she would be entitled to pension. If it is for six years, then it would be six forty-sevenths, taking the 47 years from age 18 to age 65.

Mr. CHATTERTON: Let us say she worked for six years and stayed married for 20 years, how would the pensionable earnings be worked out; would this 20 years count as years of non-earnings?

Dr. WILLARD: They would be years of zero earnings, as it were.

Mr. CHATTERTON: So the pensionable earnings would be very small, almost negligible.

Dr. WILLARD: They would be small, but they would be updated; they would be small to the extent she had contributed only for a short period of time, but if she worked six years out of 47, she would get six forty-sevenths and that would be updated. The wage levels would not be the wage levels when she is young, but would be equivalent to those in the later years before she retires.

Mr. RHÉAUME: People who are covered by various social assistance programs at present would not be covered by any new benefits when the plan comes in; that is, persons who are on social assistance programs which are already in effect and from which they are receiving their income.

Dr. WILLARD: Let us take one or two examples; say they are on unemployment assistance at the present moment. They might become employed and, as such, get into covered employment and contribute; so, that particular group certainly would. You might take the case of those who are covered under mothers' allowances programs. Many women who have dependant children under that program would go into employment and contribute under the scheme once the children cease to be dependant. And the children when they become 18 or older would also be in the employment market and contribute. Therefore, there are many people on assistance programs today who will be under this program.

If you take the old age assistance group, of course they are coming off that program year by year. It covers a five year age group, 65 to 69, so there would be very few in this instance; but it is quite possible even in the case of those on old age assistance that some of them might have employment for two or three years. Say they are aged 65 now, they might receive employment and work two or three years before they reach age 70, and still be covered.

Mr. RHÉAUME: As you are well aware, people who qualify for mothers' allowances and old age assistance also can earn; would they be paying into the Canada pension plan? Is it possible that they could be paying into the Canada pension plan as a result of these other earnings which would exceed $600 a year?

Dr. WILLARD: This is a question which relates to what the particular needs test or means test is at a particular time. Where a needs test is applied, most of the people are not in employment at that particular moment and are receiving very modest part time or no earnings. In the case of the means test program, the allowable income or additional income over and above the pension would usually be less than the basic exemption.

Mr. RHÉAUME: Let us take the example of a person who would have a total income of $1,200 a year, $75 of which came from old age assistance, and a little from outside earnings. He would not be looked upon as a contributor.

Dr. WILLARD: Do you mean $900 from pension and $300 as extra income?

Mr. RHÉAUME: A person who had only $700 income from his own employment would be contributing if he was under age 65?

Dr. WILLARD: Yes, the difference being that one is getting pension income and the other earned income for work performed.

Mr. RHÉAUME: Many city welfare departments provide relief to the family in the amount of $120 or $130 a month, and there certainly is no contribution made on that.

Dr. WILLARD: If you take relief at a point of time, this would be true, but many people who are receiving unemployment assistance during the course of a year may be earning around $600 or over; so it would be only a part of the case load. There may be people who are unemployable because of some disability and who are unable to maintain themselves even for a part of the year, but you cannot say that all persons receiving social assistance would not be able to be covered in any given year. There are different situations; some are going on and off the assistance case load during the year.

Mr. RHÉAUME: I am thinking of a case where a person is in receipt of relief assistance all year and also is earning; if he has $600 from outside sources, would he be contributing?

Dr. WILLARD: The question you really are putting forward is whether some of the local relief authorities or local assistance authorities really would be paying assistance if these people are earning that amount. I would think in most instances it would depend on the pattern of income as I mentioned before. If it is small casual earnings, and if the relief recipient has a wife and a large number of children, that is one thing. On the other hand, if the relief recipient earns this income over a period of three or four months and then is unemployed for the balance of the year, that is another situation; he could have contributed to the pension plan during those four months, and yet be on assistance during the balance of the year. You get into a wide variation and pattern of income which would affect the question of whether or not he is on the Canada pension plan.

Mr. RHÉAUME: In looking at this, can you or your officials conceive of a situation whereby a person would be receiving relief assistance at the same time he is required to make a contribution to the Canada pension plan?

Dr. WILLARD: It seems very unlikely to me that it would occur.

Mr. RHÉAUME: There is the matter of work for relief which many municipalities in Canada are talking about. Persons in such employment would be required to make payments, would they not?

Dr. WILLARD: Yes, if it is pensionable employment in which they are working; they would be expected to contribute on the basis of their earnings, provided their earnings are over, say, $50 a month.

Mr. RHÉAUME: In respect of the age group 55 to 70, where it is a really good deal, it would pay municipal welfare departments to keep these chronic relief people on staff as consultants in lieu of relief.

Dr. WILLARD: I have no view on that.

Mr. RHÉAUME: If this occurred, they would be paying into the Canada pension plan?

Dr. WILLARD: If their earnings are over $50 a month they would contribute in that month provided they are in pensionable employment.

Mr. RHÉAUME: Work for relief is covered employment.

Dr. WILLARD: I would think in most instances it would be covered employment because the employees of municipalities are covered. Of course, in the case of work for relief municipalities do not share the cost under federal unemployment assistance; this would be entirely a provincial matter.

Mr. RHÉAUME: It would still be a good investment for the city welfare department.

Dr. WILLARD: It would be entirely up to the city welfare department and the province. We do not share in work for relief under a federal program.

Mr. BASFORD: To what extent are there work for relief programs in existence in Canada? I know the federal government does not share in any, but are there any programs under way in which we do not share?

Mr. RHÉAUME: You have heard of winter works.

Dr. WILLARD: The whole question of work for relief is quite complicated. If you mean that a person receives relief payments and then is expected to work them off, that is a concept of work for relief. As you know, that concept is not too popular. On the other hand, if an ordinary work project is undertaken by the municipality either through a winter works program or through other local public works and first opportunity is given to people who are on the assistance rolls, and they recruit the labour force for that particular project from those who are receiving assistance, then this is a normal type of municipal employment. The consultant which was mentioned in the previous question would raise quite a different matter as to whether or not he would be covered. However, in a case where a man is shovelling snow or doing some work and is paid for it by the municipality, the municipality would pay the employer's contribution and deduct the employee's contribution on the wages paid, and the man would have protection under the program.

Mr. RHÉAUME: He would be working like any other employee.

Dr. WILLARD: Yes.

Mr. FRANCIS: I am concerned about Mr. Rhéaume's line of questioning with regard to the advantage to a municipality which would bring in people under this program somehow in order to escape long term relief costs. I seriously question whether any municipality in balancing the benefit of one program against another would come to any conclusion.

Mr. RHÉAUME: It is still a good deal.

Mr. FRANCIS: I do not think it is. If Mr. Rhéaume has worked out the arithmetic of any example, I would like to have an opportunity to look at it.

The CHAIRMAN (*Mr. Cameron*): It is very interesting, but it really is not a question directed to Dr. Willard.

Mr. GRAY: Is it not a fact that under the act there are various offences for making false or deceptive statements and therefore some question might arise in respect of someone being on a municipal employment roll as a consultant; would there not be a question in respect of whether or not he was in a bona fide covered employment?

Dr. WILLARD: That is what I intimated. The consultant suggestion certainly would be open to question.

Mr. GRAY: While Mr. Rhéaume might think of this, if he was a municipal officer, most fair-minded officials would not be likely to do so.

Mr. RHÉAUME: I am not very thin skinned this morning, Mr. Chairman.

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

Mr. CHATTERTON: My question refers to those who are retired before age 70. There is a certain deduction from their pension if they earn over $900 and retire before age 70; there is a deduction from their earnings.

Dr. WILLARD: Yes.

Mr. CHATTERTON: What is the test in the case of a farmer? Let us say a farmer turns age 65, is getting a little on in years and engages a farm manager or foreman. What is the test in respect of whether or not he is retired? Let us say that he has contributed for seven years and would likely want to continue contributing so that he could obtain a full pension, what would be the test in respect of retirement in a case like that?

Dr. WILLARD: When we come to the clause dealing with the retirement test, I think we can go into some of these more detailed questions. However, I think another example would be where a farmer is carrying on a farm as an investment in which case he would receive income from his farm which would not be earnings as provided for in this Bill; on the other hand, if he continues to carry on the operation of the farm, and has added additional help to lighten the load, the normal method of calculating what his net earnings are would be used and the fact that he had hired someone to help probably would reduce his net earnings. He contributes on the basis of those net earnings. If he had moved away to the city or had rented the farm and just lived in the house and no longer farmed, he would in fact be retired.

Mr. LLOYD: Dr. Willard, is it not true that in looking at these borderline cases of relief recipients the figure in respect of the percentage of impact of these cases would be so infinitesimal that it would not detract from the major principles of the pension plan.

Dr. WILLARD: I think that is true. If you look at it in terms of social objectives, many of these people who are on relief and assistance who are in and out of the labour force are going to get some kind of retirement protection when it comes time for them to retire. They will have some modest benefit. On the other hand, they have worked, have been employed, and are not different from anybody else. If at the end of their working life they find that these years when they were on relief were years of very low earnings, there is the 10 per cent drop-out provision to take care of this consideration. So, from the point of view of the unemployed person I think he would be anxious to go ahead, carry out normal work, and make contributions the same as anyone else.

Mr. LLOYD: I am satisfied and I think most members of the committee are.

The CHAIRMAN (*Mr. Cameron*): Are there any further questions to be directed to Dr. Willard? If not, at the request of Mr. Chatterton, Mr. Osborne prepared a synopsis of selected income maintenance programs in Canada. They are available now and I would ask that they be distributed. They are printed in both English and French.

Would anyone care to make a motion that we have this information added as an appendix to today's proceedings?

Mr. CHATTERTON: I so move.

Mr. BASFORD: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It has been moved by Mr. Chatterton and seconded by Mr. Basford that the synopsis on selected income maintenance programs in Canada prepared by our adviser, Mr. Osborne, be added as an appendix to today's proceedings. As I said, this documnet is available in both languages. All those in favour of the motion? Opposed, if any?

Motion agreed to.

The CHAIRMAN (*Mr. Cameron*): I would also like to mention that the Minutes of Proceedings and Evidence in English now have been printed and these should be in the members' boxes today.

Before proceeding with the next witness—

Mr. AIKEN: Mr. Chairman, I had indicated earlier that I had some questions and I was waiting until the present subject had been exhausted.

The CHAIRMAN (*Mr. Cameron*): I am sorry. I asked if there were any further questions and you did not mention that you had any at the time. But, go ahead and put any questions that you wish at this time.

Mr. AIKEN: Mr. Chairman, I wanted to refer to the escalation principles that are contained in the present bill. Now, as I understand it, there is a wage index and an escalation clause which allow the earnings to be upgraded in accordance with an increase in the general wage index. Is that correct?

Dr. WILLARD: That is correct.

Mr. AIKEN: So, up until the time a person starts to draw on the pension plan there is an increase over that their earlier contributions were?

Dr. WILLARD: Yes.

Mr. AIKEN: Then, as I understand it, there is also an escalation clause which comes into effect after the pension becomes payable, and that is the cost of living index. Am I right in this connection?

Dr. WILLARD: That is correct.

Mr. AIKEN: And, the cost of living escalation applies both to the old age security factor—that is, the $75—as well as the pension itself.

Dr. WILLARD: That is correct.

Mr. AIKEN: Then, would I be right in saying there are really three factors of escalation in this present bill, any one of which can cause an increase in the amount of benefit payable?

Dr. WILLARD: Yes. There is the earnings index, which is used as a part of the adjustment in earnings over the years so that the benefit is updated, and the cost of living adjustment, which you mentioned. In the bill—the pension index—is used for this cost of living adjustment. Both of these adjustment techniques relate to the earnings related part of the program, and the pension index also is used in the old age security part. If you take the program as a whole there are two types, an earnings adjustment and a cost of living adjustment.

Mr. AIKEN: What I personally would like to know is where do the funds come from which pay an increased allowance or an increased benefit over and above what the contributor has paid? Where do these funds come from? Who pays the additional amount?

Dr. WILLARD: In the case of old age security, of course, this would have to come from the three taxes that are provided under the 3-3-4 formula.

Mr. AIKEN: I am sorry, I was not too specific. I really meant the pension plan itself.

Dr. WILLARD: When we come to discuss that program in detail later on we can take a look at that aspect. It is a question of whether further adjustment over the years is needed.

At the present time it looks as though the income we are going to get from the old age security revenues—that is, from these three taxes will be sufficient to meet the costs of the age adjusted factor—that is, reducing the pension taken earlier than 70 which, will be an added cost in the initial years—and also to take care of the cost of living provision.

In the case of the earnings related pension plan, you have to take this matter into account in setting the contribution rate. That is one thing. And, the other thing that you have to bear in mind is that the pension index and the earnings index are used to adjust the ceiling. You recall that the ceiling on maximum pensionable earnings will be $5,000 for 1966-67, and then for eight years ceiling is adjusted upward according to the cost of living or pension index, and beyond that it is adjusted to the earnings index. As the ceiling goes up the amount of money in contribution taken in increases. Thus you have, particularly in the earlier years when the benefits being paid out are goes up the amount of money in contributions taken in increases. Thus you not too large, a situation where every time that ceiling goes up the contributions coming in are increased. So, between this consideration and how high you decide to set the contribution rate you pay for the extra cost.

Mr. AIKEN: Is there an interest factor involved in the question of contributions? I am referring to the fact a person who pays a lower amount in earlier years will be drawing a larger amount, if he takes advantage of the escalation clause. Is there any interest factor at all involved in these calculations?

Dr. WILLARD: When we come to the actuarial report the chief actuary will point out the various assumptions he has taken with respect to interest, and you will note the fact that interest on the accumulated fund as a whole is a factor. It means that over the long run the contribution rate can be lower than it otherwise would be if there was no accumulation of reserves.

Mr. AIKEN: I have one more question along similar lines. It is a question of principle that concerns me in respect of this escalation clause. I am referring to the increase of the maximum earnings and the increase of benefits by reason of both the wage index and cost of living index. Actually, this is built into the plan as it now exists, and no one has any control over it. Is that a fair statement to make?

Dr. WILLARD: No, I would not say that. In deciding how you update pensions you have to settle on some kind of formula. So far as the earnings index is concerned this is one method of doing it. If you take, for example, the civil service superannuation scheme, it is updated in another way; the last six years or the six years of highest earnings are taken as a basis for calculating the pension. If a civil servant has worked, say, for 47 years it is obvious that the contributions on wages made in the earlier years, going back some decades, have not the same relationship to the level of wages at the particular time he is retiring. Some method of updating is needed. The earnings index is a technique for doing this. Consideration had to be given to different ways this might be done. The question had to be asked, would the last six years or the last 10 years be taken or would an earnings index be adopted for this purpose? They are techniques for updating the benefit. As in other schemes, they build in some kind of provision to update the pension. Many other countries have been using the cost of living adjustment as a means of updating pensions in pay and in some cases as a means of updating the pension as an alternative to an earnings index.

Hon. Mr. MCCUTCHEON: What do they use in the United States?

Dr. WILLARD: I think in the United States it is the last 10 years.

Hon. Mr. MCCUTCHEON: I beg your pardon.

Dr. WILLARD: I think the effect of the formula which is used in the United States is that it gives you the last or best 10 years. But, I will check on that point.

Hon. Mr. MCCUTCHEON: Would you check and let us have that for the record.

inflation ratchet

Mr. **Aiken**: I am concerned with the possibility of this particular principle encouraging or supporting inflation. As you will realize, this particular plan embraces pretty much the whole economy, and what I am trying to determine is whether a slight upturn in inflation would bring about a similar upturn in the pension plan, which would then require the whole economy to go with it to give any equality to the whole system of welfare in Canada. This is a general fear which I have and, if you wish to comment on it, I would be pleased.

Dr. **Willard**: Mr. Chairman, I think this particular question gets us into the economic implications of the plan, and the proposal was we would set aside a time when we could discuss this along with the economic study that has been prepared.

Hon. Mr. **McCutcheon**: Is that study available now?

Dr. **Willard**: No, Mr. Chairman, the study is not available. It will be available when the Department of Finance officials appear.

Hon. Mr. **McCutcheon**: If I may interject, surely we should have the study at least 24 or 48 hours before we meet the officials of the Department of Finance.

The **Chairman** (*Mr. Cameron*): I think that is a reasonable suggestion and I am sure the steering committee will take your comments into consideration when we are regulating the order in which we call our witnesses.

Mr. **Aiken**: Mr. Chairman, I would like to follow this up, and I will relate it only to the plan we are involved in because we can leave for the time being the relation it bears to the whole economy. But, it will be self-escalating without the intervention of a further act of parliament or amendments to the bill. It will follow the principle of automatic increase rather than be governed by political considerations, if I could put it that way.

Dr. **Willard**: Well, gentlemen, parliament is always here.

An hon. **Member**: Yes, 12 months of the year.

Dr. **Willard**: If at any time parliament decided to take a different approach that could be done. If the fears which you may feel in this regard—and I do not know what your views are—are such, this action can always be taken to slow expenditures down. But, I do not share these fears. I think you have to have some method of updating the pension, and this seems to be a logical way of doing it, and a way of doing it that will not bring dire results.

Mr. **Aiken**: In other words, it is a built in system rather than one that is met from parliament to parliament?

Mr. **Lloyd**: If I could interject here, I would like to have this part of the record straight. I think the distinction is between adding a formula generally acceptable and which becomes an automatic escalation and something that is determined by purely political whims and weather.

Mr. **Knowles**: The minister pointed out the other day that these provisions for escalation, particularly the cost of living escalation to the old age security benefits, do not exclude the possibility of parliament making decisions in respect of the flat rate. In effect, Dr. Willard has confirmed that.

Mr. **Lloyd**: That is in addition to. You do this in the light of some factual information you presently have.

The **Chairman** (*Mr. Cameron*): May I suggest, Mr. Aiken, following Mr. Willard's comment on the trend of the questions put by you, you have asked the general questions in respect of this now, and probably you might reserve the more specific questions until representatives from the Department of Finance are before the committee, when the economic report will be available.

Since Mr. Aiken indicated he had some further questions I have also indications from other members to put questions. I have Mr. Gray, followed by Mr. Moreau and Senator McCutcheon.

Mr. GRAY: Actually, Mr. Chairman, Mr. Aiken raised in part the point I wanted to raise, the escalation factor.

The CHAIRMAN (*Mr. Cameron*): Mr. Gray, do you think you come under that general observation, that we should delay that type of question until we have representatives of the Department of Finance here, or is your question along general lines?

Mr. AIKEN: On the same point, Mr. Chairman, I tried to narrow it down—and I think Mr. Gray is about to do that as well—to the plan itself without relating it to the general economy.

Mr. GRAY: Mr. Chairman, I accept your approach to the questioning and I was phrasing my question on that basis. I am sure you will interrupt me if you think I am raising general economic factors with regard to this interesting area. But, am I not correct in assuming that by putting in a built-in method of adjusting the pension to price changes we are not really doing the same thing we have been doing from time to time through act of parliament.

Dr. WILLARD: That is true, Mr. Chairman, and of course this is one additional advantage. From the point of view of the people who are participating in the plan it ensures a measure of equity in making the adjustment. If you look at the many different changes in the United States legislation or, indeed, if you look at those made in our existing old age security program you will note the fact that the changes are made one year rather than another year. In an earning index adjustment you have a gradual automatic transition so that you do not get anomalies and have some people saying: "If they had only passed this particular legislation last year," or "my neighbour down the street, who is one year older or one year younger, is better off because this particular decision was made at a particular time." This automatic adjustment which is built into the scheme ensures a measure of equity between groups and individuals when these adjustments take place. Discrete or non-continuous changes that are brought in at particular times result in many anomalies.

Mr. GRAY: Does it depend on what can be achieved through the workings of a legislative time table? I am not asking you to criticize the legislative time table of any government, but what you are saying is that this approach will not make it dependant upon what the government feels it should or can present to parliament at any particular time.

Dr. WILLARD: I think the explanation I have given pretty well covers it. It does provide a good means of taking care of adjustments which ensure a measure of equity between the different people in the system. At the same time the cost involved is taken care of in arriving at the cost of the program. Finally, you have to have some method of updating a pension plan whether it be the best six years as under the civil service scheme, or the best ten years, or some other type formula. This is a method of achieving that.

Mr. MOREAU: Would it be fair to make a distinction between two escalation schemes. One would be the level of earnings adjustment which, as I understand it, would be an attempt to relate pensions at retirement to the level of earnings in the country, whereas the cost of living increment would be in order to protect the pension levels which have been arrived at at the time of retirement in future years. Would this not essentially be the distinction between the two?

Dr. WILLARD: Yes, that is correct. The earnings index really measures increases in wages and therefore includes what you might say are increases in productivity. To the extent that wages also reflect rises in prices, it has built into it some price adjustment factor. The thought here is that if you are attempting to update the pension, you are trying to keep it in line with the changes in productivity and with changes in wage levels so that at the time the person retires the benefit is related to the wage levels in the last several years before he retires rather than those over the whole of his working life. On the other hand, in the case of the pension index or cost of living adjustment where you are dealing with pensions in pay you are making an adjustment for people who have retired and who are trying to keep their benefit up to the level it was in terms of prices at the time they retired.

Mr. MOREAU: Suppose we did not have this creeping inflation to which Senator McCutcheon referred—

Hon. Mr. McCUTCHEON: Which it is assumed will continue.

Scott, your famous 1-way ratchet

Mr. MOREAU: It seems to me that if we had a reduction in the level of earnings, we would also have a compensating reduction in pension benefits.

Some hon. MEMBERS: No.

Mr. MOREAU: That was my impression of the cost of living index.

Dr. WILLARD: The earnings index can go down. It is the cost of living or pension index that is only adjusted upwards. I do not think we should assume that because our productivity is increasing that this is creeping inflation. This is the main factor involved in trying to keep the pension updated.

Mr. MOREAU: That was my point. The earnings adjustment at the time of retirement can work both ways. It can also go down if there is a decrease in productivity, the level of earnings in the country, and so on. I think it is very important to have that distinction. This, perhaps, is the factor which might apply to the greatest degree. There may be a major adjustment upwards or downwards based on the level of earnings, because as I understand it the cost of living index is only an upward revision. I think we should make that distinction fairly clear.

Dr. WILLARD: If average wages drop, this fact goes into your pension system and when benefits are paid out they are going to be related to what those earnings are over the years. A decline in average wages means that the plan will be paying less in benefits.

Mr. AIKEN: If I am correct, it is an individual reduction in wages which will be multiplied if there is a general reduction in wages, but will it apply only to individual wage earners and not across the board, as will the cost of living?

Dr. WILLARD: No. I am speaking of the average wage. If it declines, your average payment out of the plan is going to be less.

Hon. Mr. McCUTCHEON: I can understand the necessity for keeping the pension, when it becomes payable, in relation to the wage level at that time; that is the system that is used. There are various systems. Dr. Willard has described one of them. By and large, they are actuarily predictable, but there is a change in the adjustment to which Mr. Aiken and others have referred; that is an adjustment to pensions as the individual starts to draw it down. As somebody said here, it is a one way street, because the escalator only goes up. Would Dr. Willard tell us what other countries have plans which escalate the pensions once the amount of the pension has become determined at retirement and what are the terms of such escalators, if any?

Dr. WILLARD: I do not have all the material I might have in order to answer that question at the moment, but I might provide some information. Belgium has an automatic adjustment of pensions to 2.5 per cent changes in the retail price index. Denmark has an automatic adjustment of pensions every six months if there is a one per cent change in the retail price index. In Finland, pensions are adjusted automatically for 5 per cent price changes. In France there is an automatic adjustment of outstanding pensions to annual changes in national average wages.

Mr. MONTEITH: Is that up and down?

Dr. WILLARD: Yes, I believe so in the case of average wages. In West Germany pensions are subject to annual revision which takes into account changes in the "general base"—national average wages in the last three years. Luxembourg has an automatic adjustment of pensions for 5 per cent changes in the cost of living index. The Netherlands has an automatic half yearly adjustment of all pensions for each 3 per cent change in the wage index. In Sweden, the universal and supplementary benefits are determined from "base" and "minimum" amounts which in turn are adjusted for price changes.

Hon. Mr. MCCUTCHEON: I would like to know about the United Kingdom and particularly the United States.

Dr. WILLARD: The system followed in the United States has been to adjust their program periodically. We could provide material to show the number of changes over the years in an effort to keep it in line; there have been a considerable number of amendments.

Hon. Mr. MCCUTCHEON: I would be interested in that.

Mr. MOREAU: When you referred to 5 per cent changes in the cost of living, these are maximum adjustment rather than minimum. I believe.

Dr. WILLARD: I think in the case of Finland where I mentioned 5 per cent, they probably wait until it has reached that percentage change before they make the adjustment. I can check on that point.

Mr. MOREAU: I think we should have that information.

Mr. LLOYD: If Dr. Willard is going to compile statements in respect of practices in other countires, in order for it to be meaningful, I think we should ask him to include a general statement in respect of the practice of private pension funds and have information with regard to whether there are any escalator clauses built into private pension plans in anticipation of inflation, or anything of that sort.

Dr. WILLARD: We will take a look at it.

Mr. LLOYD: I think we should have the comparison in respect of private plans in Canada as well as a comparison with other government plans.

Mr. RHÉAUME: May I ask a few questions about the administrative aspects of this?

Mr. KNOWLES: Before you do so, may I ask whether we could be provided with tables showing what has happened to three things, the cost of living, the wage level and the gross national product, starting in 1927. I mention that year because it is the year in which the first old age pension came into effect.

Hon. Mr. MCCUTCHEON: Could we add another column relating the gross national product to the population?

Mr. RHÉAUME: I would like to ask a few questions about the administrative aspects of this program. It is to be administered totally by the federal government, except in those cases where a province may choose to operate its own scheme?

Dr. WILLARD: Yes.

Mr. RHÉAUME: Approximately how many new employees already have been required, and how many will be required to get the plan implemented? Can you give me a rough idea?

Admin
Costs

Dr. WILLARD: It would be easier for me to speak in terms of cost rather than in terms of staff. As I recall it, for the first year we have estimated that administrative expenditures would be something in the order of $7 or $8 millions and that by the time it has operated for ten years it would be up around $17 million or $18 million. The chief actuary in his report used one

Admin costs

tenth of one per cent as an estimate of the administrative cost. These detailed estimates of costs which we have made, by adding together the estimated costs in the different departments, show that we are well within that percentage. For instance, I think we were at $17 million at the end of ten years, only slightly below his estimate while in the earlier years our figures are much lower than the actuary shows. For a general rule the actuary has taken one tenth of one per cent of contributory earnings.

Mr. Rhéaume: How does this compare to your administrative costs now on a program such as the old age security program? How did you get one tenth of one per cent?

Dr. Willard: I believe the actuary used the experience under the old age survivors insurance program in the United States as a guide in his estimate. The other way we went about it was to have each department try to estimate what its particular cost would be. When we come to a discussion of the administrative sections of the Bill, I will have that material for you. Our costs are lower than you might expect, because in most instances it is an extension of existing operations. For instance, the Department of National Revenue will look after coverage and collection aspects. Coverage is very broad and this has both positive and negative results in terms of administrative cost, but the use of this administrative machinery is merely an extension of existing operations. In the case of the provision of benefits, as you know we have, for the administration of old age security, an office in each provincial capital city. In the early years these regional offices with some additional staff will be able to handle the benefit load across the country. As that increases, we may have to open up offices in other major centres. Then, in the case of the index, that is maintained for social insurance numbers and cards it will merely be an addition to the work now being carried on by the Unemployment Insurance Commission. So, the administrative costs, compared to the magnitude of the program, are going to be, I would say, quite modest.

Mr. Rhéaume: I will not ask any more specific questions, but when we are getting into the specialized question I wonder whether your officials would also provide information in respect of the current cost of the old age security program, and the cost of administering the old age assistance program, including the provincial cost of administration. I believe the provinces administer the program.

Dr. Willard: It may be a little more difficult for me to obtain the administrative costs of the provinces, but certainly we can do it in respect of the federal government.

Mr. Rhéaume: Even if you could guess, it would be helpful.

Dr. Willard: Some provinces would like us to share the provincial administrative costs, and I would hesitate to ask them.

Mr. Rhéaume: I think you will agree that the administrative costs of the old age assistance program of the provinces, speaking from your knowledge of the way it works, with the application of the means test, and proof of death and all the rest of it, run into a pretty substantial amount. One tenth of one per cent is indeed a miraculously low administrative cost. I think it would be helpful to the committee to have this data.

Dr. Willard: Yes, I think we have that material.

Mr. Rhéaume: Because it is a federal program the costs of proof of disability would be totally borne by the federal authorities.

Dr. Willard: The disabled would benefit under the pension plan.

Mr. Rhéaume: I mean under these provisions.

Dr. Willard: Yes.

Mr. RHÉAUME: It would include the cost of medical examinations, the transportation to medical centres, and so on.

Dr. WILLARD: Yes.

Mr. RHÉAUME: I think we ought to be told what the cost would be to establish medical eligibility for the disability provisions.

Dr. WILLARD: Oh, well, this is a point which I think we would have to discuss when we come to that clause in the Bill. I think this is the kind of thing which would be dealt with in regulations. We would have to consider the most effective way of carrying out the disability test, or the medical tests for disability.

Mr. RHÉAUME: I shall leave the question until we get to that clause.

Dr. WILLARD: We do have federal physicians who are involved in the disability allowance program and who work with the provincial doctors in carrying out the disability test at the present time.

The CHAIRMAN (*Mr. Cameron*): Now, Mr. Chatterton.

Mr. CHATTERTON: I do not remember if there is any provision for residence requirements.

Dr. WILLARD: No. Residence is usually required under social assistance and flat rate benefit programs. This program does not involve a residence requirement.

The CHAIRMAN (*Mr. Cameron*): Are there any further questions of Dr. Willard? If not, there are two or three small matters, following which, if the committee is agreeable, we may call upon Mr. Thorson.

I have a memorandum of agreement between the government whip and the opposition whip that during the continuation of the flag debate there be no afternoon or evening sittings while the house is in session. I would be pleased to receive a motion one way or another.

Mr. SCOTT: You say there will be no sittings?

The CHAIRMAN (*Mr. Cameron*): The agreement is that there be no meetings of this committee during the afternoon and evening sittings while the house is in session, during the continuation of the so called flag debate.

Mr. SCOTT: I cannot think of a better time to have them.

Mr. MUNRO: I wonder if that suggestion could be tabled and referred to the steering committee, and that in the meantime further discussion could be had with the whip on the matter, since this is a procedural matter, and since it seems to be an area for discussion by the steering committee?

The CHAIRMAN (*Mr. Cameron*): Mr. Munro suggests that it be referred to the steering committee. What is your opinion of that suggestion?

Mr. MUNRO: I so move.

Mr. KNOWLES: Did the whips indicate how long the flag debate is going to last?

The CHAIRMAN (*Mr. Cameron*): No, they did not. It may be that there will be a change as we go along, because I think all members are interested in getting right down to the meat of this particular bill. May we have a motion?

Mr. BASFORD: I second Mr. Moreau's motion.

The CHAIRMAN (*Mr. Cameron*): The motion is that the matter be referred to the steering committee.

Mr. SCOTT: May we not consider and decide upon it right now?

Mr. MUNRO: The only reason I suggested the steering committee was that it could be ascertained to what extent any agreement had been made with the whips of the other parties; and if any such agreements had been made, whether it would be possible so far as the Canada pension plan committee is concerned that an exception might be made. That is the only reason. If you wish to have an over-all decision by the committee, perhaps it might be made at the next meeting of the committee, after the steering committee has had a chance to deal with it.

Mr. BASFORD: Before it goes to the steering committee I can see absolutely no reason why this committee should not sit while the house is sitting. Surely the whole process of parliament should not come to a halt during the flag debate.

The CHAIRMAN (*Mr. Cameron*): I simply submitted it to the committee. I do not think it is up to me to make a decision. I may have the right to do so, but I do not feel I should make that decision.

Mr. KNOWLES: Mr. Munro referred to a possible agreement between the government whip and other party whips. Let me say that I am not guilty. There has been no discussion about this matter with me.

The CHAIRMAN (*Mr. Cameron*): We have the motion, moved by Mr. Moreau and seconded by Mr. Basford, that the problem be referred to the steering committee. All those in favour of the motion? Those opposed?

Motion agreed to.

The clerk tells me that we have quite a bit of correspondence accumulated in the last few days. I would like to have a meeting of the steering committee, and I would be glad—since most of the members are here—if you would suggest an hour when it would be convenient to meet in my office.

Mr. MONTEITH: Can we not meet this afternoon here at 3.45?

The CHAIRMAN (*Mr. Cameron*): That is the arrangement at the present time.

Mr. AIKEN: Since we have been sitting for two and one quarter hours, and since Dr. Willard has concluded his preliminary evidence, may we not adjourn at this time?

The CHAIRMAN (*Mr. Cameron*): I was coming to that question shortly. But I thought we should consider these other matters first. When can the steering committee meet?

Mr. RHÉAUME: If we adjourned now, perhaps we could take 10 minutes, and I so move.

The CHAIRMAN (*Mr. Cameron*): Well then, I have arranged for this committee room to be available tomorrow morning, and this afternoon, and Thursday morning, and Thursday afternoon, and I would point out to you that this is the caucus room of the Progressive Conservative party and we have to terminate our proceedings shortly before 11 o'clock tomorrow morning.

Mr. MONTEITH: It is silly to try to have a meeting tomorrow morning.

Hon. Mr. MCCUTCHEON: There is to be a very important Senate meeting tomorrow morning at 9.30. I think we should not sit on Wednesday.

The CHAIRMAN (*Mr. Cameron*): There is no arrangement, but if the committee does not wish to sit tomorrow, I would be glad to receive a motion to that effect.

Mr. KNOWLES: I thought we had referred this matter to the steering committee.

The CHAIRMAN (*Mr. Cameron*): This has to do with whether we sit tomorrow morning. The house is not in session tomorrow morning, but certain important committees are meeting, and there was the suggestion made that some members could not be present.

Mr. MOREAU: Meetings are convened at the call of the Chair. I suggest you have a discussion with the steering committee and get the consensus of opinion and call the next meeting on that basis.

The CHAIRMAN (*Mr. Cameron*): If that is agreed, then very well.

APPENDIX "A"

SELECTED INCOME MAINTENANCE PROGRAMS IN CANADA

Federal Programs

OLD AGE SECURITY

The Old Age Security Act of 1951, as amended, provides a universal pension of $75 a month payable by the Federal Government to all persons aged 70 or over, subject to a residence qualification. The rate was raised from $65 to $75 a month effective October 1, 1963. To qualify for pension a person must have resided in Canada for ten years immediately preceding its commencement or, if absent during that period, must have been actually present in Canada prior to it for double any period of absence and must have resided in Canada at least one year immediately preceding commencement of pension. Payment of pension may be continued for any period of residence outside Canada if the pensioner has resided in Canada for at least 25 years after attaining the age of 21 or, if he has not, it may be continued for six consecutive months exclusive of the month of departure from Canada. The program is administered by the Department of National Health and Welfare through regional offices located in each provincial capital.

TABLE 1—OLD AGE SECURITY STATISTICS, BY PROVINCE, YEARS ENDED MARCH 31, 1961 TO 1964

Province and Year	Pensioners in March	Net Pensions Paid during Fiscal Year	Province and Year	Pensioners in March	Net Pensions Paid during Fiscal Year
	No.	$		No.	$
Newfoundland.....1961	17,379	11,354,705	Manitoba...........1961	55,278	36,088,676
1962	17,801	11,947,626	1962	56,567	38,085,361
1963	18,184	14,013,832	1963	57,692	44,617,405
1964	18,477	15,376,636	1964	58,850	48,874,928
Prince Edward Island...........1961	7,492	4,944,372	Saskatchewan......1961	57,175	37,572,791
1962	7,603	5,151,999	1962	58,436	39,621,029
1962	7,635	5,962,922	1963	59,690	46,334,646
1964	7,792	6,493,258	1964	60,587	50,751,907
Nova Scotia.......1961	41,919	27,610,488	Alberta............1961	60,708	39,688,023
1962	42,572	28,895,584	1962	62,658	42,276,129
1963	43,583	33,817,492	1963	64,286	49,787,140
1964	44,424	37,063,710	1964	65,746	54,835,096
New Brunswick...1961	30,732	20,350,402	British Columbia...1961	115,157	75,451,417
1962	31,316	21,291,111	1962	117,815	79,622,315
1963	31,935	24,858,331	1963	120,678	93,362,860
1964	32,592	27,247,749	1964	122,732	102,639,328
Quebec............1961	191,136	124,321,715	Yukon and Northwest Territories...1961	626	405,012
1962	196,827	131,711,372	1962	656	439,865
1963	202,405	155,359,915	1963	676	524,445
1964	207,917	171,996,794	1964	680	564,696
Ontario............1961	327,304	214,625,682	Canada.............1961	904,906	592,413,283
1962	335,339	226,065,413	1962	927,590	625,107,804
1963	344,002	265,742,644	1963	950,766	734,381,632
1964	352,004	292,547,198	1964	971,801	808,391,300

The pension is financed on the pay-as-you-go method through a 3 per cent sales tax, a 3 per cent tax on corporation income and, subject to a limit of $120 a year, a 4 per cent tax on taxable personal income. Yields from these taxes are paid into the Old Age Security Fund; if they are insufficient to meet the pension payments, temporary loans or grants are made from the Consolidated Revenue Fund.

Persons in receipt of old age assistance who reach age 70 are automatically transferred to old age security. Others make application to the regional offices. Recipients of old age security who are in need may receive supplementary aid under general assistance programs in the provinces. Where the amount of aid is determined through an individual assessment of need, which takes the recipient's requirements and resources into consideration, the Federal Government may share in it under the Unemployment Assistance Act.

TABLE 2—OPERATIONS OF THE OLD AGE SECURITY FUND, FISCAL YEARS ENDED MARCH 31, 1960 to 1964

Item	1960	1961	1962	1963	1964
	$	$	$	$	$
Revenue:					
Sales Tax	270,000,055	270,231,478	284,879,239	302,238,927	331,760,067
Corporation Income Tax	91,336,000	103,500,000	100,125,000	115,250,000	115,750,000
Individual Income Tax	185,550,000	229,400,000	258,950,000	273,650,000	302,600,000
Grant from Consolidated Revenue Fund	—	—	—	—	—
Loan from Consolidated Revenue Fund	28,000,991	—	—	41,679,066	58,281,233
Total Revenue	574,887,046	603,131,478	643,954,239	732,817,993(3)	808,391,300
Expenditure:					
Benefit Payments	574,887,046	592,413,283	625,107,804	734,381,632	808,391,300
Excess of Revenue over Benefit Payments	—	10,718,195(1)	18,846,435(2)	—	—

(1) Applied to repayment of loan from consolidated revenue fund, leaving a net loan of $17,282,796.

(2) Of this sum, $17,282,796 was applied to repayment of loan from consolidated revenue fund leaving a balance in the old age security fund, March 31, 1962, of $1,563,639.

(3) The total of this figure and the balance carried forward from the previous fiscal year equals the benefit payments.

FAMILY ALLOWANCES

The Family Allowances Act of 1944 is designed to assist in the provision of equal opportunities for all Canadian children. The allowances do not involve a means test and are paid from the federal Consolidated Revenue Fund. They do not constitute taxable income but there is a smaller income tax exemption for children eligible for the allowances.

Allowances are payable in respect of every child under the age of 16 years who was born in Canada, or who has been a resident of the country for one year, or whose father or mother was domiciled in Canada for three years immediately prior to the birth of the child. Payment is made by cheque each month, normally to the mother, although any person who substantially maintains the child may be paid the allowance on his behalf. Allowances are paid at the monthly rate of $6 for each child under 10 years of age and $8 for each child aged 10 or over but under 16 years. If the allowances are not spent for the purposes outlined in the Act, payment may be discontinued or made to some other person or agency on behalf of the child. Allowances are not payable for any child who fails to comply with provincial school regulations or on behalf of a girl who is married and under 16 years of age. The program is administered by the Department of National Health and Welfare through regional offices located in each provincial capital. A Regional Director for the Yukon and Northwest Territories is located at Ottawa.

In his 1964 Budget Speech the Minister of Finance announced that the government would propose that family allowances be paid in respect of children aged 16 and 17 who are attending full-time educational or training courses. These allowances would be in the amount of $10 a month and would be payable 12 months a year.

The Federal Government pays family assistance, at the rates applicable for family allowances, for each child under 16 years of age resident in Canada and supported by an immigrant who has landed for permanent residence in Canada, or by a Canadian returned to Canada to reside permanently. The assistance, which is payable monthly and for a maximum period of one year, is not payable for a child eligible for family allowances.

TABLE 3—FAMILY ALLOWANCES STATISTICS, BY PROVINCE, YEARS ENDED MARCH 31, 1961 TO 1964

Province and Year		Families Receiving Allowance in March	Children for Whom Allowance Paid in March	Average Number of Children per Family in March	Average Allowance(1)		Net Total Allowances Paid during Fiscal Year
					Per Family	Per Child	
		No.	No.	No.	$	$	$
Newfoundland	1961	64,464	201,512	3.12	20.91	6.69	15,960,416
	1962	65,705	204,855	3.12	20.87	6.69	16,336,849
	1963	66,657	207,120	3.11	20.80	6.70	16,562,083
	1964	67,635	209,180	3.09	20.75	6.71	16,747,021
Prince Edward Island	1961	13,877	38,938	2.80	18.92	6.74	3,124,017
	1962	14,190	39,931	2.81	18.98	6.74	3,204,881
	1963	14,344	40,423	2.82	18.99	6.74	3,259,952
	1964	14,377	40,524	2.82	19.05	6.76	3,274,057
Nova Scotia	1961	104,972	266,629	2.54	17.01	6.70	21,241,829
	1962	105,868	271,036	2.56	17.14	6.70	21,623,655
	1963	106,018	271,476	2.56	17.14	6.69	21,838,772
	1964	105,754	271,336	2.57	17.20	6.70	21,790,680
New Brunswick	1961	82,440	236,379	2.87	19.25	6.71	18,877,745
	1962	83,014	239,340	2.88	19.41	6.73	19,222,615
	1963	83,272	239,507	2.87	19.33	6.72	19,340,514
	1964	82,711	237,093	2.87	19.29	6.73	19,198,184
Quebec	1961	722,592	1,937,918	2.68	17.99	6.71	154,185,288
	1962	739,126	1,976,677	2.67	17.96	6.71	157,712,911
	1963	752,413	1,999,894	2.66	17.87	6.72	160,299,079
	1964	766,364	2,017,190	2.63	17.74	6.74	162,172,423
Ontario	1961	913,025	2,065,618	2.26	15.08	6.67	162,610,724
	1962	929,461	2,133,116	2.29	15.32	6.68	168,442,100
	1963	939,314	2,172,643	2.31	15.44	6.68	172,711,354
	1964	949,955	2,209,982	2.33	15.56	6.69	175,544,729
Manitoba	1961	130,743	308,447	2.36	15.71	6.66	24,384,595
	1962	132,338	315,238	2.38	15.94	6.69	25,065,334
	1963	132,937	319,564	2.40	16.07	6.69	25,523,719
	1964	133,015	321,413	2.41	16.17	6.69	25,727,440
Saskatchewan	1961	131,830	325,020	2.46	16.46	6.68	25,848,509
	1962	131,975	329,681	2.50	16.70	6.69	26,313,109
	1963	131,066	331,394	2.53	16.89	6.68	26,539,801
	1964	131,240	333,051	2.53	16.97	6.69	26,650,259
Alberta	1961	199,278	477,417	2.39	15.89	6.63	37,365,329
	1962	204,698	496,712	2.43	16.13	6.65	38,928,125
	1963	208,646	509,805	2.44	16.29	6.67	40,315,733
	1964	211,105	519,140	2.46	16.47	6.70	41,227,721

(1) Based on gross payment for March.

TABLE 3—FAMILY ALLOWANCES STATISTICS, BY PROVINCE, YEARS ENDED MARCH 31, 1961 TO 1964 (Concluded)

Province and Year	Families Receiving Allowance in March	Children for Whom Allowance Paid in March	Average Number of Children per Family in March	Average Allowance (1)		Net Total Allowances Paid during Fiscal Year
				Per Family	Per Child	
	No.	No.	No.	$	$	$
British Columbia 1961	233,801	523,637	2.24	14.99	6.69	41,433,470
1962	236,646	538,934	2.28	15.24	6.69	42,687,279
1963	239,496	550,380	2.30	15.40	6.70	43,834,184
1964	242,789	561,174	2.31	15.51	6.71	44,172,129
Yukon and Northwest Territories 1961	3,908	15,619	2.64	16.82	6.36	1,159,725
1962	6,296	16,767	2.66	17.04	6.40	1,244,335
1963	6,582	17,674	2.68	17.03	6.34	1,341,158
1964	6,237	16,074	2.58	17.21	6.68	1,267,581
CANADA 1961	2,602,930	6,397,134	2.46	16.42	6.68	506,191,647
1962	2,649,317	6,562,287	2.48	16.58	6.69	520,781,193
1963	2,680,745	6,659,880	2.48	16.63	6.69	531,566,349
1964	2,711,272	6,736,157	2.48	16.67	6.71	538,312,224

(1) Based on gross payment for March.

Federal Provincial Programs

OLD AGE ASSISTANCE

The Old Age Assistance Act of 1951, as amended, provides for federal reimbursement to the provinces for assistance to persons aged 65 or over who are in need and who have resided in Canada for at least ten years or who, if absent from Canada during this period, have been present in Canada prior to the commencement of the ten-year period for double any period of absence. On reaching age 70 a pensioner is transferred to old age security. The federal contribution may not exceed 50 per cent of $75 a month or of the assistance paid, whichever is less. Prior to December, 1963, the maximum rate of assistance in which the Federal Government would share was $65 a month. The province administers the program and, within the limits of the federal Act, may fix the amount of assistance payable, the maximum income allowed and other conditions of eligibility. All provinces use a maximum payment of $75 a month and the income limits set out below. In May 1964 the Yukon and Northwest Territories were using a maximum payment of $65.

For an unmarried person, total income allowed, including assistance, may not exceed $1,260 a year. For a married couple it may not exceed $2,200 a year or, when the spouse is blind within the meaning of the Blind Persons Act, $2,580 a year. Assistance is not paid to a person receiving an old age security pension or an allowance under the Blind Persons Act, the Disabled Persons Act, or the War Veterans Allowance Act.

Recipients of old age assistance who are in need may receive supplementary aid under general assistance programs in the provinces. Where the amount of aid is determined through an individual assessment of need, which takes the recipient's requirements and resources into consideration, the Federal Government may share in it under the Unemployment Assistance Act.

TABLE 4—OLD AGE ASSISTANCE STATISTICS, BY PROVINCE, YEARS ENDED MARCH 31, 1961 to 1964

Province and Year		Recipients in Month of March	Average Amount of Monthly Assistance	P.C. of Recipients to Population Age 65-69	Federal Government Contribution during Year
		No.	$		$
Newfoundland	1961	5,342	52.78	55.07	1,707,883
	1962	5,184	52.42(a)	52.90	1,672,510
	1963	5,187	63.00	52.93	1,987,213
	1964	5,081	62.79	51.85	1,945,021
Prince Edward Island	1961	801	47.07	22.25	216,870
	1962	897	49.07(b)	24.92	248,608
	1963	1,037	60.35	28.86	375,350
	1964	1,130	60.38	31.39	394,947
Nova Scotia	1961	5,395	48.72	25.33	1,608,129
	1962	5,248	51.76(b)	24.64	1,569,348
	1963	5,421	59.76	25.45	2,007,871
	1964	5,509	69.11	25.99	2,084,088
New Brunswick	1961	5,555	51.15	34.29	1,746,572
	1962	5,421	62.42(b)	33.46	1,760,484
	1963	5,491	61.58	33.90	2,065,950
	1964	5,447	70.96	33.83	2,121,388
Quebec	1961	35,441	51.43	30.32	10,977,319
	1962	34,615	50.84(b)	28.94	10,896,302
	1963	37,086	61.48	31.01	13,793,745
	1964	38,206	60.96	31.16	13,860,075
Ontario	1961	22,736	48.92	12.62	6,629,557
	1962	22,868	58.24(b)	12.54	6,903,031
	1963	23,925	58.80	13.12	8,458,293
	1964	25,197	67.59	13.61	9,134,698
Manitoba	1961	5,098	51.40	18.08	1,600,650
	1962	5,082	62.11(b)	18.09	1,652,229
	1963	5,448	60.83	19.37	2,001,606
	1964	5,436	70.06	19.35	2,105,940
Saskatchewan	1961	5,727	50.06	20.31	1,769,635
	1962	5,760	50.47(b)	20.79	1,761,661
	1963	5,866	59.63	21.18	2,220,539
	1964	5,549	68.59	20.18	2,151,490
Alberta	1961	6,584	49.90	20.77	2,008,821
	1962	6,494	50.08(b)	20.23	2,000,956
	1963	6,479	60.30	20.18	2,523,720
	1964	6,644	69.56	20.32	2,559,785
British Columbia	1961	7,322	51.42	14.41	2,332,521
	1962	7,189	51.64(a)	14.32	2,283,927
	1963	7,039	62.26	14.02	2,675,207
	1964	6,864	72.01	13.70	2,781,892

TABLE 4—OLD AGE ASSISTANCE STATISTICS, BY PROVINCE, YEARS ENDED MARCH 31, 1961 to 1964 (Continued)

Province and Year		Recipients in Month of March	Average Amount of Monthly Assistance	P.C. of Recipients to Population Age 65-69	Federal Government Contribution during Year
		No.	$		$
Yukon Territory	1961	48	54.42	24.00	15,957
	1962	46	54.39[b]	23.00	15,507
	1963	34	64.47	17.00	15,287
	1964	31	65.00	15.50	12,113
Northwest Territories	1961	135	52.22	45.00	43,482
	1962	140	53.83[c]	46.67	46,021
	1963	144	63.36	48.00	54,275
	1964	147	64.40	49.00	56,744
Canada	1961	100,184	50.56	20.57	30,657,396
	1962	98,944	53.87[d]	20.14	30,810,585
	1963	103,159	60.68	21.00	38,179,057
	1964	105,241	65.72	21.16	39,208,181

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[a] The increase in the maximum assistance rate from $55 to $65 a month was effective in these provinces from April 1, 1962.

[b] The effective date for the increase from $55 to $65 a month in the maximum assistance rate was February 1, 1962 in these jurisdictions but not all of them had made the adjustments by March 31, 1962.

[c] The effective date of the increase from $55 to $65 a month in the maximum assistance rate was July 1, 1962.

[d] The average monthly assistance was $61.09 for June 1962, the first month for which an average based on the maximum of $65 a month was computed.

ALLOWANCES FOR BLIND PERSONS

The Blind Persons Act of 1951, as amended, provides for federal reimbursement to the provinces for allowances to blind persons aged 18 or over who are in need and who have resided in Canada for at least ten years. The federal contribution may not exceed 75 per cent of $75 a month or of the allowance paid, whichever is less. Prior to December 1963, the maximum allowance in which the Federal Government would share was $65 a month. The province administers the program and, within the limits of the federal Act, may fix the amount of allowance payable and the maximum income allowed. All provinces use a maximum payment of $75 a month and the income limits set out below. In May 1964 the Yukon and Northwest Territories were using a maximum payment of $65.

To qualify for an allowance a person must meet the required definition of blindness and have resided in Canada for ten years immediately preceding commencement of allowance or, if absent from Canada during this period, must have been present in Canada prior to its commencement for a period equal to double any period of absence. For an unmarried person, total income including the allowance may not exceed $1,500 a year; for a person with no spouse but with one or more dependent children, $1,980; for a married couple, $2,580. When the spouse is also blind, income of the couple may not exceed $2,700. Allowances are not payable to a person receiving assistance under the Old Age Assistance Act, an allowance under the Disabled Persons Act or the War Veterans Allowance Act, a pension under the Old Age Security Act or a pension for blindness under the Pensions Act.

Recipients of blindness allowances who are in need may receive supplementary aid under general assistance programs in the provinces. Where the amount of aid is determined through an individual assessment of need, which takes the recipient's requirements and resources into consideration, the Federal Government may share in it under the Unemployment Assistance Act.

TABLE 5—STATISTICS OF ALLOWANCES FOR THE BLIND, BY PROVINCE, YEARS ENDED MARCH 31, 1961 to 1964

Province and Year		Recipients in Month of March	Average Amount of Monthly Allowance	P.C. of Recipients to Population Age 20-69	Federal Government Contribution during Year
		No.	$		$
Newfoundland	1961	422	54.40	0.206	208,131
	1962	429	54.40(a)	0.204	208,816
	1963	429	63.70	0.200	247,377
	1964	436	63.66	0.204	246,924
Prince Edward Island	1961	81	53.63	0.160	39,764
	1962	80	63.13(b)	9.157	40,168
	1963	83	63.21	0.162	47,103
	1964	79	64.43	0.155	46,778
Nova Scotia	1961	786	53.40	0.210	380,911
	1962	771	63.74(b)	0.205	386,325
	1963	792	63.08	0.208	450,275
	1964	775	73.00	0.204	468,866
New Brunswick	1961	696	53.84	0.243	341,686
	1962	697	64.24(b)	0.241	349,237
	1963	701	63.79	9.241	410,317
	1964	679	73.77	0.233	418,037
Quebec	1961	2,949	53.90	0.108	1,456,779
	1962	2,901	53.59(b)	0.104	1,412,002
	1963	2,891	63.74	0.102	1,662,937
	1964	2,855	63.65	0.100	1,642,869
Ontario	1961	1,845	50.51	0.053	840,964
	1963	1,846	57.94(b)	0.053	836,687
	1963	1,877	58.73	0.053	992,300
	1964	1,902	67.59	0.054	1,045,329
Manitoba	1961	380	53.23	0.077	187,226
	1962	378	62.93(b)	0.076	188,335
	1963	379	68.80	0.075	214,163
	1964	383	72.67	0.076	230,264
Saskatchewan	1961	409	53.20	0.085	196,185
	1963	406	53.03(b)	0.085	193,308
	1963	422	63.18	0.089	240,693
	1963	406	71.51	0.086	246,010
Alberta	1961	461	52.82	0.066	220,820
	1962	454	53.17(b)	0.063	222,545
	1963	463	63.53	0.063	271,516
	1964	465	72.65	0.064	278,014
British Columbia	1961	568	53.26	0.064	269,049
	1962	563	53.47(a)	0.062	270,365
	1963	547	64.04	0.060	319,457
	1964	551	73.93	0.060	335,593
Yukon Territory	1961	3	55.00	0.036	1,485
	1962	3	55.00(b)	0.036	1,485
	1963	4	65.00	0.049	2,239
	1964	4	65.00	0.049	1,999
Northwest Territories	1961	42	50.71	0.356	18,833
	1962	45	52.11(c)	0.372	20,580
	1963	46	59.13	0.393	23,452
	1964	46	64.14	0.393	27,214
Canada	1961	8,642	52.97	0.089	4,161,833
	1962	8,573	56.78(d)	0.087	4,129,852
	1963	8,634	62.50	0.087	4,881,829
	1964	8,581	68.12	0.086	4,987,897

(a) The increase in the maximum rate of allowanse from $55 to $65 a month was effective in these provinces from April 1, 1962.

(b) The effective date for the increase from $55 to $65 a month in the maximum rate of allowance was February 1, 1962 in these jurisdictions but not all of them had made the adjustments by March 31, 1962.

(c) The effective date of the increase from $55 to $65 a month in the maximum rate of allowance was July 1, 1962.

(d) The average monthly allowance was $62.65 for June 1962, the first month for which an average based on the maximum of $65 a month was computed.

ALLOWANCES FOR DISABLED PERSONS

The Disabled Persons Act of 1954, as amended, provides for federal reimbursement to the provinces for allowances paid to permanently and totally disabled persons age 18 or over who are in need and who have resided in Canada for at least ten years immediately preceding commencement of allowance or, if absent from Canada during this period, have been present in Canada prior to its commencement for a period equal to double any period of absence. To qualify for an allowance a person must meet the definition of permanent and total disability set out in the Regulations to the Act which requires that a person must be suffering from a major physiological, anatomical or psychological impairment, verified by objective medical findings; the impairment must be one that is likely to continue indefinitely without substantial improvement and that will severely limit activities of normal living. The federal contribution is 50 per cent of $75 a month or of the allowance paid, whichever is less. Prior to December 1963, the maximum allowance in which the Federal Government would share was $65 a month. The province administers the program and, within the limits of the federal Act, may fix the amount of allowance payable, the maximum income allowed and other conditions of eligibility. All provinces use a maximum payment of $75 a month and the income limits set out below. In May 1964, the Yukon and Northwest Territories were using a maximum payment of $65.

For an unmarried person, total income including the allowance may not exceed $1,260 a year. For a married couple the limit is $2,220 a year except that if the spouse is blind within the meaning of the Blind Persons Act, income of the couple may not exceed $2,580 a year. Allowances are not paid to a person receiving an allowance under the Blind Persons Act or the War Veterans Allowance Act, assistance under the Old Age Assistance Act, a pension under the Old Age Security Act, or a mother's allowance.

The allowance is not payable to a patient in a mental institution or tuberculosis sanatorium. A recipient who is resident in a nursing home, an infirmary, a home for the aged, an institution for the care of incurables, or a private, charitable or public institution is eligible for the allowance only if the major part of the cost of his accommodation is being paid by himself or another individual. When a recipient is required to enter a public or private hospital, the allowance may be paid for no more than two months of hospitalization in a calendar year, excluding months of admission and release, but for the period that a recipient is in hospital for therapeutic treatment for his disability or rehabilitation, the allowance may continue to be paid.

As in previous years, disabilities in the two medical classes—mental, psychoneurotic and personality disorders, and diseases of the nervous system and sense organs—were found to be the most prevalent among the persons becoming eligible for allowance in the year ended March 31, 1963; diseases of the circulatory system was the third largest class. Mental deficiency, the most frequently occurring disability, accounted for over one quarter of all cases granted an allowance.

Recipents of disability allowances who are in need may receive supplementary aid under general assistance programs in the province. Where the amount of aid is determined through an individual assessment of need, which takes the recipient's requirements and resources into consideration, the Federal Government may share in it under the Unemployment Assistance Act.

TABLE 6—STATISTICS OF ALLOWANCES FOR DISABLED PERSONS, BY PROVINCE, YEARS ENDED MARCH 31, 1961 TO 1964

Province and Year		Recipients in Month of March	Average Amount of Monthly Allowance	P.C. of Recipients to Population Age 20–69	Federal Government Contribution during Year
		No.	$		$
Newfoundland	1961	1,220	54.57	0.594	389,073
	1962	1,292	54.51(a)	0.616	413,676
	1963	1,436	64.61	0.670	532,852
	1964	1,586	64.53	0.740	587,092
Prince Edward Island	1961	752	53.03	1.483	230,727
	1962	780	64.44(b)	1.529	258,995
	1963	795	64.40	1.556	311,831
	1964	801	64.47	1.567	310,817
Nova Scotia	1961	2,704	52.78	0.722	847,957
	1962	2,776	64.02(b)	0.737	809,644
	1963	2,919	63.84	0.767	1,113,882
	1964	3,108	73.79	0.816	1,229,805
New Brunswick	1961	1,963	54.27	0.685	633,555
	1962	2,000	64.54(b)	0.692	668,392
	1963	2,060	64.51	0.707	791,069
	1964	2,141	74.39	0.735	859,995
Quebec	1961	24,009	53.95	0.876	7,995,958
	1962	22,528	54.09(b)	0.806	7,460,933
	1963	21,347	64.33	0.749	8,577,890
	1964	20,753	64.29	0.729	8,081,258
Ontario	1961	13,307	53.66	0.384	4,163,398
	1962	13,762	63.47(b)	0.394	4,503,239
	1963	14,886	63.69	0.423	5,537,215
	1964	15,938	73.43	0.453	6,182,921
Manitoba	1961	1,415	54.07	0.285	455,373
	1962	1,447	64.04(b)	0.290	477,943
	1963	1,520	64.19	0.301	577,685
	1964	1,518	74.09	0.301	615,287
Saskatchewan	1961	1,449	54.21	0.302	464,153
	1962	1,502	54.33(b)	0.315	489,505
	1963	1,602	64.46	0.338	630,848
	1964	1,657	74.27	0.349	669,042
Alberta	1961	1,790	52.92	0.255	556,077
	1962	1,762	53.22(b)	0.246	558,533
	1963	1,780	63.56	0.244	697,294
	1964	1,815	73.44	0.249	727,595
British Columbia	1961	2,017	53.91	0.226	642,536
	1962	2,156	54.02(a)	0.239	685,428
	1963	2,248	64.18	0.245	853,602
	1964	2,319	74.04	0.253	929,723
Yukon Territory	1961	4	55.00	0.048	1,018
	1962	5	55.00(b)	0.060	1,760
	1963	7	65.00	0.085	2,358
	1964	3	68.33	0.037	2,263
Northwest Territories	1961	20	55.00	0.169	5,995
	1962	19	55.00(c)	0.157	6,563
	1963	21	65.00	0.179	7,797
	1964	32	65.31	0.274	10,745
Canada	1961	50,650	53.80	0.522	16,385,820
	1962	50,029	58.07(d)	0.509	16,433,611
	1963	50,621	64.10	0.509	19,634,313
	1964	51,671	69.48	0.519	20,206,543

(a) The increase in the maximum rate of allowance from $55 to $65 a month was effective in these provinces from April 1, 1962.

(b) The effective date for the increase from $55 to $65 a month in the maximum rate of allowance was February 1, 1962 in these jurisdictions but not all of them had made the adjustments by March 31, 1962.

(c) The effective date of the increase from $55 to $65 a month in the maximum rate of allowance was July 1, 1962.

(d) The average monthly allowance was $64.04 for June 1962, the first month for which an average based on the maximum of $65.00 a month was computed.

UNEMPLOYMENT ASSISTANCE

Under the Unemployment Assistance Act 1956, as amended, the Federal Government may enter an agreement with any province to reimburse it for 50 per cent of the unemployment assistance expenditures made by the province and its municipalities to persons and their dependants who are unemployed and in need. All provinces and the two territories have signed agreements under the Act. The rates and conditions of assistance are determined by the provinces and, in some cases, by their municipalities. Payments to both employable and unemployable persons in need are shareable under the agreements, as are the costs of maintaining persons in homes for special care such as nursing homes or homes for the aged. The Federal Government shares in additional assistance paid to needy persons in receipt of old age security pensions, old age assistance, blind persons' allowances, disabled persons' allowances and unemployment insurance benefits, where the amount of the assistance paid is determined through an assessment of the recipient's basic requirements, as well as his financial resources.

During the year ended March 31, 1963, the Federal Government made payments for unemployment assistance amounting to $96,476,627. The federal share of assistance costs shown in Table 7, however, are based on payments for the months in which the assistance was actually given and, since claims may be submitted at any time within six months after the month to which they relate, the figures for each fiscal year include certain reimbursements made to the provinces after the end of that year.

TABLE 7—UNEMPLOYMENT ASSISTANCE, BY PROVINCE, YEARS ENDED MARCH 31, 1961 TO 1964

Province and Year		Recipients(1) in March	Federal Share of Unemployment Assistance Costs(2)
		No.	$
Newfoundland	1961	51,985(3)	3,413,393
	1962	59,144(3)	4,064,063
	1963	59,199(3)	4,218,134
	1964	62,478(3)	4,565,680
Prince Edward Island	1961	2,395	155,748
	1962	2,819	174,422
	1963	3,270	225,123
	1964	2,659	292,832
Nova Scotia	1961	23,338(3)	1,853,784
	1962	26,200(3)	1,673,624
	1963	28,056(3)	1,610,250
	1964	26,933(3)	1,780,855
New Brunswick	1961	30,567(3)	1,494,980
	1962	33,841(3)	1,526,125
	1963	39,782(3)	1,704,427
	1964	31,989(3)	1,743,488
Quebec	1961	175,165	17,155,104
	1962	253,446	31,952,317
	1963	265,612	36,274,266
	1964	232,824	39,130,901
Ontario	1961	111,235	14,546,044
	1962	123,923	18,743,006
	1963	141,068(3)	20,447,510
	1964	127,614(3)	24,350,089
Manitoba	1961	27,113(3)	3,550,886
	1962	32,348(3)	4,285,123
	1963	32,579(3)	4,526,878
	1964	29,871(3)	4,952,050
Saskatchewan	1961	27,286	2,327,294
	1962	44,490(3)	4,535,334
	1963	44,227(3)	4,777,912
	1964	38,855(3)	4,614,614

TABLE 7—UNEMPLOYMENT ASSISTANCE, BY PROVINCE, YEARS ENDED MARCH 31, 1961 TO 1964 (Concluded)

Province and Year		Recipients(1) in March	Federal Share of Unemployment Assistance Costs(2)
		No.	$
Alberta	1961	26,388	2,917,607
	1962	35,136(3)	4,445,703
	1963	44,824(3)	6,486,668
	1964	46,587(3)	7,981,780
British Columbia	1961	86,702(3)	12,241,625
	1962	91,816(3)	15,965,424
	1963	94,570(3)	15,798,280
	1964	91,354(3)	16,918,569
Yukon Territory	1961	244	31,862
	1962	205	39,820
	1963	292	52,496
	1964	314	67,392
Northwest Territories	1961	302	19,637
	1962	233	33,766
	1963	685	62,848
	1964	774	81,926
Canada	1961	562,720	59,707,964
	1962	703,601	87,427,726
	1963	754,164	96,184,792
	1964	692,251	106,480,176

(1) Includes dependants.

(2) Payment figures shown are for the months to which the claims made under the program relate and include amounts paid to the provinces by the Federal Government after the end of the fiscal year.

(3) Includes persons of a class formerly granted aid under a mothers' allowances program.

Provincial Programs

MOTHERS' ALLOWANCES

All provinces make provision for allowances to needy mothers who are deprived of the breadwinner and are unable to maintain their dependent children without assistance. A number of provinces combine mothers' allowances in a broadened program of provincial allowances to several categories of persons with long-term need. There is a tendency to incorporate this legislation with general assistance within a single Act, while continuing separate administration. In British Columbia, on the other hand, aid to needy mothers is provided under the general assistance program and in the same way as to other needy persons.

Subject to conditions of eligibility which vary from province to province, mothers' allowances or their equivalents are payable from provincial funds to applicants who are widowed, or whose husbands are mentally incapacitated or are physically disabled and unable to support their families. They are also payable to deserted wives who meet specified conditions; in several provinces to mothers whose husbands are in penal institutions, or who are divorced or legally separated; in some, to unmarried mothers; and in Ontario, Quebec and Nova Scotia to Indian mothers. Foster mothers may be eligible under particular circumstances in most provinces.

The age limit for children is 16 years in most provinces, with provision made to extend payment for a specified period if the child is attending school or if he is physically or mentally handicapped. In all provinces applicants must satisfy conditions of need and residence but the amount of outside income and resources allowed and the length of residence required prior to application vary, the most common period being one year. One province has a citizenship requirement.

TABLE 8—MOTHERS' ALLOWANCES, BY PROVINCE, AS AT MARCH 31, 1960 to 1963

Province and Year		Families Assisted	Children Assisted	Payments during the Year Ended March 31
		No.	No.	$
Newfoundland	1960	4,024	12,898	3,225,273(1)
	1961	4,211	11,924	4,061,239(1)
	1962	4,498	12,315	4,308,762
	1963	4,836	13,216	4,687,760
Prince Edward Island	1960	267	683	130,510
	1961	256	635	124,099
	1962	269	649	131,300
	1963	293	747	140,885
Nova Scotia	1960	2,210	5,153	1,920,450
	1961	2,658	6,575	2,166,163
	1962	2,754	7,452	2,258,875
	1963	2,760	7,477	2,311,725
New Brunswick	1960	2,213	6,507	1,277,985
	1961	2,212	6,501	1,398,808
	1962	2,119	6,178	1,356,078
	1963	2,165	6,287	1,347,479
Quebec	1960	69,778	51,422	20,156,395
	1961	20,309	52,803	19,314,014
	1962	19,842	52,462	19,479,716
	1963	19,531	51,638	20,743,405
Ontario	1960	9,722	23,790	12,139,979
	1961	10,149	26,143	12,877,821
	1962	10,359	25,537	13,650,401
	1963	10,182	24,715	13,913,657
Manitoba	1960(1)	1,209	3,300	1,900,000
	1961(1)	1,350	3,582	2,072,594
	1962(1)	1,638	3,635	2,360,594
	1963	1,811	3,823	2,576,796
Saskatchewan	1960	2,242	5,563	1,949,697
	1961	2,316	5,695	1,957,403
	1962	2,382	5,837	2,679,587
	1963	2,459	6,158	3,512,769
Alberta	1960	2,272	5,153	2,084,682
	1961	2,457	5,565	2,273,162
	1962	1,611	3,319	1,879,195
	1963(2)	1,210	2,361	1,407,020
British Columbia(3)	1960	—	—	—
	1961	—	—	—
	1962	—	—	—
Canada(4)	1960	43,937	114,469	44,884,971
	1961	45,918	118,423	46,245,303
	1962	45,477	117,384	48,104,508
	1963	45,247	116,422	50,641,496

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(1) Approximate.

(2) An additional 2,563 families with 7,542 children were assisted under Part III of the Public Welfare Act. Cost of allowances for this group is included in total payments for all groups under Part III.

(3) Caseload transferred to social assistance; no separate figures are available.

(4) Exclusive of British Columbia.

TABLE 9—MAXIMUM MONTHLY RATES UNDER PROVINCIAL MOTHERS' ALLOWANCES PROGRAMS, APRIL 1964

Province	Mother and One Child	Each Additional Child	Disabled Father at Home	Family Maximum	Supplementary
Newfoundland	Food: $35 or $37 depending on age of child. Clothing: $5 for each person. Rent: up to $20 monthly in rural and to $30 monthly in urban areas. Fuel: up to $10.	Food: $10 for each child under age 16; $12 for each child age 16 or over. Clothing: $5.	$20	None set	In special circumstances up to $30 a month additional if necessary for proper support of family.
Prince Edward Island	$70	$5	No additional allowance granted.	$125	None granted.
Nova Scotia	No set maximum; rates are based on average family income for community in which family lives.		Included in budget on which allowance is based.	$90	None granted.
New Brunswick	$60	$10	No additional allowance granted.	$115	Director may grant an additional $10 for rent if circumstances require it, but only if allowance paid is below maximum.
Quebec	$85	$10	$10	None set (minimum granted $5).	A supplementary allowance may be granted according to need.
Ontario	$120 for mother or father and one child. $30 for one child living with foster mother.	$16 for 2nd child $14 for 3rd child $12 for 4th child $10 for 5th child $25 for 2nd foster child. $15 for each additional foster child.	Included in budget on which allowance is based.	$180	An increase in food allowance may be granted on medical recommendation. A fuel allowance of up to $24 a month may be granted from Sept. 1 to Mar. 31. An increase of 20 p.c. in fuel allowance may be granted under special circumstances.
Manitoba	Food, Clothing, and Personal Needs: $52–$64 depending on age of child. Shelter: rent to $55, or current taxes and insurance at actual cost, minor repairs to $125 a year, principal and interest on mortgage or agreement for sale up to $55 less taxes and insurance. Utilities: up to $7.	$14 for child up to 3 years. $16 for child 4–6 years. $21 for child 7–11 years $26 for child 12–18 years. (Subject to deductions for 4th and each additional child).	$25	None set.	$10 for rent if necessary. Housekeeper service as required. Fuel allowance for eight months. For special needs not covered by basic schedule items, up to $150 a year.

Saskatchewan...........	Food, Clothing, Household and Personal Needs: $51.80–$67.00 depending on age of child. Rent: $40. Fuel: up to $15.15. Utilities: up to $11.	$17.40 for pre-school child. $24.35 for child 6–11 years. $29.30 for child 12–15 years. $32.60 for child 16–18 years. (Subject to reductions for fourth and each additional person).	$31.50	None set.	Special food allowance may be granted on medical recommendation. An allowance for a housekeeper may be granted if necessary.
Alberta.................	Food and Clothing: $53.87–$72.27 depending on age and sex of child. Rent, Fuel, Utilities: according to community standards.	$16.00 for food and clothing for infant under 1 year. $12.10–$28.30 for food for child 1–18 years depending on age and sex. $5.30–$10.00 for clothing for child 1–19 years depending on age and sex, subject to 10 p.c. increase in food allowance for a family of two and a deduction of 5 p.c. in the allowance for food and clothing for a family of seven or more.	$31.50	None set.	An increase in food allowance may be granted on medical recommendation.
British Columbia........	Allowances to needy mothers provided under the Social Assistance Act, and not separable.				

GENERAL ASSISTANCE

All provinces made legislative provision for general assistance on a means or needs test basis to needy persons and their dependants who cannot qualify for other forms of aid, and some provinces include those whose benefits under other programs are not adequate. Where necessary the aid may be for maintenance in homes for special care. Besides financial aid for the basic needs of food, clothing, shelter and utilities, a number of provinces also provide incapacitation or rehabilitation allowances, counselling and homemaking services, and post-sanatorium care. This assistance, with some exceptions, is administered by the municipality with substantial financial support from the province, which, in turn, is reimbursed by the Federal Government under the Unemployment Assistance Act for 50 per cent of the provincial and municipal assistance given.

The provincial departments of public welfare have regulatory and supervisory powers over municipal administration of general assistance and may require certain standards as a condition of provincial aid. Length of residence is not a condition of aid in any province, but the residence of the applicant as defined by statute determines which municipality may be financially responsible for his aid. This rule does not apply in three provinces: British Columbia and Saskatchewan have equalized municipal payments and Quebec does not require its municipalities to contribute to general assistance costs. Provinces with unorganized areas take responsibility for aid in these districts. Under the federal Unemployment Assistance Act, all provinces have agreed that residence shall not be a condition of assistance for applicants who move from one province to another. For persons without provincial residence (usually a period of one year), aid may be given by the province or the municipality and a charge-back may or may not be made to the province or municipality of residence.

The formula for provincial-municipal sharing of costs is determined by the province. In Newfoundland, general assistance is the responsibility of the province and is administered by the Department of Public Welfare. In Prince Edward Island, the Department of Welfare and Labour provides direct social assistance in rural areas and assumes 75 per cent of the cost of assistance granted by the City of Charlottetown and the incorporated towns and villages. Aid to needy families where the breadwinner is suffering from tuberculosis is borne entirely by the province. In Nova Scotia, assistance is administered by the municipality, which receives reimbursement from the Department of Public Welfare for two thirds of the cost of the aid provided and one half of the cost of administration; allowances for certain disabled persons are administered by the province. In New Brunswick, the province reimburses each municipality to the extent of one dollar per capita of the population plus 70 per cent of expenditures on general assistance in excess of that amount, and also pays 50 per cent of the cost of administration.

In Quebec, the Department of Family and Social Welfare reimburses authorized agencies and municipal departments for the full cost of aid to persons in their own homes. It takes full responsibility for aid to persons who are unfit for work for at least 12 months, for supplementary allowances and allowances to needy widows and spinsters 60-65 years of age. The cost of aid to unemployable persons in homes for special care, including nursing homes, is borne two thirds by the province and one third by the institution. In Ontario, the Department of Public Welfare reimburses municipalities up to a prescribed maximum for 80 per cent of their expenditures for general welfare assistance, and for 90 per cent of expenditures for aid to persons in excess of a given proportion of the population in the municipality. Aid for rehabilitation services and aid on behalf of foster children, for which the municipalities are reimbursed 50 per cent, are excluded in these calculations. The province administers allowances to needy widows and unmarried women 60 years of age or more.

In Manitoba, the province administers aid to mentally or physically incapacited persons whose disability is likely to last more than 90 days, and to persons unable to work because of their age. Aid to other needy persons, termed indigent relief, is the responsibility of the municipalities, which are reimbursed through the provincial Department of Welfare to the extent of 40 per cent of the costs, or at a higher rate if costs exceed a specified amount. In Saskatchewan, through the Department of Social Welfare and Rehabilitation, the province reimburses the municipalities for approximately 93 per cent of the cost of assistance granted to needy persons. In Alberta, the province reimburses the municipalities for 80 per cent of the value of the assistance given. The provincial Department of Public Welfare has full responsibility for allowances payable to persons who are mentally or physically handicapped for a period likely to last for more than 90 days, and to persons who because of their age are not able to be self-supporting. The Department maintains two hostels and one welfare centre to care for unemployable single homeless men without municipal domicile.

British Columbia, through its Department of Social Welfare, reimburses the municipalities on a pooled basis for 90 per cent of the total cost of social assistance to needy persons. Also, the province shares equally with the municipalities expenditures on salaries of social workers; a municipality with fewer than 15,000 persons may arrange to have the Department undertake social work within the municipality and reimburse it at the rate of 60 cents per capita per year.

Research and Statistics Division
Department of National Health and Welfare
November, 1964.

AFTERNOON SITTING

TUESDAY, December 1, 1964.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, I believe we have a quorum. Those of you who were here this morning will know that your subcommittee on agenda and procedure met immediately following the adjournment of the main meeting. I have the second report of your steering committee. I will ask the clerk to read it and then you may decide whether or not you find it satisfactory to you.

THE CLERK OF THE COMMITTEE:

(*See Minutes of Proceedings of this afternoon's sitting*)

The CHAIRMAN (*Mr. Cameron*): You have heard the report of the steering subcommittee on agenda and procedure. Is there any comment?

Hon. Mr. CROLL: I would move that the report of the steering committee be adopted.

Motion seconded and agreed to.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, we now are prepared to proceed with a clause by clause consideration of the bill. Dr. Willard will introduce to you the various government officials who are here to assist us in that consideration. We will also mention the order in which he suggests they may give their evidence. I will ask Dr. Willard to introduce our witnesses.

Mr. CHATTERTON: Mr. Chairman, before we go on to that may I raise a formal point of procedure. We are sitting fairly often and it is difficult for us to make our arrangements for appointments, and so on. Could we refer to the steering committee the matter of how long we should sit on each occasion that we do sit?

The CHAIRMAN (*Mr. Cameron*): I think that is a very good idea. I would be glad to entertain any suggestion in respect of how long we should sit.

Mr. CHATTERTON: I move that this matter be referred to the steering committee.

Motion seconded and agreed to.

Dr. WILLARD: Before we begin a clause by clause consideration of Bill No. C-136, I would like to mention that the research adviser has an article entitled "Automatic Cost of Living Adjustment of Pensions in Foreign Countries", prepared by Daniel S. Gerig of the division of program research of the office of the commissioner of the social security administration in the United States. This article was published in the social security bulletin of March 1960. It contains background information which Mr. Aiken requested this morning in respect of the different countries which use this method of adjustment. I thought we might either have copies made available to the committee, or you might wish to incorporate it as part of the proceedings.

The CHAIRMAN (*Mr. Cameron*): You have heard what Dr. Willard has said about this. Do you wish copies prepared and distributed?

Mr. MOREAU: I would move that it be attached to our Minutes of Proceedings and Evidence of today as an appendix.

Mr. CHATTERTON: I second the motion.

Motion agreed to.

Dr. WILLARD: A question was asked this morning concerning the cost of administration of old age security. As you know, the administration is a combined operation for family allowances and old age security so that our costs are combined costs. For the fiscal year ended March 31, 1964, it amounted to $7.6 million and this included the cost of administration in the Department of National Health and Welfare, the office of the Comptroller of the Treasury, and the Department of Public Works. This provided for the payment of family allowances and old age security. In the case of family allowances, there were 2,711,000 family recipients and in the case of pensioners 70 years of age and over there were 971,800; in addition, there were about 10,900 other families in receipt of family assistance.

Hon. Mr. CROLL: As I recall the question, the percentage was asked for; that was the part of the question which to me seemed to be vital.

Dr. WILLARD: Mr. Chairman, there is a great difficulty in trying to break down this cost unless it is just prorated somehow on an arbitrary basis between old age security and family allowances because this is a combined administrative operation. We can do some further work on it, but I thought this would give you some indication of the magnitude of the expenditure involved and that this would be of interest to the members. We can get some information for the Committee as Senator Croll suggests.

Hon. Mr. CROLL: I did not ask the question; the question was asked by someone else. The inference was that the cost was a reasonable one. I thought that was what we were getting at. I cannot relate it to percentages at the moment.

Mr. KNOWLES: Could it be put in the record at this point alongside the figure given for administration; that is, the total number of dollars per year set out under these two programs? I realize it is not the final answer, but it is something to look at.

Dr. WILLARD: We could add the total expenditures of these several programs and put the percentage along with it, if that is agreeable. We can add it to the record as an appendix.

The CHAIRMAN (*Mr. Cameron*): What is your wish, ladies and gentlemen, with regard to this? Do you wish it to be inserted in the minutes as an appendix?

Hon. Mr. CROLL: Yes, but if you are inserting it, insert those other figures also so that we might relate them so that they do not appear at some other point in the record; make it all part of the same appendix.

The CHAIRMAN (*Mr. Cameron*): In other words, hold this until it is all complete.

Dr. WILLARD: I would be glad to do that, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): Is that agreeable?

Agreed.

Dr. WILLARD: The other expenditure figures are in the document that was tabled this morning. We will put them together in one statement for the Committee.

Mr. CHATTERTON: Does the cost of $7 million odd include the cost of collecting taxes for old age security?

Dr. WILLARD: No. This is the cost of administration for the Department of National Health and Welfare, the Comptroller of the Treasury and the Department of Public Works. We have obtained that data from the Department of National Revenue.

Mr. MONTEITH: Perhaps Mr. Sheppard would have an idea.

The CHAIRMAN (*Mr. Cameron*): Mr. Sheppard will be appearing before us later on.

Dr. WILLARD: Mr. Chairman, in addition to myself there are three other officials ready to testify: Mr. Tom Kent, the policy secretary to the Prime Minister, Mr. Donald Thorson, assistant deputy minister of justice, and Mr. David Sheppard, assistant deputy minister of national revenue. They will be ready to discuss the various clauses as we deal with them.

I would suggest the best way to proceed would be to have Mr. Thorson discuss the various clauses as we come to them. As questions arise they may be the type of question which involves the drafting of the particular clause in which case Mr. Thorson may answer or, if it is a question of interpretation of the clause, it may more appropriately be answered by Mr. Kent, Mr. Sheppard or myself.

If it is agreeable, I would suggest now that Mr. Thorson commence by starting with clause 2 of the bill by giving us some comments on it. Then we could proceed by having any questions which arise, and proceed in this manner.

The CHAIRMAN (*Mr. Cameron*): Is that agreeable?

Agreed.

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

Mr. D. S. THORSON (*Assistant Deputy Minister, Department of Justice*): Thank you Mr. Chairman. Dr. Willard already has discussed the arrangement of the bill and I do not think there is anything I need add to what he said in his opening statement last Thursday on this subject.

On Clause 1—*Short title.*

Mr. THORSON: The long title and clause 1 of the bill probably speak for themselves. The long title reflects the language of section 94A of the British North America Act as amended by the United Kingdom parliament earlier this year.

On Clause 2—*Definitions.*

Mr. THORSON: In respect of clause 2, I am in the hands of the committee with regard to how I should deal with the clause. Some of the definitions are included really only for ease of reference and perhaps they could be passed over for the time being, unless there is some question which commends itself to any member of the committee now.

Others, however, are in a somewhat different category to the extent that they constitute substantive law and are therefore directly relevant to the later provisions of the bill. In the latter category—if that approach is agreeable to the members of the committee—I might mention specifically clause 2, paragraph (f) which deals with the definition of "business."

To those of you who are familiar with the provisions of the Income Tax Act, it will be seen that this definition is substantially similar to the definition provided under that act. In the same category, I think, are the definitions which are set out on page 2 in paragraphs (p) and (q). The definition of employment is fundamentally similar to the definition contained in the present Unemployment Insurance Act. Also in the same category is paragraph (u) defining what is meant by an office.

An office by virtue of paragraph (u) is regarded as being equivalent to employment, so that the holder of an office is regarded as being a person employed, for all purpose of this measure.

One minor difference which may have been noticed in this definition as compared to the corresponding definition in the taxation statutes is that no mention here is made of the office of Governor General. The office of Governor General therefore will not be regarded as being included as pensionable employment. The reason primarily is that income from the office of Governor General is not regarded as being income from an office or employment for taxation purposes, and this measure follows that basic philosophy.

I am not sure that any other definitions contained in clause 2 fall into the same category of substantive definitions. If there are any questions perhaps I might deal with them now, or if you prefer, come back to them later.

Hon. Mr. McCUTCHEON: It is obvious from the definition of office that there will be people with possibly pensionable earnings who have two or more employers. What would happen under those circumstances?

Mr. THORSON: We shall be dealing with that when we come to clause 8 of the bill, where you will see there is an obligation on each employer to make deductions on behalf of the employee both for the employer's own share as well as for the employee's share.

Hon. Mr. McCUTCHEON: The employee is not going to get three or four pensions. From which employer does he claim the refund? From the employer he dislikes the most?

Mr. THORSON: No. The employer is not entitled to the refund. The refund would go in those circumstances to the employee himself.

Hon. Mr. McCUTCHEON: That would be the employee's portion?

Mr. THORSON: That is correct.

Hon. Mr. McCUTCHEON: Every employer is going to have two or three deductions to make in respect of one employee.

Mr. CHATTERTON: Each employer pays a portion?

Mr. THORSON: Yes, minus the basic exemption.

Mr. MOREAU: Did I understand you to say that the employer gets back the employer's contribution when it is over?

Mr. THORSON: No. The employee himself is entitled to the refund, and it relates only to the employee's contribution.

Mr. MOREAU: I do not suppose you have any statistics which would indicate to us how many people might be in that category?

Mr. THORSON: Persons who during the course of a given year have multiple employers?

Mr. MOREAU: Yes, exceeding the $5,000 ceiling.

Mr. THORSON: Perhaps Mr. Sheppard may have some information on this.

Mr. D. H. SHEPPARD (*Assistant Deputy Minister, Department of National Revenue (Taxation Branch)*): Not right now, but I will try to get some.

Hon. Mr. McCUTCHEON: I suppose that reference to the directory would indicate the number of people in that category. I think the figure of $5,000 would cover the question.

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

Mr. THORSON: Subclause (2) of clause 2 at the top of page 4 of the bill is included as a special vote dealing with the month when a person would be regarded as having attained a specified day. Perhaps an example would be helpful. If a person were to attain his eighteenth birthday let us say on November 28, this provision would deem him to have attained the age of 18 on the first of December in order to round out the month, and to commence his contributions at the beginning of the ensuing month.

Mr. FRANCIS: I take it that the purpose is to keep the calculations at whole months.

Mr. Thorson: That is correct, and this holds right through the contribution history of the contributor. His contributory period would close off at the end of the month, and the benefits would commence similarly at the beginning of the month.

Mr. Knowles: This would correspond to the provisions of the old age security regulations.

Mr. Thorson: I believe there is a provision in that act similar to it, whereby the pension becomes payable on the first day of the month following the month in which the pensioner attained the qualifying age.

Mr. Knowles: Before we leave clause 2, I am still trying to get my grey matter around the "total pensionable earnings" of the contributor. In regard to contributions made under this act there is a "basic exemptions" and a "year's maximum pension earnings". Maybe we should wait until we get to the pertinent clause, or would you care to speak about it now?

Mr. Thorson: Each of these definitions would seem to fall in the first mentioned category, that is to say, definitions which are included for convenience of reference. As we go through the clauses, these concepts I think will become clear, because they are more particularly spelled out in the clauses concerned.

On Clause 3—*Province providing a comprehensive pension plan.*

Mr. Thorson: Clause 3 of the bill describes the circumstances in which the Canada pension plan will not be operative in a province, with the result that all rights and liabilities of individuals under the pension plan would derive from provincial rather than from federal legislation. This clause, which is after all a clause defining what is meant by a province providing a comprehensive pension plan, must I think be read in close conjunction with clause 4 of the bill, and also along with clause 114 which sets out certain of the consequences of being regarded as a province which provides its own pension plan for the purposes of this bill. You will see that the definition of a province providing a comprehensive plan deals with two circumstances.

The first of these is set out in subparagraph (i), at line 21 on page 4. It describes a province which at the point of commencement of the Canada pension plan will be establishing its own pension plan with contributions commencing at the same time as contributions commence under the Canada plan. You will note that the benefits which are to be provided under such a plan are to be comparable to those provided by this bill.

Mr. Monteith: What does comparable mean? Is it an exact amount?

Mr. Thorson: No, sir. I do not think that comparable can be construed as meaning the same thing as identical. It means, I think, the same in substance as benefits provided under this act. In other words, it is conceivable that there could be minor differences in the benefits provided under the two plans; that is, minor differences which do not affect the balance between the two plans, and which do not disturb the basic equilibrium which must exist if there is to be integration between, or co-ordination between, a provincial plan and a federal plan as this legislation contemplates.

Mr. Monteith: Your total pension here is $104, let us say. Do you consider $110 comparable, or $90 comparable?

Mr. Thorson: I do not think that is what the expression is getting at. In order to have the kind of co-ordination which must exist between the two plans, the benefits should presumably have to produce the same results. There might coincidentally be a difference, for example, in the manner in which the benefits are paid, and other minor differences which would indicate that use of the term "identical" is too strong.

Mr. MONTEITH: You are saying that the benefits must be identical.

Mr. THORSON: Substantially identical, since the method of paying them, it could be argued, would make the benefits to some degree different.

Hon. Mr. MCCUTCHEON: But the figures could be the same in comparison.

Mr. THORSON: Yes.

Hon. Mr. MCCUTCHEON: Would the contributions necessarily have to be the same?

Mr. THORSON: As we come to the clauses dealing with contributions you will see that the bill does contemplate that the rates of contribution under the federal plan and the rates of contribution under the provincial plan are to be comparable, or rather identical.

Hon. Mr. MCCUTCHEON: What you are saying is that you would not regard it as a comparable plan if a province provides a non-funded plan which nevertheless produces these benefits.

Mr. THORSON: I do not know whether or not you could regard it as such, because after all what we are looking at here are comparable benefits.

Hon. Mr. MCCUTCHEON: That is right.

Will these be identical benefits?

Mr. THORSON: You may well have the result that the plans are comparable as far as the benefits are concerned but the difference in rates produces its own difficulties of integration.

Hon. Mr. MCCUTCHEON: What constitutional authority do you have to insist, when the provinces have the prime responsibility in this field?

Mr. THORSON: I would point out that what we are really describing in this section are the circumstances in which the Canada pension plan will, by its own terms, cease to be operative in a prescribed province. This bill does not insist, and indeed I suggest that constitutionally parliament cannot insist, that if a province is to legislate in this field it must legislate on certain terms. However, we are saying by this bill that if the Canada pension plan is to cease to operate in a province, thus invoking the provisions of clause 114 which is part and parcel of this clause, then a certain regime must be established by the province in the place of the Canada pension plan. Otherwise I should think parliament is not really fulfilling its duty towards those contributing under the Canada pension plan in the province concerned in the interval before the provincial legislation is enacted, that is to say those persons who have contributed in the expectation of ultimately becoming entitled to certain specified benefits set out in the legislation.

Now this and other similar conditions that are set out in clause 3 are designed to ensure that there will be a basic continuity of pension rights for all participants regardless of their province of residence. Constitutionally it is clear that a province could legislate at any time with or without notice to the federal government to establish its own pension plan, even a plan that could not be said to be comparable. That is a province's legal right, I think, under section 94A of the British North America Act. However, should a province do so, by the terms of this bill, both plans would be operative in the province because what this bill describes are the circumstances in which the Canada pension plan is not operative in a particular province. If both plans were then operative in a province, it might be necessary for the courts to say whether in the circumstances this legislation affected the operation of the provincial plan within the meaning of section 94(A). If it did, then presumably the Canada pension plan would be held to be inoperative in that province. If, on the other hand, it did not, then presumably the Canada pension plan would continue to be operative along with the provincial plan.

The CHAIRMAN (*Mr. Cameron*): Are there any other comments on the clause?

Mr. KNOWLES: Mr. Chairman, would it be under this clause or under clause 114 that Mr. Thorson would answer any questions consequent upon what the minister said the other day in reply to my remarks about opting out being a one-way street?

Mr. THORSON: I believe you made the point that the bill does appear to offer a one way street in that there is no provision for opting in. Part of the reason for this omission, if indeed it is an omission, is frankly that it did not seem to be practically necessary to provide for this particular contingency at the present time. Perhaps the fact that today no province except Quebec has indicated an intention to provide its own pension legislation has tended to colour the view that has been taken, but for a province to establish its own plan is, after all, a major decision. It is likely to be made on the basis of a long term assessment of its own particular needs and situation. In the nature of things, such a decision, once taken, is not likely to be reversed except on the basis of an assessment, or of a reassessment, based on a number of years of experience.

why not opting in clause

This leads me to the main reason why it was not thought practicable to try to deal with the contingency you mentioned now. It is to be noted that in clause 114 it is said that should a province decide to establish its own plan after the Canada pension plan has become operative, then, as a condition of the Canada pension plan ceasing to be operative in that province, two things must happen: firstly, the province must assume all the accrued liabilities under the Canada pension plan attributable to contribution that have come from that province, and secondly, there must be transferred to the province out of the Canada pension plan investment fund, which is referred to in that clause, all of the securities of that province that in effect stand behind those liabilities.

Mr. MONTEITH: And which have not already been transferred.

Mr. THORSON: That is right. I am now talking about the actual securities that are held to the credit of the fund; not the money, but the securities that represent the money transferred over. Whereas the bill is quite specific about what happens when a province opts out—if I can use that term—it cannot, I submit, be specific about what would happen if a province should choose to come back in again. To explain, it must be remembered that if a province opts out, it does so on the clear understanding that at the time it does so it is providing a "comparable" plan. There can therefore be some certainty about what is involved by way of a transfer of assets and liabilities.

However, the bill does not, and in fact it cannot, insist that such a provincial plan must forever after continue to be comparable. Indeed it is perhaps not realistic to assume that it will continue to be comparable in all respects thereafter, since the decision of the province to establish its own plan may in fact have been taken in response to some disagreement with the provisions of the federal plan. If we were to attempt to provide for such a province opting back into the federal plan at a future time, the law would have to spell out, in terms at least as precise as in clause 114, what liabilities are to be assumed under the federal plan, and conversely what funds are to be transferred to the federal plan by the province to cover the assumption of those liabilities. However, if there should be any difference at that future time between the two plans, it would be impossible, I suggest, to try and state in this bill what accrued liabilities would have to be assumed. Similarly, it would be impossible to devise in the bill any sort of statutory formula spelling out the precise amount of the provincial funds that would have to be transferred to the federal fund. For these reasons it would seem that the only practical alternative is to leave this contingency to be dealt with by a future parliament as or, when the contingency should arise.

Mr. KNOWLES: I suppose it would also be a matter of negotiation between any such province and the federal authority.

Mr. THORSON: Exactly.

Hon. Mr. MCCUTCHEON: Do I understand from what you said that if a province indicates its intention, either within the early stages or later on with two years' notice, to establish its own plan, and then, gradually over the years substantial differences developed between the Canada pension plan and the provincial plan, the Canada pension plan nevertheless will not move in again?

Mr. THORSON: No, sir, it will not. The prescription is relevant to the time the province establishes its plan.

Mr. CHATTERTON: In other words, provided the province complies with this provision, from there on the opting out province can change its plan any way it wants to but the federal plan still remains inoperative in that province?

Mr. THORSON: That is correct in so far as it is relevant to the question of whether that province is a prescribed province for the purposes of this bill. There may be all sorts of other difficulties that will arise should any such major differences come into being. The problems of integration then as a practical matter would be very formidable indeed.

Hon. Mr. MCCUTCHEON: Almost as difficult as it is now between the Canada pension plan and the private plans.

Mr. CHATTERTON: I want to be quite clear on this point. Once a province submits its requirements for opting out, from then on that province can amend its legislation to any extent it wishes, but this bill does not provide for the Canada pension plan to enter into that province. Is that correct?

Mr. THORSON: that is correct. It is the province's right to establish its plan.

Mr. FRANCIS: Surely, Mr. Thorson is answering as a matter of law only, not as a matter of practical politics.

Hon. Mr. MCCUTCHEON: I thought it was law we were dealing with here.

The CHAIRMAN (*Mr. Cameron*): I do not think it is a matter of practical politics actually; it is a matter of law what a province can do and what a province cannot do. Mr. Thorson is expressing his opinion. He is not discussing the realm of politics in regard to what might happen in certain circumstances.

Mr. FRANCIS: May I direct a question to the witness?

Mr. CHATTERTON: May I obtain a very clear answer to that question? Is it correct that that province can change its legislation and, by this bill, the Canada pension plan does not enter into that province?

Mr. THORSON: You mean after the province has established a plan that is comparable to the federal plan?

Mr. CHATTERTON: That is right.

Mr. THORSON: After a province has done that, then by its own legislative action it can change its own plan. Yes, that is a matter of law.

Dr. WILLARD: May I add a point to this?

As we go further along in this area of the application and operation of the act it will become apparent that where a province takes this option to legislate for its own comparable plan, it is necessary to enter into agreements with the federal government. The working out of these agreements would of course involve all the questions of the integration of plans and this would very definitely involve the question of the basic contribution rates, benefits paid, eligibility conditions, and all these matters.

So that if a province provides for comparable legislation and then later decides to change that legislation and go off in a completely different direction, this would affect the agreements which that province would have with the federal government and would affect the whole integration of the system.

Mr. CHATTERTON: What in the bill provides for the agreement?

Dr. WILLARD: We will come to that.

Mr. CHATTERTON: While we are on the subject, is this agreement obligatory before a province can opt out? Is the agreement of the opting-out province obligatory, or the terms thereof?

Mr. THORSON: No. If you look at subclause (2) of clause 3 you will see that where the province has done two things—where it has given notice of the required length and where the legislature has established a plan providing comparable benefits—then if by the legislation the province has agreed to assume the obligations and liabilities that have up to that time accrued under the Canada pension plan in respect of contributions that have come from that province, the governor in council is directed to prescribe that province as being a province providing its own pension plan.

Hon. Mr. MCCUTCHEON: Is there any agreement entered into with the province of Quebec?

Dr. WILLARD: There is provision in this legislation, for instance clause 4 (3), that provides for an agreement with respect to a province and the federal government, and there are different places throughout the legislation where similar arrangements have to be made.

In order to carry out the integration of the plan—

Hon. Mr. MCCUTCHEON: I was asking really whether an agreement has been entered into with the province of Quebec under clause 4 (3) for example.

Dr. WILLARD: Mr. Chairman, there has been no agreement under this proposed legislation and there could not possibly be any agreement until it becomes an act and until the Quebec legislature has passed provincial legislation.

Mr. FRANCIS: I indicated that I wanted to ask a question, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): I know, Mr. Francis; this has been going on and your turn is here now, I think. I wanted to finish one line of questioning before we started on another. It may be on the same line, but Mr. Chatterton had not quite finished, and then Senator McCutcheon came in on the same line and Mr. Thorson was answering.

Will you ask your question now.

Mr. FRANCIS: Is there anything in this bill, after a province has enacted legislation under provisions of clause 3—and I am thinking of subclause (2)—which would, to take an extreme case, reduce the benefits and contributions to half? Is there anything in this act which would allow any province to do that?

Mr. THORSON: Speaking on the legal point, no. The province cannot be prevented from doing that. In fact, if they were to do so it would create grave difficulties. Many of the provisions that Dr. Willard referred to would become almost immediately inoperative. The provisions, for example, dealing with reciprocal payment of benefits under the plan.

Dr. WILLARD: Mr. Chairman, in addition to clause 4 subclause (3), there are the provisions under clause 40, clause 82 and clause 108, whereby the federal government may enter into agreements with the province regarding refunding of overpayments of contributions, the sharing of costs of benefits, exchange of information about earnings of contributors who have contributed under both acts, the terms and conditions of these agreements would also have to indicate the consultation procedures required before the provincial plan could be changed.

The CHAIRMAN (*Mr. Cameron*): What clauses are those? Clause 40 is one, is it not?

Dr. WILLARD: Clause 4 subclause (3); clause 40; clause 82; and clause 108. There are a number of agreements involved to try to integrate any comparable provincial plan with the federal legislation.

Mr. THORSON: Which, incidentally, provide practical restraints against wide divergences in plans.

Mr. CHATTERTON: These agreements are not prerequisites to the province being allowed to opt out?

Mr. THORSON: No.

Mr. CHATTERTON: They come subsequent to the opting out?

Mr. THORSON: Yes.

Mr. KNOWLES: Mr. Chairman, I appreciate the answer that Mr. Thorson gave to my earlier question, and initially I was inclined to accept is as closing the chapter, but I find it difficult to stick with that.

It strikes me that it may be we are using the wrong terminology, and I am as guilty of it as anybody else, when we are talking about provinces opting out or opting in. Actually, we are a federal parliament; we are passing federal legislation which we must make effective in Canada. We are saying on our own initiative that if certain conditions exist in a province this legislation will not be effective in that province.

I am right back now to the question that I posed earlier in that language that I now discard. If to begin with the conditions we have laid down are not met in a province and we therefore say the plan is not effective in that province, are we not left in the strange position as responsible parliamentarians that those conditions in the province can alter and yet we cannot say that under those altered conditions our plan now becomes effective in that province?

I realize we may be entirely in the field of good will and good relations and negotiation and agreements, but in effect I think what I am saying is that I would like another look at the questions I posed in the house and I posed to the minister the other day only in these other terms, avoiding the use of the words opting out and opting in.

Mr. THORSON: I would agree.

What the bill is attempting to ensure is that at least at the point of commencement, Mr. Knowles, there will be a pension plan that is in effect a country-wide pension plan. In other words, it is trying to ensure that at the point of commencement of any provincial plan—I do not know that we can do much more than try to ensure this—there will be comparability with regard to the pension benefits provided.

Mr. KNOWLES: If a province took that position initially and later changed it so the conditions and benefits were only half as good, so far as the law is concerned we could not do anything about it?

Mr. THORSON: That derives from the constitutional position.

Hon. Mr. MCCUTCHEON: Or twice as good.

Mr. KNOWLES: We can do something about that!

Mr. CHATTERTON: Let us say the province of British Columbia decides to opt out under the provisions of clause 3 and has a comparable plan. Five or ten years from now the province of British Columbia decides that these restraints that Dr. Willard mentioned and the inducements to have a similar plan as the rest of Canada are overruled by the interests of British Columbia.

Let us say they want to increase the fund to develop another river. British Columbia can change its plan to make it substantially different from any other plan in any part of Canada and can thereby destroy any portability, and yet this bill does not stop that.

Mr. THORSON: It is their constitutional right to do that. But will have thrown a major roadblock into the portability of pension rights, and there is therefore an inherent restraint in terms of the province making that decision.

Hon. Mr. MCCUTCHEON: You would have to find another river!

Mr. CHATTERTON: Only Mr. Bennett can do that!

Mr. MUNRO: If a province did decide to set up its own plan and initially it was comparable legislation, and then presumably for all practical purposes it entered into an agreement to assume its proportion of contributions to the fund, that is where for practical considerations an agrement with the federal government would be absolutely necessary because they would want this allotment in a fund if they were setting up their own plan.

Hon. Mr. MCCUTCHEON: If they were setting up their own plan they would keep all their own contribution.

Mr. MUNRO: Would I be correct in that?

Mr. WILLARD: Mr. Chairman, the province that decides to legislate a comparable plan with the Canada pension plan will have its own pension fund so the agreements into which it enters and the comparability feature really relate to integrating two pieces of legislation so that as far as the contributor and the beneficiary is concerned it is one plan. This is the effect of this legislation plus provincial legislation which provides for comparable benefits and provides for agreements with the federal government to ensure that this integration does take place. If this is not done and the province decides to have a different kind of scheme, and one that is perhaps quite different from this, then of course they are operating under section 94A which is their right quite apart from anything we may be discussing here in connection with this bill.

Mr. MUNRO: What about their credit in the fund?

Dr. WILLARD: Well, the comparable provincial plan will have its own separate fund.

Mr. THORSON: But, Mr. Munro, if your question relates to what happens to the securities at the moment they establish their own plan, then I think you must refer to clause 114, which deals with the twofold aspect of assumption of liabilities and transfer of securities held to the credit of the fund.

Mr. MUNRO: And, that is where the incentive for an agreement presumably would come I am directing that question to Dr. Willard.

Dr. WILLARD: Mr. Chairman, there are two completely different situations under section 3(1)(*a*); the one refers to the situation where the province on or before 30 days after this act is assented to signifies its intention to establish and operate a comparable plan. I take it the situation you are referring to is covered in subclause (ii) where, after the plan has been operating for some time a province may decide to exercise the same option and withdraw; then we do face the situation under these circumstances where we have to consider how the province takes on all the assets and liabilities relating to the province that they developed under the federal legislation up to that point of time, and this is provided in the later sections to which Mr. Thorson referred.

Mr. GRAY: Mr. Chairman, may I put a question to Mr. Thorson in respect of this discussion which has taken place.

The CHAIRMAN (*Mr. Cameron*): Will you proceed.

Mr. GRAY: Although it does not specifically say so I presume that clause 82, particularly, in respect of making agrements for payment of benefits in accordance with agreements with the provinces and the other similar clauses, would provide for a term of years. It would not make much sense if they did not.

Mr. THORSON: Well, there would be provisions dealing with the duration of the agreement, yes. I would not attempt to forecast whether the agreement would be written having a life of a given number of years.

Mr. GRAY: But, since it would have some definite term, referring to the specific clause you were discussing, it would be most unlikely that it would be practicable for a province to make its own legislation which would not provide for comparable benefits during the term of that agreement.

Mr. THORSON: The point is that such an agreement can only be operative if, in fact, there is a measure of reciprocity so far as the kind of benefits that are provided under the two plans are concerned.

Mr. GRAY: So, to that extent, we are not really in any different position from the legislation providing for hospital insurance and the agreements made under it with the provinces, that after a term of years a province may go its own way.

Mr. THORSON: Well, except that I do not think this agreement can purport to restrain what the provinces' freedom of action is to be. They may well provide that it is a condition of their continuing in force that the benefits provided under the two plans be comparable.

Mr. GRAY: But what I am driving at is this. If a province actually enters into an agreement specifically under paragraph 82—and I am not anticipating this; however it is relevant to this clause—and, in effect, waives its rights during the term of that agreement to pass legislation, it would conflict with the agreement entered into.

Mr. THORSON: That would be the effect of it.

Mr. GRAY: In so far as it is necessary to maintain comparable benefits under the terms of an agreement made particularly under clause 82, then the plan would not for all practical and legal purposes be changeable by the provincial legislature during the term of that agreement.

Mr. THORSON: Well, you are really suggesting that the agreement would bind the provincial legislature and the federal government not to make any changes during the currency of the agreement. I would think that an agreement would be written the other way around, that it would continue in force so long as and on condition that the two plans remain comparable. Perhaps this is a different way of saying it.

Hon. Mr. McCUTCHEON: On the other hand, the federal government may decide to change its plan and certain provinces may say no, we do not want to go that far.

Mr. KENT: Mr. Chairman, if I may comment on Mr. Gray's question, I think the essential position under this program is the same, I suppose, as Mr. Gray pointed out, as it is under any primarily provincial program, where special steps are taken, nonetheless, to obtain national standards or a national plan in some sense. In the case of the shared cost hospital insurance program any province is free at any time, of course, or subject to a notice, of 10 years initially, to do what it likes in respect of hospital insurance. The incentive for it not to do so in that case is the structure of a hospital plan under which the federal government shares in the cost. The incentive in the case of a contributory pension plan cannot be of that nature. The fundamental reason

General concern about what the provinces
will do in the future if they opt out.
Any extreme action affects portability

for maintaining a national system is simply, in this case, its benefit to the contributors; but if a province were to decide to exercise its unquestioned constitutional right, and it had a plan which in time was different from the nationwide plan, then of course the people of that province would lose the benefits of national portability of pensions which, for them, perhaps are considerable in importance to the benefits of a provincial hospital plan. In other words, the incentives are different but the effect is essentially the same, and the dependence is the same.

Hon. Mr. McCUTCHEON: But, the other provinces also would lose portability.

Mr. THORSON: At any time this would create a major problem for such a province.

The CHAIRMAN (*Mr. Cameron*): Have you a question, Mr. Monteith.

Mr. MONTEITH: Yes. We have been speaking about a province which may opt out or withdraw from the Canada pension plan sometime in the future, let us say 10 years or 5 years from now. If the province of Quebec or any other province that chooses to set up a similar plan in its own right now were, in five years, to decide to change its plan, similar to a province which has opted out following the original Canada pension plan, can it do so? In other words, say, Quebec and Ontario are starting out on a comparable basis now; if Quebec, say in five years time, decides to withdraw, which any province which has come in and then pulls out may do, can it change its plan?

Mr. THORSON: The answer, legally, of course, is yes. It would be Quebec's undoubted constitutional prerogative to change the plan in that respect; however, you would run into all the difficulties we have discussed.

Mr. MONTEITH: Portability and so on?

Mr. THORSON: Yes.

Mr. GRAY: If I may add one further comment, would it not be also correct to say, taking Mr. Monteith's example, that if Quebec changed its plan it could only do so in so far as it would not be restricted by limitations imposed upon it by any agreement with the federal government.

Mr. THORSON: Yes.

Mr. KENT: One of the specific examples is the problem of federal jurisdiction, the extent of which is uncertain, so far as pensions are concerned to the worker who is under federal jurisdiction. This applies in the case of employees of the government of Canada, crown assets and such other organizations. Of course, one feature of the agreement is to provide for what happens to those people in the case of a province having its own pension plan; if the provincial plan were to diverge that agreement would cease to be operative for the two years plus notice period, and then the other provisions would have to be met regarding workers under federal jurisdiction, whatever that means, in respect of pensions. Therefore, the whole pension system would be upset very substantially for many people in that province, not only those who move in and out but at least for some people already living in the province. So, again, the incentive not to make such changes likely would be very strong.

Mr. MONTEITH: It really is a matter of incentive to keep portability.

Mr. MOREAU: Would you not say perhaps as a question of incentive you may also consider quite extreme political pressures and the possibility of divergence from the federal standard of pensions being very difficult, I would think, politically?

Mr. KENT: It certainly would be true of a downward adjustment.

Mr. RHÉAUME: Mr. Chairman, I do not think we can expect the witness to be a judge of political consequences.

The CHAIRMAN (*Mr. Cameron*): I do not think Mr. Thorson is accepting that responsibility.

Mr. CHATTERTON: As a question from a layman to a lawyer, is it possible to draft this bill in such a way that it would permit a province to opt out as now but that then if subsequently a province wishes to put its own name to it, could it be drafted in such a way that the Canada pension plan would be operative. Would it be legally possible for there to be two plans?

Mr. THORSON: I am not sure I can answer that in any sort of confident way. You will appreciate that under clause 94A it is provided that any federal legislation in this field must not affect the operation of any provincial plan, present or future, in relation to the same subject matter. What this really means is we could provide for certain circumstances. Let us take the circumstance of a province reducing its own plan in the years to come to a very minimum level; I suppose in this bill in those circumstances we could provide that the Canada pension plan then would become operative in that province. However, I would point out that except in that extreme circumstance it would then be a question for the court to determine whether or not the two plans could live side by side; in other words, whether it could be said at that time that the Canada pension plan in fact did affect the operation of the provincial plan. If it did then, of course, the federal legislation would have to move aside.

The CHAIRMAN (*Mr. Cameron*): Are there any further comments?

On Clause 4—*Provisions of act not applicable in respect of province providing comprehensive pension plan.*

Mr. THORSON: Turning to clause 4, Mr. Chairman, clause 3 having described what is meant by a province providing a comprehensive pension plan, clause 4 sets out the effect of such a description.

Subclause (1), as you will see, provides that in the case of a province that has its own plan the provisions of the Bill with regard to the making of contributions by employees and employers in respect of pensionable employment, do not apply in relation to employment in that province. However, that statement is subject to two additional qualifications set out in subclauses (2) and (3) of the same clause.

Subclause (2) provides that notwithstanding the first rule under which the provisions of the act are not to apply in a province that has a plan which is comparable to the federal plan, the provisions of this act do apply to employment by the crown or by an agent of the crown in right of Canada and similarly do apply to any employment in respect of which the legislative authority of the province does not extend.

Hon. Mr. MCCUTCHEON: Bank employees, for example.

Mr. THORSON: Conceivably. There is a difference of opinion, as you know, among lawyers in respect of whether employees employed in connection with federal works or undertakings, as they are commonly defined, for example in the labour statutes, would be under the jurisdiction of the parliament of Canada or whether the provisions of the provincial plan would extend to them.

Subclause (3) is the second qualification to the general enunciation contained in subclause (1). It was this subclause to which I believe Mr. Kent referred. This subclause provides that the government of Canada may enter into an agreement with the government of a province whereby in accordance with certain stated terms and conditions, persons who are dealt with in subclause (2)—that is to say crown employees and employees in any other fed. employees in Que. still on CPP

employment that may be beyond the reach of the legislative authority of the province—will be subject to the provisions of the provincial pension plan in all respects as though the jurisdiction of the province could reach out to them.

Mr. MONTEITH: This may be done by agreement.

Mr. THORSON: Yes. I think it is a clearly implied term that such an agreement would be written only in the event of comparability between the plans. By the terms of the agreement, the agreement would be in effect only so long as the plans in fact were comparable.

Hon. Mr. MCCUTCHEON: That is one factor which draws in all federal employees.

Mr. THORSON: Yes.

Hon. Mr. CROLL: There are no stools which they can fall in between.

Mr. THORSON: I think not. I believe they all are covered under one plan or the other.

Subclauses (4) and (5) of this clause provide some additional rules which are relevant to the substantive provisions of this clause. Very briefly I might mention that subclause (4) provides that a person is to be regarded as being employed in the province in which the establishment of his employer to which he reports for work is situated. Where he is not required to report for work to any establishment of his employer, then he is regarded as being employed in the province in which the establishment of the employer from whom his remuneration is paid is situated.

Mr. MOREAU: Suppose a person is working for a company doing business in various provinces, and this company might have its head office in Ontario, but, the employees' duties are in the province of Quebec for part of the year. What would happen in a situation like that?

Mr. SHEPPARD: Mr. Chairman, I understand from the comment that he does not report to any establishment in the province of Quebec, but is just going into the province of Quebec and the main place to which he reports for his direction in respect of his employment is outside the province. If that is the case, he is not covered by the Quebec plan but is covered under the Canada pension plan.

Mr. MOREAU: I wondered about this, because under the provisions of the income tax laws particularly in dealing with Quebec, you are deemed to have an establishment there if you have a vehicle or if you have any equipment or any tangible assets in the province. I wonder how this distinction is made?

Mr. SHEPPARD: I believe those remarks with regard to equipment in a province have to do with a case where income is deemed to be earned for a business. If that is so, then it does not apply in respect of employment. I might mention that the income tax rule with regard to employees at the present time in so far as tax deductions are concerned is that the tax deductions are made provincially in the province where the person is employed which is the same rule you have here; but when a man goes to file his tax return at the end of the year, his liability for provincial purposes is to the province in which he is resident on the last day of the year, but to make the residence on the last day of the year work for the employee, there has to be a transfer of the tax deductions in order to make that system work under the Income Tax Act. What is done here is parallel to the tax deduction principle under the Income Tax Act with the coverage initially deducted by the employer based on where the man is working.

Mr. MOREAU: Let us take the example of a builder who perhaps might have a bulldozer and a bulldozer operator doing a job in another province for two months. Now, under the Quebec income tax act I think he would be required for that two months to contribute—perhaps I am in error—taxes in the province of Quebec.

Mr. SHEPPARD: I do not want to be too dogmatic about this without looking it up, but I assume what you really are trying to say is that the fact that he has some equipment in Quebec might fit into the words "the establishment to which he reports for work".

Mr. MOREAU: That is the definition which I understand applies in the Income Tax Act. You are considered to have a place of business if you have any tangible assets.

Mr. SHEPPARD: Might I look that up and let you know tomorrow?

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

Mr. MONTEITH: Are you through, Mr. Moreau?

Mr. MOREAU: I think a little clarification here might be helpful. My understanding may be somewhat different, since I have had some experience from working in various provinces.

The CHAIRMAN (*Mr. Cameron*): Mr. Sheppard will look into it and give you the official answer later on.

Mr. MONTEITH: This should be a fairly simple question for Mr. Sheppard to answer. Suppose there is a furniture manufacturer, let us say, at Stratford, Ontario, and he has a traveller who is situated at Montreal, and who gets paid commission cheques from the home firm, and who is allowed certain expenses for travelling to surrounding towns near Montreal. At the end of the year he files an income tax return showing his gross commission less allowable expenses. He is a resident of Quebec and he pays his income tax at the Montreal office. I assume that he would be paying under the Quebec plan.

Mr. SHEPPARD: If that man is employed under the definition of a contract of employment, he would pay his contributions under the Canada pension plan and not under the Quebec plan. On the other hand, if he is not under a contract of employment and is deemed to be an independent operator, then he would be deemed to be a self-employed person and would pay his contributions under the Quebec plan.

Mr. MOREAU: I think we should have some clarification of that case, because my interpretation of the income tax law with respect to the case which Mr. Monteith raised might be this: If he is driving an automobile around there, he would pay his business taxes in the province of Quebec, so I do not think the situation you are answering is correct. I do not think the circumstances are entirely comparable.

Mr. SHEPPARD: I can answer part of it now, if you are only concerned with the fact that there is a traveller who has a car of his own; but that has no bearing on it. What we are talking about is this. If he is employed and is under a contract of employment and is working for this company in Ontario, the fact that he employs a car which he is using in the province of Quebec would have no bearing on it. Because what we are talking about is the establishment of the employer to which he reports to work.

Mr. MONTEITH: He is getting paid on a straight commission basis, and he has a contract with his employer who will pay him seven per cent on everything he sells in the province of Quebec; he is allowed certain expenses, and he pays his income tax in Montreal in quarterly installments. There are no deductions from the head office and he pays on a quarterly installment basis. To me it would be reasonable to assume that he would come under the Quebec pension plan.

Mr. SHEPPARD: It would depend on whether or not that man is deemed to be an employee, and if he is deemed to be an employee, he would be under the Canada pension plan.

Mr. THORSON: Yes, assuming he did not report to his employer's establishment in the province of Quebec, and assuming he was not paid from the province of Quebec.

Hon. Mr. MCCUTCHEON: Let us say that the cheques come from Stratford, and let us assume that he is paid a salary and commission, and works out of his own house.

Mr. SHEPPARD: He would be under the Canada pension plan.

Hon. Mr. CROLL: Senator McCutcheon poses a question and then gives his answer. He agrees, and then disagrees. I think there is a little confusion here. I think it is the witness who should answer the question.

Hon. Mr. MCCUTCHEON: Mr. Sheppard and I agreed.

Hon. Mr. CROLL: I take exception to that.

Mr. BASFORD: In the case of the province providing a comprehensive pension plan, is there a requirement that they must apply the same rule provided for in subclause 4?

Mr. SHEPPARD: I would say yes.

The CHAIRMAN (*Mr. Cameron*): Does that complete your answer?

Mr. BASFORD: My question is supposedly answered. But suppose I take a case in British Columbia in which situation there are all sorts of people who fall into the second part under subclause 4. I am sure that if British Columbia established its own comprehensive pension plan it would want to grab all these people within its own plan. Is there not a danger of there being competition between those two plans, as to the question of within which province these people are deemed to be employed.

Mr. SHEPPARD: The rule was adopted as being something which could be most easily worked having regard to the constitutional rights of the provinces. For instance, suppose a person engaged someone as an employee, you must bear in mind that the employment contributions are collected through the employer, and the province would have no means of collecting contributions from the employer if that employer is outside the jurisdiction of that province. So the rule of assessing employee contributions with the employer's contributions was arranged to be where the person reports to work, where the establishment of the employer is situated. I think you might have a situation where a person was in British Columbia and he was getting his salary from an Ontario employer who had no establishment in British Columbia. In that case the province of British Columbia would be unable to collect from the employer's contribution the amount paid from Ontario.

Mr. MOREAU: Under the Income Tax Act in the province of Quebec the employer, even if he has a head office there, and his cheques emanate from Toronto or Vancouver, is still required to submit Quebec income tax deductions to the Quebec government. Therefore, his place of business is not the sole criterion at least under the Income Tax Act, and the fact that there is no actual pay office or establishment in that sense in the province does not remove the obligation of the employer, even if his establishment is outside the province, to make tax contributions or deductions, or to remit tax deductions.

Mr. THORSON: After all the Income Tax Act applies by its own terms to the whole of Canada, and a rule which may be appropriate in that act does not necessarily remain appropriate for this act where what is involved is the ability to collect from the employer.

Mr. MOREAU: I was pointing out that the Quebec income tax act, does not apply to the employer who perhaps has his head office, let us say, at Toronto in the province of Ontario. It may be very difficult for the province to require him to remit tax deductions. But that does not mean that he is not liable for them, if they can catch him, so to speak; and action has been taken. The reason I raise this is that there is a possibility that some claim could be made for contributions, and that a province might claim that the percentage of contributions and so on was at least applicable to the people who are ordinarily resident in the province of Quebec, and that the contribution on the earnings they get from employers who have their establishment outside the province could be remitted to them under the Quebec plan.

Mr. THORSON: So long as there is in the Quebec plan, a provision corresponding to this, I cannot see any practical difficulty. But if there was not any provision such as this included in the Quebec legislation, then there would be potential difficulty, and it might become necessary to reconsider this rule.

Mr. MOREAU: I think that perhaps further elaboration of the particular establishment is required, because I think under the income tax law there is quite a difference from what I understand your answers to be, because an establishment is your place of business, and in Quebec, or under the federal Income Tax Act, there is a very broad definition for it indeed.

Mr. KNOWLES: I was going to ask for the purpose of clarification, what is the position of Quebec members of The House of Commons? Do they come under the Canada plan or under the Quebec plan?

Mr. THORSON: To the extent that they are employees, and they are defined here first of all as holders of an office. This bill treats them as being employees; it treats the crown in the right of Canada as being the employer. Since place of employment, in this case the capital, is Ottawa, it would be Ontario. Therefore, they would be covered under the terms of the Canada pension plan, as members of parliament.

Mr. KNOWLES: Mr. Francis wanted to know if the question of income was covered.

Hon. Mr. McCUTCHEON: On that point with respect to his indemnity, it is covered up to $5,000. Let us say that at the same time the man is an officer of a Quebec company with the head office, in Montreal, and again he has covered an income up to, say, the maximum. From whom does he claim the refund?

Mr. SHEPPARD: Mr. Chairman, clause 40 provides for that. The bill does two things: first of all it defines, in clause 8(2), the share of the obligation of the Canada pension plan for part of the refund. Secondly, it provides, in clause 40, that in the case to which you refer there can be an agreement between the two jurisdictions on which one will pay the refund on behalf of both and claim the share of the refund that the other should have paid. We are speaking in terms of a place at which he is resident on the last day of the year.

The CHAIRMAN (*Mr. Cameron*): It is 20 minutes after five. I was wondering how long you wish to sit?

Mr. MONTEITH: I think contributions are a good subject with which we can start our next meeting.

Mr. MARCOUX: I have one last question. What would happen if an employee were to change his employer in the same year and if the establishment of his new employer was not situated in the same province? Let us say that his first employer is located in Quebec and he worked for him for about five months, and then he moved to his new place of employment in Ontario.

Mr. THORSON: For the first part of the year he would be paying his contributions under the Quebec plan. For the second part of the year his contributions would be paid under the Canada pension plan. In those circumstances, at the end of the year there might be a situation where he was entitled to a refund, in which case the provisions of clause 40 would apply.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, we will adjourn, if that is agreeable. We will meet tomorrow afternoon in this same room at 3.45 p.m.

Excellent article - [illegible] study.

APPENDIX B

AUTOMATIC COST-OF-LIVING ADJUSTMENT OF PENSIONS IN FOREIGN COUNTRIES

by Daniel S. Garig*

Old-Age pensions are lifetime benefits computed according to a specific formula when originally awarded and not ordinarily recomputed during the life of the individual pensioner. Receipt of a specified amount is thus guaranteed to pensioners as long as they live. The real value of the pensions, as reflected in the actual goods and services they enable their recipients to purchase, is, however, subject to change. If the price level rises after pensions are awarded, their real value inevitably shrinks. Whatever degree of adequacy they possessed at the time of their award is thus diminished; if the rise in living costs persists, the adequacy of the pensions on which large numbers of persons must live is progressively and eventually seriously undermined.

The impact of inflation upon the adequacy of existing benefits is a problem in all countries that provide old-age pensions under their social security programs. There are nearly 55 countries that now pay such pensions either through social insurance or a universal pension system or on an income-test basis. In many countries, as in the United States, the aged population is growing rapidly, and more and more persons are becoming pensioners. Dependent as most of these aged are on the pension as their primary source of income, they are particularly vulnerable to price movements that lessen what they can buy with it.

For most countries the first major price rise in the present century was that accompanying World War I. Not many countries, however, had general public pension systems in operation at that time. After the depression of the 1930's another period of rising prices set in during World War II. The upward trend persisted into the late forties and during much of the fifties in many countries throughout the world.

Until the end of World War II, practically all countries that had public old-age pension programs endeavoured to compensate for the effects of price rises by ad hoc increases in the amounts of existing pensions. Each specific increase was voted by the appropriate legislative body. After the war the majority of countries continued to rely on the same form of legislative action for the adjustment of pensions. These adjustments, although made at irregular intervals, have been numerous. Much of the extremely voluminous legislation enacted in the social security field since 1946 has consisted, in fact, of changes in pension rates made necessary by the persistent rise in prices.

In recent years, however, a gradually increasing number of countries have begun to adopt arrangements under which changes in outstanding pensions are linked by law to changes in some kind of economic index. Pension modifications under these arrangements are put into effect by the administering agency without legislative action, whenever a sufficient change occurs in the relevant index. It is this type of procedure that is characterized as the "automatic" adjustment of pensions.

SUMMARY

There are now nine countries that, under their laws, currently make automatic adjustment of existing old-age pensions to specified economic changes. The first law to embody an automatic adjustment procedure in a national pension program was adopted in Denmark in 1922. Two more laws were enacted in 1946 in Iceland and Luxembourg, and one in France in 1948. The decade of

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* Division of Program Research, Office of the Commissioner.

the fifties witnessed the addition of six more nations to the list of those with such legislation: Belgium, Chile, Finland, Israel, the Netherlands, and Sweden. It will be noted that four of them are Scandinavian countries, which have taken somewhat of a lead in this field. Of the others, all but Israel and Chile are also located in Western Europe. Israel is currently the only non-European country in the group. Chilean legislation providing for automatic adjustments was suspended in 1957 because of the extreme inflation there, but its provisions are included in the analysis.

Three of the countries with automatic adjustment legislation provide for special cost-of-living supplements to old-age pensions. Only the supplements, which are computed separately from the basic pension but are payable along with it, vary with changes in the official index. The remaining countries, in contrast, make the adjustment in the old-age benefit itself.

There is some significant variation in the type of index specified by the laws of the various countries as the basis for pension adjustments. This variation is without doubt a reflection in part of certain differences in policy regarding the types of economic change that should justify a change in pension amounts. It may also be the result in part of technical differences in the statistical series available for use as an index.

Four of the nations providing automatic adjustments link changes in pension rates to changes in some kind of price index. This is a retail price index in two countries, the "national price index" in another, and the "pension price index" in a fourth. Two countries tie pension changes to the movement of what are called cost-of-living indexes. Three countries have used a considerably different procedure, basing their adjustments exclusively on some type of wage index. There are important differences, however, in the kind of index used. One country uses as an index the annual average taxable wages of insured persons, as calculated from contributions collected. In another country the index is the average of the wages from which the pensions newly awarded in each year have been computed. The third uses the weighted average index of the hourly wages of adult workers. Changes in these wage indexes naturally parallel to some extent changes in prices—especially where there is a substantial degree of governmental wage control—but wage changes are also, of course, influenced by factors other than price changes.

The frequency of adjustments possible under the various laws, as well as the minimum change in the base index that will produce a change in pension amounts, also differs from country to country. Pension rates undergo alteration in some of the countries whenever a change of at least a specified minimum percentage occurs in the index used. In these countries the indexes are generally prepared and published monthly, and it is therefore possible for pension changes to be made monthly, provided that the index shows an increase or decrease of at least the specified number of points. Of the remaining countries, one provides for quarterly adjustments, two for the possibility of adjustments at 6-month intervals, and two for annual adjustments. In general, the countries that employ a wage index provide for less frequent adjustments than those using a price index.

A few of the laws require pension amounts to be altered whenever there is any change in the relevant index, or a change of at least 1 point. The others specify somewhat larger changes—2 percent, 2½ percent, 3 percent, 5 percent, 10 percent, and 15 percent. It is either stated expressly or is virtually implicit in nearly all the laws that pensions will be reduced if the relevant index declines, as well as increased when it rises.

The laws are also usually explicit about the period of time, if any, that is to elapse between a change in the base index and the effective date of the pension changes. The size of this lag is perhaps determined mainly by technical administrative and statistical considerations in each individual nation, but in some countries other factors may have entered into the time interval prescribed. The interval most commonly specified is 3 months, but in some countries it is as brief as 1 month. Where adjustments may be made only half yearly or annually, it is, of course, theoretically possible for 5–11 months to elapse between a change in the index of the required number of points and a modification of the pension rates.

So far as the financing of automatic pension increases is concerned, the cost is generally met out of ordinary program revenues rather than from special sources. Such ordinary revenues include contributions of insured persons in all countries, employer contributions in most of them, and Government contributions in a majority. Contributions of insured persons and employers in nearly all the countries concerned are assessed as a percentage of wages, income, or payroll. Some rise in receipts from contributions thus tends to take place automatically if, as often happens, wages and payrolls move upward when prices increase. In certain countries moreover, the maximum on taxable payrolls is also linked to changes in the wage or price index and fluctuates with changes in that index. Under such an arrangement, some further increase in the income of the pension system may automatically occur simultaneously with an increase in pension amounts.

The remaining revenues required for financing pension adjustments come either from accumulated reserves or, in the last analysis, from specific increases voted by the legislative body in the contribution rates of insured persons, employers, or the Government. In a few countries, especially the Scandinavian countries, where a large part of the cost of all old-age pensions is met out of general Government revenues, the pension adjustments probably nearly always entail additional appropriations by the Government after they are put into effect.

The remainder of this article reviews the automatic adjustment provisions operative in individual countries. The countries are considered in the chronological order in which they adopted the automatic device. The discussion deals almost entirely with old-age pension provisions, though much the same problems exist and the same procedures are used for other long-term benefits, such as invalidity and survivor pensions. The discussion also deals only with the adjustment of pensions after their award. It does not enter into the equally large and complex problem of benefit formulas relating newly awarded pensions to current price or income levels when, in the coverage and contribution periods during which rights to such pensions were built up, price or income levels had been much lower.

Denmark

The earliest inclusion of an automatic adjustment provision in a general social security law appears to have been in Denmark. An amendment of its pension law in 1922 linked general pensions to changes in the salaries of Government employees. Annual pensions were to be raised by 12 crowns[1] for a couple and 6 crowns for a single pensioner for each annual cost-of-living increase of 54 crowns received by Government employees. Such adjustments in pension rates were made semiannually.

This early provision for adjustment of pensions was repealed in 1927, to be subsequently reinstated in different form in the Danish national insurance act of 1933. The 1933 law contained a provision requiring old-age pensions, as well as other types of social security benefits, to vary automatically with changes in the national price index. This provision has remained in operation without any fundamental modification down to the present time.

A "national pension" is now payable in Denmark to every aged citizen, without regard to contributions paid in the past. The basic amounts of such

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[1] One crown now equals $0.145, but a different ratio existed in 1922.

pensions are different for single persons and couples and for residents of Copenhagen, of towns, and of rural areas; the amount is reduced, however, if pensioners have other income above specified exemptions. Supplements are also payable if the pensioner has a nonpensioned spouse or children, as well as for advanced old age and deferral of pensions. A minimum pension is provided for all aged citizens otherwise disqualified by the income test; it is equal to 6 percent for single persons and 9 percent for aged couples of the current average gross income of breadwinners, as last calculated by the national statistical department.

The existing legislation also provides that, whenever the price index published by the national statistical department for the months of January or July rises or falls by 1 percent from the index for January 1956 (which stood then at 410, with July 1914 as 100), each national old-age pension being paid, as well as supplements and applicable income limits, shall be automatically increased or reduced by 1 percent. For every additional 2 percent change in the index, pensions are increased or reduced by an additional 2 percent. The resulting amount in rounded to the nearest multiple of 12 crowns. The Ministry of Social Affairs is required to publish changes in pension rates resulting from the January index number by March 10, and these changes are put into effect on April 1. Changes occasioned by the July index must be published by September 10 and are put into force on October 1.

The price index used is an index of retail prices that reflects the cost of living of a typical wage-earning family. This index is compiled by the statistical department four times a year on the basis of data collected on such items as the prices of goods and services, tax rates, and contributions in January, April, July and October.

The changes in this price index and in the basic amounts of the national pension that have occurred in the postwar period are summarized in table 1. The national pension (excluding supplements) for a single aged person living in Copenhagen rose from 2,388 crowns to 3,660 crowns between April 1946 and April 1959, while in rural areas it rose from 2,100 crowns to 3,216. The rise in the pension of an aged couple was from 3,600 crowns to 5,520 in Copenhagen and from 3,132 crowns to 4,800 in rural areas.

TABLE 1—INDEXES OF PRICES AND OF BASIC NATIONAL PENSIONS IN DENMARK, 1946-59

Month	Price Index (July 1914-100)	Month of change	Index of basic pension amount
January 1946	290	April 1946	100
January 1947	292	April 1947	103
January 1948	300	April 1948	105
January 1950	315	April 1950	108
July 1950	323	October 1950	111
January 1951	346	April 1951	120
July 1951	366	October 1951	128
July 1952	378	October 1952	131
January 1955	388	April 1955	134
July 1955	397	October 1955	136
January 1956	410	April 1956	141
July 1956	419	October 1956	142
January 1957	427	April 1957	145
July 1957	437	October 1957	148
July 1958	440	October 1958	151
January 1959	448	April 1959	153
July 1959	448	October 1959	153

The size of the minimum pensions also changes automatically whenever there is a change in the average income of breadwinners—the basis on which such pensions are computed. Such adjustments may take place on April 1 or October 1, whenever a change of sufficient magnitude occurs. They are rounded to the nearest multiples of 12 crowns for single pensioners and 60 crowns for aged couples. At the end of 1959, minimum pensions amounted to 756 crowns a year for single persons and 1,140 crowns for aged couples.

About 85 percent of the cost of national pensions in Denmark is met from general Government revenues. The remaining cost is financed through a special 1-percent tax on personal net income that is collected with the regular income tax.

Iceland

The social security act adopted in 1946 provided flat non-wage-related pensions, payable to all citizens at age 67, that differed only with the pensioner's marital status and his place of residence (town or country). These pensions were reduced by one-half of any other income in excess of the pension. The 1946 law also provided that there should be paid, in addition to the basic pension, a cost-of-living increment related to the price index. Surcharges varying with the average price index for the preceding year were also to be collected along with regular contributions payable by insured persons, employers, and the Government. Generally similar provisions were retained in new legislation enacted in 1956.

TABLE 2—AVERAGE PRICE INDEX AND AMOUNT OF BASIC ANNUAL PENSION, COST-OF-LIVING INCREMENT, AND TOTAL PENSION IN ICELAND, 1947-59[1]

Period	Average ..rice Index	Basic annual pension	Cost of living increment	Total annual pension
January 1947–June 1949	315	1,200	2,580	3,780
July 1949–March 1950	315	1,320	2,838	4,158
April 1950	100[2]	4,158	—	4,158
May 1950–June 1950	105	4,148	2,208	4,366
July 1950–December 1950	115	4,158	406	4,564
1951	131	4,080	1,265	5,345
1952	148¾	4,080	1,989	6,069
1953	157¼	4,080	2,336	6,416
1954	158 1/12	4,284	2,488	6,772
1955	162¼	4,284	2,667	6,951
1956	175 7/12	4,680	3,537	8,217
1957	180 2/3	4,680	3,775	8,455
January 1958–May 1958	183	4,680	3,884	8,564
June 1958–August 1958	183	4,914	4,079	8,993
September 1958–February 1959	190 2/3	5,381	4,879	10,260
March 1959–October 1959	100[2]	9,055	—	9,955

[1] Amount for a single aged person living in a town. One crown equals $0.04.

[2] New index introduced. Index before 1950 revision was 315; before 1959 revision it was 185.

All wages and salaries in Iceland, as well as the net income of farmers, are adjusted quarterly, whenever there is a change in the index of prices for consumer goods and services. The same index is used for computing the cost-of-living increments to old-age pensions, and the same procedure is applied.

When old-age pensions first became payable in 1947, the price index stood at 315 and the cost-of-living increment was 2.15 times larger than the basic pension itself. A revised price index was developed in 1950, with March 1950 as 100, and the basic pension was increased to absorb all previous cost-of-living adjustments. By the end of 1958 the 1950 index had again risen, to around 190 points, and the cost-of-living increment to old-age pensions rose in the same degree. On the basis of a family-living survey conducted among wage-earner, salaried-employee, and fisherman families in Reykjavik, the consumer price index was again revised in 1959, with a new base of March 1959 as 100. The basic pension was once again altered to absorb all preceding cost-of-living increments. The changes from 1947 to 1959 in the annual pension for a single aged person living in a town are summarized in table 2.

Pensions in Iceland are financed on a pay-as-you-go basis, and no substantial reserves have been accumulated. Contribution rates are fixed to achieve a balance of income and out-go for only 1 year at a time. Pension increases resulting from a rise in the cost of living must thus be financed by a concurrent increase in contributions.

Luxembourg

A law of June 21, 1946, that reinstated social insurance legislation in effect before the "occupation" provided at the same time for automatic adjustment of the basic nongraduated portion of old-age pensions. Whenever the cost-of-living index then in use rose or fell 100 points from the level of 1,500 points (with 1913-14 as 100), all basic pensions were to be automatically increased or decreased in the same proportion—that is, by ⅔ percent. These adjustments were to become effective the first day of the month following the publication of the index number that occasioned the change.

In May 1948, legislation was enacted that substantially revised the salary scale for Government employees. This legislation also provided that whenever the cost of living, averaged over a 6-month period, rose or fell 5 percent in comparison with the level of January 1, 1948, the salaries as well as the pensions of Government employees were to be automatically raised or reduced 5 percent. A law of April 10, 1951, subsequently provided that the same procedure would be followed in adjusting the pensions of private wage earners to cost-of-living changes occurring after January 1948. Similar provisions were adopted for pensions of private salaried employees and self-employed craftsmen in the same year and for self-employed farmers in 1956.

The new cost-of-living index employed in the automatic adjustment of pensions is prepared by the statistics office of Luxembourg and uses January 1, 1948, as its base. It reflects the average annual consumption pattern of 4-adult families and includes food, clothing, heating and electricity, and miscellaneous components. It is computed from price quotations secured monthly in nine localities. The index has risen 5 points on six separate occasions since January 1948—in August and December 1949, March and July 1951, and January and October 1957.

The Government meets the greater part of the expense resulting from the adjustment of pensions to the cost of living. It also pays about half the cost of basic pensions; employee and employer contributions cover the remaining cost of basic pensions, as well as the entire cost of the increments to pensions, which are graduated with wages.

France

A law adopted in August 1948 amended French postwar social insurance legislation for nonagricultural employees to provide for the adjustment of old-age pensions after they have been awarded. The adjustments authorized differ somewhat from those in most other countries, however, in that they are linked to changes in average covered wages rather than directly to changes in prices. Specifically, the law requires the Minister of Labor and the Minister of Finance and Economic Affairs, after consulting the Superior Social Security Council, to issue an order each year before April 1 (and with effect from that date) that fixes the percentage adjustment to be made in old-age pensions already being paid. It specifies that these adjustments shall be based on the ratio between the average covered wages of insured persons during the past year and those in the immediately preceding year, as calculated from total contributions collected and the total number of persons insured.

Pensions have been increased almost annually, ordinarily as of April 1 of each year, as a result of these provisions. The percentage increases put into effect during the past 11 years are shown below.

Year	Percent
1949	15
1950	15
1951	16
1952	10
1953	20
1954	No change
1955	9
1956	8½
1957	12
1958	7½
1959	13½

There are no special financial arrangements for covering the cost of pension increases. The added expense that they occasion is met from the regular revenues of the social insurance program, which consist of an employee contribution of 6 percent of wages and an employer contribution of 10 percent of payroll for pension and sickness insurance combined.

Sweden

The system of universal national pensions that was established in 1946 was modified in June 1950 by the addition of cost-of-living increments linked with price changes. The provisions currently governing these increments are contained in subsequent amendments that became effective at the start of 1956.

Every Swedish citizen receives a national pension at age 67, without regard to any past contributions. Before 1956, this pension was fixed at 1,000 crowns a year for single persons and 1,600 crowns for aged couples.[1] The 1950 legislation provided that, for each quarterly change of 5 points in the "pension price index," one 5-percent cost-of-living increment would be added to or subtracted from the basic pension. Each increment thus amounted to 50 crowns a year for single persons and 80 crowns for aged couples.

The first of these quarterly increments became payable in November 1950 when the pension price index (with June 1946 as 100) reached 108. Three more increments were added in May 1951, when the index jumped to 122. Others went into effect in August 1951 (index, 127), November 1951 (index, 130), May 1952 (index, 135), and August 1954 (index, 140). The index did not go above 144 during 1955, so that a total of eight increments continued to be paid throughout that year, equal to 40 percent of the basic pension.

The amendments that took effect at the start of 1956 raised basic national pensions to 1,700 crowns and 2,720 crowns a year, retained the 50- and 80-crown increments but provided for their payment or deduction for any monthly change of 3 points in the pension price index, and shifted the base of the index from June 1946 to December 1951. The latter month was selected as the base

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[1] One crown equals $0.193.

for technical reasons. It was desired to retain the same increment amounts used previously, since the complex punchcard machinery used in administering pension payments was keyed to it. Payment of increments was therefore made contingent on only a 3-point change in the pension price index, and a base for computing it had to be found that would keep increment payments on a level that, in relation to the new basic amounts, would correspond to the previous ratio. December 1951 was found suitable for this purpose.

Three 3-percent increments to the new basic pension amounts were immediately payable in January 1956, since the index with its later base then stood at 110. Additional increments became payable in May 1956 (index, 112), February 1957 (index, 115), October 1957 (index, 118), April 1958 (index, 121), and, most recently, July 1958 (index, 124). By January 1960 the index had risen only to 125. Thus, a total of eight increments are payable at present, amounting to 400 crowns a year for single persons and 640 crowns for aged couples or about 24 percent of their basic pensions. During this period, two "standard supplements" (reflecting the general rise in national income and production) were also granted to all pensioners, amounting to 350 crowns a year for single persons and 560 crowns for couples. The total pension thus currently payable to every aged person (excluding means-test housing supplements and special disability supplements) is 2,450 crowns a year for single persons and 3,920 crowns for couples.

The "pension price index" with which cost-of-living increments are linked is based essentially on changes since December 1951 in the Swedish general consumer price index, but with a 3-month lag. The consumer price index, with 1949 as 100, is prepared monthly by the Social Welfare Board and is based on prices of 177 goods and services collected in 70 localities. Compilation of this index takes about a month, and the pension price index based on it requires Government approval. Because of the time involved, the derived index computed on the basis of the consumer index for any given month is referred to as the "pension price index" for the month that follows 3 months later.

About one-fifth of the cost of national pensions, including cost-of-living increments, is financed from a special 4-percent earmarked pension tax on income, payable with his regular income tax by every citizen aged 18-66. The balance is financed almost entirely from general revenues, mainly by the National Government. There is no employer contribution.

A law adopted in May 1959 establishes a comprehensive new system of supplementary pensions in Sweden[1]. These will be payable in addition to universal flat national pensions and will be graduated according to the previous earnings level of each worker and his years of coverage. This new system is to be financed exclusively by employers (except for contributions on their own behalf by the self-employed). The minimum and maximum amounts of earnings considered for both contribution and benefit purposes, as well as wage credits recorded for each year, are to be adjusted automatically with changes in the pension price index.

Chile

The social insurance law for wage earners passed in July 1952 introduced a policy of automatic adjustment of outstanding pensions in Chile. Somewhat similar arrangements were embodied in the pension legislation for salaried employees and seamen adopted during the same year. These provisions operated for several years, but legislation for stabilizing prices and wages in 1957 abolished the practice of making automatic adjustments.

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[1] See "New Graduated Pension System in Sweden," Social Security Bulletin, November 1959.

The 1952 legislation had provided that, whenever the average wages on which the pensions of new beneficiaries were based rose in a year more than 15 percent from the corresponding average for the year in which pensions were last adjusted, all existing pensions were to be adjusted by the same percentage increase on January 1 of the following year. Because of the sizeable increases in prices and wages taking place in Chile in recent years, the application of the automatic provision led to large adjustments. On January 1, 1956, for example, all pensions were adjusted upward in conformity with the provision by 65.8 percent. On January 1, 1957, they were increased by a further 63.6 percent.

It was presumably the magnitude of these increases that eventually occasioned the suspension of the automatic provisions in Chile. After their suspension, however, several specific increases in pensions were voted by Congress in the effort to compensate pensioners for the continuing rise in living costs.

Israel

The national insurance law of 1953, which introduced contributory old-age and survivors insurance in Israel, established a system of flat-rate pensions. The basic old-age pension is fixed at 15 Israeli pounds a month for a single person; it is increased to £22½ if the pensioner has one dependent, £28½ if he has two, and £34 if he has three or more dependents.[1] There is added, however, to the basic amount paid every pensioner a supplementary cost-of-living allowance. This allowance has become substantially larger than the basic pension itself.

The amount of the cost-of-living allowance for pensioners varies automatically with changes in the cost-of-living index that is used for the payment of similar allowances to Government employees. Under the specific formula prescribed for computation of allowances for pensioners, the allowance is equal to 1/100 of the product of the cost-of-living index and the relevant basic pension, minus the basic pension.

Before 1959, changes in the cost-of-living allowance for Government employees were made semiannually whenever the cost-of-living index showed a change of 8 points or more. The index in use when old-age pensions first became payable in April 1957 had as its base September 1951 and it stood at 249 when pensions were first paid. The initial supplements were thus 1.49 times the basic pension. The supplements were increased further in July 1957, when the index rose to 258, and again in July 1958, when it stood at 267.

A new index was introduced for the cost-of-living allowances paid to Government employees on January 1, 1959. These allowances are now based on the retail price index published monthly by the central bureau of statistics (with January 1959 as 100), which reflects the retail prices of about 2,000 items contained in the family budget of an average worker's family of four persons. The allowances will change henceforth whenever the new index varies by at least 2 percent. The same procedures are followed with respect to cost-of-living supplements to old-age pensions.

The cost of pension supplements is met from the ordinary revenues of the national insurance system. These revenues are derived from contributions by insured persons and employers and from interest on the invested reserve. Contribution rates, it should be noted, are not on a flat-rate basis as are pensions, but instead are specified percentages of earnings and payrolls. A rise in the cost of living, if accompanied by a somewhat comparable rise in earnings and payrolls, may thus result in a concurrent increase in contribution income. Moreover, most of the reserves of the program are lent to the Israeli treasury; the Government has contracted to repay the amount borrowed, plus an amount

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[1] The pound equals $0.555.

equal to the percentage rise in the cost-of-living index that has occurred since the loan was made. Thus, a rise in pension outlays resulting from automatic adjustment of pensions is accompanied by an automatic increase in the value of the invested assets of the program. Interest rates on the invested reserve are also linked with the cost-of-living index.

Belgium

The pension law for wage earners passed in May 1955 introduced in Belgium the practice of automatic adjustments of existing pensions to price changes. Similar provisions were included in the pension laws for salaried employees and self-employed persons enacted in July 1957 and June 1956 and also in the special pension programs for miners and seamen. The 1955 law required all pensions to be automatically increased or decreased by 5 percent if the retail price index rose to 440 points or fell below 400 points. Further increases or decreases of 5 percent were to be made whenever the index deviated by an additional 5 per cent from the figure taken as a basis for the last previous adjustment.

These provisions were amended on August 9, 1958, to tie the adjustments to a revised price index using a base of 1953 as 100. The amended legislation provides that pension amounts are to be increased by 5 percent when the index first reaches 105, by a further 2½ percent when it reaches 107.62, and by an additional 2½ percent for each further 2½ percent rise in the index. Provision is similarly made for reduction of all pensions if the index declines 2½ percent from its previous level. Pension adjustments are made as of the first day of the second month following that in which the index reaches the specified level.

The first automatic adjustment of pensions under the Belgian program took effect on February 1, 1957, and consisted of a 5-percent increase. The second increase, one of 2½ per cent, occurred on September 1, 1958. The third and most recent increase, also of 2½ percent, became effective on December 1, 1959, and resulted from the fact that the retail price index for October 1959 was 2½ percent higher than the index on which the September 1958 adjustment had been based.

The price index now being used is based on the retail prices of 35 foods, 25 nonfood products, and five services. It is derived from quotations secured from more than 3,500 stores in 62 localities throughout the country. Rents are not covered.

Pensions, including the increases resulting from price changes, are financed from employee and employer contributions and an annual lump-sum Government subsidy paid according to a gradually rising scale. Employee and employer contributions under the wage earners' program have been payable at the rate of 4¼ percent of wages each. Since at least a part of wages in the majority of Belgian industries are themselves linked to retail price changes, some increase in contribution income tends to occur automatically with any rise in prices. The maximum on salaries applied in the computation of contributions under the salaried employees' program also varies automatically with changes in the retail price index. Finally, the law makes the scheduled Government subsidies to the program subject to adjustment to changes in the retail price index in the same manner as pensions.

The Netherlands

The next law to embody an adjustment principle was the Netherlands general old-age act of May 31, 1956, which set up a new program of non-wage-related pensions payable to all aged residents. This act provides that the specified pension amounts shall, in principle, be increased or decreased automatically in proportion to any increase or decrease in the wage index. The adjustment is not completely automatic, however, since some degree of administrative discretion is allowed.

Specifically, the rates of all existing as well as new pensions are to be altered whenever the wage index changes during a period of 6 consecutive months by an average of at least 3 percent. Pension amounts are to be increased or decreased by the percentage difference between the current wage index and the earlier index, except that the new amounts are to be rounded to the next highest multiple of 6 guilders.[1] If a revision of pensions takes the form of an increase, the revision takes effect on the first day of the month following the 6-month period in question. If a decrease is involved, it takes effect on either the same day or later, as determined by decree.

The law authorizes pension rates to be changed before a 6-month period has elapsed or before a 3-percent shift in the wage index occurs if there is a special reason for the change. It also provides that when an adjustment of pensions would produce a change in the real net income of pensioners, and this change is not the same or approximately the same for the employed persons covered by the wage index, the revision may be canceled or modified in such a way as to moderate the change in the real net income of pensioners.

The law itself stipulates that the index used for the purpose of pension adjustments shall be a weighted average index of the hourly wages of adult workers. The specific index currently used is a monthly index of the hourly wages of adult male manual employees in industry, transportation, and agriculture, as computed by the central statistical office (with June 1947 as 100). When this index was selected, it was believed to be the best and most comprehensive one available for the purpose. The intention is to develop eventually a new wage index that will be more suitable.

The pension amounts specified in the original law were 804 guilders a year for a single person and 1,338 guilders for a married pensioner. These amounts were selected as of March 31, 1955, when the wage index stood at 152. From that date to June 30, 1956, the index rose to 159, or 4.6 percent, so that when pensions first became payable at the start of 1957 they were initially fixed at 846 guilders for a single person and 1,404 guilders for a couple. Since the index had risen further between June 30 and December 31, 1956, to 162, however, pensions during the first half of 1957 were later raised retroactively to 858 and 1,428 guilders.

The wage index rose once again, from 162 to 174, during the first 6 months of 1957. A part of this rise, however, was the result of a compulsory wage index had risen 3.9 percent and stood at 188 for 6 consecutive months. for the newly imposed old-age tax of 6.75 percent. For this reason, pension rates were not adjusted by the full amount of the 7.4 percent increase in the wage index but instead were set at 876 and 1,452 guilders beginning July 1, 1957.

The wage index of August 31, 1957, registered a further substantial advance, to 181—again the result of a special circumstance. This was another compulsory wage increase to compensate for a general rise in rents connected with the gradual unfreezing of postwar rent controls. Since it was found after investigation that the rent increases impinged more heavily on the budgets of aged persons than on those of wage earners generally, pension amounts were increased as of August 1, 1957, by proportionately more than the rise in the wage index—to 936 and 1,524 guilders. The next and most recent increase in pension amounts took effect November 1, 1958, after the

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[1] One guilder equals $0.263.

wage index had risen 3.9 percent and stood at 188 for 6 consecutive months. The current pension rates, fixed at that time, are 972 and 1,584 guilders a year.

The cost of old-age pensions in the Netherlands, including that of any increase resulting from changes in the wage index, is financed mainly from a special 6.75-percent personal old-age tax on the net taxable income of every resident. A ceiling is placed on the annual income on which the tax is payable, but the law provides for this maximum also to vary with changes in the wage index. Its level is to change automatically as of January 1 of any year, whenever the wage index for the preceding July has varied by at least 3 percent from the index on which the previous revision of the maximum had been based.

The maximum on net income for purposes of the old-age tax was originally fixed in the law at 6,000 guilders a year, but, when the program actually started at the beginning of 1957, it became 6,900 guilders as a result of the rise in the wage index. It was raised again to 7,450 guilders on January 1, 1959, because of the changes in the wage index occurring during 1958. No change has been made in the 6.75-percent contribution rate since the start of the program, despite several increases in pension rates. It appears, therefore, that the rise in contribution revenue resulting from a general increase in income as well as from the higher ceiling has in general been sufficient thus far to finance the higher costs occasioned by the pension adjustments.

Finland

At the same time that a new national pensions act was enacted in Finland in June 1956, a companion law was adopted that provided for linking both the universal basic pensions and supplementary assistance pensions included in the main law with changes in the cost of living. Under this law, pensions are increased or reduced to the extent to 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 to cost-of-living changes is made in the income limits applied in determining elegibility for the assistance part of the pension. The above adjustments are now being made whenever a change of at least 10 percent occurs in the Finnish cost-of-living index.

Other Countries

There are some countries in which the social security legislation implies with varying degrees of explicitness that the rates of existing pensions and other social security benefits are to be modified when there is a change in economic conditions, although provision is not made for automatic changes in benefit rates.

The British national insurance act of 1946, for example, requires the Ministry of Pensions and National Insurance to review benefit rates after each quinquennial actuarial report in relation to the current circumstances of insured persons. Consideration must be given, in particular, to expenditures required for the preservation of health and working capacity, to changes in the circumstances of beneficiaries since the rates were last adjusted, and to the likelihood of future changes. A report must be submitted to Parliament on completion of the review.

The social insurance law enacted in Greece in 1951 provides that, in the event of significant variation in the general cost-of-living index, all pensions being paid may be changed by a percentage decided upon by the governing body of the Social Insurance Institution. Its decision, however, is subject to the approval of the Minister of Labor.

Two 1957 laws effecting extensive changes in pension insurance for wage earners and salaried employees in the Federal Republic of Germany specify that, in the event of a change in the average earnings of insured workers (averaged over the first 3 of the last 4 calendar years), all existing pensions are to be adjusted "by the passage of a law." Such statutory adjustment is to take into account, however, the development of the Nation's economic capacity and productivity and any change in the per capita income of the gainfully employed. The laws also require that reports be made to Parliament by September 30 of each year on the financial position of the two pension programs, the development of the Nation's economic capacity and productivity, and changes in per capita income during the preceding calendar year. These reports are to be accompanied by the expert findings of a social advisory council, and by Government proposals for adjustment of outstanding pensions if considered desirable. The German laws leave to Parliament, nevertheless, the final decision as to whether or not existing pensions will be readjusted.

It was found during 1958 that the average monthly wages of insured workers in Germany had risen from 379 marks during 1954-56 to 401 marks during 1955-57. As a consequence, the West German Parliament approved a 6.1-percent increase, effective January 1, 1959, in almost 7 million existing pensions. This was the first application of the adjustment provisions of the new legislation.

The German pension programs are financed by tripartite contributions of insured persons, employers, and the Government. The maximum earnings on which employee and employer contributions are payable varies automatically with changes in average insured wages, since it is set by law at double such wages. The maximum thus rose from 760 marks a month in 1958 to 802 marks in 1959. The law also provides that the size of the annual lump-sum Government contribution shall vary automatically with changes in average wages.

Sources: Social Security Bulletin, March 1960, Volume 23, Number 3, pp. 13-19 and 24.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

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.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

WEDNESDAY, DECEMBER 2, 1964

WITNESSES:

Dr. Joseph Willard, Deputy Minister of Welfare, Department of National Health and Welfare, and Mr. D. Thorson, Assistant Deputy Minister, Department of Justice.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

MEMBERS OF THE COMMITTEE FOR THE SENATE

Honourable Senator Muriel McQ. Fergusson, Chairman,

and Honourable Senators:

Blois
Boucher
Croll
Denis
Flynn
Lang
Lefrançois
McCutcheon
Smith (*Queens-Shelburne*)
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*)
Francis
Gray
Gundlock
Klein
Knowles
Laverdière
Lloyd
Macaluso
Marcoux
McCutcheon
Monteith
Moreau
Munro
Paul
Perron
Rhéaume
Scott

Maxime Guitard,
Clerk of the Special Joint Committee.

MINUTES OF PROCEEDINGS

WEDNESDAY, December 2, 1964.
(6)

The Special Joint Committee of the Senate and of the House of Commons on Canada Pension Plan met at 3:52 o'clock p.m. this day. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Present:

Representing the Senate: Senators Blois, Croll, Denis, Fergusson, Lang, McCutcheon, Smith (*Queens-Shelburne*), Stambaugh (8).

Representing the House of Commons: Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Chatterton, Francis, Gray, Knowles, Laverdière, Lloyd, Macaluso, Marcoux, Monteith, Moreau, Munro, Perron, Rhéaume, Scott (18).

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare, and Messrs. D. Thorson, Assistant Deputy Minister of Justice, Tom Kent, Policy Secretary, Prime Minister's Office, and D. Sheppard, Assistant Deputy Minister of National Revenue.

The Joint Chairman opened the meeting.

The Committee resumed consideration of Bill C-136.

On motion of Senator Croll, seconded by Mr. Francis,

Resolved,—That the manuscript containing replies to some questions raised during the morning session of December 1, 1964, of the Special Joint Committee on Canada Pension Plan be published as an appendix to today's Minutes of Proceedings. (*See Appendix "C"*).

On motion of Mr. Rhéaume, seconded by Mr. Cantelon,

Resolved,—That the brief containing examples pertaining to Canada Pension Plan be distributed to members of this Committee, and also published as an appendix to today's Minutes of Proceedings and Evidence. (*See Appendix "D"*).

The examination of the witnesses continuing, at 5:35 o'clock p.m. the Committee adjourned until 9:30 o'clock a.m. on Thursday, December 3, 1964.

Maxime Guitard,
Clerk of the 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. (This note applies to Issue No. 1).

APPENDIX "C"

Replies to some Questions Raised During the Morning Session, December 1, of the Joint Committee on the Canada Pension Plan

1. *Question:* What is the actuarial value of a pension of $104 a month at ages 65 and 70?

Answer: Calculated on the basis of the mortality rates of the Canadian Life Table, 1960-62, and interest at 4 per cent per annum, the value of a pension of $104 monthly from age 65 for life is $12,295 for men and $14,102 for women. The corresponding value of a pension from age 70 for life is $10,241 for men and $11,746 for women.

2. *Question:* How does the United States Old Age, Survivors and Disability Insurance program provide for adjustments of (*a*) the contributor's earnings record, (*b*) pensions already in pay?

Answer:

(*a*) The provisions of the United States OASDI Act have been amended from time to time since it was first introduced in 1935. Amendments in 1950, 1954 and 1955 changed the benefit formula and the scope of coverage quite considerably. As a result of these changes it was found necessary to exclude from the calculation of average earnings, the contributor's earnings in the period 1936 to 1950; only his earnings after 1950 will be used, in most cases, in determining the value of his pension. For this purpose, then, a contributor's earnings record will be adjusted by excluding (i) earnings in the period 1936 to 1950, (ii) earnings in one's five poorest years after 1950, (iii) earnings in any year during which the contributor was disabled.

(*b*) Minimum and maximum benefits and pensions already being paid are adjusted periodically by special acts of Congress. In 1950 the Congress voted substantial increases in benefits already in pay. They also voted increases in 1952, 1954 and 1958. In 1964 both the House of Representatives and the Senate voted for across the board increases in the benefits being paid to existing beneficiaries. The two houses were agreed on this point. There were other suggested proposals to amend the Social Security Act on which they were not in agreement.

The minimum benefit was increased to $20 in 1950, $25 in 1952, $30 in 1954, $33 in 1958, and $40 in 1961. The maximum benefit was increased to $80 in 1950, $85 in 1952, $108.50 in 1954, and $127 in 1958. The following table of average old age benefits in current payment status at the end of the year indicates the magnitude of the increases effected in 1950, 1952, 1954 and 1958.

Year	Average Old Age Benefit $
1940	22.60
1941	22.70
1942	23.02
1943	23.42
1944	23.73
1945	24.19
1946	24.55
1947	24.90
1948	25.35
1949	26.00
1950	43.86
1951	42.14
1952	49.25
1953	51.10
1954	59.14
1955	61.90
1956	63.09
1957	64.58
1958	66.35
1959	72.78
1960	74.04
1961	75.65
1962	76.19

3. *Question*: How does the British National Insurance program provide for adjustments of pensions already in pay?

Answer: The present National Insurance program commenced in July 1948. It provides flat-rate benefits to all retired contributors. Adjustments in the amounts of these pensions are made periodically by Acts of Parliament. The retirement pension for a single person was increased from £1 6s. to £1 10s. in September 1951. It was increased to £2 in April 1955. In January 1958 it was increased to £2 10s. In April 1961 it was increased to £2 17s. 6d. and in May 1963 it was increased to £3 7s. 6d. At the same time there were increases in the supplement payable for a wife.

The new British government has given notice that it intends to ask parliament to increase the rate for a single person to £4 a week.

4. *Question*: What are the values for the cost of living, the level of wages, and the per capita Gross National Product since 1927?

Answer:

GROSS NATIONAL PRODUCT, CONSUMER PRICE INDEX, AND AVERAGE WEEKLY WAGES AND SALARIES, CANADA, 1926 TO 1963

Year	Gross National Product at Market Prices		Consumer Price Index (1949=100)	Average Weekly Wages and Salaries(a)
	Current Dollars	Per Capita		
	$ millions	$		$
1926	5,152	545	75.9	—
1927	5,549	576	74.6	—
1928	6,046	615	75.0	—
1929	6,134	612	75.8	—
1930	5,728	561	75.3	—
1931	4,699	453	67.9	—
1932	3,827	364	61.7	—
1933	3,510	330	58.8	—
1934	3,984	371	59.6	—
1935	4,315	398	59.9	—
1936	4,653	425	61.1	—
1937	5,257	476	63.0	—
1938	5,278	473	63.7	—
1939	5,636	500	63.2	23.44
1940	6,734	592	65.7	24.94
1941	8,328	724	69.6	26.65
1942	10,327	886	72.9	28.62
1943	11,088	940	74.2	30.79
1944	11,850	992	74.6	31.85
1945	11,835	980	75.0	32.04
1946	11,850	964	77.5	32.48
1947	13,165	1,049	84.8	36.19
1948	15,120	1,179	97.0	40.06
1949	16,343	1,215	100.0	42.96
1950	18,006	1,313	102.9	45.08
1951	21,170	1,511	113.7	50.04
1952	23,995	1,660	116.5	54.41
1953	25,020	1,685	115.5	57.53
1954	24,871	1,627	116.2	59.04
1955	27,132	1,728	116.4	61.05
1956	30,585	1,902	118.1	64.44
1957	31,909	1,921	121.9	67.93
1958	32,894	1,926	125.1	70.43
1959	34,915	1,997	126.5	73.47
1960	36,287	2,031	128.0	75.83
1961	37,391	2,050	129.2	78.11
1962	40,339	2,172	130.7	80.55
1963	43,007	2,276	133.0	83.41

(a) Industrial composite. Excludes agriculture, fishing, trapping and domestic service.

SOURCES: Dominion Bureau of Statistics, *Canadian Statistical Review, Historical Summary 1963*, Tables 2, 6, 22, and 31, and October, 1964; *National Accounts, Income and Expenditure, 1963.*

Research and Statistics Division,
December, 1964.

5. *Question:* Do any of the private pension plans in Canada provide for the automatic adjustment of the past earnings of the employees they cover, in order to allow for increased wage levels and productivity?

Answer: A pension plan which provides for the automatic adjustment of past earnings records does so in order to recognize that general wage levels throughout one's lifetime will probably rise. If the amount of the pension is related to the level of one's earnings throughout one's career, an automatic adjustment of past earnings in line with changes in wage levels might be considered desirable. However, if the amount of the pension is related to the level of one's earnings in the last year or last few years before retirement, or to one's years of best earnings, the need for any automatic adjustment in past earnings records tends to disappear.

In 1960 the Dominion Bureau of Statistics conducted a survey of private pension plans in Canada. This survey did not seek to determine whether or not these pension plans contained escalation clauses. Therefore it cannot be stated whether or not any of the plans with pensions based on career average earnings provide for the automatic adjustment of these earnings. However, one of the questions asked in the survey concerned the type of benefit formula used.

The following table indicates that about 49.8 per cent of employees in pension plans were in plans in which the benefit was based upon either the employee's final earnings, his average earnings over a designated number of years immediately prior to retirement, or his average earnings over a designated period of best earnings.

Type of Benefit	No. of Plans	Percentage	Male Members	Percentage	Female Members	Percentage	Total Members	Percentage
Unit benefit—								
Final earnings	28	0.3	10,126	0.7	667	0.2	10,793	0.6
Average final earnings	270	3.0	177,386	12.1	106,334	26.6	283,720	15.2
Average best earnings	117	1.3	521,195(1)	35.6	111,100(1)	27.8	632,295(1)	34.0
Career average earnings	2,370	26.6	369,220	25.3	99,027	24.8	468,247	25.1
Money purchase	5,392	60.4	204,572	14.0	37,555	9.4	242,127	13.0
Profit sharing pension	211	2.4	19,287	1.3	4,329	1.1	23,616	1.3
Composite	121	1.4	16,154	1.1	8,670	2.2	24,824	1.3
Flat amount	411	4.6	145,268	9.9	31,791	7.9	177,059	9.5
Totals	8,920	100.0	1,463,208(2)	100.0	399,473(3)	100.0	1,862,681(4)	100.0

(1) Includes Federal Government employees covered under the Public Service Superannuation Act and members of the armed forces, covered under the Canadian Forces Superannuation Act.

(2) Includes 41,351 males (1,463,208–1,421,857) who are members of more than one plan.

(3) Includes 6,308 females (399,473–393,165) who are members of more than one plan.

(4) Includes 47,659 members (1,862,681–1,815,022) who are members of more than one plan.

SOURCE: Dominion Bureau of Statistics, *Pension Plans, Non-Financial Statistics, 1960*, Table 7.

6. *Question*: What are the current administrative costs of the Old Age Security program, and what percentage are these of total expenditures on benefits?

Answer: In attempting to determine the administrative costs of the Old Age Security program, it should be remembered that Family Allowances, Family Assistance to immigrant children, and Old Age Security pensions are all part of the same administration. The total costs of administering these combined programs in 1963-64 were:

Department of National Health and Welfare	$3,006,698
Comptroller of the Treasury	4,316,967
Public Works	281,358
Total	$7,605,023

It is not possible to give the costs attributable separately to each of the three programs involved; however, if the total costs are apportioned according to the number of cheques issued, the following distribution results:

Family Allowances	$5,595,372
Old Age Security	1,981,601
Family Assistance	18,050
Total	$7,605,023

The $1,981,601 administrative expenditures apportioned to Old Age Security amount to just over one-quarter (26 per cent) of the total administrative expenditures. When expressed as a percentage of total Old Age Security benefit expenditures in 1963-64 ($808,391,300), the administrative expenditures amounted to 0.25 per cent. Combined administrative expenditures for the three programs amounted to 0.56 per cent of the $1,347 million spent in benefits.

It might be noted that Dr. Robert Clark, in his 1959 study of Economic Security for the Aged in the United States and Canada, faced this same problem. The following extract from his report, paragraphs 1003 to 1007, is relevant:

> 1003. It is desirable, if possible, to attempt to separate the costs of administration of Old Age Security from those of Family Allowances. A first approximation is based upon the relative number of accounts. There are three Family Allowances accounts for every one account for Old Age Security. Thus about one quarter of the administrative costs or $1.8 million could be assigned to Old Age Security for the year 1957-58.
>
> 1004. The factor of one quarter may, however, be somewhat high because, while each Old Age Security account represents only one person, each Family Allowances account represents on the average about two and a half persons.
>
> 1005. Costs of issuing the cheques are, of course, correlated with the number of accounts. On the other hand, administrative actions such as those required with respect to attainment of age sixteen, school attendance, support by parents, proof of age, and death, are related to each person and there are proportionately more people in the Family Allowance accounts. Most Old Age Security accounts are terminated by death and, as mentioned earlier, payment of the last cheque may be an administrative problem. Moreover, proof of age is a more difficult problem for old people than for children.
>
> 1006. Recipients of Old Age Security Pensions constitute about one-eighth of the total number of persons covered by both Family Allowances and Old Age Security accounts. It would appear, therefore, that to take the administrative costs of Old Age Security as being one-quarter of the combined costs is to use a figure that does not underestimate their value.
>
> 1007. Thus it seems reasonable to conclude that for the fiscal year ended March 31, 1958, administrative expenses for Old Age Security amounted to about $1.8 million. This sum is approximately equal to two-fifths of one per cent of the total amount of pensions paid.

EVIDENCE

WEDNESDAY, December 2, 1964.

The CHAIRMAN (*Hon. Mrs. Fergusson*): We have a quorum gentlemen. We are to have Mr. Thorson again as witness. We shall ask him to continue, but before we do so, let me say that some of the questions asked are answered by the department, and I have the copies in my hands. What would the committee like to have done with them? Do you wish to have them printed and circulated, or do you want them added to the minutes?

Hon. Mr. CROLL: I move that they be appended to today's proceedings.

Mr. FRANCIS: I second the motion.

Mr. MONTEITH: Will these appear at the first of today's proceedings as answers to questions asked yesterday?

The CHAIRMAN (*Hon. Mrs. Fergusson*): I presume this would be the case, or whatever the committee would like.

Mr. MONTEITH: I am thinking of continuity. I am thinking of myself, but referring to questions which might have been asked yesterday and not answered; I think they might well appear at the first of today's proceedings.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is that agreeable to the committee? It has been moved by Senator Croll and seconded by Mr. Francis that the replies to some of the questions asked on December 1 be included in today's minutes, and that they appear at the beginning of today's report. Do you agree to this?

Motion agreed to.

Mr. CHATTERTON: Are there enough copies to go around now?

The CHAIRMAN (*Hon. Mrs. Fergusson*): No. I hope you will understand that these are not all the answers, but just those which they have been able to make ready for today.

The CO-CHAIRMAN (*Mr. Cameron*): There are only two, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): The idea was that we should have a French translation. Now, Mr. Thorson.

Dr. J. W. WILLARD (*Deputy Minister, Department of Nationl Health and Welfare*): I believe Mr. Sheppard has some answers to some questions asked yesterday. I wonder if before we proceed with further clauses of the bill, he might speak to them.

Hon. Mr. CROLL: We are not hearing you well back here.

Mr. D. H. SHEPPARD (*Assistant Deputy Minister, Department of National Revenue (Taxation)*): I have not prepared my replies in written form, so I shall just place them on the record orally.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you.

Mr. SHEPPARD: A question was asked yesterday about the number of contributors who would be entitled to a refund by reason of the fact that they earned more than $5,000 in a year, or in more than one year. The number that we have estimated for this purpose is 253,433.

In giving this number I have to tell the committee that we have no breakdown of the number of people who received income of over $5,000. We have had to make an estimate from the total number who have worked for more than one employer.

Now with regard to another matter, I also wish to tell the committee at this time that there is another circumstance under which an employee could be entitled to receive a refund, and it refers to the situation where the person earns under $5,000 and does not work for a full 12 months, by reason of which he does not receive the full exemption. The number in this case is estimated at 1,015,020, making an aggregate total of 1,268,453. That is the answer with regard to that question.

Now then, there was another question I was asked to comment upon yesterday which had to do with the problem of substantial equipment in regard to the definition found in subclause (4) of clause 4 of the bill. The term "substantial equipment" is found in income tax regulation No. 2600, and it has to do with the definition of permanent establishment which has relevance to where the profits of a business are earned for provincial income tax purposes.

The words that are used here are, "Where the individual uses substantial machinery or equipment in a particular place at any time in a taxation year, he would be deemed to have a permanent establishment in that place." This particular provision has relevance only to the purpose for which it is placed in the regulations, to determine what amount of abatement shall be given for federal income tax. And conversely, what income is to be taxed by the province if the province adopts the same rule. For this purpose they all have done so, and that is the main purpose for which it is applied.

The words in subclause (4) of clause 4 refer to the establishment of the employer. These words are not defined, therefore you have to refer to the ordinary dictionary definitions of establishment. If I might use an illustration, I would take the case of a contractor. It is my opinion that if a contractor has a contract extending over a period of months, and he places a small office on the contract site, where he places a supervisor, and where the employees report to work, then that would be an establishment for this purpose.

The use of substantial equipment would not of itself imply there is an establishment for the purpose of section 4 (4), but it is hard to conceive of having substantial equipment at a location without having some sort of establishment to look after it.

Hon. Mr. CROLL: Mr. Sheppard, let us suppose that one of the contracting firms which is spread across the country, pays its employees from head office. Do you draw a distinction between having a place where there is a supervisor on the premises, and one where there is no one on the premises? I am thinking of a large employer who pays his employees, let us say, from Toronto, while the work is being done in the province of Quebec. Where do you draw the distinction?

Mr. SHEPPARD: The primary words in this clause state that a person is deemed to be employed in the province in which the establishment of the employer to which he reports for work is situated, so the place where he gets his remuneration is not material, if he does report to work at an establishment. It is only material if he does not report to work for any establishment. In the latter case it is considered that the remuneration is the determining factor.

Hon. Mr. CROLL: You say there must be something on the premises in the way of an office. Is that the way you judge it?

Mr. SHEPPARD: I am only giving you an opinion on what I think the establishment means. It must be some sort of a set-up, and the employee goes to that particular place and receives instructions. It has to be more than just a tractor running up and down the road. It has to have a degree of permanency, although it may not be permanent. I wonder if Mr. Thorson wishes to add anything to it.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Does anyone else wish to ask Mr. Sheppard about his presentation? If not, we shall ask Mr. Thorson to continue.

Mr. BASFORD: Under subclause (4), I am curious about which province gets the benefit of these contributions.

Mr. SHEPPARD: Madam Chairman, it is proposed to use the same rules which are here for that purpose; the rules which are incorporated here for the purpose of determining to which province you make the contributions apply for the same purpose.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you.

On Clause 5—*"Minister" defined.*

Mr. D. S. THORSON (*Assistant Deputy Minister, Department of Justice*): Clause 5 is the first clause under part one of the bill dealing with contributions, and is probably self-explanatory. By virtue of clause 94 of the bill, the Minister of National Revenue who is here defined as being the minister for all purposes under part I, is the minister responsible for the administration of part I of the bill.

Turning to Division A, clause 6, subsection (1) of this bill defines what is meant by pensionable employment for the purposes of the act, and subsection (2) on the same page sets out what is meant by excepted employment. These definitions are of course important, because contributions are required from persons employed in pensionable employment and from their employers; whereas no contributions are required from persons in excepted employment.

Pensionable employment must be employment in Canada except in the case of employment which may be included in pensionable employment by reason of regulations made under section 7. I might add that when a person is employed in pensionable employment he need not be resident in Canada, however, in order to be required to contribute. The principal rule is that pensionable employment is employment in Canada that is not excepted employment, that does not come under subsection (2); while excepted employment is employment which would be included in pensionable employment were it not excluded from that category.

The exclusion of various employments listed in subsection (2) is for the most part for legal or for administrative reasons.

Madam Chairman, I am not sure how the committee might wish to proceed with these provisions. Do you want me to deal with them paragraph by paragraph, or would it be helpful to read them and then comment on them?

Mr. MONTEITH: I would think Mr. Thorson should go through it paragraph by paragraph and if he has any expansion on each paragraph he could deal with it at that time.

Mr. THORSON: The first category of excepted employment is employment in agricultural enterprises and certain related primary industries by an employer who either pays his employee less than $250 a year in cash wages or employs his employee on terms providing for the payment of cash wages for a period less than 25 working days in any given year.

Mr. CHATTERTON: May I just ask a question regarding cash remuneration? How about the perquisites which are provided in the case of forestry? Often the perquisites are greater than the cash remuneration.

Mr. THORSON: They would not be taken into account for the purposes of this particular rule. This only deals with cash remuneration.

Mr. AIKEN: Is that applied throughout the bill in general?

Mr. SHEPPARD: No, it is not, so that in some cases allowances for board and lodging, and so forth, could be included as wages to bring them within the $600 rule.

Mr. THORSON: That is correct. For the purposes of this particular exclusion what the bill deals with are the cash wages paid to the employee in a given year.

Mr. AIKEN: Why do we take $250 in this particular rule when $600 is the general rule throughout the bill?

Mr. SHEPPARD: The purposes of this particular rule are slightly different. First of all, it excludes the amount entirely, and once having got over this amount, then the ordinary $600 rule applies for the total earning. The main purpose of it was to avoid these marginal and primary cases having to do with a lot of transient workers. Twenty-five working days and $250 were picked for that particular purpose.

Hon. Mr. CROLL: Could it have been $300 and 30 days?

Mr. MONTEITH: You mean $10 and 30 days.

Mr. SHEPPARD: It amounts to 25 days at $10 a day.

Hon. Mr. CROLL: You said it was thought that that would be a reasonable way of approaching it.

Mr. THORSON: I might add that under the United States law the corresponding figure is $150. Paragraph (b) excludes employment of a casual nature otherwise than for the purposes of the employer's trade or business. Thus pensionable employment does not include casual employees who do odd jobs, for example, around the home or elsewhere, so long as such jobs are not connected with the employer's trade or business. Let me give you an example illustrating the latter qualification: if a person is employed to paint a room in his employer's residence, that would not be pensionable employment, it would be regarded as casual employment, but if he is employed to paint the business premises in which the employer carries on his business, that would be regarded as being pensionable employment. Where such a person does the work on a contract basis as an independent contractor, he would, of course, be regarded as a self-employed person and would contribute as such under clause 10 of the bill.

Mr. CHATTERTON: May I ask a question about summer employment for students? I know they are required to pay their contribution, but will the employer also be required to pay a contribution if the student works for four months in the summer?

Mr. SHEPPARD: If the student is over 18 years of age he would be required to pay.

Mr. CHATTERTON: The student will pay and so will his employer? Will he claim a refund?

Mr. SHEPPARD: If he earns enough so that it would amount to more than the exemption allowed for that particular period.

Mr. FRANCIS: His refund will be calculated strictly on the same basis as that applied to any other employee?

Mr. THORSON: Summer employment, merely because it is summer employment, would not be regarded as being casual, although it might well be casual having regard to the particular kind of employment.

Mr. CHATTERTON: The student who works every summer would pay and so would his employer. Is that correct?

Mr. THORSON: Yes.

Mr. CHATTERTON: What about the refund since he is a student?

Mr. THORSON: He will not receive a refund unless the total of his earnings is less than his basic exemption for the year.

Mr. SHEPPARD: May I add to that, he would also obtain a refund if the contribution he paid was more than he should have paid calculated on an annual basis.

Mr. MONTEITH: Would his exemption for the four months be $200?

Mr. SHEPPARD: That is right, for the purpose of the deduction.

Mr. RHÉAUME: If I understood that correctly, then university students, all of whom, let us hope, earn in excess of $200 in a summer—at least they are going to have to do so if they go to university—will be contributing under the Canada pension plan.

Mr. THORSON: Yes, if they are over 18 years of age and if they are engaged in employment that is not by its nature casual. There can of course be students who would have casual earnings.

Mr. MOREAU: In their total earnings were $600, although they earned at a rate of pay during their employed months which could put them in the plan, would they be able to claim a refund?

Mr. THORSON: Yes.

Mr. RHÉAUME: They would need the refund.

Mr. CHATTERTON: But if they earned more than $600 in the summer months would that count as a year towards the average earnings?

Mr. THORSON: Yes, it would.

Hon. Mr. MCCUTCHEON: How many applications for refund a year is the department receiving?

Mr. SHEPPARD: We read into the record an estimate of 253,000 of the type you are asking about, with earning over $5,000, and 1 million × 15,000 with earning under $5,000 where they do not work the whole year, which makes a total of 1,268,000.

Mr. RHÉAUME: Who is going to decide whether the employee is painting his employer's residence or his place of business? How is this going to be decided? Painting a house could be casual employment and exempted, or it could be otherwise. Who is going to make these decisions?

Mr. THORSON: The basic obligation rests on the employer. It is for him to make the remissions required by the law.

Mr. MONTEITH: If you are hiring a painter as such, he is self-employed, as Mr. Sheppard pointed out, and consequently he is under contract and you do not deduct from him.

Mr. RHÉAUME: Were these 1,268,000 applications for refunds considered in the answer I got yesterday that administrative costs would be one tenth of one per cent?

Mr. SHEPPARD: Yes.

Hon. Mr. LANG: What would be the situation if I were regularly employed and I was also self-employed above the amount of the exemption. As self-employed I would be paying the full amount and I would also be paying my share or a portion equal to that of my employer. How would you deal with my refunds under those circumstances?

Hon. Mr. MCCUTCHEON: He is thinking of Mr. Douglas Fisher.

Mr. THORSON: Self-employed earnings of a person are arrived at by a computation made at the close of the year. At that time a person who has been both employed and self-employed during the same year will be in a position to know what he has contributed as an employee, and that will go, in the first instance, towards determining the amount remaining if any, on which he would be entitled to make a contribution as a self-employed person. He would first contribute as an employee, and then, only secondarily, would he be able to make up any difference at the higher rate as a self-employed person.

Mr. MONTEITH: May I ask a supplementary question? I take it he would have to pay anything if as an employee had $79.20 deducted? Am I right?

Mr. SHEPPARD: That is right.

May I add to this? It would be the case so long as that amount was required to be deducted.

Mr. LLOYD: For the purpose of income tax a student or a person casually employed would make a declaration that his earnings are not sufficient to warrant a tax deduction. Do you contemplate that technique in this system?

Mr. SHEPPARD: I do not think we can say so categorically. Offhand I would be inclined to say no.

Mr. LLOYD: You are familiar with the matter?

Mr. SHEPPARD: Yes, I am familiar with it, although the circumstances are different.

Mr. LLOYD: It would save you a lot of refunds.

Mr. KNOWLES: Madam Chairman, most of the questions, legitimately so, seem to be suggesting that there is some penalty on students who have to pay. I wonder if either of the witnesses could tell us of the advantages that might accrue. Let me put it this way: An 18 or 19 year old student who makes over $600 a year I presume gets credit for that year while his time of retirement is half a century away. What about the other benefits such as in a case where he becomes disabled? In other words, is it an advantage to a student to get a year's credit?

Mr. THORSON: On balance it is. The contributions paid in by a student under those circumstances would of course be counted in arriving at a determination of whether or not the contributor had met the minimum qualifying period for all the supplementary benefits.

Mr. KNOWLES: My question makes it obvious that it is not much help to him as far as the rate of his pension at the age of 65 is concerned, and presumably he would do a lot better in later years. However, there is an advantage in terms of qualifying for the supplementary benefits. Is that correct?

Mr. MUNRO: It is not likely to be prejudicial because those years of no income would be dropped out.

Mr. THORSON: That is correct.

Mr. CHATTERTON: He is allowed a 10 per cent drop-out up to the age of 65. If he takes his low income years while he is at university, he will almost have had his 10 per cent drop-out. The only benefit to him is the supplementary benefit, as Mr. Stanley Knowles pointed out. Actually, I would say he is penalized.

Mr. THORSON: There is another way of looking at it, I should think. If he earned nothing during those years, they would enter into the determination of his contributory period and would be recorded as years of zero earnings. I therefore do not think it can be said that those contributions penalize him.

Mr. GRAY: What you are saying is that once he passes the age of 18, whether he works or not, those years are included. Therefore, he is better off if he earns something than if he earns nothing.

Mr. CANTELON: The most serious matter from his standpoint would be the time when he really needs the money; and I am sure he would prefer not to pay than to pay during that period of time.

Mr. CHATTERTON: As I understand it, if he earns nothing during the summer he is not required to contribute until the age of 25.

Mr. THORSON: He is not required to pay at all until he becomes eligible.

Mr. CHATTERTON: So it is better for him to contribute if he earns $300 in the year than not to contribute at all? Is that what I understand you to say?

Only if he does not earn $600 a year during the student years is he not required to pay anything at all until he is 25?

Mr. THORSON: Yes, but those years enter into the computation of the pension ultimately payable to him.

Mr. CHATTERTON: I see.

Mr. THORSON: This is because his pensionable period commences on his 18th birthday regardless of whether he is employed at the time.

Mr. GRAY: I understand that this would prevent an unfair disadvantage being placed on those who do not enter the labour market at age 18, and who continue in school.

Mr. THORSON: Yes, or indeed any person who enters the labour market subsequent to his 18th birthday.

Mr. MUNRO: I would like to direct my question to Mr. Sheppard.

Let us assume that a student earns $800—or let us even use the figure of $900—in his off school period during the summer holidays and so on to earn money to go back to university. What would he be paying? Those would be his earnings during the year. What would be his contribution?

Mr. SHEPPARD: It is 1.8 per cent of $300.

Mr. MONTEITH: No, he is only working on $200 exemption for three months.

Mr. SHEPPARD: It is only $600 exemption.

Mr. MUNRO: What is the amount we are talking about?

Mr. SHEPPARD: $5.40 I believe.

Mr. MUNRO: $5.40 is what we are talking about, for a year's credit.

Mr. LLOYD: The illustration gave you the figure of $900 for the total summer season. Let us assume that the student was being paid once a month. Would you not then deduct or allow for the exemption on a 12-month apportionment of the exemption?

Mr. SHEPPARD: Initially when the employer is making a deduction he allows the exemption on the monthtly basis but at the end of the year when the employee claims a refund he would use the total exemption for the year.

Mr. THORSON: The point is that the employer at the commencement of the employment does not know how long the employee will remain in the employment and therefore must work according to the table of deductions.

Mr. KNOWLES: May I revert to the complimentary benefits to which we were referring a moment ago? If such a student were married and had two or three years of this kind of entitlement would he not begin to build up the possibility of entitlement for a widow's pension or any of the other entitlements?

Mr. THORSON: Yes, he would.

Paragraph (c): The third category of excepted employment is employment as a teacher on exchange from a country other than Canada.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Aiken.

Mr. AIKEN: Madam Chairman, may I ask a question? Perhaps I am somewhat anticipating, but this relates to this particular topic.

Reading it along with clause 7(1)(a), which refers to employment outside Canada which may be included as pensionable employment, would it be anticipated that such employment might be employment of a Canadian teacher teaching outside Canada? Under clause 7(1)(a) would there be reciprocal arrangements with some other country for exchange teachers?

Mr. THORSON: This situation could develop. I think it would be dependent upon whether the employer would commit himself to the payment of the employer's contribution. In other words, there would have to be a means of ensuring that the proper contribution from the employer was forthcoming.

Mr. AIKEN: Thank you.

Mr. THORSON: Paragraph (d) deals with the employment of a person by his spouse.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Chatterton.

Mr. CHATTERTON: Madam Chairman, on that point if, let us say, the husband has a business and the wife is employed in the business—not in the home but in the business—is she still excepted?

Mr. THORSON: This depends on the way in which the business is established. If for example he were carrying on a sole proprietorship and his wife was therefore his employee directly, her employment would be excluded. If on the other hand the business carried on by the husband were an incorporated business, then she would be regarded as being an employee of the corporation and would qualify.

Hon. Mr. CROLL: Suppose he employed seven people and one of them was his wife and they were unincorporated—

Mr. THORSON: In those circumstances she would not be eligible to be included in pensionable employment.

Hon. Mr. CROLL: The test, then, is incorporation? The mere incorporation is the test?

Mr. THORSON: That is not the test as such. The question is whether her husband employs her. In the case of the incorporated business the employer is not her husband but rather the company.

Hon. Mr. CROLL: I appreciate what you are saying but it is not very difficult to hurdle that. Suppose the ordinary employer, the ordinary businessman—the average man—for all purposes incorporates; at that moment he can employ his wife?

Mr. THORSON: The corporation can employ his wife.

Hon. Mr. CROLL: I appreciate that, yes. He incorporates and the corporation employs his wife. On the other hand, he is not incorporated and he employs many people and he employs his wife, and she is exempted under the Income Tax Act.

Mr. THORSON: Yes. The sole test is who is the employer.

Hon. Mr. CROLL: Why should we employ that test here rather than the real test of whether she wants to contribute? Why do we employ this prohibitory test?

Mr. THORSON: Perhaps your question is directed to the substance of the provision itself.

I think the short answer is that employment of a person by his or her spouse lends itself too readily to the reporting of fictitious income and to the resulting building up of pension benefits to which that person can fairly be regarded as not being entitled under the over-all scheme provided here.

Because of the difficulty of ascertaining the real facts of these situations—and there would be a great many such cases in all likelihood—the rule has had to be developed that all employment of this nature should be excluded from pensionable employment.

I submit this is an example of a rule of exclusion dictated by reasons of administrative necessity.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Moreau.

Mr. MOREAU: The obvious question to follow that is what about a partnership. I gather you would treat those as two self-employed people and you still would not consider a spouse as one of the partners. Am I correct in that assumption?

Mr. THORSON: The employee of the partnership—perhaps I am venturing here into a field which Mr. Sheppard should be dealing with— is I believe the employee of all the partners—

Mr. CHATTERTON: What about when the wife is a partner?

Mr. THORSON: —and not the employee only of the spouse who happens to be a member of the partnership.

Mr. MONTEITH: But for tax purposes the same applies as in the corporation about which we are talking with regard to the husband or the wife. For tax purposes, as I recall, in a partnership only the spouse's portion of the earnings are charged back to him for tax purposes. So would that be the same in this case?

The partnership is not recognized as a legal entity so I wonder just who is the employer.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Munro.

Mr. MUNRO: Madam Chairman, the only point I was going to bring out on this has been brought out by Senator Croll. It is not completely prohibitory as far as the wife is concerned because if it is a partnership and she has an interest in the business and it is established that she is a partner, she can contribute as a self-employed person along with her husband and no incorporation is necessary.

Mr. THORSON: Oh, indeed; I am speaking strictly of the situation in which the wife is an employee of the partnership. It is my impression that in those circumstances she is the employee of each of the partners individually and severally.

Mr. MONTEITH: And in proportion.

Mr. SHEPPARD: Under the Income Tax Act we have a specific rule, and it is as Mr. Monteith says.

Mr. SCOTT: I would like to get this clear. If two men are in a partnership and one of the men's wives is employed, is she eligible to build up pension benefits as an employee?

Mr. THORSON: I probably should not be attempting to give a legal opinion in advance of the case, but it is my view tentatively—and purely my own personal view—that she would not be regarded as being the employee of the husband.

Mr. MOREAU: To complete the point, it is obvious then that the administrative rule which you apply against the husband-wife relationship could be so easily circumvented in the case of two partners who both with their wives—

Mr. THORSON: There is of course an inherent protection here that does not exist in the case where the wife is the employee only of the husband. After all, for the woman who is employed by the partnership, even a two-man partnership, that is a business decision that must be taken by both partners acting in concert. There is therefore a third party element that enters in here that does not enter into the situation where the husband alone is the employer of the wife.

Mr. MONTEITH: May I ask Mr. Sheppard if I am right in this interpretation?

A and B are partners. A has 60 per cent and B has 40 per cent. B's wife is hired by the partnership. Forty per cent of the wife's earnings would not be pensionable.

Mr. LLOYD: That is right.

Mr. SHEPPARD: Forty per cent of the wife's earnings would not be allowed for income tax purposes neither would it be included in her income for tax purposes.

Mr. MONTEITH: Would the Department of National Revenue not then in collecting contributions assume the same law to apply and that 40 per cent of her earnings would not be pensionable?

Mr. THORSON: That might be the result as far as the base on which any contributions payable might be determined, but for the purposes of this exclusion I do not think the same rule would hold.

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

Mr. LLOYD: I was going to deal with the same question as that which Mr. Monteith has been raising.

Is it a fact—or let me make it an assertion and say that it is a fact from the evidence given that the Department of National Revenue will be dealing with the collection of the contributions. Are you not attempting to avoid duplicate administrative decisions and making this law parallel the income tax law?

Mr. THORSON: Yes, we are.

Mr. LLOYD: Therefore, Mr. Monteith's observations are correct?

Mr. CHATTERTON: Does it say in the bill that the terms of the clause are in accordance with the Income Tax Act?

Mr. THORSON: The computation of income, Madam Chairman, is in accordance with the provisions of the Income Tax Act. That forms the basis on which contributions are made.

Mr. LLOYD: Employment by the spouse automatically raises these questions of employment by a corporation and employment by a partnership and they are all dealt with in the tax law, as Mr. Monteith was pointing out, and even if you did not intend to do it one would ask the question, "Why would you not follow the standard established practices and procedures?"

Mr. SHEPPARD: I would have thought the established practices and procedures developed under the Income Tax Act would be followed in the case of a spouse who is employed by a partnership, one of whose members is her husband, but in the case where the wife is employed solely by her husband she is not included in pensionable employment at all.

Mr. LLOYD: And the same applies, does it not, or do you know whether the same situation applies with respect to taxable income and the Income Tax Act?

Mr. RHÉAUME: In the case of someone not satisfied with the determination made, would the witness tell us whether the recourse would be the same as it is in the appeals handled by clauses 83 to 88, inclusive; that is, the recourse would be to the minister, and so on.

Mr. THORSON: There also are provisions in part I of the bill dealing with appeals; these provisions would govern. The provisions you mention are in part II.

Mr. RHÉAUME: The appeal procedure would be to the minister?

Mr. THORSON: Clauses 28, 29 and 30 of the bill deal with appeals under part I of the bill.

Mr. RHÉAUME: If the person is unhappy with the exclusion or inclusion, that person would appeal to the minister?

Mr. THORSON: That is in the first instance, and if the person still is dissatisfied with a decision on an appeal, there is a further appeal provided to the pension appeals board.

Mr. RHÉAUME: Have you any estimate of the volume this may involve initially? You had an estimate of the number of refunds you would expect, and I am wondering whether you have an estimate in this regard?

Mr. SHEPPARD: We have not attempted to make that type of estimate. However, we can obtain some information on that.

Dr. WILLARD: I might point out that the unemployment insurance legislation has a comparable provision under section 27(1) which provides excepted employment as employment where the person employed is the husband or wife of the employer, and that the United States legislation has a comparable provision. As I recall our discussions on this matter, the Unemployment Insurance Commission has not had many appeals on this particular point, but we can obtain that information.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Do you wish that information obtained?

Hon. Mr. CROLL: Yes. The difference here is that the chairman of the appeals board is in Ottawa. The Unemployment Insurance Commission has appeal boards all over the country which are available in every town, whereas these people have 90 days in which to send in their appeals. It is an entirely different matter; that is the point which is not covered. There is room for appeal, but it is not very easy for the man living in a small town out west.

Mr. THORSON: You perhaps are referring to the somewhat different appeal procedure provided in part II of the bill. There, you will notice, there are three steps involved. In the first instance there is an appeal to the minister; in the second instance there is an appeal to what is called a review committee which would function locally, and in the third instance there is a final appeal to the pension appeals board.

Under part I a person who is dissatisfied with the finding of the minister on an application for review would appeal directly to the pension appeals board. It is frankly thought there would be fewer appeals on matters relating to coverage, certainly after a plan has been functioning for some time, than there would be under part II.

Paragraph (e) is a further exception:

> Emloyment 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.

Mr. RHÉAUME: That lets out members of parliament.

Mr. THORSON: Paragraph (f):

> Employment for which no cash remuneration is paid where the person employed is the child of, or is maintained by, the employer.

This paragraph includes all employment of a child, or other person who is maintained by, the employer, except to the extent that actual cash remuneration is paid to the employee. This would exclude from pensionable employment a child who may be over 18 years of age and receiving no present wages from his father, but who may be working under an arrangement whereby wages would be paid at a later time, for example when he marries. As another example, it would exclude a person acting as a housekeeper for her father in return for board and lodging.

Mr. MONTEITH: Any person over 18 years of age who is working for her father as a housekeeper would be excluded?

Mr. THORSON: Yes, provided no cash wages are paid.

Mr. GRAY: Is this similar to the provisions in the Unemployment Insurance Act?

Dr. Willard: The Unemployment Insurance Act has excepted employment, under section 27(m), in the case of employment for which no wages, salary or other pecuniary remuneration is paid, where the person employed is the child of, or is maintained by, the employer.

In addition I might mention that in the United States legislation they have some sections dealing with family employment which except services performed by a spouse or a son and daughter under age 21.

Mr. Scott: Does that mean that if a man employs his wife and his child, the child is eligible but the wife is not?

Mr. Thorson: The child would have to be paid cash wages.

Mr. Scott: Yes, but if a man employed his wife and child and paid them both cash wages, the child is eligible and the wife is not?

Mr. Thorson: Yes.

Dr. Willard: The child would have to be over 18.

Mr. Knowles: If a man wishes to hire his wife he must do so at arm's length.

Mr. Thorson: The child over 18 years of age may well be maintaining his own family.

Hon. Mr. Croll: The girl who remains home to look after her father or mother, either for a year or for 20 years, in the end may wind up with nothing, not even a pension, even if she would have liked to contribute; these people are prohibited.

Mr. Thorson: That is correct; she would not be regarded as being in pensionable employment unless she in fact were paid in the form of cash remuneration.

Hon. Mr. Croll: When you say paid you mean paid within the concept of the act?

Mr. Thorson: Yes.

Dr. Willard: I may point out again that in order to operate this kind of program you must have earnings. The contribution is based on the earnings, so there must be actual earnings on which the amount of contribution can be determined.

Hon. Mr. Croll: In this case I am thinking of a person eager and willing to pay the contributions, either the employee or employer, and this is prohibited; that is the effect of it.

Dr. Willard: You could have a situation then where all non-employed people would contribute to the maximum and get the maximum benefit. If you compare that with the situation of people who have been earning, and who have been earning less than the maximum, you get into a very anomalous situation. This is the basic difficulty under the approach suggested.

Mr. Munro: I think it should be kept in mind that the basic philosophy in this earnings related benefit, as I understand it, is that in a normal relationship where the husband is working and the wife is not all during their married life, it is hoped that the old age security which the husband will receive on his retirement as of right becomes his earnings related pension here, on top of which would be the old age security which the wife would receive as of right, and both together would give what should be regarded as an adequate retirement pension. Whether we agree it is adequate or not, there actually is very good reasoning behind this bill. therefore, that being taken into account, I do not think there should be any connotation of unfairness here to the effect that a married woman who does not work is excluded.

Mr. Gray: I gather the senator was not speaking about a married woman, but rather a daughter.

Hon. Mr. **Croll**: I was talking about a girl who is working at home looking after the family and who spends a lifetime there and for whom in the end there is nothing. There is a willingness on the part of both the employer and the employee to contribute their share, and they are excluded.

Mr. **Gray**: Does the United States social security system do anything for that type of person?

Dr. **Willard**: No. The basis of the plan is that there should be earnings to which the contribution is geared. If there were two sisters, one who remained at home and one who went out to work, the one who went out to work and who received wages and income would contribute on whatever she earned; it might be $2,500, shall we say. The other remained at home and received no remuneration in the way of cash wages or earnings, and if she were given the option of contributing she would probably want to contribute at the maximum. How would you determine how much she should contribute under such a system? If she chose the maximum, then how does she compare to the sister who has gone out and who has real earnings which can be adjusted by an objective criterion.

Hon. Mr. **Croll**: The normal wages paid to a person doing similar work is the basis on which the contribution is made; that is easily ascertained.

Mr. **Monteith**: All the parent need do is pay her that much.

Hon. Mr. **Croll**: It would be very nice if they would, but in far too many cases they do not. If this is a social matter, we should look into it.

Mr. **Aiken**: This very well might be the means of eliminating very many unpleasant situations. In a great many families where such a situation does occur, there is no contractual relationship between the father and the daughter because they never thought of entering into a contractual relationship. However, here if the contribution to a pension plan becomes involved, it very well might result in money being paid and lawyers losing a lot of business.

Dr. **Willard**: There is one other point. If, under these circumstances, the suggestion Senator Croll made were followed, then the comparison between the two daughters and between the daughter who stays at home and the mother or the housewife who carries on in the home throughout the years looking after the family on the one hand and the husband who has no cash wages or remuneration on the other hand, obviously would come to the fore. You would have to deal with it in some manner.

Hon. Mr. **Croll**: In parliament we often hear the members talking about it. They think that a farmer's wife ought to be paid for her work on the farm.

Mr. **Moreau**: We might include the wife of a husband who did not earn sufficient to pay under the pension plan, as against one who did; and if you allowed the wife, she would have just as much right under the plan as would the wife of a husband who did not earn $600, and who would not be in the plan, while she would be.

Hon. Mr. **Croll**: Why not have as much coverage as possible with the least amount of exclusion?

Hon. Mr. **McCutcheon**: I suggest that the father pay his girl $700 a year and pay the gift tax.

Hon. Mr. **Croll**: I did not intend that this should apply to people like you.

Mr. **Thorson**: It must be remembered that, and this is purely a lawyer's observation... but there must first exist, before there can be any question of inclusion or exclusion, the relationship of employer and employee. In some of the circumstances which have been described, I question whether there is any such relationship.

justice?

question of exclusions

The CHAIRMAN (*Hon. Mrs. Fergusson*): Please continue.

Mr. THORSON: The next category of excluded employment is employment as a member of the Canadian forces or as a member of the R.C.M.P. I believe the minister has dealt already with this particular exclusion. The next is employment by Her Majesty in the right of a province or by an agent of Her Majesty in the right of a province.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You have skipped paragraph (h).

Mr. THORSON: I am sorry, the next is paragraph (h), employment in Canada by an employer who employs a person in Canada but under the terms of a reciprocal agreement between the government of Canada and that of another country is exempt from liability to make the contributions imposed on the employer by this bill.

Mr. FRANCIS: It hinges on a reciprocal agreement.

Mr. THORSON: Yes, it does.

Hon. Mr. CROLL: Could you give us an example?

Mr. GRAY: Would it include somebody working for a railway, such as the New York Central?

Mr. SHEPPARD: It could.

Hon. Mr. CROLL: What is a good example?

Mr. SHEPPARD: It could apply to any kind of international organization such as the air lines which have some employees here; I know that Air Canada has employees in New York, and it could be applied to make a reciprocal arrangement, that this would apply to the American air lines to cover their employees under American social security.

Mr. THORSON: This provision would most frequently come into play in the area of transportation companies, such as air lines, shipping companies, and so on.

Mr. KNOWLES: What about the case of foreign embassies in Canada employing Canadians?

Mr. THORSON: There is a separate provision of the bill for that.

Mr. MONTEITH: There has to be a reciprocal agreement before they are exempt.

Mr. SHEPPARD: They are only included in pensionable employment if there is an agreement under clause 7 (1) (f).

> 7. (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;

Hon. Mr. CROLL: What page is that?

The CHAIRMAN (*Hon. Mrs. Fergusson*): That is page 9.

Mr. SHEPPARD: On page 9, paragraph (a) of clause 7 (1).

It might be well to negotiate for uniform treatment.

Hon. Mr. CROLL: I think this thing has enough burrs in it now without adding more.

Mr. RHÉAUME: Do I understand that any person employed, let us say, by an Italian air line or by an air line of another country—I mean a Canadian employee working in Canada—is exempt from the provisions of this act, or is he included?

Mr. SHEPPARD: He is included unless there is an agreement to exclude him, or unless he is excluded under paragraph (a) of clause 7(2).

Mr. THORSON: The next category is employment by Her Majesty in the right of a province, or by an agent of Her Majesty in the right of a province.

Mr. RHÉAUME: Throughout this bill where you refer to the word "province", do you include the territorial governments of the Yukon and the Northwest Territories?

Mr. THORSON: Yes.

Mr. RHÉAUME: It does not say so.

Mr. THORSON: You will be familiar with the fact that the Interpretation Act contains a definition of "province", which includes territory. In this bill we have used the term "province" without further definition because of that provision of the Interpretation Act. I think in certain sections you will observe that the word province is especially defined as excluding either of the territories.

Mr. RHÉAUME: In the definition it does not state that the province will include the territories.

Mr. THORSON: I think that is dealt with in section 30 of the Interpretation Act which is a general definition which extends to all statutes of Canada.

Mr. AIKEN: I assume that the exclusion of provincial employees in this subsection should be read along with subsection 7(e) which permits an agreement to be made with any province to include their civil servants.

Mr. THORSON: That is correct. The exclusion is for obvious constitutional reasons. We cannot of course compel a provincial government as an employer to make the necessary employer's contributions. However, should there be an agreement entered into between the government of a province and the government of Canada, then the provincial government employees would be included in pensionable employment.

Mr. MONTEITH: Let us suppose that Ontario comes into the scheme. Then would the Ontario hydro pension scheme continue unless there was a special agreement?

Mr. THORSON: Your example might be hypothetical because I believe now by recent legislation Ontario Hydro is not an agent of the crown in the right of Ontario.

Mr. MONTEITH: Well, they do have a lot of employees in the Ontario Hydro.

Mr. THORSON: The ordinary provincial civil servant would not be covered by this legislation unless there were an agreement entered into between the respective governments.

Mr. MONTEITH: Yes.

Mr. RHÉAUME: What about provincial crown corporations?

Mr. THORSON: That would depend on whether or not the provincial crown corporation is an agent of the crown. Ordinarily the statute establishing a crown corporation will specify whether or not it is an agent of the crown.

Mr. RHÉAUME: Is there any reason on the basis of a discussion with the provinces to believe that any province that intends to participate fully in the Canada pension plan as opposed to operating its own pension plan would not also follow through with an agreement to cover its own employees?

Dr. WILLARD: The discussions we have had so far with provincial governments would indicate that they are interested in bringing in provincial civil servants under the program.

Mr. RHÉAUME: Presumably where a province operates its own plan out of the Canada pension plan, however, the situation might be logical for it also not to participate.

Dr. WILLARD: That is correct. Discussions have been held with several provinces on a technical level along the lines of how we are going to integrate the federal civil service plan, and how they might work out similar arrangements for provincial employees.

Mr. MARCOUX: What about municipal employees?

Mr. THORSON: They are not in this particular constitutional position, so presumably municipal employees would be covered by the Canada pension plan; that is, assuming the province in question does not have its own pension plan.

Mr. AIKEN: I noticed in a French report, although it may have been merely speculative, that if the province of Ontario, for example, decided not to come into the Canada pension plan but to run its own plan, all federal civil servants would come under the provincal plan, and it might even be extended to the province of Quebec where federal civil servants are employed, let us say, as in Hull. Would this in fact be the situation?

Mr. THORSON: Well, they would not automatically. Were Ontario to establish its own plan, then Ontario civil servants would . . . I am sorry. Your question was whether?

Mr. AIKEN: Whether federal civil servants who would be classified as living in Ontario would come under the Ontario plan?

Mr. THORSON: They would not automatically come under the Ontario plan. They would only come under the provisions of an Ontario plan if in fact there were an agreement, and that agreement would only continue in force as long as the two plans remained comparable.

Hon. Mr. McCUTCHEON: Without any agreement, the province of Ontario cannot collect as an employer.

Mr. THORSON: That is correct.

Mr. AIKEN: That would reverse the situation under this subclause.

Mr. THORSON: Yes.

Mr. CANTELON: Suppose the province of Saskatchewan make the employers' contribution to the pension plan. I understand that the province would make an arrangement for the integration of its plan. Am I right in that?

Dr. WILLARD: That is correct. In some of the discussions we have had with provincial authorities they have also been interested in the question of integrating teachers' pensions. This has been particularly true where the province has been contributing to a provincial pension plan for teachers, or where it guarantees the teachers' pension fund. Discussions have been carried on with a number of provinces relating to teachers' pensions.

Mr. THORSON: Paragraph (j) is similar in its approach to paragraph (i), and it deals with employment in Canada by the government of a country other than Canada, or by international organization. In section 41, I believe it is, power is taken to define by regulation precisely what is meant by an international organization for the purpose of this and related provisions of the bill. The reasons here again are similar to those which pertain in the case of provincial government employees, and it is a matter of jurisdiction. We appreciate that Canada cannot by its legislation compel employers' contributions from the governments of foreign countries.

Mr. AIKEN: May I ask concerning a Canadian, resident in Canada, but employed in a foreign embassy, who is not included in any agreement. Is there any provisions for that person making contributions on a voluntary basis?

He could not be called self-employed, but is there any provision for a voluntary contribution?

Mr. THORSON: In the absence of any agreement, the only way in which his contributions could be made would be as a self-employed person.

Hon. Mr. **CROLL**: You say he could make it if he wanted to make it as a self-employed person?

Mr. **THORSON**: I am sorry, I should clarify that. If he had earnings from self-employment at the same time as he had earnings from his employment with the foreign government, then he could contribute on those.

Mr. **MONTEITH**: Say a chap has been working at various jobs and he comes to 40 years of age. He is then hired as a chauffeur by a local embassy, and he is there for 10 years. He then goes back to some other employment. Are those 10 years taken out of his calculations when he comes to receive his pension?

Mr. **THORSON**: Not necessarily, because the bill contemplates that there may be agreements between the government of Canada and the government of the foreign country, so that the employee can be treated, for all purposes, as being in pensionable employment.

Mr. **MONTEITH**: But there does have to be this agreement?

Mr. **KNOWLES**: Madam Chairman, Mr. Thorson may have answered the question in my mind, but if not, could he answer it now? Did you say that international organizations are defined somewhere for the purposes of this act?

Mr. **THORSON**: Power is taken in section 41 of the bill which authorizes the making of regulations to define that particular expression, as well as a number of other expressions contained in this clause.

Mr. **KNOWLES**: My concern, of course, is what you have in mind. This country is full of international organizations. I presume you mean bodies like ILO and WHO, and so on?

Mr. **THORSON**: Yes, international organizations that are governmental in character.

Mr. **KNOWLES**: But not international unions, corporations or church associations?

Mr. **THORSON**: I do not think that those were contemplated in the act.

Mr. **KNOWLES**: What about the national hockey league?

Mr. **THORSON**: I do not think it would be regarded as an international organization within the meaning of this act.

Finally, subparagraph (k) completes the listing of excepted employment. It refers to any employment that is excepted from pensionable employment by a regulation made under the following clause, clause 7.

On Clause 7—*Regulations respecting employment to be included in pensionable employment.*

Mr. **THORSON**: With reference to clause 7, it may be desirable from time to time to extend compulsory coverage under the act to categories of employment that, at the outset, are excluded from such coverage. With this in mind, subclause 1 of clause 7 authorizes the governor in council to make regulations to include certain additional categories of employment in pensionable employment in the terms set out in subsection 1.

From the experience of the Unemployment Insurance Commission and from the experience of the taxation division of the Department of National Revenue it appears there are certain kinds of activities that are really on the borderline between employment by an employer and self-employment. The problem is seen, for example, in the case of musicians and in the case of entertainers of various kinds, as well as in the case of certain salesmen and agents who receive part or all of their remuneration by way of commissions.

As the distinction between employment and self-employment is an important one under the act, it was thought desirable that there should be power to include a given activity in pensionable employment where it is reasonable that the activity should be dealt with as employment. This clause would make it possible, in such a situation, to carry out the objects of the act and to ensure that all persons engaged in a particular form of activity may participate on the same basis.

It was also thought desirable that the governor in council should have power to make regulations by which, in certain specified circumstances, particular activities might be excluded from pensionable employment. This is dealt with in subclause 2 of clause 7. For example, employment of a person by an employer outside Canada may be excluded from pensionable employment by a regulation made under clause 7 if the employer has not made satisfactory arrangements for the payment of contributions required by the act in respect of his employees.

There will be also be unforeseen cases which will arise from time to time in relation to particular individuals and classes of individuals. It was therefore thought desirable that the power which is given by clause 7 should be broad enough to enable such persons, or categories of persons, to be dealt with in a manner that would best reflect the general aims and objects of the plan, and to enable iniquities and hardships to be eliminated or at least ameliorated.

Subparagraph 3 of this same clause has been drafted for the purpose I have described, and it provides for the making of whatever regulations may be necessary in order to give effect to the specific regulations that are authorized by subparagraphs 1 and 2.

Hon. Mr. McCutcheon: You can shorten the whole thing by just saying that the governor in council may make any regulations he wants.

Mr. Thorson: I am not sure that approach would be entirely acceptable to all members.

Mr. Rhéaume: That is what is happening.

Mr. Thorson: We are attempting to provide in the legislation broad general outlines on which the governor in council may proceed to act.

Clause 8—*Amount of employee's contribution.*

The Chairman (*Hon. Mrs. Fergusson*): Are there any questions on this clause?

Mr. Thorson: Madam Chairman, Mr. Sheppard informs me that he has a number of examples which he could distribute. They set out the calculations of contributions, and they might be useful to members of the committee. They relate to clauses 8, 9 and 10 of the bill.

Hon. Mr. McCutcheon: How extensive are they? Could they be printed as an appendix to today's proceedings? There are people outside this committee who might be interested in seeing them.

The Chairman (*Hon. Mrs. Fergusson*): Is it the committee's wish to have them distributed, or does the committee wish to have them printed as an appendix?

Mr. Rhéaume: I move we print them as an appendix to today's proceedings.

Mr. Cantelon: I second the motion.

The Chairman (*Hon. Mrs. Fergusson*): It is agreed that this information be printed as an appendix to today's proceedings. Copies will now be distributed to all the members.

Motion agreed to.

Mr. Thorson, will you please continue.

Clause 8—*Amount of employee's contribution.*

Mr. Thorson: We now come to the part of the bill which deals with contributions by employees and employers in respect of pensionable employment.

Clause 8 of the bill is the first of a group of three clauses that set out the amounts of the contributions that will be required to be made in any year by an employee who is employed in pensionable employment and by his employer.

Clause 10 deals with the contributions required to be made by persons in respect of self-employed earnings.

Perhaps the first observation that might be made about clause 8 is to describe, in broad terms, the essential difference between subparagraph 1 and subparagraph 2. Subparagraph 1 is written in terms of a particular employee's obligation to make contributions under the plan as an employee of one individual employer. The employer therefore may—since he is required to actually make the contributions by deduction from the salary or wages paid by him to his employee—be guided by subparagraph 1 in determining the amount that he should deduct in those circumstances.

Subparagraph 2 has quite a different purpose. Subparagraph 2 is written in terms of the total obligation of a given employee to make his employee's contribution, whether the contribution is made by him as the employee of one employer or as the employee of a number of employers, and, secondly, whether the contribution is made by him under the Canada pension plan or under any comparable provincial plan. Specifically, subparagraph 2 sets out the circumstances in which the employee will be entitled, at the end of the year and after all the facts of his employment throughout the year are known to him, to apply for a refund if indeed there should be any refund coming to him.

Mr. RHÉAUME: I have a general question. Is there any saving feature in the legislation anywhere to handle the case where an employer, wrongly, does not keep the kind of records and does not make the payments that are required from him? I am not interested in the punishment we might mete out to the employer, but I am interested in the protection which the individual would have. I am thinking of comparable programs like workers' compensation insurance.

Mr. THORSON: There are a number of provisions under the heading of division (C) of the bill which deal with this very subject.

Mr. RHÉAUME: In general the employee would be covered even if the employer went bankrupt. Is that correct?

Mr. THORSON: There are a number of safeguards of that nature contained in the bill.

Mr. Sheppard, do you want to speak to this clause?

Mr. SHEPPARD: Madam Chairman, in regard to this particular clause I think there are five different matters that are brought up here in subclause (1).

The first, as Mr. Thorson says, is that the employee's contribution is paid solely by deduction from his remuneration and it is the responsibility of the employer to make the deduction. This is the basic pattern of the plan and there is no provision for collection of the contribution directed from the employee or such payments by him.

The second thought in regard to subclause (1) is that the employee will be required to contribute only on excess of his basic exemption (as defined in clause 18) as is prescribed.

There is provision in the bill here to prescribe the manner in which the exemption would be allowed for the purpose of the employee's deduction. It is proposed that the regulations along this line would be to spread the exemtion over the pay period. For instance, an employer who is on a weekly basis will contribute on the weekly remuneration in excess of $11.54 which is $600 divided by 52. Similarly, an employee paid on a monthly basis could contribute on any remuneration received in excess of $50.

The third consideration to be noted here is that in determining the employee's contributions through an employer there will be taken into account an amount deducted by that employer under a provincial pension plan. That is in paragraph (b) of clause 8(1) and the purpose of that is to make sure that an employer does include as wages subject to contribution for an employee a greater amount than would be included if all the wages were earned in one province.

If I may give an example, if an employer employs a man in Quebec, for instance, and within six months the employee makes a maximum contribution and then he moves to Ontario but still works for the same employer, there will be no contribution to be made under the Canadian pension plan for the remainder of the year.

The amount of contribution will be determined as 1.8 per cent of the employee's salary for the year minus the basic exemption, or the maximum contributory earnings, whichever is less. In other words, that sets the ceiling of $79.20 that can be deducted from an employee for the year.

I think it has already been said that the employer will deduct a contribution on all remuneration in excess of the basic exemption up to the ceiling of $5,000. In other words, if an employee is paid at the rate of $750 per month the deduction will be $12.60 per month, (1.8 per cent of the remuneration of $750 minus exemption of $50), from January to June with $3.60 deducted in July, which is the remainder, and nothing for the last five months of the year.

There are reasons for that which I can go into if it is felt to be desirable.

Hon. Mr. McCutcheon: May I speak on that matter for a moment?

The Chairman (*Hon. Mrs. Fergusson*): Yes.

Hon. Mr. McCutcheon: I may have misunderstood you, Mr. Sheppard. Is your statement to the effect that for a person who could have more, substantially more, than the maximum covered earnings—you are talking about $9,000 per year—you are going to make deductions monthly against the whole of the income over $50.

Mr. Sheppard: That is right.

Hon. Mr. McCutcheon: So that you put the employer in a position in which he makes a certain set of deductions for four or five months and then he makes a different deduction for a sixth month, and then he makes no deductions for the rest of the year?

Mr. Sheppard: That is right.

Hon. Mr. McCutcheon: You are not going to be very popular with the employers if you conduct affairs on that basis. You do not do it in the tax field in that way.

Mr. Sheppard: Perhaps I can explain the reason for doing it in this way.

There is another way in which you could do it. For example, say that $5,000 a year is $467 per month.

Hon. Mr. McCutcheon: You take $50 off that and apply your deduction?

Mr. Sheppard: That is correct, but assume this particular man is getting $7,000 or, say, $10,000 a year and he works for six months; then he is unemployed for the remaining six months and you have only half a year's contribution from him and you have no way of collecting the balance of the contribution to bring him up to the yearly maximum contribution.

Mr. Monteith: For argument's sake, are you going to bring it down to a point at which you might take it all off the first month?

Mr. Sheppard: If he gets $5,000 a year he would.

Mr. Cantelon: Why does the income tax not work on that same basis? They are taking the money away from him on the basis he is making $10,000 a year and he is an employee, yet he is making only $5,000.

Mr. **Sheppard**: I think the basic difference is that there is no ceiling under the income tax act, so the problem does not arise there. If a man is paid a higher rate of earnings—suppose he is paid $10,000 a year—and he gets that over a six month period, the tax deduction tables are based on the premise that he is going to earn that amount for the whole year. So if he does not work for the final six months, then he will obviously have a refund. But if the method of deduction followed is a monthly deduction of 1/12 of the annual contribution required to be made by the employee, the effect of the ceiling works in this way. If the man does not work for the last six months of the year, instead of having a refund coming to him he has a bill and the half the employer contributes remains uncollected because of the fact that he did not work for a year.

The **Chairman** (*Hon. Mrs. Fergusson*): Mr. Francis.

Mr. **Francis**: I would like to ask a question here.

It seems to me that the income tax works in the direction of overpayment and this possibly would work in the direction of underpayment. Surely the right thing to do is to make an adjustment when the tax is filed next year rather than getting into this cumbersome sliding scale at the source.

Hon. Mr. **McCutcheon**: Has this been discussed with any large employer of labour?

Mr. **Sheppard**: We have certainly discussed it with the government of Canada.

Mr. **Knowles**: At arm's length?

Mr. **Francis**: Am I right in understanding that the case Mr. Sheppard is concerned about is the case of interrupted earnings in which earnings take place part of the year and no earnings are made in the other part of the year? Is this the problem basically?

Mr. **Sheppard**: That is one of the main problems.

Mr. **Francis**: Is there not likely to be an overpayment of income tax and an underpayment of the Canada pension contribution in this particular case?

Mr. **Sheppard**: Madam Chairman, I think you have to bear in mind that in the particular circumstance we are talking about, the contribution is divided between the employer and the employee, and while you could theoretically collect from the employee at the end of the year, if there is underdeduction, how can you determine which employer you collect from if there is more than one?

Mr. **Francis**: Madam Chairman, it seems to me again that a payroll tax is a payroll tax. There are methods of auditing payrolls by the department to determine whether the proper payroll taxes have been made. I just do not see the administrative problem here.

Mr. **Rhéaume**: Madam Chairman, does this mean—correct me if I am wrong—that for every employee earning over $5,000 a year where the ceiling comes into play there would be three different payroll deductions a year? Will that be the case for every employee in Canada earning in excess of the ceiling, which is $5,000? There would be three different payroll deductions? There would be one from now until June inclusive, and one, in most cases, for the month of July picking up the slack, and then there would be an adjustment again for every employee in Canada earning over $5,000 a year.

Mr. **Sheppard**: I think it has to be said that one tax deduction has to be made under the Income Tax Act and another has to be made under this law with a matching contribution by the employer. I do not call that three. You make one for the Income Tax Act, and then you have another contribution for this plan.

Mr. RHÉAUME: I was not clear. My understanding of it was that during the course of the year the deductions for the purpose of the Canada pension plan would be made at three different times, there would be three different deductions, depending on the time of the year. There would be the first three months when you were getting all you could to make sure that you would not have this administrative problem, and then there would be one month in which it would be the tag end, and then there would be some month when there would be nothing; so at three different times of the year the deduction for the Canada pension plan would vary from its maximum to nothing for every employee in this country earning over $5,000 a year. Is that correct?

Mr. SHEPPARD: The contribution under this plan is 1.8 per cent of all earnings during that pay period after taking off the $50 exemption on a monthly basis, and you continue doing that until you have reached the $79.20.

Mr. RHÉAUME: Then you have to adjust the payroll. There is bound to be some left, so then you adjust the payroll until you have a balance of nothing.

Mr. SHEPPARD: You have to keep the separate contribution under this plan.

Mr. RHÉAUME: If you are going to give a man a cheque you have to adjust the payroll. If you take it off in July, you have to make sure it does not come off in August. I want to make sure, from the employer's point of view, what is the system of adjusting for the employees.

Mr. FRANCIS: I do not understand the department's problem. Mr. Sheppard has indicated his concern is that the department has to collect the employer's share. The problem is in regard to the employee's share. It seems to me it is not absolutely essential that there should be perfect equity in matching the employer's share in every case in every return. Is it not possible to follow the formula in regard to the individual payroll records of the employer, and adding it up at the end of the year without this finer account which the department has in mind?

Hon. Mr. MCCUTCHEON: The department will not refund overpayments by the employer. It is just as Mr. Francis has said; it is a payroll tax and you can pay it once a year.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It is past 5.30, gentlemen, which was the time at which we had planned to adjourn. Are you agreeable to adjourning now and perhaps giving Dr. Sheppard a chance to think this over? Then we can start back in the morning.

Mr. MONTEITH: At 10 o'clock, Madam Chairman?

The CHAIRMAN (*Hon. Mrs. Fergusson*): The committee is adjourned until 9.30 tomorrow morning December 3.

APPENDIX "D"

EXAMPLE 1

In this example a person worked for one employer in Alberta for 8 months and was unemployed for the balance of the year. His earnings amounted to $400 per month and he was allowed a basic exemption of $50 per month. In these circumstances the contributor would be entitled to a refund because he is only required to contribute on his contributory salary and wages less his basic exemption ($600) to a maximum of $4,400. His refund would be $3.60 computed as follows:

Employer	Contributory Salary and Wages	Salary and Wages on which a Contribution has been made	Contribution
A	$3,200	$2,800	$50.40

COMPUTATION OF REFUND

Contribution made		$	50.40
Less contribution required:			
Contributory Salary and Wages ......$	3,200		
Less basic exemption	600		
Contribution required 1.8% of ....$	2,600	$	46.80
Refund (being 1.8% of under exemption of $200)		$	3.60

EXAMPLE 2

In this example a person has salary and wages in Alberta of $2,000 in respect of employment for 6 months and had been allowed the basic exemption of $300. The contributor who was resident in Alberta on the last day of the year also had self-employed earnings of $200. In accordance with Section 8(2) the contributor has made an overpayment of $1.80 and is entitled to a refund of this amount under Section 39(1).

Employer	Contributory Salary and Wages	Salary and Wages on which a Contribution has been made	Contribution
A	$2,000	$1,700	$30.60
Self-Employed Earnings $200			

COMPUTATION OF OVERPAYMENT

Contribution made		$	30.60
Less contribution required:			
Contribution Salary and Wages ....$	2,000		
Contributory Self-Employed Earnings .	200		
$	2,200		
Less basic exemption	600		
Contribution required 1.8% of ....$	1,600	$	28.80
Refund		$	1.80

Example 3

In this example the contributor is resident in Alberta as of the last day in the year and had self-employed earnings of $4,000. He also had salary and wages of $2,000 and had been allowed the basic exemption of $600 by his employer. The contributor would be required to make a contribution of $108 on his self-employed earnings. This contribution is computed at the rate of 3.6 per cent of the lesser of amount (a) or amount (b) of subsection 1 of Section 10.

Self-employed earnings	Amount "a"	$4,000
Maximum contributory earnings on which a contribution can be made (Section 15)		$4,400
Deduct: Salary and wages on which a contribution has been made ($2,000–$600)		$1,400
Balance of maximum contributory earnings	Amount "b"	$3,000
Self-employed earnings subject to a contribution (lesser of Amount "a" or Amount "b")		$3,000
Contribution payable 3.6 per cent of $3,000		$ 108

Thus between his employment and his self-employed earnings, the individual has contributed on the maximum amount allowable i.e. $4,400 ($3,000 self-employed earnings at the rate of 3.6 per cent plus $1,400 salary and wages at the rate of 1.8 per cent).

Example 4

In this example the contributor is resident in Alberta as of the last day of the year and had self-employed earnings of $400. He also had salary and wages of $2,000 and had been allowed the basic exemption of $300 (6 months) by his employer. The contributor would be required to make a contribution of $3.60 on his self-employed earnings. This contribution is computed at the rate of 3.6 per cent of the lesser of amount (a) or amount (b) of subsection 1 of Section 10.

Self-employed earnings		$ 400
Less: Balance of basic exemption allowable to the contributor ($600–$300)		$ 300
	Amount "a"	$ 100
Maximum contributory earnings on which a contribution can be made (Section 15)		$4,400
Deduct: Salary and wages on which a contribution has been made ($2,000–$300)		$1,700
Balance of maximum contributory earnings	Amount "b"	$2,700
Self-employed earnings subject to a contribution (Lesser of Amount "a" or Amount "b")		$ 100
Contribution payable 3.6 per cent of $100		$ 3.60

The contributor has made a contribution on $1,800 ($100 self-employed earnings at the rate of 3.6 per cent plus $1,700 salary and wages at the rate of 1.8 per cent).

EXAMPLE 5

In this example a person has earned salary and wages in Quebec and Manitoba. His total earnings from both employers exceed $5,000 and therefore he has contributed in excess of the amount required. A refund of the overpayment as defined in Section 8(2) is in order. The example shows how the overpayment is computed in proportion to the amount contributed in each province (Section 40). The refund application is made to the jurisdiction in which the applicant resided on the last day of the year.

	Contributory Salary and Wages	Salary and Wages on which a Contribution has been made	Contribution
Quebec	$4,000	$3,600	$ 64.80
Manitoba	$3,000	$2,800	$ 50.40
	$7,000	$6,400	$115.20
	Total Contribution Required		$ 79.20
	Refund (Section 39)		$ 36.00

Allocation of Refund (Section 40)

$$\text{Quebec} \qquad \frac{\$\,64.80}{\$115.20} \times \$36.00 = \$20.25$$

$$\text{Manitoba} \qquad \frac{\$\,50.40}{\$115.20} \times \$36.00 = \underline{\$15.75} \qquad \$36.00$$

EXAMPLE 6

In this example a person has self-employed earnings from a business located in Quebec and salary from two employers, one located in Quebec the other located in New Brunswick. He resides in New Brunswick on the last day of the year. This example demonstrates how the salary and wages on which a contribution has been made is calculated under Section 14 and also how the unadjusted pensionable earnings is calculated under Section 53.

	Contributory Salary and Wages	Salary and Wages on which a Contribution has been made	Contribution
Quebec	$1,300	$1,000	$18.00
New Brunswick	$1,500	$1,200	$21.60
	$2,800	$2,200	$39.60

Self-employed Income (Business in Quebec) $2,000

Salary and wages on which a contribution has been made (Sec. 14)

Quebec $18.00 × 100 ÷ 1.8 = $1,000

New Brunswick $21.60 × 100 ÷ 1.8 = $1,200 $2,200

Self-employed earnings on which a contribution of $72.00 has been made .... $2,000 *

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*This is considered as New Brunswick income as the individual resided in New Brunswick on the last day of the year.

Computation of unadjusted pensionable earnings under Section 53.
Section 53

(*a*) (i) Contributory Salary and Wages	$2,800	
(ii) plus contributory self-employed earnings	$2,000	$4,800
(*b*) (i) (A) Salary and Wages on which a contribution has been made under this Act	$1,200	
plus		
(i) (B) Contribution required in respect of self-employed earnings multiplied by 100 and divided by 3.6 $\frac{\$72.00 \times 100}{3.6}$	$2,000	
(ii) (A) Salary and Wages on which a contribution has been made under a provincial pension plan	$1,000	
plus		
(iii) Basic exemption for the year	$ 600	$4,800
(*b*) Maximum pensionable earnings for the year		$5,000
The unadjusted pensionable earnings is the least of (*a*), (*b*) or (*c*)		$4,800

EXAMPLE 7

This example uses the amounts in Example 6 to describe the calculation of the total pensionable earnings attributable to contributions made under the Act (Sections 80 and 81) and under a provincial pension plan.

Pertinent information from Example 6

	Canada Pension Plan (New Brunswick)	Provincial Pension Plan (Quebec)	Total
Earnings subject to contributions in respective jurisdictions:			
Salary and Wages	$1,500.00	$1,300.00	$2,800.00
Self-employed earnings	$2,000.00		$2,000.00
	$3,500.00	$1,300.00	$4,800.00
Unadjusted Pensionable earnings (Section 53)			$4,800.00
Earnings on which a contribution was made in Section 53 (*b*)—			
Salary and Wages	$1,200.00	$1,000.00	$2,200.00
Self-employed earnings	$2,000.00		$2,000.00
	$3,200.00	$1,000.00	$4,200.00

Share of unadjusted pensionable earnings attributable to contributions made under each plan

Attributable to this Act (Section 81)

$\frac{\$3,200}{\$4,200} \times \$4,800$ $3,657.14

Attributable to Quebec plan

$\frac{\$1,000}{\$4,200} \times \$4,800$ $1,142.86 $4,800.00

It will be noted that the share of each jurisdiction in the unadjusted pensionable earnings for a year is that proportion thereof that the earnings on which a contribution has been made for the year under each plan bears to the total of such earnings. The amounts so determined would therefore not likely agree with the amounts earned in each jurisdiction.

Calculation of pensionable earnings attributable to contributions made under this Act and under a provincial pension plan:

Each of the amounts of $3,657.14 and $1,142.86 would be escalated in the manner described in Sections 81, 80, 52, 51 and 50 as part of the calculation of the respective share of each of the two jurisdictions in the total pensionable earnings.

EXAMPLE 8

In this example a person has earned salary and wages from two employers one in Quebec and the other in Nova Scotia. His total earnings from both employers exceed $5,000 and therefore he has contributed in excess of the amount required. The overpayment may be refunded. The example shows how the overpayment is computed in proportion to the amount contributed under each Act (Section 40), how the salary and wages on which a contribution has been made is recalculated after the refund is made (Section 14) and how the unadjustable pensionable earnings is then calculated under Section 53.

	Contributory Salary and Wages		Salary and Wages on which a Contribution has been made	Contributions
Quebec	$3,500	(4 months)	$3,300	$59.40
Nova Scotia	$2,500	(8 months)	$2,100	$37.80
	$6,000		$5,400	$97.20
	Total Contributions Required			$79.20
			Refund	$18.00

Allocation of Refund (Section 40)

Quebec $\frac{\$59.40}{\$97.20} \times \$18.00 = \$11.00$

Nova Scotia $\frac{\$37.80}{\$97.20} \times \$18.00 = \$\ 7.00$ $18.00

Allocation of Net Contributions:
Quebec $59.40 — $11.00 = $48.40
Nova Scotia $37.80 — $ 7.00 = $30.80 $79.20

Allocation of Salary and Wages on which a Contribution has been made
Quebec $48.40 × 100 ÷ 1.8 = $2,689
Nova Scotia (Sec. 14) $30.80 × 100 ÷ 1.8 = $1,711
Total $4,400

Computation of unadjusted pensionable earnings under Section 53.

Section 53		
(a) (i) Contributory Salary and Wages		$6,000
(b) (i) (A) Salary and Wages on which a contribution has ben made under this Act	$1,711	
plus		
(ii) (A) Salary and Wages on which a contribution has been made under a provincial pension plan	$2,689	
	$4,400	
plus		
(iii) Basic exemption for the year	$ 600	$5,000
(c) Maximum pensionable earnings for the year		$5,000
The unadjusted pensionable earnings is the least of (a), (b) or (c).		$5,000

EXAMPLE 9

In this example a person works in Newfoundland for two employers concurrently (the moonlighter). His earnings from both employers are not in excess of the maximum pensionable earnings for the year ($5,000). In this case underdeductions are created because each employer allows him the basic exemption of $600. The contributor elects (Section 12) to make a contribution on the additional exemption allowed at self-employed rates (3.6%) in order that he might attain the maximum earnings credit possible for pension purposes. This example demonstrates how the unadjusted pensionable earnings (Section 53) are calculated before and after the election is made.

Employer	Contributory Salary and Wages	Exemption Allowed	Salary and Wages on which a Contribution has been made	Contributions
A	$ 2,500	$ 600	$ 1,900	$34.20
B	$ 2,500	$ 600	$ 1,900	$34.20
Total	$ 5,000	$ 1,200	$ 3,800	$68.40

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

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.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

THURSDAY, DECEMBER 3, 1964

WITNESSES:

Dr. Joseph Willard, Deputy Minister of Welfare and Messrs. D. Thorson, Assistant Deputy Minister of Justice, D. Sheppard, Assistant Deputy Minister of National Revenue, Tom Kent, Policy Secretary, Prime Minister's Office, and J. E. E. Osborne, Technical Adviser to this Committee

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

21654—1

MEMBERS OF THE COMMITTEE FOR THE SENATE

Honourable Senator Muriel McQ. Fergusson, *Chairman,*

and Honourable Senators:

Blois
Boucher
Croll
Denis
Flynn
Lang
Lefrançois
McCutcheon
Smith (*Queens-Shelburne*)
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*)
Francis
Gray
Gundlock
Klein
Knowles
Laverdière
Lloyd
Macaluso
Marcoux
McCutcheon
Monteith
Moreau
Paul
Perron
Rhéaume
Scott

(Quorum 12)

Maxime Guitard,
Clerk of the Special Joint Committee.

MINUTES OF PROCEEDINGS

THURSDAY, December 3, 1964
(7)

The Special Joint Committee of the Senate and of the House of Commons on Canada Pension Plan met at 9:37 o'clock a.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Present:

Representing the Senate: Senators Blois, Croll, Fergusson, Lang, Lefrançois, McCutcheon, Smith (*Queens-Shelburne*), Stambaugh (8).

Representing the House of Commons: Messrs. Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Gundlock, Knowles, Laverdière, Lloyd, Macaluso, Monteith, Moreau, Munro, Perron, Rhéaume (18).

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare, and Messrs. D. Thorson, Assistant Deputy Minister of Justice, D. Sheppard, Assistant Deputy Minister of National Revenue, and Tom Kent, Policy Secretary, Prime Minister's Office.

The Joint Chairman of the Senate section, Senator Fergusson, opened the meeting. Then the Joint Chairman of the House of Commons section took the Chair.

The Committee resumed consideration of Bill C-136, clause by clause, and questioned the witnesses thereon.

The examination of the witnesses continuing, the Committee adjourned at 11:00 o'clock a.m. until 3:45 o'clock this afternoon.

AFTERNOON SITTING

(8)

The Special Joint Committee of the Senate and of the House of Commons on Canada Pension Plan reconvened at 3:55 o'clock this afternoon. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Present:

Representing the Senate: Senators Blois, Denis, Fergusson, Smith (*Queens-Shelburne*), Stambaugh (5).

Representing the House of Commons: Messrs. Basford, Cameron (*High Park*), Cantelon, Chatterton, Côté (*Longueuil*), Gray, Knowles, Laverdière, Lloyd, Marcoux, Monteith, Munro (12).

In attendance: Same as at this morning's sitting and Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Committee resumed its Clause by Clause consideration of Bill C-136.

On motion of Mr. Munro, seconded by Mr. Côté (*Longueuil*),

Resolved:—That the tables intituled "Illustrations of Employees' Actual Average Earnings, Employees' Average Earnings, Earning Index, Year's Maximum Pensionable Earnings, and Average Maximum Pensionable Earnings" and "Illustrations of Pension Index Commencing in Selected Years" be published as appendices to today's Minutes of Proceedings and Evidence. (*See appendices E and F*).

The examination of the witnesses continuing, at 5:31 o'clock p.m. the Committee adjourned until 3:30 o'clock on Monday afternoon, December 7, 1964.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

THURSDAY, December 3, 1964.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Gentlemen, we have a quorum. As our time is limited this morning, I think we should start even in the absence of my Co-Chairman, Mr. Cameron.

Dr. J. W. WILLARD (*Deputy Minister of Welfare, Department of National Health and Welfare*): Madam Chairman, we were discussing clauses 8, 9 and 10. There were one or two questions raised in connection with clause 8. I think Mr. Sheppard is prepared to take up those questions at this time.

Mr. D. H. SHEPPARD (*Assistant Deputy Minister, Department of National Revenue (Taxation Branch)*): The problem we were concerned with yesterday has to do with the method of collection presented in this bill whereby contributions made by an employer with regard to a particular employee would be determined on the basis of the total wages paid after taking off the portion of the exemption that was applicable to the particular pay period, and as compared with the suggestion that no deduction would be made from earnings for that particular month that is more than one twelfth of the aggregate amount of $5,000 required for the year.

There seemed to be some concern about this, and I thought it might help if I made a few preliminary comments on that point. In this regard the method adopted for Bill No. C-136 is exactly the same as the method adopted in Bill No. C-75 Of course, in Bill No. C-136 there is the question of the added feature of the treatment of the exemption, but that has no particular bearing on the particular feature we have under discussion. It also is the same method that is used under the United States social security plan which has been in operation there for a considerable number of years.

I am quite sure the members would like to know in more detail the reasons for the adoption of the method provided in the Bill because the fact that it was in Bill No. C-75 or in the United States social security plan would not of itself necessarily be a reason for doing it.

I might best illustrate this particular feature if I could use the example of a man who is receiving a salary or wages of $1,000 a month and who works for six months only. If we were to adopt the plan whereby we would only make a contribution on the maximum applicable to the amount on which a contribution would be made would be $416.66 less the $50 exemption, which would be $366.66. If that employee were to cease work at the end of June, even though he had earned $6,000 he would have contributed only one half of a year's contribution, whereas if he had made contributions under the method provided in the Bill he would have been paid in full for the year. Similarly, in respect of that employee, the employer would have contributed to the extent of one half of what it otherwise would have been had we dealt with it on an annual basis.

The question arises of what to do about these particular deficiencies, having in mind that this particular employee only has been able to contribute on one half. One method of dealing with it would be to try to arrange for the collection of the amount at the end of the year. First of all, there is the employer's contribution. I think it would be quite apparent that it would be impracticable to attempt to collect the employer's contribution from the employer.

Hon. Mr. MCCUTCHEON: Why?

Mr. SHEPPARD: In the particular circumstances to which I am referring, if this employer had made the contribution, he was required to make up to the end of June, then the additional employer obligation arises solely because of the fact that this man left that employer and was unemployed for the remainder of the year.

Hon. Mr. McCUTCHEON: Would it have made any difference had he been re-employed for the remainder of the year?

Mr. SHEPPARD: Then the additional contribution would have been made through other employers, and he would have been paid in full.

Hon. Mr. McCUTCHEON: That is the normal consideration. Your example boils down to this. Yesterday you gave us the example of $750 a month. Deduct $50; pay 1.8 per cent on $700; $12.60 a month for six months if $75.60, and in the seventh month it is $3.60 so you have your full amount of money at the end of seven months. The employer has paid the same thing, $79.20. The employee at that level of earnings would not as a rule leave the work force except under special circumstances.

Suppose that instead of leaving the work force he goes to another job and in this job gets $1,000 a month, I take it that his second employer starts deductions and makes no inquiry in respect of what has happened in the past. He deducts $9.50 a month; for four months he deducts $17.10 or a total of $68.40 a month, and in the fifth month, the twelfth month of the year, he deducts $10.80. So, you have the employee in a position where he has had twice as much deducted from him than should have been. He will apply for a refund. You have these employers in the position where in respect of one individual they have between them contributed twice as much as the public thinks is contemplated by this act—and I say the public advisedly because if you do not permit the employer to have refunds, and you are not going to, then you are not relating the employer's contribution to any particular employee. You could deal with this matter, so far as the employer is concerned, simply by calling this what it is, a payroll tax of 1.8 per cent of the payroll betwen $600 and $5,000. That is a simple calculation to make; you can put that into a machine and turn it out at the end of a month, at the end of a quarter, or at the end of a year, and the employer will pay it to you just as he pays other amounts.

In respect of the deductions, you are not going to get into trouble with any employee who receives $416.66 a month, or less; the only trouble you will get into with him is when there may be over-deductions and he will apply for one of these one and three quarter million refunds which you will have.

With regard to the employee who may leave, the likelihood is that he will take other employment in the same year at a higher salary, and in respect of him you may have a deficiency; he is the employee who is earning over $5,000 a year. Surely you collect income tax from him. He has certain deductions made for tax purposes, and at the end of the year he files a tax return; he pays you or you pay him. What is the administrative difficulty of doing exactly the same thing here?

There is one question which you left unanswered last evening. I asked you whether this matter had been taken up with any large employers of labour. You said it had been taken up with the government. Somebody suggested that really was not an arm's length discussion. I asked whether you had taken it up with anyone in the private field, and there was no reply. I am not here to give evidence, but I have gone to the heads of a firm employing over 20,000 employees in this country and they told me they were shocked at the suggestion that that would be the way the deduction would be made.

a critique on the method of drawing $ out.

These gentlemen tell me—and we can bring them and other experts here—to put this on a computer and use modern payroll machinery would be very difficult, if not impossible.

Unless you really want to get more than 1.8 per cent from the employer, your only concern is about people who are making $5,000 a year or more. Every one of them, with minor exceptions, who makes a tax return either pays you money or receives money back.

Mr. WILLARD: Mr. Chairman—

The CHAIRMAN (*Mr. Cameron*): I think we are straying away from our original idea of having an explanation of the bill. It may be that these clauses from time to time will be considered in relation to amendments. However, what has been placed on the record now I think is the explanation and the stage for discussion such as that brought up by Senator McCutcheon well might come when we get down to consideration of whether or not we wish to amend a clause. At the present time I believe we should, so far as we can, carry out the original idea and that is that the department officials will explain to us the bill. We will raise our questions in respect of any clause, and then if someone has an idea in respect of improving it, that would come up at the third stage of our proceedings. That is the way in which I understood we intended to conduct our hearings.

Hon. Mr. MCCUTCHEON: With all due respect, I do not think I was transgressing our understanding at all. The officials are here to tell us the effect of these clauses. I think we now have on the record what the effect is of this clause.

The CHAIRMAN (*Mr. Cameron*): I quite agree with you, Senator McCutcheon, in respect of the first part of your statement, but when it comes to a matter of entering into a debate on the merits, or otherwise, of the clause, I think that is something which should come up later on in our proceedings.

Mr. MOREAU: I was going to raise a point of order. I think, after due recognition by the Chair, we should be entitled to ask questions of the witnesses, but I thought perhaps Senator McCutcheon had wandered some distance from that procedure.

Mr. CHATTERTON: From my point of view, the statements made by the senator have given me a much clearer understanding of this. I think the statements helped some of us to understand the provisions.

The CHAIRMAN (*Mr. Cameron*): If we are going to have contrary opinions expressed and long debate in respect of something being done in some other manner, then we will not be able to do what we hope to do in discussing the clauses. Senator McCutcheon has indicated what in his opinion would be an improvement, or what would be his objection to this. Members of the committee will have the Minutes of Proceedings and Evidence before them at which time they can study them and make up their own minds whether or not this is a proper clause. I have no doubt that Senator McCutcheon will do that as will other members, but I think we will make very little progress if we debate the matter backwards and forwards with regard to whether or not this is a good clause. You may ask any question, but when you get into the realm of debate, then I think a line must be drawn.

Mr. RHÉAUME: I hope you are not ruling out any probing on our part while the officials are here with regard to how they intend to administer the section.

The CHAIRMAN (*Mr. Cameron*): No, but after they have given that explanation, I would hope that if someone wishes to give his views in respect of a better way in which it could be done, that he would hold that until a later period.

Mr. RHÉAUME: Surely if a departmental official states a formula which has been arrived at and suggests this formula is required because there is no other capable way of doing it, a member of the committee has a right to show an alternative?

The CHAIRMAN (*Mr. Cameron*): I just do not want to get into a debate at the clause by clause discussion stage.

Hon. Mr. MCCUTCHEON: May I ask Mr. Sheppard whether he agrees with the facts and the results in the two examples I put forward?

Mr. SHEPPARD: Mr. Chairman, I agree with some of them, but I do not think the particular example that I was giving and the conclusion I was attempting to take from it has been explored fully. I can go on with that if you wish I do so.

Mr. FRANCIS: I would like to hear the rest.

Mr. SHEPPARD: The particular example I gave was for the purpose of illustrating the point in a particular case where a man works for only six months and is unemployed for the remainder of the year. If we are thinking in terms of the annual contribution at the time the man became unemployed, there would be a contribution made of only 50 per cent of the employee's contribution, and 50 per cent of the employer's contribution on the basis of the amount it would have been had you taken the figures over a whole year. The question arises of what you do about the deficiency. There are two things you could do. One is you could attempt to collect these deficiencies, and the other, is that that particular employee only gets the benefit of the amount on which he has contributed.

Dealing with the first proposition, I do not think it is a practical thing to collect from one employer an additional contribution merely because the particular employee ceased to be employed by him and was not employed by another employer for the remainder of the year.

Hon. Mr. MCCUTCHEON: Why is it not practical?

Mr. FRANCIS: I am having a little difficulty in following the argument. I would like to hear Mr. Sheppard's example, and then perhaps we might go back.

Mr. SHEPPARD: Mr. Chairman, in the particular example I have given, the employee had worked for six months and one half of employees and employer contributions would have been made through his employer compared with a contribution computed on an annual basis. Then he leaves that particular employer. He might get other employment, but that is of no concern to the first employer. If he does succeed in obtaining other employment, in this case both the employee and employer contributions might be made through that employer, and he would have paid in full, but if he does not succeed in obtaining other employment, is it advisable to go back to the first employer and tell him he must pay the employer contribution merely because that employee did not succeed in obtaining a job with some other employer? I would submit I do not think that is a practical approach.

Alternatively the employee could be required to file a return at the end of the year and pay both the deficient employee and employer contributions. Apart from the question of whether or not that is a fair thing to do in this particular case, there is the problem that it has to be dealt with on the basis of annual returns.

The particular program which has been arranged here is not to arrive at the employee's record of earnings by basing it on annual returns by the employee; the method which has been adopted is to take the employer's records based on the T-4 slip, extract that information, and transfer to the credit of individual contributors in the record of earnings. When that has been done, the employee's record of earnings is complete in respect of that particular employer.

The only circumstances in which the employee need file a return are where he has a refund, or has to make an additional contribution on self-employed earnings. There is also the case where a person has an option to make an additional contribution under Section 12(3) more details of which will be given later.

However, if these people were to be compelled to file returns, it might be difficult to enforce unless all employees were required to file returns.

Another possible solution is to provide that the particular contributor we are talking about should have the contribution finalized on the basis of the contribution he has made during the year, which means that even though he has earned more than $6,000 in the year, he would have contributed, in this example, only one half of his total contribution, and his pension would be based on one half of his maximum pensionable earnings for the year. The result of that would be that the intermittent employee, or the employee with irregular wages, would be treated at a disadvantage in comparison to another employee who has regular employment, and regular earnings. He would also be at a disadvantage compared with a self-employed person who can be dealt with only by averaging his income over the year.

If I might now revert to the problems that arise from the method of contributing provided in the bill. It is true that in some cases under this particular program, if a person is receiving more than $5,000 a year and receives it from two employers, there will be an overpayment beyond what the employee and the employer would otherwise have contributed on an annual basis. The employee will receive a refund. No refund is provided for the employer; but in this regard it should be noted that no employer will pay more than the maximum amount in respect of the wages paid to any one employee. It is only if you aggregate all the wages paid to a particular employee by all employers that there appears to be an overpayment by an employer. In respect of the amount involved, in terms of a $10,000.00 a year man the maximum any one employer could contribute in excess of his share would be $39.60 and only if the employee worked for more than one employer.

The only other problem is the question of record keeping. If you are thinking in terms of a computer, I think Mr. MacDonald who is here could explain that. With regard to employees who receive more than $5,000 a year, and the question of whether you have to make a cut-off during the year, according to our calculations the number of employees who would receive more than $5,000 a year from one employer would not exceed 15 per cent of the total, and it would merely be a question of recording at the particular point in the year when that particular employee would have reached the maximum, and would then cease to make contributions.

Mr. MONTEITH: Are these reports which are going to have to be made detailed in a later clause? I am thinking of the actual administration, and so on.

Mr. SHEPPARD: Mr. Chairman, we can give you any additional information on that.

Mr. MONTEITH: If it comes up later, it is all right.

Mr. RHÉAUME: How many Canadian wage earners earn in excess of $5,000 per annum? Could Mr. Sheppard give me that information?

Mr. SHEPPARD: The total number in all Canada, including Quebec, is 1,137,000.

Mr. MONTEITH: Including Quebec?

Mr. SHEPPARD: Yes.

Mr. FRANCIS: I find that it is not easy to understand the full implication of this, but I would like to ask the witness whether the basic problem is one of matching to make sure that the employer's contribution is precisely equal to the employee's. Is this the basic problem which has been the reason for the procedure which is recommended?

Mr. SHEPPARD: Not necessarily. There is another thing I should have said along this line. I think if you look at it on the basis that you make a contribution only on a maximum of $416.66 a month, it lends itself to all sorts of problems. You could have employers who would pay a man $2,000 in one month and nothing in the next three months. You would have many other problems of this type to solve, such as bonuses, retroactive pay adjustments etc. The method of collection found in the bill is not as difficult as it appears; it appears to be difficult because it is different.

We are accustomed to thinking in terms of the tax deductions, but under the Income Tax Act there is no ceiling involved and if a man has intermittent employment he would have a refund, but under the Pension Plan any man who has intermittent employment would have a deficiency, if there were a maximum contribution for each pay period so you have the problem of collecting not only the employee's contribution, but also the employer's. Of course, you could forgo the employer's contribution if the scheme wishes to do that, but there still is the problem of collecting the employee's contribution. Most people will realize it is more difficult to collect additional money than it is to give a refund if there is an overpayment. Also, in the particular example I gave, the man has to make up these contributions after he is unemployed. There is the British P.A.Y.E. system, but that does not work here because of the ceiling. Under the P.A.Y.E. system each person has a book and contributions are recorded based on your total earnings from the beginning of the year to date, after subtracting what you already have deducted, but again to use this system under the Pension Plan because of the ceiling, there would be a deficiency whenever a person became unemployed. None of these various systems I mention to you would be as desirable as the method we have in the bill.

Mr. FRANCIS: On the matter of claiming a refund by an employee, is it not just simply a matter of filing the individual tax return in the subsequent year, or is there some other separate procedure for obtaining refunds?

Mr. SHEPPARD: We expect we would have to ask the people who are claiming a refund to file a special form, or that we would have to have a special place on the tax form, and they would both be dealt with together, but there is a separate calculation for them.

Mr. FRANCIS: With regard to a circumstance in which an employee would be deficient in his contributions, would there be any circumstance in which such an employee would not have overpayed his personal income tax?

The CHAIRMAN (*Mr. Cameron*): Do you not think we are getting into quite a bit of detail?

An hon. MEMBER: It is a good question.

Mr. SHEPPARD: I would think it could be that there would be an overpayment of income tax in that particular case, but so far as collection is concerned there still is the problem of having him file the special form. There would have to be extra machinery involved in order to enforce it.

Mr. RHÉAUME: I had not finished my line of questioning, Mr. Chairman. As I understand it, there are in excess of one million Canadian wage earners earning more than $5,000 a year at the present time?

Mr. SHEPPARD: That is right.

Mr. RHÉAUME: I think the figure is 1,137,000.

Mr. SHEPPARD: Yes.

Mr. RHÉAUME: Have you at the present time made any kind of an estimate with relation to the number of these people who do, in fact, switch employers during the year; of this total of 1,137,000 how many are people who, in fact, are in employment for less than one year with one employer?

The CHAIRMAN (*Mr. Cameron*): Do you think that is related to an explanation of the clause?

Mr. RHÉAUME: Absolutely.

The CHAIRMAN (*Mr. Cameron*): I suggest we limit this to explanation and not debate.

Mr. CHATTERTON: That was a pure and simple question.

We must have an estimate, because we are setting up a system to handle it.

The CHAIRMAN (*Mr. Cameron*): I shall allow the question. It is a matter of how close it is to the line.

Mr. SHEPPARD: I do not have the figures before me just now of the number which are intermittent. We have the number of those with earnings over $5,000. We did make a calculation of the number of those who worked for less than 12 months, and it turned out to be 34 per cent of the total. But I cannot tell you how these are related to the number over $5,000.

Mr. RHÉAUME: If they are earning less than $5,000 you do not have quite the same problem.

Mr. SHEPPARD: I think under the system envisaged the problem of deficiency arises whenever you have a man who was not working for the full 12 months of the year.

Mr. RHÉAUME: The administrative requirement is to deduct excessively for the first five months of the year, in order to pick up the slack.

Mr. SHEPPARD: That is true, but as I have said, there is no particular problem there unless he works for two employers. If he works for two employers, and earned over $5,000.00, then his contribution is more than it otherwise would be, if he worked for only one employer. But comparing it with the alternative proposition 34 per cent of the people in employment work for less than 12 months of the year but I am not sure if this would apply to earnings over $5,000.

Mr. RHÉAUME: May we be given the figures later on?

Mr. CHATTERTON: Do I understand correctly that where there is full deduction by an employer for the whole year, there is no claim for a refund by that employer?

Mr. SHEPPARD: I tried to explain it, that so far as the employer is concerned, in relation to his employee, he could not have contributed more than the maximum of $79.20. It is only when you have to take the record of an employee in relation to two employers that if the contributions made in respect of that employee are taken together there may be an overpayment as between the two employers. That is the only occasion when theoretically an employer pays more than he should have paid.

Mr. CHATTERTON: If an employee leaves his employment at the end of June, and if the employer takes on another person to fill that position, is that employee entitled to claim a refund?

Mr. SHEPPARD: If he overpaid his contribution he would.

Mr. CHATTERTON: The employer never gets a refund?

Mr. SHEPPARD: That is right.

Mr. CHATTERTON: So he would actually pay 1.8 per cent up to $800 for that position?

Mr. SHEPPARD: He could pay an additional $79.20 in that particular example, if you are going to relate it to a position.

Mr. CHATTERTON: Yes, he could find himself paying just double the maximum amount for that position, for the year.

Mr. SHEPPARD: Yes.

Mr. CHATTERTON: And there is no refund for him?

Mr. SHEPPARD: That is right.

Mr. MONTEITH: Why was there a six month deduction? Why not take it all off in the first three months?

Mr. SHEPPARD: You take off 1.8 per cent of the total earnings less portion of exemption. It depends on his earnings pattern, as to the particular month in the year in which he becomes fully paid.

Mr. MONTEITH: Suppose he is getting $20,000. It would be cleared up as soon as he gets his first $5,000?

Hon. Mr. MCCUTCHEON: Suppose he gets $60,000, and he pays it all at once.

Mr. MONTEITH: Is there no administrative procedure possible whereby, if an employee works for a certain time for one employer and then goes to another employer, that employer's share may be paid?

Mr. SHEPPARD: We did think of it, but the information I have on it at the present time relates to its use for other purposes.

The CHAIRMAN (*Mr. Cameron*): Well, Mr. Monteith has asked a question, and I think we should get an explanation. Again, it enters into the realm of debate.

Mr. MONTEITH: No, no, it does not. I am sorry. I was just curious to find out whether it has been considered, or if it could be done.

Mr. SHEPPARD: We did consider it, but as I say, the information I have relates to its use for another purpose. I shall try to relate it to the actual question. It involves getting a certificate from one employer and passing it along to another employer, in those cases where a ceiling has been reached and also to specify the amount contributed if the ceiling has not been reached, so that the new employer would carry on from that point. It would involve telling one employer what he earned from the former employer, and a lot of other factors of that kind, which are considered to have some objections in themselves. A certificate was considered, but we did not recommend it.

Mr. MONTEITH: I shall not argue the pros and cons of it, but I wondered if we might be given a few more details about the new United States system, and their experience concerning how much might be overpaid by employers.

Mr. SHEPPARD: I can answer about the United States system, and we can probably get the figures as to the overpayment of employers. They do it by exactly the same method as is proposed in this bill, with one exception. I believe they have a special provision under which, where one company sells out to another company during the year, it can be deemed to be one employment.

Mr. CHATTERTON: Is there any kind of estimate available on the amount of additional revenue you would get by virtue of an employer paying more than $79.20 for one position?

Mr. SHEPPARD: We do not have figures on it. I think we have mentioned that it depends on the way you relate this matter. Are you referring to an employer's share of the contribution to a particular employee, or to a position?

Mr. CHATTERTON: It is the position that I am thinking of. Could we be given some estimates?

The CHAIRMAN (*Mr. Cameron*): Is it possible?

Mr. SHEPPARD: We shall try.

Mr. GRAY: I want to ask one question of Mr. Sheppard. Am I correct in saying that this is a system which is involved in the United States social security arrangements? Is that the way they started out?

Mr. SHEPPARD: We shall find that out for you. I understand that is the case, but we shall find out.

Mr. GRAY: You mean the system you described to us?

Mr. SHEPPARD: Yes.

Hon. Mr. MCCUTCHEON: They do not make formal deductions during the year.

Mr. SHEPPARD: They make deductions based on total earnings each pay period but limited to a maximum contribution for the year.

Mr. CHATTERTON: What would be the administrative difficulty in making a refund to an employer who pays more than $79.20 during the year?

Mr. SHEPPARD: I think it would be administratively difficult to determine whether or not a person did take over another man's position. We have always looked upon this as the only practical way, would be to require an employer to relate his contributions to a particular employee. These are factual matters which could be determined. But the problem then arises that if you were to refund an employer contribution it would have to be apportioned between two employers, and that did not appear to be feasible.

Mr. RHÉAUME: Are you suggesting that under the plan you would not have the record of individual employment and the contributions made during the year, and also the contributions from the employer, or employers who employed him? Would that not be in the files?

Mr. SHEPPARD: The proposal is to give the employee credit for the dollar amount of earnings on which the contribution has been made, or the amount of the employee contribution calculated at 1.8%. One figure can be related to another. It is really not necessary to record the employer's contribution in the record of earnings of that employee to arrive at the benefits.

Mr. RHÉAUME: Would it be feasible to record it on behalf of an individual employee? Is there some administrative problem which would prevent it?

Mr. SHEPPARD: There are a lot of other factors involved. It could be that the employer did not pay any contribution at all; or it may be that he did not even pay the employee's contribution. Under the system, the employee gets the credit to which he is entitled, if deduction has been made, whether or not it has been remitted; and he also gets credit for the amount to which he is entitled even though no deduction has been made, provided he claims it before April 30. The main system is set up to accumulate the record of earnings of the individual contributor over a long period. It would involve another system to try to calculate the additional contributions made by an employer in respect of one employee.

The CHAIRMAN (*Mr. Cameron*): Let us proceed now to clause 9, but before doing so may I suggest to Senator McCutcheon that he might suggest to companies which are interested in this particular clause, or in other clauses, that they write to the clerk of the committee stating that they would like to submit a brief or appear before the committee.

Hon. Mr. MCCUTCHEON: I expect you will find some companies doing this.

On Clause 9—*Amount of employer's contribution.*

Mr. D. S. THORSON (*Assistant Deputy Minister, Department of Justice*): Clause 9 sets out the obligation of the employer to make contributions with respect to each individual employee employed by him during the year in pensionable employment. We have, I believe, covered the subject matter of this clause. It, of course, is the counterpart of clause 8 of the bill.

Mr. KNOWLES: Perhaps my question relates more closely to drafting, but the wording of clause 9 is practically identical with the wording of clause 8, subclause (1). So why was it necessary to repeat all this language? Would it not have been simpler perhaps, or would it not have been clearer if you merely said that the employer shall make a contribution equal to that which he deducts from the employee, or is there a difference?

Mr. THORSON: I think there is a difference. Subclause (1) defines the obligation of the employee as the employee of an individual employer. But clause 9 defines the obligation of the employer who must pay contributions with respect to each of his employees. Now, clause 8, for example, says that an employee has to make the contributions required of him under the law by deduction, as provided for in the act. This provision is clearly not relevant to what is dealt with in clause 9.

Mr. KNOWLES: Clause 9 says that the employer has to deduct for each employee the amount computed, as prescribed, and the terminology is exactly the same.

Mr. THORSON: Yes, except that it is written in terms of the employer's own obligation; whereas clause 8 is written in terms of the employee's obligation.

Mr. KNOWLES: In practical terms, is there any dollar difference? Does not the employer under clause 9 deduct contributions for each employee exactly equal to the amount deducted in respect of the individual employee?

Mr. THORSON: There is no dollar difference; it is only that the obligation is upon a different person.

Mr. CHATTERTON: What happens to an employee engaged, let us say, at a salary of $500 a month? Does he have to establish himself elsewhere?

Mr. THORSON: No.

Mr. CHATTERTON: Does he make any deduction for that month?

Mr. SHEPPARD: He makes a deduction for the month based on what he pays.

Mr. CHATTERTON: As far as the employee is concerned, it may be that the maximum earnings of that employee are only $500 but he still deducts on the basis of what he pays that man.

Mr. SHEPPARD: Yes.

Mr. FRANCIS: Is that not one of the reasons why there might be two circumstances where the employee's contribution for a year might be put through in the contributions made by the employer on his behalf?

Mr. THORSON: Yes. My point was made with particular reference to subclause (1) in clause 8 which deals with the obligation of the employee in relation to any given employer, but not in terms of his total obligation over the year to make contributions as an employee.

The CHAIRMAN (*Mr. Cameron*): Let us now pass on to clause 10.

On Clause 10—*Amount of contribution in respect of self-employed earnings.*

Mr. THORSON: Clause 10 defines the obligation of a person to make contributions during the year in respect of his self-employed earnings.

We did I believe deal earlier with the point that in the case of a person who had both earnings from employment as well as earnings from self-employment, the contribution required under this section is the difference between what he contributed as an employee, and the ceiling on his contribution, which is $5,000 a year initially.

Mr. CHATTERTON: But suppose a man is employed for only six months of the year; he would pay contributions up to a maximum of $79.20; and then he becomes self-employed for the balance of the year. What does he have to pay for the balance of the year?

Mr. THORSON: As I understand it there will be no obligation to make further contributions. He would have contributed to the full limit provided for by this bill.

The CHAIRMAN (*Mr. Cameron*): Are there any further questions?

Hon. Mr. SMITH: I would like to ask one question in regard to the technique which would be used to collect contributions from a self-employed fisherman. Let us assume that he is a self-employed person during the year. Would he pay on the basis of annual payments, based on a statement of his earnings which he would make for the Department of National Revenue?

Mr. THORSON: Yes. You will see in later provisions of the bill that it is contemplated that there will be an annual return made respecting his self-employed earnings, and filed in much the same manner as the return for income tax is filed, for the purposes of the Income Tax Act. There has been a dovetailing of the provisions in order to reduce the burden on contributors and to enable them to make contributions required under this act in much the same way as they would ordinarily pay their taxes.

Mr. KNOWLES: Is there any connection with the annual payments by a self-employed person, or anything comparable to the interest that is assessed under the Income Tax Act respecting a person who paid his income tax at the end of the year?

Mr. THORSON: The provision, as you will see, is very close to being parallel to that of the Income Tax Act.

Mr. KNOWLES: Is there an opportunity for a self-employed person to pay it on a monthly or on a quarterly basis?

Mr. THORSON: Perhaps I might refer you to the individual clause, namely, clause 34, subclause (2), which is a special subclause dealing with farmers and fishermen.

The CHAIRMAN (*Mr. Cameron*): Does the committee think it advisable to deal with clause 34 and clause 10 together?

Mr. THORSON: Perhaps it does open up a different subject.

The CHAIRMAN (*Mr. Cameron*): I thought it might be in order to deal with the two of them at the same time.

Mr. THORSON: Clause 10, subclause (2), defines the minimum amount of self-employed earnings that there must be before any contribution is required to be made by a person on his self-employed earnings for a given year.

Mr. KNOWLES: That is where the $800 provision derives.

Mr. THORSON: That is right. This clause defines the $800, but it is related to the year's basic exemption, and should there be any increase in the amount of the year's basic exemption, then the floor in turn will rise with the rise in the year's basic exemption. It will always remain at even multiples for convenience of making calculations.

Mr. MONTEITH: Let us assume that the net income of a person is such and such according to the tax return, that will be the figure on which the contribution is based?

Mr. THORSON: As far as the self-employed person is concerned, yes, his income is computed on the net basis.

Mr. MONTEITH: Anybody earning over $800 is going to contribute something?

Mr. THORSON: That is correct.

Mr. MONTEITH: And up to this point probably those people who have not been making income tax returns would finally have to do so.

Mr. THORSON: There may well be persons who will be required to make contributions towards their pensions under this law who are not presently income taxpayers.

Mr. MOREAU: Do you see any beneficial effects concerning collection from perhaps marginal taxpayers who never filed returns? Do you think there would be a real incentive here for them to do so?

Mr. THORSON: I thought I had made it clear in my last answer that they would be making contributions towards their pension.

Mr. CHATTERTON: There are a number of categories who are not required to file income tax returns.

Mr. THORSON: You mean by reason of being under the taxable limit?

Mr. CHATTERTON: How would you advise these people? Have you something in mind respecting advice to these people?

Mr. SHEPPARD: There will be the usual publicity given, and we expect a fair number of persons asking for information. Included in the publicity would be the benefits to be derived from the plan. I think it would be easier to get a return on that basis. But there certainly would be general publicity in order to get these returns.

The CHAIRMAN (*Mr. Cameron*): Now, we come to clause 11.

On Clause 11—*Amount of contributory salary and wages.*

Mr. THORSON: We are now moving into division B of the bill dealing with the calculation of contributions. Under division B there are grouped a number of sections which could in one sense be described as definition clauses. They define the concepts that have already been introduced in the earlier clauses 8, 9 and 10. And therefore they are relevant to the basic obligations which are imposed by the earlier clause.

Clause 9, for example, defines what we mean by contributory salary and wages. You will note that what we have in mind here by contributory salary and wages is a person's income for the year from pensionable employment. That would be computed in the same way as his income from employment is computed for the purposes of the Income Tax Act. There are certain specific exceptions introduced in this section. For example, any income from employment is to be excluded for contribution purposes where the income was received before the eighteenth birthday of the contributor, or after his 70th birthday and so on.

Mr. KNOWLES: Or after his death?

Mr. THORSON: Yes.

Hon. Mr. MCCUTCHEON: What is the deduction under paragraph (q) of subsection (1) of the Income Tax Act?

Mr. SHEPPARD: That is the provision regarding a clergyman's residence.

Hon. Mr. MCCUTCHEON: All other statutory deductions are added together.

Mr. SHEPPARD: That is right. The effect is that he contributes on the gross amount of earnings paid by the employer as that amount is now shown on the annual T4 return.

Mr. THORSON: That is in contrast to the net approach which is adopted in the case of self-employed earnings.

Mr. CHATTERTON: Suppose a province participates, and they have paid effective contributions.

Mr. SHEPPARD: Are you referring to a case where it happened within that year?

Mr. CHATTERTON: Yes.

Mr. SHEPPARD: It is true in exactly the same way as if he was only in the one area; in other words, if an employee is working for one employer in Quebec, and he moves to a branch in Ontario, but still with the same employer, and he made his maximum contribution in the first place, then there would be no contribution in the second. On the other hand, if he changed employers, he would have to make a contribution in both places, just as he would have, if he remained in the same place.

Mr. CHATTERTON: Suppose he changed his employment within the province; he would pay more than $79.20.

Mr. SHEPPARD: Yes, because in that case he changed his employment.

Mr. TOM KENT (*Co-ordinator of Programming, Prime Minister's Office*): He would get a refund in exactly the same way.

Hon. Mr. MCCUTCHEON: I am curious about the $15 a month rate added to your housekeeper's income, or your maid's income if she lives in. Would that be considered as part of her income for pensionable purposes?

Mr. THORSON: Yes, it would be so considered.

Mr. MONTEITH: I have a question on (1) (b); what about the disability pension payable under the present disability allowance act?

Mr. THORSON: No, that would not be taken into account in income determination.

Mr. MONTEITH: You say it would not be?

Mr. THORSON: No.

Mr. MONTEITH: Well, here it only mentions the disability pension under this act or under the provincial pension plan.

Mr. THORSON: That is right.

Mr. MONTEITH: Is it supposed to cover it?

Mr. THORSON: That is right.

The CHAIRMAN (*Mr. Cameron*): Now, Clause 12.

On Clause 12—*Amount of contributory self-employed earnings.*

Mr. THORSON: Clause 12 must be read with clause 13. Clause 12 defines what is meant by the contributory self-employed earnings of a person in a year; when read with clause 13 you will see that his self-employed earnings are prorated on the basis of the facts pertaining to the individual himself. Here again you will see we have introduced the idea that there may have to be a proration of his self-employed earnings where, for example, the contributor commences his contributory period at age 18, or reaches age 70.

I might make special mention of subclause (3) of clause 12 which permits an employee to make an election to make up any deficiency where there has been an overdeduction made on account of the employee's basic exemption for a year. This refers to the man who, because he has had more than one employer at the same time, was allowed during the year too much by way of basic exemption, with the result that he did not have an opportunity to contribute on his full earnings for the year. Under this provision it is open to him to pick up the balance, if he wants to, at the 3.6 per cent rate, which of course is directly relevant to his pension benefit.

Hon. Mr. MCCUTCHEON: May I ask a question about clause 13 (a) (i)?

The CHAIRMAN (*Mr. Cameron*): We have not got to it. Are there any questions on clause 12?

Hon. Mr. McCutcheon: I thought Mr. Thorson was dealing with these clauses together.

Mr. Thorson: If that is agreeable, senator, that would be fine.

Hon. Mr. McCutcheon: I take it, in respect of this more than 50 per cent of the gross revenue, you treat the whole income as though it were investment income and it would not be allowable for pension purposes.

Mr. Thorson: That is correct.

The Chairman (*Mr. Cameron*): Is there any further explanation you wish to make on clause 13?

Mr. Thorson: No, except to mention that income in this case is computed in the manner in which income from a business is computed for tax purposes.

The Chairman (*Mr. Cameron*): We will pass on to clause 14.

On Clause 14—*Amount of salary and wages on which contribution made for a year.*

Mr. Thorson: Clause 14 is a rather long and technical one. It really accomplishes a drafting device to define the amount of salary and wages of a person on which a contribution has been made for a year. This will appear more relevant in relation to later clauses of the bill where this expression is used.

The Chairman (*Mr. Cameron*): Perhaps it would be better explained later, and we might let this clause stand until we reach the other clauses.

Mr. Thorson: That might be the best approach.

The Chairman (*Mr. Cameron*): Is that agreeable?

Agreed.

The Chairman (*Mr. Cameron*): We will proceed to clause 15.

Mr. Sheppard: I might mention that this particular determination of salary and wages also is relevant to the earnings of a self-employed person.

Mr. Thorson: Yes. It is necessary to determine the amount on which he has made a contribution, in order to arrive at the amount on which he may make a contribution in respect of self-employed earnings.

On Clause 15—*Amount of maximum contributory earnings for a year.*

Clause 15, perhaps, is self-explanatory. There is a reference to the two concepts of what is meant by maximum pensionable earnings for a year, and what is meant by the basic exemption of a person for a year. This is dealt with in clauses 16, 17 and 18.

On Clause 16—*Amount of maximum pensionable earnings.*

Mr. Thorson: Clause 16 adopts the same sort of approach as was adopted in defining contributory self-employed earnings; that is to say, clause 16 sets out what are the maximum pensionable earnings of an individual person for a year, having regard to his particular circumstances.

On Clause 17—*Amount of year's maximum pensionable earnings.*

Mr. Thorson: Clause 17 sets out what we mean by a year's maximum pensionable earnings. It will be observed that initially the year's maximum pensionable earnings are $5,000, rising in the first instance according to any increases in the pension index, and for 1976 and following years according to any adjustment that may be necessary by reason of increases in the earnings index.

Hon. Mr. McCutcheon: The pension index being a form of consumer price index?

Mr. THORSON: That is correct.

Hon. Mr. McCUTCHEON: And the earnings index is self-explanatory.

Mr. THORSON: Yes.

On Clause 18—*Amount of basic exemption.*

Mr. THORSON: Clause 18 defines what is meant by the basic exemption of an individual person for a year, taking into account his individual circumstances.

On Clause 19—*Amount of year's basic exemption.*

Mr. THORSON: Clause 19 defines what is the amount of a year's basic exemption. It will be observed that initially the year's basic exemption is $600; that is to say, 12 per cent of the year's maximum pensionable earnings. This, too, will rise in accordance with adjustment in the index.

The CHAIRMAN (*Mr. Cameron*): Are there any questions on these clauses?

Mr. KNOWLES: Mr. Chairman, I am wondering whether we have gone a little hurriedly over these two or three clauses. Are we still discussing earnings for the purpose of calculating the contribution?

Mr. THORSON: Yes.

Mr. KNOWLES: We have not yet come into the computation of pensions.

Mr. THORSON: No. That is dealt with in part II of the bill. All of these are expressions used in the basic clauses 8, 9 and 10 of the bill. All these definitions are relevant to those basic clauses.

Hon. Mr. McCUTCHEON: They did not put them in the interpretation section because it would frighten you when you started to read this bill.

Mr. KNOWLES: Clause 17 is the clause which determines automatic adjustment on the $5,000 level.

Mr. THORSON: That is right.

On Clause 20—*Pension index for year 1967.*

Mr. THORSON: Clause 20 defines the manner in which the pension index is arrived at.

Mr. MONTEITH: Would Mr. Thorson tell us in other language what this clause means?

Dr. WILLARD: Mr. Chairman, I wish to make a statement on the pension index. Later on when we come to the benefit clauses, where we will deal with the calculation of benefit—and it involves the benefit formula—we have some examples which will show how the pension index and earnings index will work in specific examples. At this stage, however, we need to discuss how the pension index will be established and the limits within which it operates. The pension index for a year is defined in relation to the consumer price index for the 12 month period ending June 30 of the previous year. For 1967, the pension increase will be set at the average of the 12 monthly consumer price index figures for the period July 1965 to June 1966. For 1968, the pension index will be set at the average of the 12 monthly consumer price index figures for the period July 1966 to June 1967, provided that the average is not more than two per cent or less than one per cent higher than the 1967 pension index.

However, if it is more than two per cent higher, the 1968 pension index will be set at 102 per cent of the 1967 pension index. If it is less than one per cent higher, or if it is lower, the 1968 pension index will be the same as the 1967 pension index.

For 1969, the pension index will be the same figure as the average consumer price index for July 1967 to June 1968, unless it is more than two per cent or less than one per cent higher than the 1968 pension index, and so on for each year.

At the time when the consumer index is revised to a new time basis, a percentage adjustment will be made in the figures for this index in past years. A similar percentage adjustment would also have to be made in all past values of the pension index. You will notice from the clause that these adjustments of the index are dealt with by subclause (4).

Mr. Chairman, these remarks will give some explanation of the subclauses of clause 20, and I think the further explanations we will have when we present actual figures will aid members in trying to see how the pension index operates. But for any change we are operating between the upper limit of two per cent and the lower limit of one per cent, and the pension index itself is related, as you can see, to the consumer price index.

If the dominion bureau of statistics changes the basis of the consumer index,—and I think they have done this in the past about every decade or so—then this index will be adjusted along with it.

Mr. MONTEITH: This goes on until 1975.

Dr. WILLARD: The pension index is used in several ways. First of all it relates to the ceiling for the eight year period 1968 to 1975 inclusive mentioned in the earlier sections. It also relates to the adjustment in the monthly flat rate benefits, for instance, the $25 amount, and the $75 old age security benefit. It relates to the flat rate benefits and to the earnings related benefits when they are in pay. The index will alter the structure of flat rate benefits under the old age security program and the flat rate $25 benefit and the earnings related benefits not only for the period prior to when a person begins to receive the pension, but also after the person starts to receive benefits.

Mr. MONTEITH: In all these instances mentioned, the consumer price figures are used up to 1975 only. Is that right?

Dr. WILLARD: They are used to adjust the maximum pensionable earnings, the $5,000 ceiling up to the end of 1975; and then the earnings index cuts in for purpose of adjustment.

Mr. MONTEITH: Yes, in all cases.

Mr. THORSON: For all benefits.

Mr. MONTEITH: Yes, up to the $5,000 ceiling.

Mr. KNOWLES: Do I understand that the pension index goes up a point only if the average of the consumer price index figure for 12 months goes up a point? If the average during that period was .9 of one point, then there would be no increase in the pension index.

Dr. WILLARD: That is correct. The .9 is in fact saved up, so that if there is an increase, let us say, of .5, next year then there would be an increase in that year, because .9 plus .5 would be over the one.

Hon. Mr. McCUTCHEON: Where is that set out in the bill? I was trying to find that language.

Dr. WILLARD: In clause 20, subclause (2) and (3); you can see where reference is made to the 1.02 and reference to the 1.01.

Hon. Mr. McCUTCHEON: I do not see anything that provides for the accumulation.

Mr. THORSON: This is built into the mathematics of the adjustment. We can take actual examples to show that it has this accumulative effect.

Mr. KNOWLES: May I ask where this saving factor is written in?

Dr. WILLARD: It will be in the actual index itself. In the example mentioned, the index will be up 1.009 in the first year let us say; the next year tioned, the index will be up 1,009 in the first year let us say; the next year, if it increased, as was suggested, it would then be 1.014. So that at that point the index will have gone up more than one per cent, and that will be reflected in an increase in the benefits.

Hon. Mr. McCUTCHEON: But it will not have gone up one per cent in relation to the 12 months preceding June 30. That is what puzzles me, because I cannot understand this language.

Mr. KENT: What this language is saying is that the pension index is the same as the consumer price index, but put on a different basis; that is, if the increase from one year to another is enough to be less than one per cent, or more than two per cent. But any change that is needed to make the pension index the same as the adjusted consumer price index will be made provided that it is not less than one, or more than two; in other words, it is automatically provided for in the definition that if the consumer price index has gone up by .9 per cent compared with the previous year, then the following year the pension index has to be adjusted in order to match the consumer price index, and it then goes up to a further .5 and the total increase is .14, and this is within the range of two per cent. Therefore the accumulation takes over, and the pension index is automatically adjusted to be the same as the consumer price index, on a re-adjusted basis.

Hon. Mr. McCUTCHEON: I appreciate what you say, but is that what is said here?

Mr. THORSON: I believe it is.

The CHAIRMAN (*Mr. Cameron*): I was going to suggest that we leave this section until we have examples before us. This might assist the committee. I understand that they will be available this afternoon.

Mr. KNOWLES: While we are getting this explanation from Mr. Sheppard, I appreciate that the wording is there, but I am still puzzled by the language in lines nine and ten "for each month in the twelve months' period ending June 30 in the preceding year".

Hon. Mr. McCUTCHEON: It may have gone down somewhat in one year.

Mr. KNOWLES: I am interested in your restricting it to 12 months in the preceding year to pick up any ceiling left over from the year before.

Mr. THORSON: I think this will be apparent to you if we have examples before us showing an actual illustration of what happens when there is a fractional increase in one year, when there is a further fractional increase in the index in the immediately following year.

Mr. KNOWLES: You will have it this afternoon.

Mr. THORSON: That is my understanding.

Hon. Mr. McCUTCHEON: It would be related back to the year in which there was a fractional increase which does not change. You make your calculation regarding the 12 months immediately ending June 30. But it seems to me that you fail to bring it up. I think I understand the mathematics, and I may be very stupid, but I am afraid I do not get this.

Mr. KENT: Let me try again. What is said here is that the pension index is the consumer price index for the previous 12 months, and it is used for practical reasons. When it went up, or how it arrived there, does not matter. It is the consumer price index for the preceding 12 months which counts.

Hon. Mr. McCUTCHEON: Exactly, because the consumer price index may go up a fraction of one per cent, and the pension index, according to subclause (3), does not change.

Mr. KENT: Quite, but it is the same, because in order to be the same it would have to be increased by less than one, or more than two per cent, in the following year. When it has been the same as in the relevant full year it can only be because it is a reflection of the one per cent or two per cent variation.

Hon. Mr. McCUTCHEON: There is nothing which says that the pension index is the same as the consumer index except for the words here.

Mr. KENT: I think that is to be found in subclause (2).

The CHAIRMAN (*Mr. Cameron*): We are talking about interpretation. Perhaps Mr. Thorson may be able to make it clearer to us this afternoon.

Hon. Mr. McCUTCHEON: I shall not be here this afternoon. Perhaps Mr. Thorson would make a full statement so that I might read it in the record.

Mr. KNOWLES: I am afraid I am of no help, because I have now seen the point.

The CHAIRMAN (*Mr. Cameron*): It is now 11 o'clock, ladies and gentlemen, and the defence committee must take over at this time.

Mr. THORSON: Perhaps we might just pick up clause 21 which defines the earning index, which is also relevant to the determination of the year's maximum pensionable earnings. You can see that this is of importance when there is an increase in employee's average earnings.

Mr. CHATTERTON: I think it would be helpful.

The CHAIRMAN (*Mr. Cameron*): We shall meet again at 3.45 p.m. this afternoon. The committee now stands adjourned until that time.

Mr. MONTEITH: Is there not a possibility that the chairmen of the various committees might meet together in order to stagger all these meetings?

The CHAIRMAN (*Mr. Cameron*): One chairman intends to do something about it if possible.

AFTERNOON SITTING

THURSDAY, December 3, 1964.

The CHAIRMAN (*Mr. Cameron*): Senator Fergusson and gentlemen: I believe we now have a quorum. When we adjourned this morning we were dealing with Clause 20 and Dr. Willard was going to submit for your consideration some examples with regard to that particular clause.

Dr. WILLARD: Thank you Mr. Chairman, Mr. Osborne has prepared two tables, one which relates to the pension index and the other, which contains two pages, relates to the earnings index. I think this morning we had a useful discussion of the pension index. If I might just say a few words now on clause 21, the earnings index, and then perhaps Mr. Osborne could discuss the tables, which could be circulated.

Mr. KNOWLES: At that point we will be discussing both.

Dr. WILLARD: Yes. The earnings index is set out in clause 21. If I could just refer to paragraph four first. The index is going to be built up from data obtained from the Income Tax Act. These data will be the employees' actual average earnings in any year, which will be the average of all the wages and salaries paid to anyone who worked in Canada during the year, as reported on the T-4 slips by employers. This will include, of course, earnings from any non-pensionable employment, but it will not cover self-employment earnings. It will include earnings below $600 and above $5,000.

The earnings index, if we look at the other three paragraphs, for a given year is defined as the ratio of employees' average earnings for that year to employees' average earnings in the base period. Paragraph two talks about the base period. Employees' average earnings in the base period are the average of employees' actual earnings in each year of the eight year period, 1966 to 1973 inclusive. Employees' average earnings for any year after 1975 is defined as an eight year moving average of actual earnings. For 1976, for example, this eight year average will be calculated in 1975, using the eight year period ending December 1974. Thus, the earnings index in a year such as 1980 would be the sum of employees' actual average earnings in the eight years, 1971 to 1978 inclusive, divided by the sum of employees' actual average earnings in the eight years 1966 to 1973 inclusive.

Now, I think we could perhaps take a look at the tabular material that Mr. Osborne has, and he could discuss these tables.

The CHAIRMAN (*Mr. Cameron*): We will distribute them now.

Mr. CHATTERTON: Up to 1975 it would be an immediate reflection of the increase in the past year, and after that time the reflection would be for eight years, and it would be less direct?

Dr. WILLARD: Well, before 1975 you will recall, the ceiling is going to be $5,000 for two years, 1966 and 1967, and then we have the period, 1968 to 1975, when it is going to be adjusted by the pension index. After that we have the period after 1975 when the earnings index comes into play. We need two years in order to obtain all these statistics required for the last year of the eight years being included in the earnings index.

Mr. KNOWLES: This moving average in the later period is always an eight year average, but it moves every year?

Dr. WILLARD: That is correct. Being eight years, of course, it will smooth out fluctuations in different years within that eight year period.

The CHAIRMAN (*Mr. Cameron*): I understand Mr. Osborne, our economic adviser, is now ready to discuss these tables. I think everybody has a copy of them.

Mr. J. E. E. OSBORNE (*Director of Research, Department of National Health and Welfare*): Yes. They are available in both English and French.

Mr. MUNRO: Mr. Chairman, I move that both these tables be added as an appendix to the committee minutes.

Mr. CÔTÉ (*Longueuil*): I second the motion.

The CHAIRMAN (*Mr. Cameron*): Moved and seconded that these tables be included as an appendix to the minutes of today's proceedings. Agreed?

Motion agreed to.

Mr. OSBORNE: Mr. Chairman, the single table deals with the pension index. The pension index in Bill No. C-136 will commence in 1967. To illustrate how it will be determined in relation to the consumer price index, the table in front of you shows the pension index commencing in various years, and ignoring the time lag which is provided in the bill between the price index year and the pension index year. The pension index commencing in 1952, that is the right hand column, illustrates the way clause 20 of the bill will operate. Suppose that the pension index had begun in 1952, and had been made equal to the consumer price index for that year, namely set 116.5 opposite the year 1952, and call it one. The pension index for 1953 would ordinarily be the same as the consumer price index for 1953. However, as this latter figure has dropped to 115.5 in the example, which is less than one per cent greater than the pension index for 1952, the pension index for 1953 is the same as the pension index for 1952. This illustrates paragraph three of clause 20. Similarly, for 1954 and 1955, in that right hand column the pension index remains the same as it was in 1952. Until the consumer price index reaches 117.7, that is an increase of one per cent over the 1952 figure, the pension index remains unchanged.

Then looking at the pension index for 1956, it will be the same as the consumer price index, 118.1. This figure is used because it is more than one per cent, but less than two per cent greater than the pension index for 1955. The pension index for 1957 would ordinarily be the same as the consumer price index, namely 121.9, but the pension index cannot be more than two percent higher than the pension index of the year before, so the pension index is set at 120.5 for 1957, which is 118.1 multiplied by 1.02. This illustrates paragraph two of clause 20. For the year 1958 the pension index is again set at two per cent more than it was the year before, since this figure of 122.9 is less than the consumer price index of 125.1. Similarly, 1959 is set for two per cent more than the pension index for 1958, because this figure of 125.4 is less than the consumer price index of 126.5. The pension index 1960 is two per cent more than the pension index for 1959 since the resulting figure of 127.9 is less than the consumer price index of 128.0. The pension index for 1961 is equal to the consumer price index, 129.2.

You see, then, that the pension index has caught up to the consumer price index. The 129.2 figure is exactly one per cent more than the previous pension index of 127.9. For each of the years, 1962 and 1963 the pension index is equated with the price index because the increase in the pension index, so determined each of these years over the pension index of the previous year, is between one and two per cent.

It can be seen, therefore, from this example that the pension index remains constant when the consumer price index declines, or is in any year less than one per cent more than the pension index for the preceding year. The pension index is made equal to the price index whenever the price index is between one and two per cent higher than the previous year's pension index. The pension index is set at a figure two per cent higher than it was the previous year whenever the price index is more than two per cent higher than the previous year's pension index, not price index but pension index.

I hope I have clarified this clause, Mr. Chairman.

The Pension index gap

The CHAIRMAN (*Mr. Cameron*): No doubt the members will give it serious study when they are reading the minutes.

Mr. KNOWLES: Picking up Mr. Chatterton's question, I take it it was a serious one and not in jest, that is the only situation in which these things would get out of line. In other words, you have satisfied me, and Senator McCutcheon is not here to be satisfied, so far as keeping the pension index in line with the consumer price index, and so far as catching up on the short hauls is concerned, provided we do not get a series of years in which the consumer price index goes up by three points. Supposing we had the awful kind of government in power to have three years where there were increases in the consumer price index of three points for each year, I gather that the pension index would fall behind the consumer price index?

Mr. LLOYD: There is an illustration of that in the years 1953 to 1957, 116.5 to 121.9. Is that not the same set of circumstances described by Mr. Knowles?

Mr. OSBORNE: That is an example for that one year. I believe Mr. Knowles was suggesting a series of three rises, but in this series you will see that the pension index eventually gets up to the price index, because of a smaller increase in the price index.

Mr. LLOYD: In other words, if the consumer price index increases annually more than 2 per cent, it will greatly widen the gap between the pension index and the consumer price index. If in each succeeding year it went up more than 2 per cent it would be a steady widening of the gap by the amount above 2 per cent in each year.

Dr. WILLARD: Another way of putting it, Mr. Chairman, is say by the use of the technique we smooth out the changes in the consumer price index, whether it is going up or is going down. At the same time, if we do get into a very highly inflationary situation, where prices are rising to a very considerable extent, and I think perhaps if you take the column for 1940 it illustrates that point, you can see that this takes care of the danger that perhaps Mr. Chatterton was referring to, the cost of the benefits running up very quickly. I think this column reflects the effect of wartime conditions, when we had a highly inflationary situation in Canada as well as in most countries.

Mr. OSBORNE: Mr. Chairman, might I also refer you to the column for 1926 which shows what happens in the reverse situation. When the consumer price index falls, the pension index remains steady. You see it is steady at 75.9 throughout the period 1926 to 1945.

Mr. KNOWLES: Mr. Chairman, I would like to put another question, and I am seeking a free lecture in economics; I am not trying to debate. Taking the examples that Mr. Osborne has read from 1952 to 1963, which have proven that things tended to level out or to hold their relative position, what is the advantage of doing it this way over a simple formula that just said that the pension index shall be the consumer price index, except that it shall not fall, and if that had been the formula you would have started at 116.5, and you would have ended at 133.0, but you would have had different changes along the way, and it would have been much simpler to understand.

Mr. OSBORNE: Mr. Chairman, I believe Mr. Knowles is suggesting that the two per cent ceiling simply be removed from the description of the index.

Mr. KNOWLES: Yes, not only removed.

JUSTIFICATION

Mr. OSBORNE: It was felt desirable to attempt to smooth out fluctuations on the assumption that prices might increase more one year than another, that it would be useful to provide a means of smoothing out these fluctuations in prices, and if by any chance there were extensive price rises, then this would have a restrictive effect.

Justification

Mr. KNOWLES: Well, I do not think I was questioning so much the fact of the ceiling, though I think it should not be there, but I was wondering about the necessity of having these jumps of one or two, and nothing in between. Even though the consumer price index fluctuates, and I state again what is wrong with my oversimplification, to just make the consumer price index the pension index, except that you do not let the latter fall?

Dr. WILLARD: Mr. Chairman, perhaps I could comment on that. We are trying to achieve several things with this technique. One is that—

Mr. KNOWLES: You are not just trying to make it complicated.

Dr. WILLARD: In the instance, where prices fall, we are sure that the pension stays at its present level; secondly, in a situation where you have very highly inflationary conditions, it controls benefit outlays. Thirdly, it also smooths out adjustments, by having the changes made between one and two per cent, and in so doing makes the amount of the change in the benefit, a fairly sizable amount.

For instance, there was some comment about the amount of one per cent, how much increase in benefit resulted from it. If you tied the change in benefit to the consumer index and the consumer index went up, shall we say one fifth of one per cent, or one tenth of one per cent, then you would have to change all your benefits, and add the few cents on for that purpose. Administratively this one per cent brings the range of change into a more sizeable sum. It is going to be at least 75 cents, or up to $1.50, when the change is made. Thus, it achieves three things: It makes sure that the benefit does not drop; it makes sure that there is protection against a highly inflationary situation; and it does smooth out the payments that are made, and it does not mean that every year there is a very modest change involving a few cents you have to alter the whole structure of benefit payments and put out completely new literature showing what the payments of benefits are.

Mr. MONTEITH: On the second point, would you just utter those words again please.

Dr. WILLARD: Well, the second point was where you get a highly inflationary situation.

Mr. MONTEITH: In other words, this is not going to contribute further to the highly inflationary condition?

Dr. WILLARD: That is right, and if you look at the pension index starting at the 1940 base in the table before us, when Canada went through a number of years of very sizable increases in the price level. If you follow that column down to the year 1963, the pension index is still a long way from catching up to the consumer price index because of this very highly inflationary period. Presumably under those circumstances parliament could take a look at the situation, and decide what it would want to do about the level of benefits, but at least payments under the plan would not get out of control under those circumstances.

Mr. BASFORD: So it is true to say then, Mr. Chairman, that because of these provisions it is not true to say that the pension plan would contribute to inflation?

Mr. LLOYD: No, I think it is more correct, if I may suggest, Mr. Chairman, that the application of the index in the manner that is proposed in the act will prevent benefits being related to runaway inflation. I think that is more to the point.

Mr. MONTEITH: It will prevent the benefits causing further runaway inflation, or contributing further.

The CHAIRMAN (*Mr. Cameron*): Have you got the matter clarified to your satisfaction, Mr. Basford?

Hon. Mr. SMITH (*Queens-Shelburne*): Is the approach that is made to this particular problem in the United States similar to the approach that we are making in this legislation?

Dr. WILLARD: No, Mr. Chairman. The United States has not followed this procedure, but we have appended to the proceedings of the committee an article which discusses the various countries in which the cost of living adjustment has been provided for in different legislation, and previously in my testimony I did list several countries where this is being done.

Hon. Mr. SMITH (*Queens-Shelburne*): Yes, I remember well now. The other question I had in mind was: Do you know of any private pension plans that are now in existence which make note of this problem, and attempt to do something about it? Is there any such thing with regard to private pension plans as a pension index?

Dr. WILLARD: Mr. Chairman, this question was asked, and Mr. Osborne tells me that the answer to that is in the process of preparation, so we hope to have something for you on that soon.

Mr. CÔTÉ (*Longueuil*): Maybe there is something I missed in your explanation, but how come there is such a big difference between the consumer index and the pension index? They start in 1926 at the same amount, and in 1963 there is such a big gap.

Mr. OSBORNE: Mr. Chairman, this illustrates the effect of the two per cent ceiling we have just been talking about provided for in clause 20, paragraph two where it says multiplied by 1.02. That provides for a two per cent ceiling on the annual increases in the pension index, so that in a period where the price index has been increasing more rapidly than at the rate of two per cent per year, then the pension index will be higher, as Mr. Knowles has pointed out.

Mr. MUNRO: I would assume when Mr. Willard said that if there was too much disparity, that is where parliament could intervene and do something about it. Say this had been in operation since 1940, and there was a disparity between 133 and 103, would that be the type of example you are referring to?

Dr. WILLARD: That is correct, Mr. Chairman, in other words, this provides for reasonable adjustment according to changes in the cost of living. It does not provide for the situation where you may have abnormal situations, and that is where parliament would have to decide in the light of the circumstances at the time what should be done.

Mr. LLOYD: Mr. Chairman, if I may try this for words to describe it, you are in effect proposing a type of legislation which limits the power under the authority to the officers responsible for the provisions of this bill in such a way that they can only permit a maximum increase at the one or two per cent limits in each year. What you say, in essence, is that any increase beyond that should have a reference to parliament before any action should be taken?

Mr. MUNRO: No, not exactly.

Mr. LLOYD: They must have taken the position that they wanted to limit the power.

Dr. WILLARD: I think, Mr. Chairman, it is fair to say that it places limits on the automatic adjustment.

Mr. LLOYD: And therefore compels reference to parliament if the consumer index gets out of line?

Mr. CHATTERTON: To what does the pension index apply?

Dr. WILLARD: It applies to the ceiling first of all, and therefore it is quite important. Beginning in 1968 there are eight years when the ceiling will be adjusted by the Pension Index. It applies to the flat rate benefits to keep them in line with living cost changes. In this regard you have to keep in mind the old age security legislation. This means the $75 and the flat rate allowance of $25 are adjusted by the Pension Index. It also applies in the case of the earnings related benefits in pay, which consist of the flat rate component and the earnings related component. It also applies to pensions in pay under the old age security benefit.

Mr. KNOWLES: In other words, it applies to any pension that is in pay, either under the Canada Pension Plan proper, or under the old age security?

Dr. WILLARD: Yes.

Mr. KNOWLES: One other question, Mr. Chairman: I gather that the pension index will be given in points, such as we have it here in the table, where it goes up, for example, from 130.7 to 133.0, that is from 1962 to 1963, but that when this is related to increases this is done in percentages? In other words, this increase that looks like 2.3 points is two per cent when it is applied to the amount of the pension?

Mr. OSBORNE: Mr. Chairman, the method by which the pension index is applied to the pension benefit is spelled out in clause 45, and we will see that we relate the pension index for one year to the pension index for the previous year, and multiply the pension in pay by that ratio.

Mr. KNOWLES: It is also in respect to the Old Age Security Act, so no matter what fractions we may get in the pension index, any increase because of it will be the round figure of either one or two per cent.

Some hon. MEMBERS: No.

Mr. OSBORNE: May I refer you to some examples in the right hand column. In the year 1961, 129.2 represented strictly a one per cent increase over the previous year, but the figure for 1962, 130.7, is between one and two per cent.

Dr. WILLARD: It would be at least one per cent, not more than two per cent, but it could be somewhere in between.

Mr. KNOWLES: Oh, it could be between one and two per cent?

Dr. WILLARD: Yes.

Mr. KNOWLES: Thank you.

Mr. OSBORNE: In the answers tabled yesterday to questions regarding the United States program, which all the members have not had a chance to see, it was pointed out that when the United States went through this same period of price increases that is shown here, they found it necessary to drop out earnings between 36 and 50 in the calculation of benefits. This answer was tabled, but you have not had a chance to see it yet.

With regard to the two tables on the earnings index, the only difference between these is that one assumes that the earnings increase at the rate of three per cent per year, and the other assumes that earnings increase at the rate of four per cent per year. I regret I did not provide a table which would also show what would happen if there were a decrease in earnings.

The top table, the three per cent table, illustrates paragraph four of clause 21, how the employees' actual average earnings would be determined for a year from the T-4 slips, as Dr. Willard has described. You can see as the period passes from 1966 through to 1981 provision has been made here in the example for strictly a three per cent increase from one year to the next in earnings. This is how these figures have been derived. In actual fact they would be derived from the experience that is shown up on the T-4 slips from one year to the next. Then, taking the first eight of the figures there, the figure $4,227 through to $5,199, the period 1966 to 1973, these eight figures would be averaged and the average would be $4,699 in this example, $4,699 dollars. That is the first figure shown in the second row under 1975. That illustrates paragraph two of clause 21, the calculations of employees' average earnings in the base period.

Mr. CHATTERTON: Before we go farther, can you tell us what this index applies to?

Mr. OSBORNE: Yes, sir. The earnings index applies to the ceiling on contributory earnings from the year 1976 on.

Mr. CHATTERTON: So that 1976 would be the first year for which it is necessary to calculate the earnings index?

Mr. THORSON: Clause 17, Mr. Chatterton.

Mr. OSBORNE: But you must remember, Mr. Chairman, that in turn the earnings ceiling in itself is used to escalate the earnings record, and the method of doing this is set forth in clause 51. Then paragraph three of clause 21 refers to the moving average, eight year moving average of employees' average earnings. In the example before you, for the period 1967 to 1974, it is from $4,354 to $5,355. When these eight figures are averaged, you obtain $4,840, and that is the figure shown under 1976 as the eight year moving average for that year, and similarly $4,985 is the eight year average for the year 1977, and so on.

Dropping down to the third row, the earnings index itself is defined in paragraph 1 as being the ratio of the 8 year moving average to the 8 year fixed average, the average in the base period, and if you just look at those figures, you will see that for the year 1976 the earnings index is the ratio of $4,842-$4,699. The denominator remains the same.

Mr. MONTEITH: Throughout?

Mr. OSBORNE: Throughout, but the enumerator increases or decreases, depending on the trend in earnings, as expressed by this 8 year moving average.

The row just below that shows you what the index would be in percentage: 1.03 in 1976; 1.061 in 1977; 1.093 in 1978, and so on.

Mr. CHATTERTON: I am curious as to why an eight year period was chosen, rather than 10 years, for the moving average?

Mr. OSBORNE: You will recall that in Bill No. 375 there was a three year moving average provided for. When the ceiling was put up to $5,000 it was considered desirable to hold the effects of the earnings index on the ceiling down by means of a longer period, so we spread it over eight years, instead of three years.

Mr. KENT: Perhaps it should be added that the reason for the eight years is so that the first adjustment is made at the end of the 10 year transitional period.

Mr. OSBORNE: The next line takes you back to clause 17, where the year's maximum pensionable earnings are described, or defined. This illustrates the way in which the earnings index is used to increase the ceiling. As footnote A indicates, for the first 10 years of the program the earnings index will not be used.

Mr. LLOYD: Mr. Chairman, before you go too far afield, the $4,699 base, does that continue right through, indefinitely?

Mr. OSBORNE: Yes.

Mr. KNOWLES: As far as we need to worry about it.

Mr. OSBORNE: Maybe I could point out the purpose of this. It was established that $5,000 would be the earnings ceiling to begin with. This was considered to have some relationship to average earnings, but average earnings are around $4,000, depending on what measure you use of average earnings. It was intended that the same relative relationship should be maintained between the average earnings and the ceiling; the average earnings would be somewhat below the ceiling. It will depend on what the ceiling is in 1975 what this permanent relationship will be. In the example here the relationship will be $5,800 to $4,699.

Mr. CHATTERTON: The exemption is not affected by the earnings ceiling?

Mr. OSBORNE: Yes sir. The exemption is defined as 12 per cent of the earnings index.

Dr. WILLARD: So as the ceiling is adjusted the exemption adjusts.

Mr. KNOWLES: We are dealing with something here which is not subject to change of method of computation?

Mr. OSBORNE: It is a built in method.

Mr. KNOWLES: So that is the reason this figure of $4,699 is almost a norm; it is almost a 100 from then on?

Mr. OSBORNE: It supplies a constant fraction which will be applied against the moving average in the future.

Mr. KNOWLES: Of course this is just an assumption that it is $4,699. It might come out at $4,700?

Mr. OSBORNE: It is purely coincidence, the next page is $4,869.

The fifth row, the earnings ceiling, the year's maximum pensionable earnings is held at $5,000 for the first two years; for the next eight years it will increase according to the pension index, and in the example here we have simply assumed that this will amount to $100 a year. So you will notice each one of these goes up by $100, until 1975. Thereafter the earnings ceiling will change with the earnings index, so that 1.03 times $5,800 gives you a new ceiling of $5,900 in 1976, recognizing that this has been rounded down to the nearest $100. Then 1.06 multiplied again by 5,800 yields a ceiling of $6,100, rounded.

Mr. MONTEITH: Working back on the $4,800.

Mr. OSBORNE: Yes sir, $5,800 becomes the figure to use to eternity. Now, Mr. Chairman, I do not think it is probably desirable to go on to the last three lines here, because they relate to clause 51 in part II of the bill. Then hon. members may want to study this, and we can come back to it when we are dealing with that clause.

The CHAIRMAN (*Mr. Cameron*): Is that agreed?

Some hon. MEMBERS: Agreed.

The CHAIRMAN (*Mr. Cameron*): Are there any further questions? Please proceed to clause 22 then, Mr. Thorson.

Mr. THORSON: Thank you, Mr. Chairman. Division C of the bill deals with the collection of contributions by employees and employers. There is a separate division, division E, dealing with the collection of contributions in respect of self-employed earnings, and we will be coming to that in clause 31. Clause 22 (1) imposes an obligation on an employer to deduct and remit as prescribed both his own contribution and the contribution of his employee. The deduction and remittance would be in accordance with regulations.

Paragraph 2 establishes the liability of an employer to pay to the crown any amount that he may have failed to deduct and remit as prescribed. It makes it clear that the amount that he failed to deduct and remit is payable to the crown. Paragraph 3, the rather long paragraph on page 18, deals with the situation where an employer has been advised, either by the minister or on an appeal, that he is not required to deduct from the remuneration that he pays to a particular employee the employee's contribution. The provision goes on to say that except where the advice that the employer received was based on incorrect information furnished to the minister by the employer, the employer is not liable for what it turns out should have been deducted by him up to the time the advice was received by him, but he then becomes liable to make the employer's contribution. There is, in effect, a forgiving of the employee portion of the contribution.

Mr. MONTEITH: This is for something just sort of in arrears that he has been made aware of?

Mr. THORSON: He may have been proceeding on the assumption that a certain class of employee was not covered as being in pensionable employment. He may have been advised in those circumstances that he was not required to make the contribution, and subsequently it is determined that he should have made the contribution. In that case he is not required to pay the employee's share, but he is required to pay the employer's share.

Mr. CHATTERTON: Is the minister required to pay back the shortage?

Mr. KNOWLES: Which minister?

Mr. THORSON: Where the employer has paid his own contribution as described in this paragraph, the employee whose contribution should have been deducted and withheld is then credited with having made the contribution that he ought to have made, as it turns out. In this way he is treated in the same fashion as though the employee had notified the minister under clause 14 of the bill of the employer's failure to make the deduction.

We might perhaps have mentioned in passing, in dealing with clause 14, that this is an additional protection afforded to employees, that they may, where an employer failed to make the deduction, notify the minister of the employer's failure to deduct, in which case they are credited with having made the employee's contribution.

Subsection 4 is perhaps self-explanatory. It deals with the case of the employer who fails to deduct a prescribed amount when he ought to have deducted it. It authorizes him, in such circumstances, to make a deduction from any subsequent payment of salary or wages to his employee made by him within 12 months from the time he should have made the original deduction. There is, however, a rider to this, that no employer deduct from a payment of remuneration to his employee a greater amount than the one prescribed amount that he previously failed to deduct.

Mr. MONTEITH: Could you say that again, please?

Mr. LLOYD: He would be paying for his own mistakes.

Mr. THORSON: He may go back and deduct from the employee's pay an amount that he should have deducted but did not deduct in a previous month. This, however, provides a limitation on the amount that he may deduct at any given period. It is designed to ensure that there will not be a case where the take home pay is totally eliminated by any offset.

Mr. MONTEITH: What is he then limited to? Will the amount that he will deduct from the 12 months cover the one year, or is it one pay period, or what?

Mr. THORSON: He is not allowed to recover from any one payment of remuneration an amount greater than the amount he failed to deduct from a single previous payment.

Mr. MONTEITH: From a single previous payment meaning one pay period?

Mr. LLOYD: May I ask a question? If he had missed, for some reason, 12 deductions, would it take him in the future 12 deductions to catch up?

Mr. THORSON: That is correct. However, he cannot go back more than 12 months by this technique.

Paragraph 5 can, I think, be regarded as a safeguard to the employer. It provides that where an amount has been deducted as required by the act, then the amount so deducted is deemed, for all purposes, to have been received by the employee to whom the remuneration was payable. The explanation is that the employer may be contractually obligated to the employee to pay a stipulated amount, and the purpose of this provision is to make it clear that the employer is not in default of his contractual obligation in a case where he deducts the amount required by the law and remits it to the Receiver General of Canada.

Mr. KNOWLES: Does this not contradict the later provision about the income tax?

Mr. THORSON: I do not believe so. I am not quite clear on your question.

Mr. KNOWLES: Maybe I am thinking of something else, but is there not a provision that these payments are to be income tax deductible?

Mr. THORSON: That does not affect this situation.

Mr. CHATTERTON: Is it proposed that a pamphlet should be issued so that the ordinary person can understand the measure of deduction?

Mr. SHEPPARD: Yes, it is. We have a tax deduction table now, but there will have to be another table explaining this in precise terms.

Mr. THORSON: My comment, Mr. Chairman, would be that these are precise terms.

Mr. CHATTERTON: That is what I was afraid of.

Mr. SHEPPARD: I should have said "in layman's language".

Mr. THORSON: Paragraph 6 imposes a penalty on any employer who fails to deduct and remit the amount he should have at the time when he was required to do so. The penalty is in the amount of 10 per cent of the amount that he failed to remit or $10, whichever is the greater. There is an additional requirement that he should pay interest at the rate of 10 per cent per annum on the amount that he failed to remit.

Mr. MONTEITH: Are there any other acts under which a 10 per cent interest as a penalty is required to be returned?

Mr. SHEPPARD: This is similar to the corresponding section to the one in the Income Tax Act where it is required to be paid on failure to remit a tax deduction.

Mr. KNOWLES: Into what fund does this penalty go?

Mr. MONTEITH: So he pays a penalty of 10 per cent, but there is an interest at the rate of 10 per cent per annum. Is that similar?

Mr. SHEPPARD: That is similar.

Mr. KNOWLES: My question was: Into what fund does that penalty money go? Does it go into the Canada pension fund, or does it go into the receiver general's fund?

Mr. THORSON: Most clearly it is credited to the consolidated revenue fund.

Mr. KNOWLES: We may be dealing with small amounts, but I could imagine a situation where an employer had been in default for some considerable time, and in effect the pension fund had lost interest. Should not at least the interest thereon go into the pension fund?

Mr. THORSON: I would like to reserve that question, Mr. Knowles. I think the way the bill is written now, any such penalties would be credited directly to the consolidated revenue fund and would not be credited to the pension account.

Mr. MONTEITH: Penalties and interest?

The CHAIRMAN (*Mr. Cameron*): Mr. Thorson, do you want to reserve that answer until later?

Mr. THORSON: Yes, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): Are you through with your explanation, Mr. Thorson? Are there any questions on clause 22?

On Clause 23—*Minister may assess amount payable.*

Mr. THORSON: Clause 23 deals with assessments made by the minister of amounts payable by employers under the act. Paragraph 2 provides that the minister, upon assessing an employer, is to send a notice of assessment to the employer, and that notice has the effect that the assessment is deemed to be valid and binding subject only to appeal under the act. I would point out that there is not a fixed obligation on the minister to issue an assessment in the circumstances.

Mr. MONTEITH: There is no fixed obligation to give the employer a complete clearance?

Mr. THORSON: There is no obligation to issue an assessment to the employer. In the ordinary course of events the employer would deduct and remit as required, except where there might be a deficiency in the contribution, and there would probably be no necessity for issuing an assessment.

Mr. CHATTERTON: Under what circumstances would the minister issue an assessment?

Mr. THORSON: Where the amount paid by the employer was contended by the minister to be insufficient.

Mr. MONTEITH: Might an employer have the opportunity of requesting an inspection to see whether there could be an assessment or not, or to know whether he was clear on that?

Mr. THORSON: Yes. He has full appeal rights as regards his obligations as an employer under part 1.

Mr. CHATTERTON: What Mr. Monteith meant, I think, was not the appeal but the request for an assessment.

Mr. THORSON: Under the clause which I have perhaps loosely termed an appeal clause, he has the right to appeal to the minister for the determination of any questions concerning coverage of his employees.

Mr. CHATTERTON: Are there any other questions on clause 23?

Mr. THORSON: I might perhaps mention paragraph 3.

Mr. MONTEITH: I have a question on paragraph 1, It is said there: "any such re-assessment or additional assessment". Under these conditions does the employer ever get a clearance?

Mr. THORSON: Yes, I think paragraph 3 deals with that point, Mr. Monteith. You will see that under paragraph 3 there is in effect a limitation of four years on the right of the minister to re-assess. There is also, I should say, a limitation of four years on the right of the minister to issue an original assessment, which is something not found in the Income Tax Act.

The CHAIRMAN (*Mr. Cameron*): Are there no further questions on clause 23?

Mr. CHATTERTON: Coming back to clause 23, to this four years lapse, is the employer completely absolved, after four years, from prosecution of any kind under this act?

Mr. THORSON: There is a limitation on the right of the minister to issue any assessment or re-assessment at the end of the four years. There could be circumstances however where there was a debt outstanding, and that debt, notwithstanding the lapse of four years, would continue to be a debt owing to the crown.

Mr. CHATTERTON: Suppose there was a contribution due by the employer. After four years there is no recourse to the courts in any way.

Mr. THORSON: The minister in these circumstances would not have open to him the opportunity to proceed by way of assessment. But he might still be able to contend that there was a debt owing to the crown.

Mr. CHATTERTON: Under this legislation?

Mr. THORSON: Yes, under this legislation. But he could not proceed by way of assessment fixing the amount owing by the employer to the minister.

Mr. CHATTERTON: Suppose the employer deliberately withheld it, even after four years?

Mr. THORSON: Yes, there is express provision under subclause (3) of clause 23 to deal with cases involving fraud or misrepresentation.

The CHAIRMAN (*Mr. Cameron*): Now we come to clause 24.

On Clause 24—*Recovery of contributions, etc. as debt due to Her Majesty.*

Mr. THORSON: Clause 24 provides that all contributions, interest, penalties and other amounts payable by an employer under this act are debts due to Her Majesty and recoverable as such in the usual way. Subclause (2) of the same section makes applicable certain provisions of part III of the Income Tax Act to the collection of contributions from employers under this bill. Part 3 of the Income Tax Act, I might explain, is the part which deals with administration.

Mr. CHATTERTON: What provision is there for opting out provinces in that case? Must they have a similar plan?

Mr. THORSON: Yes, they would be required to have similar provisions in their legislation.

Mr. LLOYD: When opting out, you have to have a law which is similar to the tax law but at the provincial level.

Mr. THORSON: If the approach should follow the approach that we have followed in this bill, yes.

Subclause (3) of the same section imposes the obligation on the employer to keep any moneys that he has deducted on account of the employee's contribution separate and apart from his own money. The money must be kept separate and apart and it is regarded as being held in trust for the crown.

Mr. MONTEITH: Is this not the way that income tax deductions are treated?

Mr. THORSON: Yes.

Mr. MONTEITH: It must go into a separate trust account.

Mr. THORSON: They regard this as being in effect trust money.

Mr. BASFORD: What priority is there between claims under this section and for money that has been held in trust, let us say, under the Unemployment Insurance Act? Should there be a bankruptcy, what would be the priority of the claims?

Mr. THORSON: This legislation does not attempt to assert any priority as to different crown claimants. You will see that subclause (4) deals with the consequences of liquidation and bankruptcy, and in that case it is provided that the funds held are deemed to be held in trust for the crown under subclause (3), and that they form no part of the estate in bankruptcy; so that they are not to be deal with in the ordinary way as part of the bankrupt estate. To this extent there is an assertion of prior claim.

Mr. CHATTERTON: Who has the prior claim on that part of the estate? Is it the income tax or the pension plan?

Mr. THORSON: There is no assertion of priority as between the two classes respecting crown money. They are both moneys held in trust for Her Majesty.

Mr. CHATTERTON: It need not necessarily be applied to the Canada pension plan?

Mr. THORSON: Not necessarily.

The CHAIRMAN (*Mr. Cameron*): They would both appear to be equal.

Mr. THORSON: I presume they would.

Mr. BASFORD: There could be special circumstances where you could make collection.

Mr. THORSON: That is right; it would depend on how the funds have been kept. If they have been merged, then there might be a special problem. But in the ordinary case they would be kept in separate accounts, as this bill directs.

Mr. MONTEITH: Is it directed that pension payments shall be kept in separate trust accounts and apart from income tax deductions?

Mr. THORSON: Yes, it directs that contributions shall be kept separate.

Mr. KNOWLES: They are to be kept separate and apart from his own moneys.

Mr. THORSON: Yes.

Mr. KNOWLES: That is the same language, is it not, that is contained in the Income Tax Act?

Mr. THORSON: That is so, Mr. Knowles.

Mr. MONTEITH: So there must now be two trust accounts.

Mr KNOWLES: They are not really provided for yet.

Mr. THORSON: No, they are not.

Mr. CÔTÉ (*Longueuil*): This provides for money collected from an employee. But must the part which the employer is supposed to pay go into the same trust account?

Mr. THORSON: No. The employer's share is a direct obligation on the employer to the crown. This is dealing with the trust aspects of money that the employer has deducted from the amount paid to his employee. He has to hold this money as trustee in trust for the crown. It is not a complete answer to Mr. Knowles, but subclause (5) may be of some assistance in the case which he mentioned. This subclause provides that a trustee in bankruptcy must, before distributing any property under his control, obtain a certificate from the minister certifying that all the contributions have been paid. That of course refers to contributions under this Act.

Mr. KNOWLES: Is that not very similar to the requirement in the Income Tax Act?

Mr. THORSON: Yes, it is.

Mr. KNOWLES: So that in the event of an employer becoming bankrupt and leaving an amount not sufficient to cover both what he owes to the Canada pension plan and what he owes as income tax, this could create a problem. While the crown would get all the money, how would it be divided up?

Mr. THORSON: Yes, there may be a problem in such a case.

Mr. KNOWLES: Going back to the earlier assurance given us in the case of the employee's position, he is protected.

Mr. THORSON: Yes, he is. If one looks into the allocation of funds, it would indicate how the crown would be dealt with as to its entitlement to the money in those circumstances.

Mr. LLOYD: What happens if there is bankruptcy and even the funds which are supposed to be set aside are not in fact set aside? The employee's portion has not been paid, or the employer's portion has not been paid; in other words a deficiency arises in payments. How do you protect yourself?

Mr. THORSON: May I refer you to subclause (4) which provides that in the event of bankruptcy an amount equal to the amount which according to this subclause (3) is deemed to be held in trust for Her Majesty, shall be deemed to be separate, and to form no part of the estate in bankruptcy, whether or not that amount has in fact been kept separate in the past, or separate from the employer's own money, or from the assets of the estate. So in fact there is a statutory trust impressed upon this fund.

Mr. LLOYD: There could be a crown loss.

Mr. CHATTERTON: Should there be no money under the liquidation, would the employee suffer?

Mr. THORSON: No, the crown of course would be unable to recover the amount of the contribution owing by the employer, but the employee's position is protected.

Mr. BASFORD: Under what section is that provided for, I mean the employee's protection?

Mr. THORSON: It is clause 14. As far as that section is concerned I might refer you to paragraph (b) of subclause (1) and also to subclause (2) of clause 14. Both of these provide protection to the employee.

Mr. BASFORD: This is his protection?

Mr. THORSON: Yes.

The CHAIRMAN (*Mr. Cameron*): Are you satisfied now, Mr. Basford?

Mr. BASFORD: Except for the fact that Mr. Thorson said he would look into this matter of priorities; and I wish he would do so.

Anyone who has anything to do with bankruptcies gets a little fed up with three separate federal agencies instead of one.

Mr. THORSON: I do not think that is the problem. It is pretty clear that the crown is protected in this type of claim, as under the tax law.

As I understand it, the question posed by Mr. Knowles is one relating to priority of application of the proceeds as between ordinary tax revenues and pension contributions.

Mr. BASFORD: That is what I am directing my thought to also. One gets tired of having the income tax department, the unemployment office and now the Canada pension plan office saying that this one lump of money is theirs.

Mr. KNOWLES: In this case the minister is the same as the minister who deals with you for income tax.

Mr. MUNRO: Mr. Chairman, we left clause 14 with the understanding that we would deal with it when we came to a later section. I wonder if it would be appropriate to deal with it now.

Mr. THORSON: That would be perfectly convenient, Mr. Munro.

On Clause 14—*Salary and Wages on which Contribution made.*

Mr. THORSON: I believe I mentioned that this clause defines the amount of salary and wages of a person on which a contribution is regarded as having been made. The expression is used in clauses 10(1)(b), 12(3)(b) and 53.

Mr. SHEPPARD: I think I could give just a brief illustration or explanation of what this clause is trying to do.

A contribution is made from an employee and the amount of that contribution is 1.8 per cent, but that is calculated on a certain dollar figure. This is trying to define what this dollar figure is, and it is useful for two main purposes.

First of all, in regard to the self-employed person you deduct this dollar amount from the amount of the maximum contributory earnings. This sets the revised maximum with which the self employed earnings are compared to determine the amount of self employed earnings upon which a contribution is required at 3.6%.

It is also used in connection with clause 53 which has a bearing on the amount of pensionable earnings for which the man will be entitled to receive a credit. I think it might be better to leave that feature of the matter until we get to clause 53.

In this definition of clause 14 the employee not only gets credit for the amount actually deducted, whether or not it is remitted, but he also gets credit for certain amounts for which he has made a complaint, as Mr. Thorson says, under clause 14(1)(b).

In addition to that, he gets credit for anything we collect from the employer on his behalf, whether he makes a complaint or not.

Essentially, I think that covers the various things that go into this.

The CHAIRMAN (*Mr. Cameron*): Are there any other questions?

Mr. BASFORD: Why cannot the act just say that the employee's rights are not prejudiced by failure to remit or to deduct? This is what my concern was.

Mr. KNOWLES: Are you not a lawyer?

Mr. BASFORD: We are concerned about an employee whose employer fails to remit contributions or to deduct. Why cannot the act just say that the employee's rights are not prejudiced thereby?

Mr. THORSON: What we are attempting to ensure here is that the amount on which he has paid a contribution must be credited for pension purposes, and this amount must be known.

Mr. CHATTERTON: It is not necessarily based on the amount of the deduction made by the employer?

Mr. THORSON: No.

Mr. CHATTERTON: It is based on the amount which should have been deducted?

Mr. THORSON: That is right.

Mr. SHEPPARD: If an employee makes a claim under clause 14 (1) (b) or it is paid by the employer on the employee's behalf under clause 14 (2).

Mr. BASFORD: So the employee has to make the complaint before April 30 of the following year?

Mr. THORSON: Yes, but if the employer is sued for the amount of any deficiency, and pays it, similarly the employee is protected whether or not he notified the minister within the time specified in paragraph (b) of subclause (1).

Mr. BASFORD: Well, I would like to go into that later on.

On Clause 25—*Books and Records.*

Mr. THORSON: Clause 25, Mr. Chairman, deals with the keeping of books and records and imposes an obligation on an employer to keep such books and records as will enable the contributions payable under the act to be determined.

The CHAIRMAN (*Mr. Cameron*): Are there any questions on clause 25?

Mr. CHATTERTON: Mr. Chairman, are you going to adjourn at 5.30 or will you continue until six?

Mr. MONTEITH: I suggest we adjourn at 5.30.

The CHAIRMAN (*Mr. Cameron*): It is now 5.15. I thought we might continue until six o'clock, but it is up to the members.

Mr. CHATTERTON: May I suggest we adjourn at 5.30?

The CHAIRMAN (*Mr. Cameron*): Is that agreeable to the members?

Mr. LLOYD: I would agree if we are going to the house to vote.

Mr. BASFORD: The next sections are mechanical and might be dealt with fairly quickly.

The CHAIRMAN (*Mr. Cameron*): Is everyone in favour of adjourning at 5.30? Is anyone opposed?

It is agreed that we shall continue until 5.30 and we will meet again on Monday at 3.45. However, I would suggest that if there are no orders of the day at that time we might meet at 3.30.

Mr. MONTEITH: You have called a steering committee meeting for 2.30, Mr. Chairman.

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

Mr. MONTEITH: That would be immediately after the opening?

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

We still have a few minutes.

On Clause 26—*Inspection.*

Mr. THORSON: The next group of sections are, as one member commented, of a mechanical nature. Clause 26 contains powers of inspection of books and records. I think it is familiar to most people who have a knowledge of the taxing acts.

I do not know whether there are any questions on this clause.

Mr. CÔTÉ (*Longueuil*): Will the inspectors be the same inspectors as those working for the tax department?

Mr. SHEPPARD: This particular operation is what you might call a payroll audit as distinct from an assessment of income tax so there could be different inspectors from the ones who examine your tax return; but they are all attached to the one office.

Mr. MONTEITH: There are no regular powers really though, as applied in the Income Tax Act, they are similar.

Mr. THORSON: Yes, they are quite similar to the provisions of the Income Tax Act. They do contain some of the modifications included originally in the Estate Tax Act, I believe in 1958. In other words, there are some minor differences between the provisions of this bill and the provisions of the Income Tax Act, but the provisions of this bill follow quite closely those of the Estate Tax Act.

On Clause 27—*No action against person deducting. Receipt of Minister sufficient discharge.*

Mr. THORSON: Clause 27(1) provides that no action lies against any person for making any deduction in compliance or intended compliance with the provisions of this act. This is designed to protect the employer against actions brought in relation to deductions made for the employee's contribution.

Mr. MONTEITH: This just protects the employer, he having made the deduction?

Mr. THORSON: Yes.

Mr. MONTEITH: What if he makes an over-deduction by mischance?

Mr. THORSON: It is refundable.

Mr. CÔTÉ (*Longueuil*): Is it an action by the employee?

Mr. THORSON: Yes, the employee would make an application at the close of the year for a refund.

The CHAIRMAN (*Mr. Cameron*): Are there any further questions on clause 27?

On Clause 28—*Determination of questions by Ministers.*

Mr. THORSON: Clause 28, Mr. Chairman, deals with the determination of questions by the minister. The questions referred to are questions arising under the act as to whether a person is required to make a contribution as an employee for a year or as an employer with respect to an employee or as to the amount of such contributions.

In these circumstances he has a right to apply to the minister for a determination of the question.

Mr. CHATTERTON: The right to make a determination?

Mr. THORSON: Yes.

As we progress we will see that if the employer or the employee is dissatisfied with the determination made by the minister he has a further right of appeal to the pension appeals board.

Mr. MONTEITH: Are we still under a "she" minister?

Mr. THORSON: This is the Minister of National Revenue.

Mr. KNOWLES: In this case "he embraces she"!

Mr. MONTEITH: I thought Mr. Thorson said "she was".

Mr. CHATTERTON: I said "she".

Mr. MONTEITH: I am sorry.

Mr. THORSON: Subclause (2) deals with the time within which any such appeal must be brought.

Subclause (3) deals with the notice requirement. Subclause (4) deals with the form of any application on the appeal to the minister, and the method by which notice is to be sent to the deputy minister of national revenue.

Subclause (5) imposes an obligation on the minister upon any such appeal being made to determine with all due dispatch the question raised by the application. Thereupon he has to notify the employer or employee, as the case may be, of the result of the determination.

Mr. CANTELON: With all due dispatch.

Mr. MONTEITH: Yes, with all due dispatch.

Mr. THORSON: Subclause (6) contains a limitation setting out the consequences of faiure to make an application on or before the 30th day of April in the year following the year in which a contribution should be made. Where no amount has been deducted or paid on the April 30 following—I am sorry, I am getting confused.

Mr. CHATTERTON: Can you imagine our position if even Mr. Thorson is confused.

Mr. THORSON: I cannot read my own provisions here. I have a note which indicates that the subclause provides a degree of protection and finality for both the employer and the employee, but primarily for the employer.

By the 30th April in the year following the year in which contributions are required to be made, the employee will have his T-4 slip showing his earnings and his contributions for the previous year. If he does not raise any question about the amount that was deducted within that period, then it is assumed by this subclause that the amounts are correct. This provision, therefore, would prevent the employee deliberately not questioning the amount that was deducted or the fact that indeed no amount was deducted until a number of months had elapsed after the deduction should have been made, with the result that because he deliberately avoided opening up this matter, the employer would have become liable under subclause (2) of clause 22 for the part of the employee's contribution that was not deducted at the proper time.

Mr. CHATTERTON: The employer has to April 30 only of the following year.

Mr. THORSON: Yes. By that time he is in full possession of all the informatio through his T-4 slips.

Mr. CHATTERTON: That is the final date on which he can make an appeal.

Mr. MONTEITH: I agree that this is all very cut and dried, but knowing how some bookkeeping systems are operated in the small town of Stratford, I would think there are apt to be some errors creep into it in the first year or two. In the first year must he make his application by April 30?

Mr. SHEPPARD: I might add that there is one provision at the bottom of clause 6 which says that nothing in that subclause affects the right of the minister to determine any of these questions on his own initiative. To carry it a little further, if as a result of the payroll audits that are conducted we are able to collect the amount the employer should have paid in the case of that particular employee, then the employee would get credit for it whether or not he had complained.

Mr. CHATTERTON: Does the deadline of April 30 limit his right of appeal?

Mr. SHEPPARD: Yes. It limits his right of appeal according to the provisions of the act.

Mr. MONTEITH: Even in the first year of operation there is no alternative but that this clause have effect. I can visualize a lot of businesses, with the best intent and trying to do what they think is right, no having had an opportunity to have a payroll audit and who may not have one for another year. The person may be very willing to make any adjustments which are necessary and he even might be overpaid, and so on. Under these conditions, in the first year or so of operation has he no right of notification beyond April 30 of the following year?

Mr. SHEPPARD: The employee has no legal right, but so far as the minister is concerned, the intent is to be reasonable about these things and to make the payroll audits which are necessary, and if we succeed in collecting the money, then he would get credit even if he had not appealed on April 30; he gets credit if he appeals by April 30 whether or not we collect from the employer.

Mr. MONTEITH: This clause applies to the employer also?

Mr. SHEPPARD: Oh, yes. It applies to the employer also in so far as collecting the money is concerned. The minister is not prevented from collecting the employer's or the employee's contribution even though no appeal was made on April 30.

Mr. MONTEITH: I would like to come back to the small time bookkeeper or office or business which perhaps does not have very many employees. The proprietor may keep his own books, and so on, and may not have correctly interpreted the act. I am quite convinced this very readily could happen; the employer may have deducted too much and remitted too much. In this case, does he have anything beyond the April 30 limit?

Mr. SHEPPARD: If he deducted too much, he would obtain a refund under section 39 (2) or (3). Mainly, what this is talking about really is not the odd clerical error but rather things of substance such as where there is a contract of employment.

Mr. CHATTERTON: Where the employee even after April 30 thinks he has been short changed by the employer, could he ask the minister to make a determination?

Mr. SHEPPARD: Yes, if it is not the right thing to do. We would not want an employee to wait 3 years and then tell the minister after he has left his employer that he should collect the employee contribution from the employer.

Mr. MONTEITH: Is there anything in subclause (7) on which we have not touched?

Mr. THORSON: Subclause (7) is concerned with the manner in which the minister is obliged to give notice. Some special rule has to be provided to deal with cases where there may be a great many employees involved in the determination of a question. It would not be practicable that the minister notify each and every employee individually. This provides a means whereby the notice may be given in accordance with a procedure to be enunciated by regulation.

The CHAIRMAN (*Mr. Cameron*): May we deal with clauses 29 and 30 which appear to be related?

On Clause 29—*Appeal to pension appeals board.*

Mr. THORSON: Clause 29 provides the further right of appeal which I mentioned a few moments ago from the decision of the minister to the pension appeals board. The pension appeals board is constituted under, and the terms of its constitution are contained in, part II of the bill. This again refers to part II.

Mr. KNOWLES: Even though the pension appeals board is set up by part II, it is the one board which deals with payments in and benefits out.

Mr. THORSON: Yes; it has jurisdiction both in relation to pensions and to benefits.

Mr. CHATTERTON: The appeal board itself can extend the 90 days.

Mr. THORSON: Yes, by leave of a member of the board.

On Clause 30—*Decision of minister or pension appeals board final and binding.*

Mr. THORSON: Subclause (1) of clause 30 deals with the authority of the minister and the appeals board respectively to determine questions of fact or law necessary to be decided for the purpose of this part.

Subclause (2) is in respect of the right of appeal to the Supreme Court of Canada, by leave of that court, from any decision of the pension appeals board which involves a question of fact or law and which involves the interpretation or application of section 4 of this act. You will recall that section 4 is concerned with matters of jurisdiction, and we therefore are ensuring that there will be an appeal to the supreme court in such cases should an appeal be necessary.

Paragraph 3 deals with the mechanics of such an appeal.

The CHAIRMAN (*Mr. Cameron*): Are there any questions before I notice it is 5.30?

I want to thank the members for their attendance today. We have accomplished a good day's work.

Mr. MONTEITH: Do we deserve the week end, Mr. Chairman?

The CHAIRMAN (*Mr. Cameron*): You certainly do.

Mr. BASFORD: Mr. Chairman, why are we not meeting on Friday?

The CHAIRMAN (*Mr. Cameron*): The steering committee agreed not to sit on Friday.

Mr. BASFORD: I know it is difficult for committees to meet on Friday, but with no orders of the day it seems to me that we should reconsider that decision.

Mr. MONTEITH: I really think we have done enough this week.

Mr. MUNRO: Just to be accurate let me say that, as I recall the discussion of the steering committee, there was a general preference for not meeting tomorrow but there was no firm decision.

The CHAIRMAN (*Mr. Cameron*): I have not planned for a meeting tomorrow. I assumed it was the general wish of everybody that we should not sit tomorrow. I trust, Mr. Basford, you will agree with the majority opinion on this decision. Thank you very much.

APPENDIX "E"

ILLUSTRATIONS OF EMPLOYEES' ACTUAL AVERAGE EARNINGS, EMPLOYEES' AVERAGE EARNINGS, EARNINGS INDEX, YEAR'S MAXIMUM PENSIONABLE EARNINGS, AND AVERAGE MAXIMUM PENSIONABLE EARNINGS

(average actual earnings increasing at 3 p.c. per annum)

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Employees' Actual Average Earnings from T4 Slips (increasing by 3 p.c. per annum) (Section 21(4))....	4,227	4,354	4,485	4,619	4,758	4,901	5,048	5,199	5,355	5,516	5,681	5,851	6,027	6,208	6,394	6,586
Employees' Average Earnings (Sec. 21(2) and 21(3)).	—	—	—	—	—	—	—	—	—	4,699	4,840	4,985	5,135	5,289	5,447	5,611
Earnings Index (Sec. 21(1)).	—	—	—	—	—	—	—	—	—	—	4,840	4,985	5,135	5,289	5,447	5,611
											4,699	4,699	4,699	4,699	4,699	4,699
or	—	—	—	—	—	—	—	—	—	—	1.030	1.061	1.093	1.126	1.159	1.194
Year's Maximum Pensionable Earnings (Sec. 17)....	5,000	5,000	5,100(a)	5,200(a)	5,300(a)	5,400(a)	5,500(a)	5,600(a)	5,700(a)	5,800(a)	5,900	6,100	6,300	6,500	6,700	6,900
Average Last 3 Maximum Pensionable Earnings (Section 51)..................	—	5,000	5,033	5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,800	5,933	6,100	6,300	6,500	6,700
Ratio Used to Update Earnings to 1981, (Sec. 51).....	6,700	6,700	6,700	6,700	6,700	6,700	6,700	6,700	6,700	6,700	6,700	6,700	6,700	6,700	6,700	6,700
	5,000	5,000	5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,800	5,900	6,100	6,300	6,500	6,700	6,900
or	1.340	1.340	1.314	1.288	1.264	1.241	1.218	1.196	1.175	1.155	1.136	1.098	1.063	1.031	1.000	.971

(a) Assuming Pension Index provides for an increase of $100. for each year from 1968 to 1975.

Research and Statistics Division,
Department of National Health and Welfare,
November, 1964.

ILLUSTRATIONS OF EMPLOYEES' ACTUAL AVERAGE EARNINGS, EMPLOYEES' AVERAGE EARNINGS, EARNINGS INDEX, YEAR'S MAXIMUM PENSIONABLE EARNINGS, AND AVERAGE MAXIMUM PENSIONABLE EARNINGS

(average actual earnings increasing at 4 p.c. per annum)

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Employees' Actual Average Earnings from T4 Slips (increasing 4 p.c. per annum) (Section 21(4))....	4,227	4,396	4,572	4,755	4,945	5,143	5,349	5,563	5,786	6,017	6,258	6,508	6,768	7,039	7,321	7,614
Employees' Average Earnings (Sec. 21(2) and 21(3)).	—	—	—	—	—	—	—	—	—	4,869	5,064	5,266	5,477	5,696	5,924	6,161
Earnings Index (Sec. 21(1)).	—	—	—	—	—	—	—	—	—	—	5,064	5,266	5,477	5,696	5,924	6,161
											4,869	4,869	4,869	4,869	4,869	4,869
or	—	—	—	—	—	—	—	—	—	—	1.040	1.082	1.125	1.170	1.217	1.265
Year's Maximum Pensionable Earnings (Sec. 17)....	5,000	5,000	5,100(a)	5,200(a)	5,300(a)	5,400(a)	5,500(a)	5,600(a)	5,700(a)	5,800(a)	6,000	6,200	6,500	6,700	7,000	7,300
Average Last 3 Maximum Pensionable Earnings (Sec. 51)......................	—	5,000	5,033	5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,833	6,000	6,233	6,467	6,733	7,000
Ratio Used to Update Earnings to 1981, (Sec. 51).....	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
	5,000	5,000	5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,800	6,000	6,200	6,500	6,700	7,000	7,300
or	1.400	1.400	1.373	1.346	1.321	1.296	1.273	1.250	1.228	1.207	1.167	1.129	1.077	1.045	1.000	.959

(a) Assuming Pension Index provides for an increase of $100. for each year from 1968 to 1975.

Research and Statistics Division,
Department of National Health and Welfare,
November, 1964.

APPENDIX "F"

ILLUSTRATIONS OF PENSION INDEX COMMENCING IN SELECTED YEARS

Year	Consumer Price Index (1949=100)	Pension Index[a] Commencing			
		1926	1940	1949	1952
1926	75.9	75.9	—	—	—
1927	74.6	75.9	—	—	—
1928	75.0	75.9	—	—	—
1929	75.8	75.9	—	—	—
1930	75.3	75.9	—	—	—
1931	67.9	75.9	—	—	—
1932	61.7	75.9	—	—	—
1933	58.8	75.9	—	—	—
1934	59.6	75.9	—	—	—
1935	59.9	75.9	—	—	—
1936	61.1	75.9	—	—	—
1937	63.0	75.9	—	—	—
1938	63.7	75.9	—	—	—
1939	63.2	75.9	—	—	—
1940	65.7	75.9	65.7	—	—
1941	69.6	75.9	67.0	—	—
1942	72.9	75.9	68.3	—	—
1943	74.2	75.9	70.0	—	—
1944	74.6	75.9	71.4	—	—
1945	75.0	75.9	72.8	—	—
1946	77.5	77.4	74.3	—	—
1947	84.8	78.9	75.8	—	—
1948	97.0	80.5	77.3	—	—
1949	100.0	82.1	78.8	100.0	—
1950	102.9	83.7	80.4	102.0	—
1951	113.7	85.4	82.0	104.0	—
1952	116.5	87.1	83.6	106.1	116.5
1953	115.5	88.8	85.3	108.2	116.5
1954	116.2	90.6	87.0	110.4	116.5
1955	116.4	92.4	88.7	112.6	116.5
1956	118.1	94.2	90.5	114.9	118.1
1957	121.9	96.1	92.3	117.2	120.5
1958	125.1	98.0	94.1	119.5	122.9
1959	126.5	100.0	96.0	121.9	125.4
1960	128.0	102.0	97.9	124.3	127.9
1961	129.2	104.0	99.9	126.8	129.2
1962	130.7	106.1	101.9	129.3	130.7
1963	133.0	108.2	103.9	131.9	133.0

(a) For the first year of the Pension Index it equals Consumer Price Index. In subsequent years, the Pension Index equals the Consumer Price Index except that, if the Pension Index so found would be greater than 1.02 times the Pension Index for the previous year, it is fixed at 1.02 times the Pension Index for that previous year. If the Consumer Price Index for a year is less than 1.01 times the Pension Index for the previous year, there is no change in the Pension Index for the year in question. Therefore the Pension Index never declines.

SOURCES: D.B.S., *Canadian Statistical Review, Historical Summary 1963*, p. 43 and September, 1964 issue, p. 25.

Research and Statistics Division,
Department of National Health and Welfare,
November, 1964

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

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.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

MONDAY, DECEMBER 7, 1964

WITNESSES:

Dr. Joseph Willard, Deputy Minister of Welfare, Department of National Health and Welfare, and Mr. D. Thorson, Assistant Deputy Minister, Department of Justice.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

21656—1

MEMBERS OF THE COMMITTEE FOR THE SENATE

Honourable Senator Muriel McQ. Fergusson, *Chairman,*

and Honourable Senators:

Blois
Boucher
Croll
Denis
Flynn
Lang
Lefrançois
McCutcheon
Smith (*Queens-Shelburne*)
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*)
Francis
Gray
Gundlock
Klein
Knowles
Laverdière
Lloyd
Macaluso
Marcoux
McCutcheon
Monteith
Moreau
Paul
Perron
Rhéaume
Scott

(Quorum 12)

Maxime Guitard,
Clerk of the Special Joint Committee.

MINUTES OF PROCEEDINGS

MONDAY, December 7, 1964

(9)

The Special Joint Committee of the Senate and of the House of Commons on Canada Pension Plan met at 3:35 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Present:

Representing the Senate: Senators Blois, Croll, Fergusson, Lang, McCutcheon, Stambaugh—6.

Representing the House of Commons: Messrs. Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Gundlock, Knowles, Laverdière, Marcoux, Monteith, Munro—14.

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare, and Messrs. D. Thorson, Assistant Deputy Minister of Justice, D. Sheppard, Assistant Deputy Minister of National Revenue, J. E. E. Osborne, Technical Adviser to this Committee, and Bruce MacDonald from the Comptroller of the Treasury office.

The Committee resumed consideration of Bill C-136.

The Clerk of the Committee read the Third Report of the Steering Subcommittee on Agenda and Procedure.

"STEERING SUBCOMMITTEE ON AGENDA AND PROCEDURE

THIRD REPORT

MONDAY, December 7, 1964

The Steering Subcommittee on Agenda and Procedure of the Special Joint Committee on Canada Pension Plan met at 2:03 o'clock p.m. this day. The Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Present:

From the Senate: Senators Croll, Fergusson, McCutcheon—3.

From the House of Commons: Messrs. Cameron (*High Park*), Chatterton, Côté (*Longueuil*), Francis, Knowles, Monteith, Munro—7.

Your Committee agreed to the following decisions and recommends:

1. That the names of prospective witnesses submitted by Senator McCutcheon be filed for the time being awaiting further consideration.
2. That the Committee's sittings be conducted in such a way as not to last more than two hours.
3. That the Committee meet twice on Monday, December 7, 1964 (afternoon and evening); twice on Tuesday, December 8, 1964 at 10:00 a.m. and at 3:30 p.m. and once on Wednesday, December 9, 1964 at 3:30 p.m.

4. That the Committee aim at adjourning its afternoon sittings at 5:30 p.m., if at all possible, unless a witness is under examination on a certain subject and the Committee agrees to extend its sitting a little longer.

At 2:35 p.m. the Steering Subcommittee on Agenda and Procedure adjourned.

Respectfully submitted,

(s) A. J. P. CAMERON,
Joint Chairman".

It was agreed unanimously that paragraph 2 of the said report be deleted.

The Committee also agreed unanimously that the following be added to paragraph 3:

> "that on Wednesday, the Committee may assess the situation and decide of the possible number of sittings to be held on Thursday without planning to sit on Friday".

On motion of Mr. Basford, seconded by Mr. Francis,

Resolved,—That the document intituled Additional Answers to Some of the Questions raised during the Morning Session, December 1, 1964 of the Joint Committee on Canada Pension Plan, prepared in two pages and containing questions and answers numbered 1, 2 and 3, be published as an appendix to this afternoon's Minutes of Proceedings and Evidence. (*See Appendix G*)

The Committee agreed unanimously to the publication as appendices to this afternoon's Minutes of Proceedings and Evidence of the documents intituled Reply to Question raised in the Special Joint Committee of the Senate and of the House of Commons on Canada Pension Plan, December 3, 1964. (*See Appendices H, I, J, K, L, M*)

On motion of Mr. Munro, seconded by Mr. Knowles,

Resolved,—That the document intituled Canada Pension Plan and some pension calculation examples be published as an appendix to this afternoon's Minutes of Proceedings and Evidence. (*See Appendix N*)

The examination of the witnesses continuing, at 5:30 o'clock p.m. the Committee adjourned until 8:00 o'clock this evening.

EVENING SITTING

(10)

The Special Joint Committee of the Senate and of the House of Commons on Canada Pension Plan reconvened at 8:11 o'clock this evening. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Present:

Representing the Senate: Senators Fergusson, Lang, McCutcheon, Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson—6.

Representing the House of Commons: Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Knowles, Monteith, Moreau, Munro—13.

In attendance: Same as at this afternoon's sitting and also Mr. Tom Kent, Policy Secretary, Prime Minister's Office.

The Joint Chairman opened the meeting.

The Committee resumed its consideration, clause by clause, of Bill C-136.

The examination of the witnesses continuing, at 10:00 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m. on Tuesday, December 8, 1964.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

MONDAY, December 7, 1964
3.30 p.m.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, and Senator Fergusson, I see a quorum, and I call the meeting to order. Your steering committee met today at 2 o'clock, and I shall ask the clerk to read the report of the committee.

MONDAY, December 7, 1964

The CLERK OF THE COMMITTEE:

The steering subcommittee on agenda and procedure of the special joint committee on Canada pension plan met at 2.03 o'clock p.m. this day. The Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Present:

From the Senate: Senators Croll, Fergusson, McCutcheon—3.

From the House of Commons: Messrs. Cameron (*High Park*), Chatterton, Côté (*Longueuil*), Francis, Knowles, Monteith, Munro—7.

Your committee agreed to the following decisions and recommends:

1. That the names of prospective witnesses submitted by Senator McCutcheon be filed for the time being awaiting further consideration.
2. That the committee's sittings be conducted in such a way as not to last more than two hours.
3. That the committee meet twice on Monday, December 7, 1964 (afternoon and evening); twice on Tuesday, December 8, 1964 at 10.00 a.m. and at 3.30 p.m. and once on Wednesday, December 9, 1964 at 3.30 p.m.
4. That the committee aim at adjourning its afternoon sittings at 5.30 p.m. if at all possible, unless a witness is under examination on a certain subject and the committee agrees to extend its sitting a little longer.

At 2.35 the steering subcommittee on agenda and procedure adjourned.

Respectfully submitted,

A. J. P. CAMERON,
Joint Chairman.

Mr. CANTELON: Why did I get a notice for a meeting tomorrow at 11 o'clock?

The CHAIRMAN (*Mr. Cameron*): It will be changed. It is a matter of arranging for committee rooms. There has to be a little bit of shifting.

Mr. CANTELON: It is really for 11 o'clock?

The CHAIRMAN (*Mr. Cameron*): No, it will be at 10 o'clock tomorrow. An amended notice is going out.

Mr. MUNRO: I do not think that Mr. Chatterton's point was resolved at the steering committee this morning, that the meetings were to last only two hours. I understood that when it got to close to 5:30, the Chairman would try to bring the meeting to an end.

The CHAIRMAN (*Mr. Cameron*): I think that is covered by paragraph 4.

Mr. MUNRO: Mr. Chatterton said he was willing to leave it that way.

The CHAIRMAN (*Mr. Cameron*): I think it is covered by paragraph 4. There is discretion left to the Chairman, should we have a witness from out of town, or something that we can finish up in a short time.

Mr. MUNRO: I did not think that all meetings were supposed to be only two hours in length.

The CHAIRMAN (*Mr. Cameron*): Let me read paragraph 4 again:

> 4. That the committee aim at adjourning its afternoon sittings at 5.30 p.m., if at all possible, unless a witness is under examination on a certain subject and the committee agrees to extend its sitting a little longer.

The other is that the committee shall be conducted in such a way as not to last more than two hours.

Mr. MUNRO: The first paragraph you read was to be in lieu of the one you just read now.

The CHAIRMAN (*Mr. Cameron*): I think that paragraph 2 deals with it sufficiently.

Mr. MUNRO: Yes.

Mr. MONTEITH: What was paragraph 2 again?

The CHAIRMAN (*Mr. Cameron*): Let me read you paragraph 2 again:

> 2. That the committee's sittings be conducted in such a way as not to last more than two hours.

Mr. CHATTERTON: Why not add "if possible"?

Mr. MUNRO: I think if we want to discuss a two hour limit we should take it up again in the steering committee. I think the real intent of the committee was expressed in the last paragraph.

The CHAIRMAN (*Mr. Cameron*): Without any other reference to an afternoon meeting?

Mr. MUNRO: No, with the two hours being left in abeyance.

The CHAIRMAN (*Mr. Cameron*): Are you agreeable that paragraph 2 be deleted, Mr. Chatterton?

Hon. Mr. MCCUTCHEON: It was left in abeyance on the understanding that the Chairman would not keep us more than two hours.

The CHAIRMAN (*Mr. Cameron*): He certainly will not, if he he can possibly avoid doing so.

Mr. KNOWLES: There is one other point: The report indicates the meetings that we shall have between now and six o'clock on Wednesday, but there is nothing specific about the rest of the week.

The CHAIRMAN (*Mr. Cameron*): There is no mention about that.

Mr. KNOWLES: On Wednesday we might meet and decide it.

The CHAIRMAN (*Mr. Cameron*): Perhaps you might explain what the understanding of the steering committee was, after we had completed our studies on Wednesday.

Mr. KNOWLES: I think obviously that the general committee should know that we set meetings for Monday, Tuesday, and Wednesday and agreed that on Wednesday we should assess the situation and decide how many meetings we should have on Thursday, since there was general agreement from the steering committee that there was not to be any meetings on Friday.

The CHAIRMAN (*Mr. Cameron*): Is that agreeable?

Agreed.

Mr. Osborne has handed to me the answers to three questions in English which were raised at the morning session on December 1, 1964.

Mr. BASFORD: I move that they be appended to today's proceedings.

Mr. MONTEITH: Have you got copies to go around?

The CHAIRMAN (*Mr. Cameron*): I only have two copies.

Mr. KNOWLES: May I ask if one of them is in answer to a question about the actuarial value of supplementary pensions?

The CHAIRMAN (*Mr. Cameron*): The first question reads: "What are the current federal and provincial administrative costs of the old age assistance program?"

The second question reads: "Do any of the private pension plans in Canada provide for the automatic adjustment of pensions in pay in order to allow for increased wage levels or costs of living?"

And the third question reads: "Do private pension plans in Canada provide full benefits to contributors after as little as ten years of contributions?"

Those are the three questions which have been answered.

Mr. KNOWLES: My question is perhaps to be directed to Dr. Willard, whether a certain question is yet to be answered. In the proceedings for Wednesday, December 2, there is a set of answers to questions, but there is one which has not yet come forward. Will it be coming forward?

Mr. J. E. E. OSBORNE (*Director of Research and Statistics Division, Department of National Health and Welfare*): I discussed this point with the Chief Actuary of the Department of Insurance, and he told me that he has a great deal of work on hand, and that it may take him several weeks to answer it.

The CHAIRMAN (*Mr. Cameron*): Is he going to prepare an answer?

Mr. OSBORNE: I understand that the Chief Actuary has a number of priority jobs for this joint committee, and that he understood he had to work on them first.

Mr. KNOWLES: I would be interested to hear from the specialists about the relative value of it. I think the statistics which have already been given to us in answer to some of the questions put are very useful. I think simply an indication of the actuarial value would be worth while. But I do not want to have to wait for it until Christmas.

The CHAIRMAN (*Mr. Cameron*): We hope to have the actuary before us, and perhaps we can ask him about it at that time. Perhaps he may be appearing before Christmas, or even after Christmas.

Mr. KNOWLES: We can leave it in his hands, just so long as he does not forget.

The CHAIRMAN (*Mr. Cameron*): I do not think there is anything else to be brought up before we commence again with Mr. Thorson.

Mr. CHATTERTON: Might I ask that our research consultant provide us with a summary of the main provisions of the pension plan for the armed forces and the R.C.M.P.?

The CHAIRMAN (*Mr. Cameron*): Could you answer that question, Dr. Willard?

Dr. J. W. WILLARD (*Deputy Minister, Department of National Health and Welfare*): Yes, we shall endeavour to get a summary of it for you.

The CHAIRMAN (*Mr. Cameron*): I think we have completed our study up to the end of clause 30. The next division is D "Collection of contributions in respect of self-employed earnings".

Perhaps Mr. Thorson may wish to make a statement or an explanation now before we commence on it.

Mr. D. S. THORSON (*Assistant Deputy Minister, Department of Justice*): No.

Dr. WILLARD: We have some further answers to questions, from the Department of National Revenue, which Mr. Sheppard has provided, and which you may wish to have included in your proceedings.

The CHAIRMAN (*Mr. Cameron*): Is that agreeable? These are replies to questions raised on December 3 and replied to by the taxation division of the Department of National Revenue. Can these all be incorporated in today's proceedings as an appendix?

Agreed.

Now, Mr. Thorson.

Mr. THORSON: Mr. Chairman, the next group of clauses is under the heading of division D, "Collection of contributions in respect of self-employed earnings". Subclause (1) of clause 31 requires a person to file without notice or demand a return on his self-employed earnings for the year. I understand that the return will form part of, or will be attached to, his T-1 general return, on which a self-employed person ordinarily reports his income for taxation purposes. In any case, it will be necessary that the contributor file a return for the year to show the earnings which he himself has made and upon which his contributions can be established, even although no return for the year is required under the Income Tax Act for the reason that the contributor is not taxable.

The latter situation could arise, for example, where a person's personal exemptions exceed his income for the year; nonetheless he might be in the position of being required to make contributions under this act. In all cases, other than the case of a person who has died, subclause (1) provides that a return must be filed on or before April 30 in the year following the year for which the contribution is to be made. If for any reason the person is unable to file a report, such a report must be filed by his guardian or other legal representative.

In the case of a person who has died, paragraph (a) requires the legal representative of the deceased person to file a return. Under subclause (2) the minister may upon demand served personally, or by registered mail, require a person within the time stipulated in the demand to file a return on his self-employed earnings, whether or not he is required to make a contribution for the year in respect of those earnings, and whether or not a return has already been filed.

Subclause (3) provides that every trustee in bankruptcy and so on, and every person dealing with the property of a person who has not filed a return of his self-employed earnings for the year, shall file the return as required on behalf of that person.

Subclause (4) requires a self-employed person to identify in his return the province in which he was a resident on the last day of the year. This particular information is required for the purposes of later provisions of the bill, in order to arrive at the proportionate amount which will be available for investment in securities of a particular province. The same information will also be needed to determine the obligations and liabilities to be assumed under a provincial plan and the amount to be paid to a province should the province, at some future date, decide to establish its own pension plan.

Subclause (5) is somewhat similar to subclause (3) of clause 23 which sets out a time limit for the minister to make an original assessment of the amount payable by an employer. Where no return of self-employed earnings for a year has been filed within four years from April 30th the following year, subclause (5) provides that the amount of the contribution required to be paid for the year is to be regarded as zero unless, before the end of the four years, the minister has assessed the contribution for that year. Thus, if no return is filed within the four years, no contribution is required to be paid unless the minister has, in the interval, assessed the contribution, and the contributor would receive no corresponding benefit in respect of that year. Apart from the advantage of there being some finality in the making of assessments, subclause (5) would prevent a contributor from taking advantage of his own omission to gain a benefit under the plan. Were it not for subclause (5), a person who had somehow avoided filing a return of his self-employed earnings could file returns of his earnings for back years, for example, as soon as he became disabled, if it were to his advantage to do so in order to obtain a disability pension.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, are there any questions?

On Clause 32—*Estimate to be made.*

Mr. THORSON: Clause 32 provides that every person who is required by clause 31—the clause we have been dealing with—to file a return of his self-employed earnings shall estimate in his return the amount of the contribution that he is required to make.

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

On Clause 33—*Examination of return and notice of assessment.*

Mr. THORSON: Under this clause the minister is required, with all due dispatch, to examine each return of self-employed earnings and assess the contribution required and the payable interest and penalties, if any. After the examination, the minister is required to send a notice of assessment to the person who filed the return. It is intended that this will be done at the same time as the annual income tax return is being assessed, and I understand that it is proposed that a single notice of assessment will be issued in respect of both penion contributions and personal income tax.

Mr. CHATTERTON: Mr. Chairman, I should like to go back to subclause (5) of clause 31 where the earnings are deemed to be zero. Will that zero year still count in the 10 per cent leeway that the contributor has for deducting the first years of contributions?

Mr. THORSON: Yes, it would be recorded as a year of zero earnings, but it is a year that enters into the computation of his contributory period.

Mr. CHATTERTON: So you can use that as one of the years including the 10 per cent?

Mr. THORSON: Yes.

The CHAIRMAN (*Mr. Cameron*): Senator McCutcheon, do you wish to speak on clause 31?

Hon. Mr. MCCUTCHEON: No, Mr. Chairman. Do I understand Mr. Thorson to say that one assessment will be issued for both the arrears of tax and the arrears of contributions?

Mr. THORSON: Not necessarily arrears; the assessment of tax and the assessment of contributions.

Hon. Mr. MCCUTCHEON: I will go back to the point we were discussing the other day. Why does Mr. Sheppard find it so difficult to collect the little bits and pieces that may be lost to an employee working for two employers?

Mr. GRAY: Mr. Chairman, on a question of order, I had understood we were going through a general explanation of the clauses, and with all due respect to Senator McCutcheon it was my understanding we passed that part. The Senator had not felt it necessary at that point to continue with his questioning. We have now passed some considerable distance beyond that clause, and it would seem to me we should therefore confine our questions to the explanations required on clause 33 with which we are dealing at this moment.

Mr. CHATTERTON: Mr. Chairman, if a question arises in clause 33 which points out to something that occurred in previous clauses, then surely we are entitled to ask for a further explanation.

The CHAIRMAN (*Mr. Cameron*): Maybe the point of order is well taken, but probably Mr. Sheppard could answer the question quickly.

Hon. Mr. MCCUTCHEON: I was going to add that Mr. Sheppard, I think, himself said, in answer to somebody else's question—because I do not want to be tagged with being the only person to question this—that the man who undercontributes to the pension plan will probably be a man for whom there have been surplus deductions made for income tax purposes. If you are going to issue one assessment, then why can you not have an assessment for overdeduction of income tax against underdeduction of contribution?

Mr. D. H. SHEPPARD (*Assistant Deputy Minister (Taxation), Department of National Revenue*): I might qualify Mr. Thorson's answer about there being one assessment. It is expected the assessment notice for both will be on one piece of paper, but it is likely that the pension contribution of a self-employed man would have to be shown separately from his tax payable. I presume this is understood. It will then be perfectly obvious that you will have to have a separate calculation form for self-employed earnings to arrive at this self-employed contribution. The compulsory contributions of the self-employed are restricted only to contributions on self-employed earnings. There is nothing in this act which obliges an employee to make a contribution on his employment earnings. The obligation for an employee's contributions is imposed on the employer. It would be introducing a new feature into the slow if the employee were to be obliged to make a contribution on any deficiencies that were not paid through the employer. It was not considered desirable to introduce this feature into the system as it would in effect give the minister an option to make an assessment either against the employer or the employee where there is a deficiency. The obligation would rest on the employer for the employee's contribution and on the contributor for the self-employed contributions. If the alternative plan was followed it would be difficult to determine, in all cases where there is a deficiency if the deficiency arose as a result of the employers failure to comply with the law or whether it arose because of the provisions of the law.

Hon. Mr. MCCUTCHEON: Thank you, Mr. Chairman, for allowing my question in spite of the fact that I may have been out of order. I think we received a clearer explanation than we had previously, and we can discuss the policy later.

On Clause 34—*Payment of contribution.*

Mr. THORSON: Subclause (1) provides that where the amount of the contribution required to be made by a person for a year in respect of his self-employed earnings is $40 or less, he may pay the whole amount of the contribution in a lump sum at any time not later than the 30th of April in the following year. As I mentioned earlier, the dates fixed for making contributions in respect of self-employed earnings coincide as nearly as we have been able to make them coincide with those fixed for payment of tax under the Income Tax Act.

Subclause (2), for example, provides that a farmer or fisherman shall, on or before December 31 in each year, pay two thirds of the contribution required in respect of his self-employed earnings as estimated by him, and shall pay the remainder of the contribution on or before April 30 in the following year.

Again, subclause (3) provides that every other person shall, on or before the end of each of the quarterly periods in the year, pay an amount equal to one quarter of the contribution required in respect of his self-employed earnings and shall pay the remainder, if any, of the contribution on or before April 30.

Mr. KNOWLES: The clause does not say that; it says that he pays four quarters at four times and then he pays the remainder on April 30.

Mr. THORSON: If there is a remainder.

Mr. KNOWLES: This sounds like the typical tax collector. He collects four quarters and then he collects the rest!

Mr. THORSON: You will appreciate that he has been proceeding on the basis of an estimate and there may be an amount owing at the end of the year and, similarly, there may be an amount refundable.

The CHAIRMAN (*Mr. Cameron*): Are there any further questions on clause 34?

On Clause 35—*Interest on unpaid contributions.*

Mr. THORSON: On subclause (1) of clause 35, a person who has failed to make the contribution required in respect of his self-employed earnings for the preceding year by April 30 in the following year is required to pay interest at 6 per cent from that date until the date of payment.

Subclause (2) provides that in addition to any interest payable under subclause (1), a person shall pay interest at 6 per cent a year on any part or instalment of a contribution that he failed to make as required by clause 34.

Under subclause (3), where a person is required to pay his contribution by instalments, the amount of each instalment for the purpose of calculating interest thereon is computed on the basis of his total contribution for the year minus $40.

This means that interest is charged on unpaid instalments only to the extent that the contribution for the whole year exceeds $40.

It will be recalled that if the contribution is less than $40, then the contributor has the right to pay the whole amount in a single lump sum.

The CHAIRMAN (*Mr. Cameron*): Are there any questions on clause 35?

Mr. MONTEITH: This means that anybody who contributes over $40 shall pay interest on all the instalments?

Mr. THORSON: Only on the unpaid instalments; only to the extent that the instalments are not paid at the time they should have been paid.

Mr. CHATTERTON: Even based on the estimated income?

Mr. THORSON: Yes.

Mr. CHATTERTON: Based on his estimated income in accordance with clause 34?

Mr. SHEPPARD: He is supposed to make an estimate, but then when one comes to the end of the year one allows him—if I might use the expression—to have a leeway of $40 in the amount of his estimates. If he estimates within $40 he is in the clear.

Mr. THORSON: The calculation of interest itself is based on the actual amount payable.

On Clause 36—*Failure to file return.*

Clause 36 sets out the penalty payable by a person who fails to file a return of his self-employed earnings for a year as and when required by clause 31. He is liable to a penalty of 5 per cent of such part of the amount of the contribution required to be made by him for the year in respect thereof as remained unpaid at the expiration of the time the return was required to be filed, but where that person is liable to a penalty under subsection (1) of section 55 of the Income Tax Act in respect of the same year, the minister may reduce the penalty to which he is liable under this section or may remit such penalty in whole or in part.

In fact, it is proposed that the penalty would be remitted in full if the contributor is liable to the maximum penalty of $500 provided under section 55 of the Income Tax Act; that is for failure to file a return under that act, and in the other cases the penalty under this section would be remitted in part so that the combined penalty under the Canada pension plan and the Income Tax Act would never exceed $500.

The purpose is to ensure that the total amount of the penalties assessed under the two acts for what is essentially the same kind of failure would not in any case exceed $500.

Under subclause (2), every trustee in bankruptcy and every agent or other person required by subclause (3) of clause 31 to file a return of self-employed earnings on behalf of another person is liable to a penalty of $5, but not exceeding in all $50, for failure to file such return.

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

On Clause 37—*Application of provisions of Income Tax Act.*

Mr. THORSON: Clause 37, Mr. Chairman, makes applicable certain provisions of part I of the Income Tax Act and certain provisions of part V, and makes those provisions applicable *mutatis mutandis* in relation to any amount paid or payable as or on account of a contribution for a year in respect of self-employed earnings.

I might add that the references to the various provisions of the Income Tax Act are these: Division F deals with assessments and payment of tax and appeals; division I deals with appeals to the tax appeal board; and division J deals with appeals to the Exchequer Court of Canada.

The CHAIRMAN (*Mr. Cameron*): Are there any questions on clause 37?

On Clause 38—*Priority in which payment to be applied.*

Mr. THORSON: This clause deals with the way in which a payment of pension contributions and taxes received from a self-employed person will be applied regardless of any direction that the contributor himself may have given.

The clause has to be read in conjunction with section 123A of the Income Tax Act and with the various collection agreements with the provinces that have been entered into under the Federal-Provincial Fiscal Arrangements Act.

The combined effect of all of these various enactments is, in brief, that a payment will first be applied in settlement of any taxes owing by the self-employed person to a province on account of provincial income tax, and the remainder of the payment will then be available to be applied against what is owing by him under the Canada pension plan and the federal Income Tax Act.

The remainder—that is to say the amount after application to his provincial tax liability—will be applied in this order: first, in settlement of any contributions payable by him under this act and, finally, if there is any part of the payment that still remains unallocated, in settlement of any income tax liability that he may have under the federal Income Tax Act.

Hon. Mr. McCUTCHEON: You are putting the contributions to the Canada pension plan in priority to income tax payments in that respect?

Mr. THORSON: To federal income tax payments.

The CHAIRMAN (*Mr. Cameron*): Are there any further questions?

On Clause 39—*Refund of overpayments where application made within three years.*

Mr. THORSON: This clause deals with various situations in which a refund of contributions shall or may be made by the minister. We have touched on this clause from a number of points of view in earlier days.

Subclause (1) covers the case of an employee who is employed in pensionable employment and in respect of whom there has been an overpayment as defined in subclause (2) of clause 8.

You will recall that that section sets out a deemed overpayment which is the excess of what he actually paid in the year over what he ought to have paid in the year.

Under this subclause the overpayment must be refunded to the employee if an application for a refund is made by him to the minister within three years.

Mr. CHATTERTON: Is the employee advised of overpayment? What if he is not aware of an overpayment?

Mr. SHEPPARD: We hope to put an explanation either on his T-4 slip or on supplementary material that will go with it to tell him how to calculate the contribution he would make on an annual basis and indicating how he should determine whether or not he has a refund, and suggest how to apply for it.

Mr. CHATTERTON: But there is no notification to him that he should actually get a refund?

Hon. Mr. McCUTCHEON: The employers, if there is more than one employer, would be required to give what? A T-4?

Mr. SHEPPARD: These things are always subject to refinement later, but the present proposal is to put two more boxes in the T-4 slip, one of which will be for the amount of the contribution and the other of which will be for the dollar amount of earnings to which that contribution is related. The former is supposed to be 1.8 per cent of the latter.

Hon. Mr. McCUTCHEON: So if he can do simple arithmetic he can work it out?

Mr. SHEPPARD: If he works out the contribution, which is 1.8 per cent of the other amount, then he will have instructions telling him that if he adds up the dollar figure of income to which the contribution relates he can determine from that whether he is entitled to a refund.

Hon. Mr. McCUTCHEON: What are you going to put in the extra box? Are you going to put the pensionable earnings in there? In other words, are you going to deduct the exemption or are you going to put the total earnings in there?

Mr. SHEPPARD: It will be the earnings after deducting the exemption.

Mr. KNOWLES: In other words, that figure under the present set-up will not be higher than $4,400?

Mr. SHEPPARD: That is right.

Mr. KNOWLES: Would it not be possible to have on the T-4 slip the simple fact that the $79.20 is the over-all total?

Mr. SHEPPARD: That is the maximum, but for a man who has earnings of less than $5,000 the amount of the contribution would be less than that.

Mr. MONTEITH: I think Mr. Knowles simply means could you not have in brackets, "never more than $79.20" or something like that.

Mr. SHEPPARD: If he has contributed more than $79.20 over-all he would have a refund.

Mr. KNOWLES: But, there are many persons who contribute less than that who would have a refund coming to them, and everyone who contributed more than that figure would have.

The CHAIRMAN (*Mr. Cameron*): Perhaps that concerns detail in the form. It is probably a good idea.

Are there any further questions in respect of clause 39? If not, we will proceed to clause 40. I am sorry, but Mr. Sheppard has not completed his explanation.

Mr. THORSON: Subclause (2) requires the minister to refund to an employee or an employer, as the case may be, any amount that the minister has determined under clause 28, or that the pension appeals board has determined under clause 29, is in excess of the deduction of the contribution that should have been made for the year.

A request in writing for such a refund under subclause (2) must be made within 30 days after the decision or the determination is communicated to the employee or the employer by the minister.

Hon. Mr. MCCUTCHEON: But, why to the employer?

Mr. MONTEITH: Then this is a place where if there is an appeal the employer actually does have access to a refund?

Mr. THORSON: Yes, if for example there was doubt in respect of the coverage of his employees; that is, whether they would be subject to deduction at all.

Mr. MONTEITH: I am reverting to another clause about which we spoke. I understood that an employer had no right of refund. Under what circumstances can he appeal now to give him that right?

Mr. THORSON: He has no right of refund so far as the contribution that he has made on behalf of any one given employee is concerned; if he made the deduction, as required by clause 8 of the bill, then that is the final amount he is liable for in respect of that employee. However, there may be circumstances where he may dispute an assessment made against him. For example, he may argue that a certain class of employee is not covered in pensionable employment and, therefore, there is no contribution required to be made by him under the bill in respect of those employees.

Mr. MUNRO: But, in that case, he would get a refund?

Mr. THORSON: Certainly.

The CHAIRMAN (*Mr. Cameron*): Senator McCutcheon has your question been answered?

Hon. Mr. MCCUTCHEON: Yes.

Mr. THORSON: He has full appeal rights so far as his own obligation to pay in respect of his employees concern.

Under subclause (3), the minister is authorized but not required to make a refund in any case where an employee or an employer satisfies him that an excess amount has been deducted or an excess contribution has been paid for a year, if the application is made within three years from the end of that year.

Refunds to employers in respect of excess contributions made by them would be made under this subclause unless, of course, subclause (2) were applicable; that is to say, unless the employer derived his right to the refund as the result of a determination made by the minister or a decision of the pension appeals board.

Hon. Mr. McCutcheon: This clause makes it unnecessary for him to go to the pension appeals board, provided he and the minister agree?

Mr. Thorson: Yes. Now, the power given in subclause (3) to make refunds, of course, could be used in any unforeseen situation where the minister is satisfied that a refund ought to be made.

Subclause (4) makes provision for a refund to a self-employed contributor who has made a contribution for the year in excess of the amount required. I am referring to a self-employed person. Such a refund would be most likely to arise where the contributor had overestimated his self-employed earnings, and the refund under this provision could be made without application by the contributor at the time the notice of assessment is mailed to him.

Where a refund is due but for any reason is not made at the time of the assessment, the minister is required to make it if the contributor makes written application for it not less than three years after the end of the year in question.

Subclause (5) provides that a refund made to an employee in excess of the amount that should have been refunded to him is recoverable by the crown whether made on the basis of incorrect or incomplete information contained in the application or otherwise. This protects the crown's position in any case where the amount refunded to the employee was more than should have been refunded.

Subclause (6) allows the minister instead of paying the amount of a refund otherwise payable under this clause to apply that amount in payment or part payment of any existing income tax liability of the person to whom the refund is payable, and thereupon the minister is required to notify the person in question that he has taken this action.

Hon. Mr. McCutcheon: I am sorry, Mr. Chairman, and I hope you will rule me out of order, if warranted, but here is a provision in the bill for a set-off in favour of the minister. I come back to my original question I asked several days ago. What are the difficulties in respect of making uniform deductions and why can we not apply set-off in favour of the contributor?

Mr. Gray: The senator is out of order.

Hon. Mr. McCutcheon: Well, they keep putting this clause into the bill and I will continue to be out of order.

The Chairman (*Mr. Cameron*): Can we obtain an answer in that respect.

Mr. Sheppard: Mr. Chairman, I am not sure I understand the point that the senator is making.

Hon. Mr. McCutcheon: I do not want to press it, Mr. Chairman; I will argue it later. But, Mr. Sheppard, I have suggested that your system of deductions is not a proper one. You have suggested it is necessary because you may not get your full contribution from an employee or, alternatively, from an employer.

I have suggested that the employee from whom you do not get the full contribution to the Canada pension plan will, in most cases—not in every case—have made an overpayment of income tax by deduction because you deduct the income tax on the basis he will earn that sum throughout the year. So, if you are specifically by statute setting up the right of set-off to the minister then what is the difficulty in you making equal deductions realizing that most people will have a claim for income tax, which you then could set off against their shortage of contributions?

Mr. SHEPPARD: Mr. Chairman, I know this is new, but the particular contributions in respect of an employee which are to be made are twofold. First of all, they are divided between the employee and the employer, and because it is divided between the employee and the employer it is desirable to deal with it at the point of employment. Under this approach the employee is not required to make a return for the purpose of determining the contribution. I know this is a different concept because under the Income Tax Act the deductions made from an employee's earnings are merely on account. They are transferred to the credit of the employee, and when the employee later files a return, these deductions are applied on account of the liability of the employee. Under the pension plan the obligation is on the employer for the whole amount of the employee and the employer contributions, except that he may deduct the employee contributions from the employee's earnings. Now then, with that in mind, there is no provision, and no necessity of asking the employee, to file a return at all to determine what his obligations are under the plan. Furthermore, even if you could make an offset against his income tax refund you would have to get the return to make the proper calculation. I do not know whether or not I have explained this sufficiently.

Hon. Mr. MCCUTCHEON: Mr. Chairman, I shall try to resist the temptation to raise this question again. As I say, I will argue it later.

Mr. KNOWLES: Is there provision for a set-off the other way around. I am not re-opening the question about changing the general pattern, but suppose you have a case of a person who has an overpayment of income tax but has a liability for his pension plan contributions; instead of refunding him his income tax could there be a set-off against his Canada pension plan contribution, and thus protect his Canada pension plan position?

Mr. SHEPPARD: I do not think there is any specific provision to allow an income tax overpayment to be applied on account of this amount except in respect of the wording in regard to the self-employed, which was discussed before in clause 38, where there is a statutory provision for the allocation of funds, which could have that effect. If you are thinking in terms of the employee contributions, there is no specific provision for offsetting the income overpayment against the pension plan contribution. We are not looking to the employee to pay the employees' contribution; the employer has this responsibility. I might add—

Mr. THORSON: That is the key provision.

Mr. SHEPPARD: —this provision is just a minor one put in to facilitate the merging of payments by the self-employed with income tax payments and the combining of the application for a refund of employee contributions with an income tax return.

Mr. CHATTERTON: Under subclause (4), under what circumstances would the minister normally not refund the excess payment at the time the assessment is made? Subclause (4), paragraph (*a*) says:

> —the minister
>
> (*a*) may refund that part of the amount so paid in excess of the contribution upon mailing the notice of assessment—

Mr. THORSON: There has to be a return in any event; in other words, even if he does not make an application, under this provision the minister has power to make the refund at the time of the notice of assessment.

Mr. CHATTERTON: But it goes on to say that where the minister has not made the refund he shall make it if it is applied for.

Mr. THORSON: Yes.

Mr. CHATTERTON: Under what circumstances would the minister normally not make that refund as soon as the notice of assessment issues?

Mr. THORSON: I would think there would not be such a circumstance. This empowers the minister to take such action, which he would not have power to take were it not for this.

Mr. CHATTERTON: Invariably the minister would refund the excess payment.

Mr. SHEPPARD: Mr. Chairman, the procedure is that we hope to combine the money into one account for the convenience of the contributor and the taxpayer. At the end of the year he will calculate the amount he is required to pay for provincial income tax, federal income tax, and the pension plan and the total amount paid will be applied against his liability. If there is a refund, the cheque will be automatic.

Mr. CHATTERTON: And if there is some mistake, he can apply?

Mr. SHEPPARD: Yes.

Mr. THORSON: This is the same technique as is followed now in respect of tax refunds. The refund normally is made at the time the notice of assessment is mailed out if there is an overpayment.

Subclause (7) provides for the payment of interest on refunds under the circumstances and for the period or periods determined as described by the regulations. Under this provision interest will be paid at the rate specified in subsections (3) and (3*a*) of section 57 of the Income Tax Act, except that where the amount of interest is less than a dollar, then no interest will be paid. The reference to subsection (3) is to the provision of the Income Tax Act which authorizes the payment of interest at 3 per cent a year on ordinary refunds; and the reference to subsection (3*a*) is to the provision which authorizes interest at the rate of 6 per cent a year on refunds that result from objections to assessments or which result from appeals. It is proposed that this would roughly follow the same pattern.

The CHAIRMAN (*Mr. Cameron*): If there are no questions, we will proceed to clause 40.

On Clause 40—*Refund of overpayment in accordance with agreement with province respecting making of refunds.*

Mr. THORSON: This clause deals with the refunding of overpayments to employees in accordance with any agreement that may be entered into with a province having its own pension plan.

Subclause (1) provides that where an overpayment, as has been described in clause 8, has been made by an employee on account of his contribution as an employee for a year, the minister may, in accordance with any agreement which may have been entered into with the authorities of a province which has its own pension plan, refund the whole amount of the excess referred to in clause 8; that is to say, the overpayment under the Canada pension plan and the overpayment under the provincial pension plan. Where the whole amount of the overpayment is refunded by the minister under such an agreement, then subclause (1) provides that the whole amount is to be regarded as being an overpayment to the employee made under this clause.

The purpose is to simplify matters, not only for the contributor but also for the administration of the act. One obvious example would be the matter of appeal rights. Where the provisions in the agreement were invoked, then the employee, upon receiving the overpayment, would derive all his rights to the overpayment under the one act or under the other act, and therefore would not be obliged to pursue the two separate portions of the refund from the two jurisdictional authorities. He could obtain the whole of the refund from the one source.

Mr. CHATTERTON: If there is an agreement.

Mr. THORSON: Yes.

The complementary provision is subclause (2) which provides that where a province referred to in subclause (1) has refunded the whole amount of the refund, then the whole of the amount is regarded as being an overpayment made by the employee on account of his contribution for the year under the provincial plan. So, he can go to the one or to the other.

Subclause (3), which rounds out the clause, states that any agreement under subclause (1) can provide for the making of whatever financial adjustment may be necessary because of any payments that have been made to employees in accordance with the agreement. It further provides for the crediting or charging of the amount of these adjustments to the Canada pension plan account. In other words, this subclause is dealing with the intergovernmental transfer payments that would be made necessary by the agreement referred to in subclause (1).

The CHAIRMAN (*Mr. Cameron*): If there are no questions, we will go on to clause 41.

On Clause 41—*Regulations.*

Mr. THORSON: Clause 41 authorizes the making of regulations in relation to a variety of matters. Perhaps I should deal with this paragraph by paragraph. Paragraph (*a*) perhaps is obvious.

Mr. KNOWLES: An obvious catch-all.

Mr. THORSON: Yes. It deals with a number of matters; for instance, how much should be deducted and remitted by employers, the times when these remittances should be made, the method of calculating average earnings in a year and all the various matters that have been left to be dealt with by prescription under part I.

Paragraph (*b*) deals with information returns which must be made by employers. It stipulates that such returns must include information respecting contribution of employees identified by the province in which the employees were employed. This is needed for the record of earnings in order to permit the amount that is to be invested in the securities of any one province to be determined. It can be said to protect the effective right of a province in the future to establish its own pension plan.

Paragraph (*c*) requires employers, in certain circumstances, to supply copies of returns to their employees, the portion which relates to the employee —for example, the T-4 slips.

Paragraph (*d*) deals with the penalties for any default under paragraphs (*b*) or (*c*). You will see that the penalty provided is $10 a day with a maximum of $250.

Mr. MONTEITH: This still is by employers?

Mr. THORSON: Yes.

Paragraph (*e*) is included because of the difficulty of precise definition of these several expressions which appear in clauses 6 and 7 of the bill, dealing with the coverage of employees in pensionable employment.

I think it recognizes the need for some power to spell out precisely and in detail what classes of persons are intended to be included within these various terms.

Paragraph (*f*) authorizes regulations specifying circumstances in which persons are regarded as having been or not having been members of the Canadian forces or of the Royal Canadian Mounted Police. This power is needed because some service in the forces is of too short duration to be pensionable under the applicable pension statutes, the Canadian Forces Superannuation Act, and the Royal Canadian Mounted Police Superannuation Act.

This would allow such service to be treated as pensionable employment under the Canada pension plan.

Paragraph (*g*) authorizes the minister to enter into the agreements which have been mentioned earlier in clauses 6 and 7.

The reference to paragraph (*h*) of subclause (2) of clause 6 is to the employer who employs a person in Canada but who is exempt from making the employer contribution by reason of an intergovernmental agreement.

The reference to paragraphs (*e*) and (*f*) of subclause (1) of clause 7 are to provincial government employees and to employees of international organizations.

Paragraph (*h*) deals with the procedure to be followed in the determination of questions under part I of the bill.

Paragraph (*i*) authorizes the governor in council to make regulations respecting the terms and conditions on which any refunds may be made in accordance with any agreements entered into under clause 40.

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

Mr. THORSON: Paragraph (*j*) is the standard catch-all provision.

The CHAIRMAN (*Mr. Cameron*): Now, clause 42.

On Clause 42—*Offence and punishment.*

Mr. THORSON: This clause deals with offences. Subclause (1) establishes an offence in the case of the employer who fails to comply with clause 22 or clause 24; that is to say, with the provisions which require him to deduct and remit on account of his employee's contribution as prescribed. Clause 24 refers to the obligation of the employer to keep any moneys deducted separate and apart from his own moneys.

Subclause (2) refers to clause 25 and clause 26, which are the two provisions of the bill dealing with the keeping of records and the inspection of records and premises.

In subclause (3) the reference is to clause 31, and to the provision which requires returns to be filed by self-employed persons. The references to paragraphs (b) and (c) of subclause (1) of clause 41 are to the requirements placed on the employer to make an information return. I have just dealt with that provision.

Subclause (4) deals with a variety of offences which under this bill are all, I think without any exception, summary conviction offences rather than indictable offences.

Subclause (5) is a relieving provision which provides that where a person has been convicted under this clause of failing to deduct or remit as required, or of failing to file an information return as required, then he is not to be liable for any penalty under clause 22 of the act for the same failure, unless in fact he has been assessed for that penalty, and it had been demanded of him before the criminal charges were laid.

Subclause (6) deals with the laying of an information under part I, and it contains certain evidentiary provisions dealing with informations.

The CHAIRMAN (*Mr. Cameron*): Are there any questions on clause 42?

Mr. GUNDLOCK: As this clause refers back to clause 41, and particularly to paragraph (*e*), with a reference to the governor in council, stating that they may make regulations, and in reading paragraph (*e*), the question arises in my mind: Where do we start? I do not want to anticipate anything, but the question in my mind is this: We are starting something new, so where do we begin?

Mr. THORSON: I am sorry, but I do not think I quite understand your question.

Mr. GUNDLOCK: There is a reference under clause 42 to penalties, and it refers back to clause 41.

Mr. THORSON: And the subclause.

Mr. GUNDLOCK: Clause 41, paragraph (*e*), defines the expressions under the heading of "The governor in council may make regulations". And in clause 42 there is reference to penalties. Perhaps I should ask my question later on, but this to me is important, since we are talking about something new. The question in my mind is: Where do we start? I have in mind in particular an agricultural enterprise, and I am thinking not only of a man who works, let us say, on my farm as an agricultural worker, but also of a man who may work for the federal government on an experimental farm, who is also classed as an agricultural worker in one sense and yet in another sense he is not. I wonder where we should start? Where do we take off from?

The CHAIRMAN (*Mr. Cameron*): You refer to clause 41, paragraph (*e*).

Mr. GUNDLOCK: Yes, and to the reference back to clause 42 under penalties.

The CHAIRMAN (*Mr. Cameron*): The governor in council may make regulations.

Mr. GUNDLOCK: I know that, but when considering something new, I wonder where we begin? Where do we start?

The CHAIRMAN (*Mr. Cameron*): I do not quite understand it myself.

Mr. GUNDLOCK: I appreciate that this may have reference to some policy matter, but I would like to have it explained. It may be that I am anticipating something.

The CHAIRMAN (*Mr. Cameron*): Perhaps Mr. Thorson would be good enough to study the record and to let us know later.

Mr. BASFORD: Somebody cannot be charged under regulations which have not yet been written.

Mr. THORSON: That is true.

Mr. GUNDLOCK: On the other hand they cannot participate under regulations which have not been written, either.

Mr. THORSON: Yes, it is anticipated that there will have to be a great many regulations actually promulgated before the act comes into force.

Mr. GUNDLOCK: What is that again, please?

Mr. THORSON: There will certainly have to be regulations promulgated before the act can be brought into force.

Mr. GUNDLOCK: Yes, I appreciate that. Thank you.

The CHAIRMAN (*Mr. Cameron*): Does that satisfy you, Mr. Gundlock? Very well, let us now turn to clause 43.

On Clause 43—*Definitions.*

Mr. THORSON: We are coming to part II dealing with "Pensions and Supplementary Benefits".

Clause 43, it will be observed, is another definition clause, containing definitions each of which however is relevant only to part II of the bill. The first definition is in paragraph (*a*) of subclause (1), and it defines the concept of the basic number of contributory months. This is used in several of the formulae for calculating benefits elsewhere in part II. For example, it is used as the denominator in determining the average pensionable earnings under clause 47 of the bill. Because the transitional period has been established as ten years, the basic number of contributory months would normally be 120.

In other words, to obtain the full benefits, a person must contribute for a period of at least 120 months. Those who contribute only during the transitional period will not have contributed on earnings for the full 120 months. But nonetheless their pensionable earnings will be spread over 120 months in determining their benefits, in accordance with clause 47.

Those who retire after the transitional period and who may benefit therefore by the dropout provisions of clause 48 would also have their pensionable earnings spread over at least 120 months. This is reflected in the definition, too.

If a disability pension was received during the period over which the contributors' earnings are being averaged, those months when the disability pension was being paid are deducted from the 120 months figure. The remainder would be that individual's basic number of contributory months.

This provision is needed because a disabled person will be required to switch from the disability pension to a retirement pension at the time he reaches 65 years of age, and if he were unable to contribute for the full 120 months on account of the disability he might otherwise suffer quite a sharp drop in his pension at the age of 65, were it not for these provisions.

Paragraphs (*b*), (*c*) and (*e*) define the expressions "child" of a contributor, "dependant child" of a contributor and "orphan" of a contributor.

Are there any questions on these definitions? How do you wish to approach them?

Mr. MONTEITH: Just give us a moment to read them.

Mr. BASFORD: Does paragraph (*b*) include an illegitimate child in the care of one of his parents?

Mr. THORSON: Yes, a natural child includes an illegitimate or a legitimate child.

Subclause (2) defines what is meant in this bill by the expression "disabled". You will see that the test is a twofold one. The disability must be severe, and subparagraph (i) of paragraph (*a*) defines what we mean by "severe". The disability must also be prolonged, and that in turn is dealt with in subparagraph (ii) of the same paragraph.

Hon. Mr. CROLL: How does it vary from the definition in the disability act at the present time?

Dr. WILLARD: Mr. Chairman, the disabled persons' legislation that we have at the present time has the definition of permanent and total disability, which would be a more severe definition than the one set out here. You will notice in this Bill that the severity is related to a person being capable of regularly pursuing any substantially gainful occupation. It, therefore, brings in an additional concept of employability, Subparagraph (ii) relates to a disability that is prolonged, which means that it is not a temporary sickness cash benefit, or a benefit that is payable for an illness for a short period of time.

Mr. MONTEITH: In this phrase "severe and prolonged mental or physical disability", would a terminal illness be covered?

Dr. WILLARD: Yes, that would be covered; for instance, a terminal cancer case would be covered.

The CHAIRMAN: Are there any further questions?

Mr. THORSON: Might I add that paragraph (*b*) of this same clause confers authority to determine the time when a person is regarded as having become disabled or as having ceased to be disabled.

On Clause 44—*Benefits payable.*

Mr. THORSON: Clause 44 is really the lead section in part II of the bill. This clause sets out the various pensions and other supplementary benefits that are payable under the bill.

The CHAIRMAN: Are there any questions on clause 44?

Mr. MONTEITH: In this case could Mr. Thorson go through the clause paragraph by paragraph? I know the first few paragraphs are simple.

Mr. THORSON: The first pension provided is the retirement provision which is set out in paragraph (*a*). It is available to a contributor who has either reached 70 years of age or has reached 65 years of age and at the same time is retired from regular employment; that is to say the test of retirement from regular employment will apply from age 65 to age 70, but it will not apply after age 70.

Mr. CÔTÉ (*Longueuil*): Can an employee decide to become a pensioner at the age of 65?

Mr. THORSON: Yes, that is an option open to him so long as he is retired from regular employment.

Hon. Mr. MCCUTCHEON: He can resign from the Senate and go on pension.

Mr. CANTELON: What happens to a contributor who retired at the age of 60; would he be able to get any benefits from this scheme if he has been contributing?

Mr. THORSON: It would not be available to him until the age of 65.

Mr. CANTELON: There would be no penalty owing to the fact that he has not paid for the last five years?

Mr. THORSON: His benefits would be calculated on the basis of his earnings over his contributory lifetime.

Paragraph (*b*) sets out the disability pension that is available to any contributor who has paid contributions for not less than the minimum qualifying period, and who is disabled. There are two things to observe there: He must have made contributions for the "minimum qualifying period"—that is defined in the following subclause; that is to say, subclause (2) of clause 44. The other point to be observed is that he must be disabled within the meaning of the act; that is to say, he must be found to be disabled.

In paragraph (*c*) a death benefit is provided. Such a benefit is payable to the estate of any deceased contributor who has made contributions for not less than the minimum qualifying period.

Mr. MONTEITH: Where it that set out?

Mr. THORSON: That is set out in subclause (3). Perhaps I should anticipate subclauses (2) and (3) to some degree. Subclause (2) defines the minimum qualifying period in the case of the disability pension, whereas subclause (3) defines the minimum qualifying period for all other supplementary benefits. When we come to it you will see there is a difference between the two tests.

Paragraph (*d*) authorizes a widow's pension to be paid to the widow of a deceased contributor, where the contributor has made contributions for not less than the minimum qualifying period, in a variety of circumstances. In the first place, a widow's pension is available where the widow has reached 65 years of age, that is to say, regardless of what her age was at the time when her husband died. Secondly, if she has not reached 65 years of age, then a pension is payable to her if, at the time of the death of her husband, she had reached 35 years of age. Thirdly a pension is payable if, at the time of the death of her husband, she was a widow with dependant children, as defined in the earlier section.

Hon. Mr. MCCUTCHEON: Are all those alternatives?

Mr. THORSON: Yes. If the widow can comply with any one of the conditions, then she is entitled to a widow's pension. She need only comply with one, and any one is sufficient.

Hon. Mr. MCCUTCHEON: Do you not need the word, "or" in there?

Mr. THORSON: It appears in line 35.

Hon. Mr. MCCUTCHEON: What about line 32?

Mr. KNOWLES: There are three cases.

Hon. Mr. MCCUTCHEON: That is what I was saying. Does she have to qualify under both (A) and (B), or are they alternatives? If they are alternatives, then surely we should have the word "or" in line 32.

Mr. THORSON: That is not done as a matter of custom. All our acts are drafted as was done here.

Hon. Mr. MCCUTCHEON: I learn something every day.

Mr. THORSON: The third situation is where a widow may be eligible for a widow's pension where she is less than 65, if she should become disabled. She may have been disabled either at the time of the death of her husband, or, alternatively, should she become disabled at any subsequent time she would be entitled to an immediate widow's pension.

Paragraph (*e*) deals with the disabled widower's pension. Here the pension is payable to the widower of a deceased contributor who has made contributions for not less than the minimum qualifying period as defined in subclause (3) in two circumstances: If the widower was disabled at the time of the death of his wife, and was maintained by her wholly or substantially immediately before she died.

Mr. MONTEITH: So this is a little different from the widow. These two tie together?

Mr. THORSON: Yes, that is correct.

Hon. Mr. MCCUTCHEON: They do not say either one or the other?

Mr. THORSON: No, that is a twofold test.

Finally, an orphan's benefit is payable to each orphan of a deceased contributor where the contributor has made contributions for not less than the minimum qualifying period.

The CHAIRMAN (*Mr. Cameron*): Are there any questions on clause 44?

Mr. KNOWLES: We are just coming to subclause (2).

The CHAIRMAN (*Mr. Cameron*): I thought we had dealt with that.

Mr. KNOWLES: There is a question I would like to put.

Mr. THORSON: Shall I deal with subclause (2)?

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

Mr. THORSON: Subclause (2) sets out what we mean by the minimum qualifying period for the disability pension. Here the contributor is regarded as having made contributions for the minimum qualifying period only if he has made contributions for at least five calendar years and at least one third of the total number of calendar years that are included either wholly or partially within his contributory period.

Where his contributory period embraces more than ten calendar years then he must also have made contributions in at least half of the last ten years that fall into his contributory period.

In other words, there are really two tests embodied here: One of—what shall I call it?—current attachment to the labour force?

Dr. WILLARD: Yes.

Mr. THORSON: First of all, you measure his contributions in terms of his total contributory period, but there is also attached here a test of recency of contribution. Where he has contributed for more than ten years you must be able to find that in the last ten years he has made contributions in five of those years.

Mr. CANTELON: If you had a pension plan in which you superannuated at 56 you could possibly qualify then, at say, 65?

Mr. THORSON: That is correct.

Paragraph (*b*) which is an alternative to paragraph (*a*) establishes what can perhaps be called permanently insured status.

Under this paragraph a contributor who has contributed for at least ten years and at least half of his last ten years, is regarded as having made contributions for the minimum qualifying period and on his death there would be paid the full supplementary benefits.

Mr. KNOWLES: The question Mr. Cantelon asked which you answered rather readily applies to all benefits? Or does it only apply to supplementary benefits?

Dr. WILLARD: It applies to disability benefits.

Mr. CANTELON: I was misinterpreting the answer, then.

Mr. THORSON: I am sorry, I thought you were asking the question in the context of subclause (2).

Mr. CANTELON: I suppose I should have been doing so, but I was really wondering if it applied to all benefits.

Mr. THORSON: No.

Mr. MONTEITH: No, he would get his regular benefit when he reached 65.

Mr. THORSON: Recency is not a factor as far as the other supplementary benefits are concerned.

You see in subclause (3) a rather more simple test. For the other supplementary benefits it is only necessary that the contributor has made contributions either for at least three calendar years and one third of the total number of years in his contribution period or, alternatively, that he has made contributions for at least ten years.

Mr. BASFORD: Why do we have to have different tests?

Dr. WILLARD: Mr. Chairman, the reason for a more stringent test in the case of disability arises from the problems that have surrounded the provision and administration of disability benefits. We have tried to develop the disability benefit along the lines of the one in the United States, but in some instances it is actually more generous. For instance, they have a six month waiting period in the United States; we have a three month waiting period in this Bill.

Generally speaking, the disability benefit is much more difficult to administer. It is a very costly benefit. As you can see in this case, it is proposed to pay 75 per cent of the retirement benefit as compared to 37½ per cent in the case of some of the other supplementary benefits. Certainly to start off the program it was considered that the qualification period should be fairly rigorous, until we have gained some experience under the program.

I think the private insurance companies that have written insurance for disability have followed the same procedure of building certain protections into this kind of benefit.

Hon. Mr. MCCUTCHEON: They are not the same kind of protections, but in practice it is much easier to determine that a man is dead than that he is disabled.

Dr. WILLARD: Well, Mr. Chairman, some of the insurance companies do carry policies that provide for certain reimbursement for disability quite apart from death, and they are usually pretty well guarded to take care of the difficulties of administration as well as cost.

Hon. Mr. McCUTCHEON: The supplementary benefits referred to in subclause (3) are all payable only in the event of the death of a contributor. That is a fact that is very easily determined as distinct from the disability benefit where the proof of disability, as everybody knows, is a very difficult matter.

Dr. WILLARD: That is correct.

The CHAIRMAN (*Mr. Cameron*): Are there any more questions on clause 44?

Mr. KNOWLES: I would like to ask a question about the phrase "calendar year" which appears several times with respect to the minimum qualifying period.

I gather that computations are being kept with respect to calendar years and not with respect to a year taken from when a person began, and that it would be possible for an 18 year old to get his first calendar year's credit within a month or two of becoming 18 if he became 18 in September or October.

Mr. THORSON: That is quite correct. If, for example, he reached his eighteenth birthday in the month of November he would have made a contribution for a calendar year by contributing during the month of November and the month of December.

Mr. KNOWLES: Let us suppose he was unfortunate enough early in life to become disabled. He could obtain five calendar years' credit by this one or two month period when 18 and then three full years and a month or two before he became disabled. He does not have to wait five years from the date he became 18.

Mr. THORSON: That is correct.

Dr. WILLARD: It would be possible for him to have made a contribution for the month of December at the outset, then to have made contributions in the next three calendar years, and then to have made a contribution in January of the fifth year, and still qualify.

Mr. CÔTÉ (*Longueuil*): Even if he did not make his full contribution in the three years? Even if he had been sick for a few months?

Dr. WILLARD: No, in the example I mentioned I assumed that he would have made his contributions in the three intervening years, so he would have made contributions in respect of five calendar years.

Mr. KNOWLES: Though in his case it would actually be contributions for 38 months.

Dr. WILLARD: That is correct.

Mr. THORSON: Provided the first and 38th month were months in which his income exceeded $600.

Mr. KNOWLES: Do you not want to correct that? For the man who became 18 in November—

Dr. WILLARD: If he had a contribution of more than $50 in a month that would be the contribution for that year.

Mr. KNOWLES: That was the correction I thought Mr. Thorson would make. It is a calendar year that is used throughout this scheme?

Dr. WILLARD: That is correct.

In the white paper it was mentioned that it would be two years; actually, from the time the plan starts it will be two years and one month. The policy decision was two years but with the kind of basis of contribution that has been worked out, administratively two years and one month is the closest we can get to it.

The **CHAIRMAN** (*Mr. Cameron*): Are there any further questions from Mr. Knowles or any other member of the committee on this clause?

On Clause 45—*Basic amount of benefit.*

Mr. **THORSON**: Clause 45, Mr. Chairman, is the first of a group of clauses that, regrettably, are rather difficult clauses dealing with the calculation of the various pensions.

Clause 45 defines what we mean by the basic amount of any benefit and provides for the annual adjustment of benefits that have become payable. This clause therefore provides for the escalation of pensions in pay according to the pension index, which you recall is based on the consumer price index.

Subclause (1) defines what is meant by the basic amount of benefit. This is the amount that is arrived at by the application of the various benefit formulae contained in this part before any escalation factor has been applied. In other words, the basic amount is the amount calculated precisely in accordance with the sections that follow in division B but before escalation. Subclause (2) sets out the method by which benefits are to be adjusted annually in accordance with changes in the pension index. For example, the monthly pension payable for 1980 would be the monthly amount of the 1979 pension multiplied by the ratio of the 1980 pension index to the 1979 pension index.

Mr. **KNOWLES**: That is the monthly amount of the pension awarded in 1979?

Mr. **THORSON**: Yes—I am sorry; it does not make any difference when it first became payable. Each year the same adjustment is made to the amount of the pension so, of course, the effect is cumulative.

Mr. **KNOWLES**: So, a person going on pension in 1980 whose conditions were the same as a person who had gone on pension in 1975 would have the same rate.

Mr. **THORSON**: No. The basic amount would be the same in each case, but in the case of the person who went on pension in 1980 the basic amount would have been escalated to the 1980 date; in other words, he then would start at the same starting point as the person whose benefit had commenced in 1975. The ceiling would have increased and the two then would be marching side by side.

Dr. **WILLARD**: Mr. Chairman, at the last meeting I mentioned that we would have some examples of how the pension is calculated. Members of the committee may have noticed that we have Mr. John Osborne and Mr. Bruce MacDonald at the officials table at the moment. Mr. MacDonald is from the office of the comptroller of the treasury, and he has worked out some illustrations for your consideration.

Mr. Chairman, it occurred to me you might want to have these examples appended to the proceedings of this meeting. We have copies distributed so that the members at their leisure could look through the various examples.

Mr. **MUNRO**: I so move.

The **CHAIRMAN** (*Mr. Cameron*): Is that agreeable?

Some hon. **MEMBERS**: Agreed.

The **CHAIRMAN** (*Mr. Cameron*): Have you the examples to distribute now?

Dr. **WILLARD**: Yes.

The **CHAIRMAN** (*Mr. Cameron*): Are there any further questions on clause 45?

Mr. MONTEITH: Yes. Do you not think we should have a look at these samples before we proceed?

The CHAIRMAN (*Mr. Cameron*): Well, perhaps you should, Mr. Monteith. I thought you were going to look at them at your leisure.

Hon. Mr. CROLL: Undoubtedly, some of these are complicated. I thought you would like to get them on the record. We always could return to them.

Mr. MONTEITH: It was my understanding that we are going through the bill clause by clause. Should we not have a clear understanding of what we are doing as we go along?

Dr. WILLARD: These examples will cover several clauses that we will come to in the course of our discussion.

Mr. MONTEITH: Would you prefer to go on with the clause by clause study now and then revert to this clause, and then go over the whole thing again?

The CHAIRMAN (*Mr. Cameron*): We prefer not to have to go back any more than necessary.

Dr. WILLARD: It might be helpful, Mr. Chairman, after these have been distributed, if Mr. MacDonald could indicate just what the various examples illustrate.

Mr. KNOWLES: Even before I look at this I am still puzzled by the statements made at the table about these changing figures marching hand in hand.

The CHAIRMAN (*Mr. Cameron*): The wording used was "side by side".

Mr. KNOWLES: Do pensions that start at different times not vary according to the earnings index and the other factors? I think the earnings index is the main factor that enters into it. But, will a pension that starts in 1980 in respect of its basic amount not be different from a pension which starts in 1985?

Mr. THORSON: This is dependant upon the record of the contributor's own earnings. The starting point is, what answer is yielded having regard to the earnings record of the contributor?

Mr. KNOWLES: My point is this. On the assumption that things are still going up, the person who goes on pension in 1980 has his amount fixed by his pensionable earnings at that point.

Mr. THORSON: Subject to adjustment of the earnings according to the pension index.

Mr. KNOWLES: From then on?

Mr. THORSON: According to the earnings index, I am sorry.

Mr. KNOWLES: Up to 1980. But, in 1985 he may have had four or five adjustments. Will there not be adjustments annually according to the pension index?

Mr. THORSON: That is correct.

Mr. KNOWLES: Whereas the man who goes on pension for the first time in 1985 may as a result of the earnings index start at a higher figure?

Mr. THORSON: That is correct.

Mr. KNOWLES: So, they march side by side but not identically?

The CHAIRMAN (*Mr. Cameron*): No, hand in hand.

Mr. MONTEITH: I think it would be better if it was put this way. Say, two people started and were at the maximum, made complete contributions and everything; if one started in 1975 to withdraw his pension by, say, 1980, it would have increased by the formula to a certain amount. Another man goes on pension in 1980; he would start at the same figure that that man who started at 1975 was getting in 1980. Is that right?

Mr. KNOWLES: No, it is not. That is the very point I am trying to make.

Mr. THORSON: It is not necessarily the case. It depends on whether the two indexes have moved ahead at the same rate of progression.

Mr. KNOWLES: If you look at the table which has been put in the record you will find on page 151 that has not been the case in history. The consumer price index from 1949 has increased by about 30 per cent but the average of wages and salaries has more than doubled, over 100 per cent.

Dr. WILLARD: It is possible increasing the two could offset each other but it is also possible they could diverge. You could have a beneficiary who is in pay under the program for a number of years and that person is receiving a higher benefit as the years go by because there has been some increase in the cost of living; he would be in a different position from someone who then comes into pay after a number of years, and the pension is updated according to the earnings index. There could be a divergence.

Mr. KNOWLES: I am not trying to argue but only to understand it, and I am looking ahead beyond the transitional period, during which time the pension index does play a part in the maximum figure. After you get over that point it is the earnings index that changes the figure up to the point of going on benefit, but it is only the pension index that changes the figure if you go on benefit.

Dr. WILLARD: That is correct.

Mr. KNOWLES: Therefore, there could be differences?

Dr. WILLARD: Yes.

Mr. KNOWLES: And theoretically, they could be to the advantage of one or the other.

Mr. THORSON: Yes, there could be theoretical differences. You should bear in mind as well that the pension index can go in only one direction, whereas the earnings index is capable of reflecting decreases in average earnings as well.

Mr. KNOWLES: I know that strange things can happen, but if the wages go down the cost of living is not likely to go up.

Hon. Mr. MCCUTCHEON: But, the wage index is allowed to go down and that is reflected in the calculation, whereas if the cost of living goes down it is not reflected.

Mr. Bruce MACDONALD (*Office of the Comptroller of the Treasury*): Mr. Chairman, there are six examples covering various situations.

On page 2, in order to give the examples some air of reality, we show various quantities that enter into the calculation of the pension. These are the employees' average earnings, the earnings index, the pension index, the year's basic exemption and the year's maximum pensionable earnings. Two quantities, the consumer price index and the employees' actual average earnings originate outside the system. The values used for these over the years are chosen to illustrate principles and are in no way meant to suggest forecasts. They will also differ in some detail from the information Mr. Osborne gave you the other day, in order to illustrate more precisely the meaning of these terms.

The first example shown on page 3 refers to a retirement pension for a contributor who was 49 years of age in 1966, who works until the end of 1984 and retires when he is 68 years of age at the beginning of 1985. The salary that he earned is shown first; then the year's maximum pensionable earnings, the year's basic exemption, and then the unadjustable pensionable earnings. This can be no more than the year's maximum pensionable earnings. That is, where your salary and wages decrease below the year's basic exemption and the unadjusted pensionable earnings are shown to be zero.

When the contribution goes to pension in 1985 we have to calculate a scaling factor consisting of the average of the year's maximum pensionable earnings in the year in which his pension becomes payable, plus the previous two years. By dividing those three quantities by three, we have a $7,000 average for the year's maximum pensionable earnings in 1983 to 1985. In order to find out the pensionable earnings for each year, we take the unadjusted pensionable earnings for each year, divide by the Year's Maximum Pensionable Earnings for that year, and multiply by the scaling factor. When the total pensionable earnings are determined in this particular case, we have a dropout for the three years, or 36 months, he contributed after age 65. This is subtracted from the contributory period. Then we take away his lowest 36 months of earnings. In this particular example, where he had three years where his pensionable earnings were zero, the total of the 36 months of lowest earnings is zero. Following that there is another adjustment of 10 per cent or 20 months. We subtract the 20 remaining lowest months of earnings, ending up with netted pensionable earnings, and a netted contributory period. The retirement pension is calculated as 25 per cent on the ratio of these netted amounts.

Do you wish me to go into these in this detail?

The CHAIRMAN (*Mr. Cameron*): Perhaps we might adjourn and come back.

Mr. MACDONALD: The other examples show the same treatment.

The CHAIRMAN (*Mr. Cameron*): We will adjourn until eight o'clock tonight.

EVENING SITTING

The CHAIRMAN (*Hon. Mrs. Fergusson*): Gentlemen, we have a quorum. When we adjourned this afternoon, we had just about finished clause 45.

Mr. MONTEITH: Excuse me, Madam Chairman, we only started it.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Do you want some more explanation on clause 45?

Mr. CAMERON: I think Mr. MacDonald was not quite through.

Dr. WILLARD: Are there any further questions which the members wish to ask of Mr. MacDonald?

Mr. MONTEITH: Madam Chairman, I am sorry I have not had an opportunity to examine this over the dinner hour but I listened to Mr. MacDonald before we recessed, and if everybody else here understands completely what he said at that time, I will abide by their decisions. If they do not, then I would very much like to have him go over it again, maybe a little more briefly. I really would. I have page No. 2 in front of me, and I would really like to have it explained again.

Mr. MUNRO: I was wondering if Mr. Monteith would accept the suggestion that we leave it for tonight and perhaps go over it at our meeting tomorrow so that some of the members will have a chance to study it and ask some other questions.

Mr. KNOWLES: Let clause 45 stand.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Clause 45 will stand. Is that agreeable?

Mr. KNOWLES: Will Mr. MacDonald remember it overnight?

Mr. CANTELON: What happens we understand, but what we do not understand is the reason for it.

Mr. MONTEITH: I would not be averse to having clause 45 stand, with the thought that maybe some of the following clauses, if they apply to 45, should also stand. Is that your thought on it?

Dr. WILLARD: I would think we could follow through on a number of these clauses and then perhaps come back to the illustrations, either later at this meeting or, as Mr. Munro has suggested at the next meeting of the committee. The examples that Mr. MacDonald has given refer to more than just the retirement benefit. We could go through those clauses covering the retirement benefit, the disability benefit and the widows' benefit as a part of the clause by clause consideration and then perhaps come back to review his examples in order to see how these clauses operate.

The CHAIRMAN (*Hon. Mrs. Fergusson*): If this is agreeable to the committee, we will go back to clause 46.

Mr. THORSON: Madam Chairman, clauses 46 to 53 deal with the calculation of the retirement pension. Clause 46 contains the basic definition of the retirement pension. You will see in that section that the pension is a basic monthly amount—which is the term used in the previous clause 45—equal to 25 per cent of the contributors' average monthly pensionable earnings. This is the key clause. The clauses that follow develop what we mean by average monthly earnings and how those earnings are computed. That is the function of all of the subsequent clauses in this group of clauses.

On Clause 47—*Amount of average monthly pensionable earnings.*

Mr. THORSON: Clause 47, for example, defines how average monthly pensionable earnings are calculated with respect to a contributor to whom a pension becomes payable during the transition period. You will see that his earnings are calculated by taking his total pensionable earnings (that is to say, his earnings over his contributory lifetime) and dividing that total by the basic number of contributory months. You may recall in the definition contained in clause 43, I believe, the basic number of contributory months is 120, minus certain months in which he may have been in receipt of a disability pension.

pay out

Mr. KNOWLES: Before you leave that clause, I take it that clause 47 produces the result that a person who has only five years before he retires prior to 1976 gets half the pension.

Mr. THORSON: Each of the first ten years would add an additional one tenth to the maximum permitted by the formula.

On Clause 48—*Average monthly pensionable earnings in case of pension commencing after December, 1975.*

Mr. THORSON: Clause 48, subclause (1), deals with the calculation of average monthly pensionable earnings in the case of a contributor who becomes entitled to a pension after the end of the initial ten-year transitional period. His earnings are then calculated by dividing his total pensionable earnings by either the total number of months in his contributory period—which may be well in excess of 120 months—or the basic number of contributory months, which is normally 120, whichever is the greater. Therefore, if the number of months in his contributory period were 180, or a higher number, that would become the denominator which would be divided into his total pensionable earnings to determine the amount of his retirement pension.

Subclause (2) of the same clause deals as Mr. MacDonald has explained with the dropout that is available to contributors who have made contributions towards their pension after reaching the age of 65.

Mr. MONTEITH: May I just ask a kind of silly but fundamental question here? If an employee retires before the age of 65 he automatically goes on pension. Is that correct?

Mr. THORSON: That is correct.

Mr. MONTEITH: If he is self-employed and continues to work until the age of 70, he will not go on pension until the age of 70?

Mr. THORSON: There is no difference between an employee and a self-employed person.

Mr. MONTEITH: Except if he continues to earn an income between the age of 65 and 70, then he continues to pay?

Mr. THORSON: That is true in either case. It makes no difference whether the earned income is income from an employment or from self-employment.

Mr. MONTEITH: It is earned income. Is it correct that either the employee or the self-employed person may go on pension at the age of 65?

Mr. THORSON: That is correct.

Mr. MONTEITH: If he continues to pay for the next five years and continues to work, he then receives a higher pension. Is that right?

Mr. THORSON: That is correct. Those earnings would be taken into account in computing his pension.

Mr. MUNRO: It would not be necessarily higher.

Mr. THORSON: It would not be necessarily higher, but in the case of a person who had not attained the full limit which he could attain under the formula, it would count towards a higher pension, and in any event it would count in enabling him to take advantage of the dropout provision contained in subclause (2) of clause 48.

Dr. WILLARD: I think there are two ways of looking at it. During the ten year transitional period those additional years can be quite important in terms of increasing the amount of benefit he would get. For each additional year of contribution it would give him an additional one tenth in benefit. After the ten years, it is important because it is used for dropout purposes.

Mr. CANTELON: May I return to what Mr. Thorson said? Is there no factor that would increase his pension just because of the fact that he is getting older and hence his pension would not be continued for as many years in the future?

Mr. KNOWLES: This applies in the old age security pension.

Mr. THORSON: That is true of the age reduced benefit provided under the Old Age Security Act, but it makes no difference as far as the retirement pension available to a person under the Canada Pension Act is concerned. It makes no difference whether he takes the pension at the age of 65, or continues to work, apart from the factors mentioned by Doctor Willard, or whether he waits until the age of 70 and then retires from the labour force to draw his pension.

Mr. CHATTERTON: Except in so far as the earnings over and above his retirement are concerned.

Mr. THORSON: I hope I made that clear, that he can improve his position by continuing to earn and contributing in those circumstances. Otherwise there is no adjustment made by reason only of the fact that the pension becomes available to him before the age of 70.

Mr. KNOWLES: But a person who at 65 made a personal decision to go on working for five years, believing he would thereby improve his position and finding in a year or so that that was not to be the case, could retire and apply for a pension?

Mr. THORSON: Indeed he could. There is another reason why he might wish to continue as a contributor—bearing in mind there is an adjustment made on his earnings according to the earnings index. That might be of assistance.

Mr. MONTEITH: If an employee has been earning $6,000 a year as an employee and all of a sudden reaches the age of 65 and is cut off, if the employer says "You're through"—and this is commonly the case in many pension schemes—if he goes on and does odd jobs at the rate of about $2,000 a year or something of this nature, he is forced to continue to contribute. Am I right?

Mr. THORSON: He would in the example that you have given. We will be coming to a special provision applicable to the retirement pension, which establishes a retirement test.

Under that test a certain amount of casual earnings can be earned which would not result in the contributor continuing to make contributions and would not affect the amount of his pension. In other words, a certain amount of income can be received even though he is in receipt of a retirement pension.

Mr. MONTEITH: Yes, I appreciate that. There is the provision for the $900 and $1,500 in different circumstances.

Mr. THORSON: That is right.

Mr. MONTEITH: But I come back to the chap who could actually have quit working at 65 and receive just as much pension as if he had gone on paying for another six years. He would have a little left over, and so on, but he would receive the same pension as he would if he had gone on working to 70 and then retired.

Mr. CÔTÉ (*Longueuil*): Can he get his pension right away?

Dr. WILLARD: If it is in the transition period.

Mr. MONTEITH: No, no, we are beyond the transition period.

Dr. WILLARD: The suggestion is that the earnings he received during the years from 65 to 69 were approximately the same as he earned before and therefore could not be used as dropout.

Mr. MONTEITH: No, they are considerably less.

Mr. THORSON: They are considerably less.

Mr. MONTEITH: He took a job as janitor in a high school, for example.

Mr. THORSON: But his earnings are still enough to keep him in as a contributor?

Mr. MONTEITH: Yes.

Mr. KENT: It depends whether there were years earlier in his life when earnings were less than $2,000. If there were, he raises his lifetime earnings by the years when he has been janitor. If there were not, he does not raise his average lifetime's earnings on that account, but when he retires those earnings will be adjusted according to the higher level which, in normal circumstances, the earnings index will by then have reached; so he will in consequence of this get a slightly greater pension than otherwise.

Mr. MONTEITH: If the $2,000 figure, for argument's sake, were about—

Mr. KENT: Otherwise what he gets is the advantage of the increase in the general level of earnings at the time.

Dr. WILLARD: But if in your example they are well below his previous earnings, then it becomes a decision for him whether it is more advantageous from the point of view of income to carry on working or to retire and take the pension.

Mr. CHATTERTON: Or have his employer reduce his earnings to $900.

Dr. WILLARD: That is correct.

Mr. CÔTÉ (*Longueuil*): If he retires at the age of 65 and gets his pension, then can he work at all without contributing to the plan?

Dr. WILLARD: Yes, we will come to the earnings test and when we consider that we will find that he is allowed to have $75 a month without any effect on his retirement pension; but as his earnings go up above that level the retirement benefit is affected.

Mr. THORSON: Once his pension commences, that closes off his contributory period and he does not then continue to be a contributor after the pension has begun.

Mr. MONTEITH: Do your $900 to $1,500 figures not apply to that period when he has commenced to receive a pension?

Mr. THORSON: That is correct, but when he is getting his pension there is no question of his having to continue to make contributions under the plan. His contributions cease at the moment when his pension begins.

Mr. CANTELON: Is his pension not then reduced if he is making casual earnings which go over the specified amount?

Mr. THORSON: Yes. The question to which I am directing myself is his continued coverage as a contributor under the plan. That stops when his pension begins.

Mr. CANTELON: I understood your answer to be that there is no actuarial increase just because of age and the fact that the plan is not paying anything out, say, for five contributory years. He might contribute from 65 to 70, which saves the plan and which also means he is paying in during that period. There is no increase in his final pension because he does not collect for those five years.

Mr. THORSON: Apart from the advantages that have been mentioned, sir, that is correct.

Hon. Mr. THORVALDSON: In the case of a person who retires at 65 with a fairly sizeable pension, let us say, and then decides to go into farming and operates that farm at perhaps a fairly good profit, what is the situation?

Mr. THORSON: This will emerge, I think, more clearly when we get to the provisions dealing with the retirement test. However, to the extent that his income from his farm can be regarded as being earned income, then that would be applied to reduce the amount of the retirement pension available to him in the years between age 65 and 70, not after age 70.

Mr. MONTEITH: I do not want to harp on this, but I am interested. I think Mr. Cantelon brought up a point which I would like to have clarified.

Am I right in saying that if I were at some stage of life to buy a private pension plan there could well be a decision whether, if I retired at 65, I would receive this much money. If I kept paying into the plan until I was 70 I would receive more money for two reasons: one, that I had a shorter life expectancy and, two, I paid more in.

Do either of those factors actually enter into this pension plan?

Dr. WILLARD: Mr. Chairman, in the early period they very much enter into it. In the first ten years—

Mr. MONTEITH: No, we are away beyond the first ten years.

Dr. WILLARD: In the later years, as has been mentioned, the dropout considerations can be very important indeed. This is particularly true since in the later years a person quite often has higher earnings than he had in his early working years. Even though the early years may be adjusted upwards according to changes in wage levels if he has for instance an extension of employment beyond 65 and is earning at or above the ceiling, this can be helpful. If he has an extension of employment for two or three years at the ceiling these years can be very valuable in terms of the earlier years when he first came into the labour force, when say, his income was $2,000 or $3,000 a year relative to a $5,000 ceiling. Thus, those years could be quite important for dropout purposes.

Mr. MONTEITH: I do not wish to be picayune in this, but I am trying to get a comparison picture in my mind.

disincentive to work

Say for argument's sake there are two men who both start to work now and whose transition period has long since gone by by the time they come of pensionable age. They both work continuously throughout life. Maybe in their younger years they do not make as much as they do at the end; naturally they would not. They come to the age of 65 years and they are both employees; one does not go into any other employment after he has retired at 65; but the other putters around—maybe he is a carpenter—and he may do odd jobs and make $2,000 or $3,000 a year. When that man reaches the age of 70, despite the fact that he has paid in another five years and despite the fact that he is five years older and has that much shorter life expectancy, he really does not receive any more money than the one who quits at 65.

Dr. WILLARD: I would think in the example I mentioned if the two men started working at $2,000 a year and the maximum ceiling was $5,000, and then at—

Mr. MONTEITH: Incidentally, can you find anyone who will work for you for $2,000 a year?

Dr. WILLARD: All right, let us take $3,000 a year relative to a ceiling of $5,000; assume later on at retirement time or during the period from 65 to 69 this person is earning say $6,000 or $7,000 relative to a ceiling say of $5,000. During his work life the value of his earnings relative to the ceiling have increased. I would think that the early years would be dropped out in favour of the late years and that he would have the advantage in comparison with the man who retired at 65.

There is another point I would like to make—

Mr. MONTEITH: May I just add one qualification? I am suggesting for argument's sake that his casual earnings after reaching 65 have come down to the level he was earning when he first entered the work force.

Dr. WILLARD: If that were the situation where there were no advantages in dropout, then I think the point you have made is valid.

The other matter I wanted to mention is that a basic decision has been made with regard to this plan that there should be an earnings test and that between the ages of 65 and 69 it is a retirement benefit. This is a basic provision of the plan; there is similar provision in the United States program and a similar one in the United Kingdom program. If the benefits were paid to everyone at age 65, even those that were earning their full salary and carrying on in employment, it is quite apparent this would cost more and that either the contribution rate would have to be a little higher or, alternatively, the benefits would have to be a little less. You would have to give a little less in benefits for the same premium or the same contribution made.

Mr. MONTEITH: I have a further question. Of those you have calculated, have you any estimate of those who probably will retire at age 65 and those who might carry on beyond that time?

Dr. WILLARD: Madam Chairman, we might ask the chief actuary this question, when he is discussing the actuarial report.

Mr. MONTEITH: In case I forget it will the secretary take note of my question.

Dr. WILLARD: The chief actuary is here and I am sure when he discusses his report he will deal with this particular point.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you a question, Mr. Munro?

Mr. MUNRO: Madam Chairman, especially after the transition period, in my opinion, this plan is not designed to encourage people to stay in the work force after 65.

Mr. MONTEITH: This is what I cannot see.

Mr. MUNRO: The plan is designed especially after that transition period to encourage people to retire at age 65 without undue prejudice.

Mr. CANTELON: It undoubtedly does that; it encourages them to quit at age 65.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you a question Mr. Côté?

Mr. CÔTÉ (*Longueuil*): It is my understanding that in private plans usually they are supposed to retire at age 65, and they stay in the labour force and continue to pay until the age of 70.

Dr. WILLARD: Well, Madam Chairman, usually there is no option. Most of the private plans are geared for retirement at age 65, but here again you have quite a variety. You have some which are set up for a retirement at an even earlier age than 65. I think it is a little difficult to compare the provisions in a private type of plan with this one where you would not have the situation where you might want to have an earnings test. For instance, this test is quite a usual approach under a social insurance type of scheme.

Mr. KNOWLES: Madam Chairman, I wonder if it may not be said that in the post transition period the plan is geared to retire at age 65, but it does make certain provisions which are optional to people if they wish to go on. In other words, if a man wishes to go on working he may do so at his own option, if he thinks by doing so he can improve the pension he will receive later. As I see it, there are three choices. He can retire and take what pension is available to him. He can continue working on a salary sufficient to improve his position and thereby get a larger pension later, or he can retire and quit making contributions but do some casual work, as a result of which his pension would be reduced. But, all this is optional to the individual. Am I not correct in my understanding of this?

Mr. TOM KENT (*Policy Secretary to Prime Minister*): Yes. I think what Mr. Knowles said is obviously a fair and accurate description of the alternatives. But, I do not think it would be right to imply the plan is intended to either encourage or discourage retirement at any particular time. It is intended to accept the fact that many people do retire from age 65 onward. In many cases they have to and, therefore, it is intended to make the standard pension available to them under the plan at that age. The plan does, on the other hand, provide quite an appreciable inducement for those who can make reasonably good earnings, when they do so, to carry on up to age 70. In most cases—not if they take casual jobs, but if an opportunity to carry on at existing earnings presents itself—they will gain from doing so under the dropout provisions. And they will gain even if they do not increase their average earnings at all by staying on, because normally earnings rise 3 per cent a year, which means that in five years the earnings index will have risen by 15 per cent. While that is not a full actuarial adjustment for the difference between ages 65 and 70, combined with the dropout provisions it would go a long way for many people.

Mr. MONTEITH: Mostly in respect of self-employed because most employees are under schemes where they are let out at age 65 and, therefore, for them the plan provides retirement at age 65 in the ordinary way.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you a question, Senator Thorvaldson.

Hon. Mr. THORVALDSON: Does this plan exclude completely the idea that people under it can retire at age 65 as they do under most private pension plans? Upon retirement at age 65 they get their pension and then it is not the concern of their employer or anyone else whether or not they go to work again in some other vocation or whether or not they earn money. Would it not be preferable if this plan was fitted in the same way as private plans in that regard, that when you are through at age 65 you are through and you can go to anything else without any reference to what you get under this plan.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Thorvaldson, you are asking opinions of the witnesses but, may I advise you, that this part of our work is just an explanation of what the bill means. I do not think we can enter into that phase of it at the present time.

Hon. Mr. THORVALDSON: I thought I was asking for an explanation largely.

Mr. CHATTERTON: I would like that information.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Well, all right.

Mr. MUNRO: On a point of order, Madam Chairman—

Hon. Mr. THORVALDSON: Here we go again.

Mr. MUNRO: Madam Chairman, are we going to start what we were doing before going into the principle of policy?

Hon. Mr. THORVALDSON: Madam Chairman, I apologize if I am speaking out of turn. As you know, I have been away the last few days and I am not quite up to date as to the procedure we are following. I did not realize that we were not supposed to discuss policy at this time.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Thorvaldson, the time will come later when you can argue this. At the present time we are just listening to an explanation of the various clauses of this bill.

Now, gentlemen, we have spent quite a long while on this particular clause. It has been a most useful discussion and although I think it has been very worth while I think it might be time to move on to the next one.

Mr. CHATTERTON: Madam Chairman, I know that the purpose of the present procedure is that we become informed through clause by clause examination of this bill. However, when we do come to certain clauses and we go beyond the narrow sense we have agreed upon in our search for information I do not think we should be ruled out of order. I am sure the consensus of the committee is that we not only should become informed but at proper times ask for certain opinions of witnesses who are appearing before us. I think this should be quite a normal procedure.

Mr. GRAY: Madam Chairman, on this point, with all due respect to Mr. Chatterton, may I say he has outlined an alternative form of procedure to the one adopted by this committee. It may be that strong arguments could be made in favour of what he has said, and that this would be a good way to go through the bill, but with all due respect to him, Madam Chairman, it would seem to me to be directly contrary to the report adopted by this committee by vote. Until the committee formally changes the procedure as adopted I submit the approach put forth by Mr. Chatterton is one we are not in a position to follow at the present time.

The CHAIRMAN (*Hon. Mrs. Fergusson*): In listening to the evidence it seemed to me the witnesses were of the opinion that later clauses would clarify some of the things we are discussing at the present time.

Mr. CHATTERTON: Madam Chairman, that is a different matter.

The CHAIRMAN (*Hon. Mrs. Fergusson*): But, it would seem to me that in anticipating certain information we might follow it better after we have heard some of the subsequent clauses explained.

Mr. KNOWLES: Is it not also true that the officials will be with us on our third stage of examination and we can pick their brains for opinions then?

Dr. WILLARD: We now get back to clause 48 (2), which deals with the dropout feature.

Mr. THORSON: To round out this clause, subclause (3) deals with the dropout in the case of a contributor who has made contributions for more than—

Mr. MONTEITH: If I may interrupt, Madam Chairman, are we on subclause (3) now? Are we not dealing with subclause (2) of clause 48?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any further questions on subclause (2)?

Mr. MONTEITH: I had not thought we discussed it yet.

Dr. WILLARD: Clause 48, subclause (2) deals with the dropout feature for the group 65-69 years of age after the ten year transition period, and we did have a number of questions in this connection.

The CHAIRMAN (*Hon. Mrs. Fergusson*): That is what we have been discussing. Shall we pass on to subclause (3), or are there further questions on subclause (2)?

Mr. MONTEITH: Clause 48, subclause (1) (*a*) says:

> There shall be deducted from the total number of months in his contributory period, the number of months therein after he reached 65 years of age or by which the total exceeds the basic number of contributory months, whichever is the lesser; and
>
> (*b*) from his total pensionable earnings, the aggregate of his pensionable earnings for a number of months equal to the number of months deducted under paragraph (*a*), for which months such aggregate is less than the aggregate of his pensionable earnings for any other like number of months in his contributory period.

I do not know whether or not I know what it is all about.

Mr. THORSON: What it is saying is that you can make direct substitutions for each month for which the contributor makes contributions after age 65. You may substitute that month for any earlier month.

Mr. MONTEITH: All right.

Mr. THORSON: That is, for which he otherwise would be credited with lower earnings. It is a month by month proposition. Subclause (3) deals with the contributor who has made contributions for a larger number of months than 120. In other words where, after making the deduction permitted by subclause (2), the total number of the remaining months in his contributory period still exceeds 120, then there may be a further dropout of years of lower or no earnings up to 10 per cent of the total number of months in his contributory period.

Mr. CHATTERTON: The 10 per cent dropout applies only after applying the month per month after 65.

Mr. THORSON: Yes. You first make the "after 65" calculation, take the figure that remains, and a further dropout to 10 per cent is permitted on the remaining number of months.

On Clause 49—*Contributory period defined.*

Mr. THORSON: Clause 49 defines the contributory period of a contributor. We have referred to this concept on a number of occasions. Briefly, the contributory period begins either on January 1, 1966, when the plan is inaugurated or at the time when the contributor reaches his eighteenth birthday. At the other end of the scale, the contributory period is closed off at the point of time where he reaches 65 years of age, or should he make any contribution after 65, then with the last month for which he makes a contribution. Of course, a contribution cannot be made by him after reaching age 70.

Hon. Mr. McCutcheon: What is the position of a landed immigrant who arrives here ten years from now at age 55, takes pensionable employment, makes contributions for 120 months, leaves the labour force and retires; where does he stand.

Mr. Thorson: His pensionable period would begin at the year 1966, or at his eighteenth birthday, even though he were not a resident of Canada at that time.

Hon. Mr. McCutcheon: You still spell him back to age 18?

Mr. Thorson: Yes. Those earlier years would be used to arrive at the pension paid to him at the end of ten years when he arrived in Canada.

Dr. Willard: I think I should add that if an immigrant comes in at, say, age 35 or 40 and comes from the United Kingdom, the United States, or a European country, he probably will have been covered by the social insurance scheme in that country for that period. Our hope would be to try to work out some reciprocal arrangement whereby we could make sure he would be covered throughout his work life between his coverage in that country and his coverage under the Canada pension plan.

Hon. Mr. McCutcheon: As long as somebody else pays him, I am happy.

Mr. Knowles: The other side of this would be in respect of a person going from this country to Europe; he would get the same thing in reverse.

Mr. Monteith: Am I right that in respect of a person who has been the breadwinner all his life, is a widower and contributor, is age 66 and contributes up to and including the last month he is earning, when he dies there is nothing except the death benefit.

Dr. Willard: Yes.

Mr. Gray: That is not different to the situation under our present old age system?

Dr. Willard: That is right.

Mr. Chatterton: If an immigrant arrives in 1968, is 25 years of age, and has missed two years' payments, do those two years count as years of nil earnings?

Dr. Willard: I beg your pardon?

Mr. Chatterton: Say the immigrant is 35 years of age and arrives in Canada in 1968 and has missed two years of contributory contributions. Do those two years count as years of nil earnings?

Dr. Willard: Yes.

On Clause 50—*Total pensionable earnings defined.*

Mr. Thorson: Clause 50 defines the total pensionable earnings of the contributor in terms of the total for all months in his contributory period; that is, his pensionable earnings for each month calculated as provided in clause 51. In other words, there is a conversion of his total pensionable earnings into his earnings month by month.

On Clause 51—*Calculation of pensionable earnings for a month.*

Mr. Thorson: Clause 51 defines his pensionable earnings for a month. You will see they are calculated by multiplying all the earnings for which he is deemed by clause 52 to have made a contribution for a month, by the ratio that the average of the year's maximum pensionable earnings for the year in which a retirement pension becomes payable to him, either under this plan or under any provincial plan, and for each of the two proceeding years bears the year's maximum pensionable earnings for the year that includes the month that is being updated. This is the provision under which contributory earnings are updated in accordance with the earnings index.

Hon. Mr. McCUTCHEON: Surely it would have been much easier to have reversed these clauses. Madam Chairman wants us to keep this on a clause by clause basis. Clause 50 is not understandable until we read clause 51, and you cannot possibly understand clause 51 until you read clause 52.

Mr. MONTEITH: I understand that ever since, and including clause 45 these have been stood; we simply are obtaining clarification of this group.

Mr. OSBORNE: May I point out that clause 50 establishes the numerator and clause 49 establishes the denominator in the fraction for calculating the pension, and clauses 51 onward show you how to calculate clause 50.

Mr. MONTEITH: Does Mr. MacDonald have an example of this at his fingertips; is there an example in this table? We can take others up later.

Mr. THORSON: I think, Senator McCutcheon, had we revised the whole process, the bill would have been even more difficult to understand.

Subclause (2) of clause 51 provides a special rule in the case of any pension which becomes payable in the year 1967. Instead of using the three earlier years, you select one year.

On Clause 52—*Amount of earnings for which contribution deemed to have been made for a month.*

Mr. THORSON: Clause 52 deals with the amount of earnings for which a contribution is deemed to have been made for a month. Here the earnings for which he is deemed to have made a contribution for each month in a given year is the amount calculated by dividing his unadjusted pensionable earnings for the year by 12. There are special exceptions in the case of a person who during the year reaches 18 or reaches 70 years of age, or becomes entitled to a disability pension.

Hon. Mr. McCUTCHEON: As I understand it, if a contributor makes a contribution for every month in the year in which he is entitled to make a contribution, which in the case of someone becoming 18 might be two months, he is regarded as having, in effect, made a contribution for that whole year.

Mr. THORSON: Yes.

Mr. MONTEITH: At that rate.

Mr. THORSON: If he makes any contribution in a year, then he is regarded as having made a contribution for each month in the year in the proportion that the number of months is to 12.

Hon. Mr. McCUTCHEON: Just a minute. If there is a young man who is making $3,000 a year at the rate of $250 a month who becomes 18, that is the first time he is called upon to become a contributor. Now, what are his pensionable earnings for that year; are they $3,000 or $500?

Mr. THORSON: They are $500, prorated over two months, which would be $250 a month.

Hon. Mr. McCUTCHEON: I see. All right. In other words he gets credit only for his pensionable earnings in the month in which he made a contribution.

Mr. THORSON: No. Were he to make a single contribution, or only two or three contributions in a year, this amount would be the total contribution, and it would be recorded as having been made for all months in that calendar year in equal proportions.

Hon. Mr. McCutcheon: But if his pensionable monthly earnings were $250, they would be divided by 12. Is that clear? He has made two contributions, and he has been making that amount of money that year. It is only in November and December that he is required to make contributions. What are his pensionable earnings in that year?

Mr. Thorson: His pensionable earnings in that year are $500. The pensionable earnings for each month in the year—since there are only two months—would be $250.

Hon. Mr. McCutcheon: Thank you.

Mr. Chatterton: He would be contributing on the basis of $500.

Mr. Thorson: He would be contributing on the basis of earnings of $500 a year, yes.

Mr. Monteith: All right, and that year might be supplanted in our discussion earlier, when I referred to somebody with cash earnings after 65, and he might take one year when he made $2,000 and supplant that for a year in which he only made $500.

Mr. Thorson: Oh, yes.

Mr. Osborne: It is a month for month dropout, not a year for year dropout.

Hon. Mr. McCutcheon: Suppose he made contributions in respect of two months; if he made $250 a month, and his annual exemption is $600, has he any pensionable income in that year?

Mr. Osborne: It would be $100; his exemption would be $100, being $50 for each month.

Mr. Thorson: It would be two-twelfths of $600.

The Chairman (*Hon. Mrs. Fergusson*): Are there any more questions on that point?

Mr. Knowles: I wonder if I might try again with this calculation? Maybe I am going back to clause 51, but it is all together. Suppose I follow the rule that you should understand things before you move on. In relation to the $3,000 income, and the $5,000 ceiling, that becomes adjusted in these calculations, does it not? The man is making $3,000 in the year 1966 under the ceiling of $5,000. What happens to the calculating of his pension assuming he does not go on benefits for 30 years later? Is that $3,000 income of 1966 computed to something higher because of the $5,000 ceiling?

Mr. Osborne: In clause 51 a fraction was described whereby his earnings in any month are to be divided by the ceiling of the year in which that month falls. So in this example the ceiling would be $5,000; the earnings in the month were one-twelfth of $3,000, in your example. So that is $250, and it would be expressed as that amount, multipled by an average of the ceilings for the year in which he retires and the two previous years, over the ceiling for the year in which that month falls, which in your example would be $5,000.

Mr. Knowles: Let me take a hypothetical example away out in order to get it straight. Let us suppose by the time that man retires the ceiling has actually gone to $10,000. Is it not true that in computing that year, it would be computed as though he had earned $6,000?

Mr. Osborne: That is correct.

Mr. Knowles: That is a simple man's example of how this escalating upward of the wages works according to the earnings index.

Mr. Osborne: It would bear the same relation to the ceiling in the year in which he retires, as it did to the ceiling in the year in which he earned it.

Mr. Knowles: Could you not have said all that in the clause?

Mr. Thorson: We think we did.

Mr. KNOWLES: I think you did so in the white paper.

On Clause 53:

Mr. THORSON: The final clause in the group is this: it becomes either a starting point or a finishing point as you prefer—I refer to clause 53, which defines the unadjusted pensionable earnings of the contributor in the year. This is the amount that is actually posted to the credit of the contributor in the record of earnings. This is the amount that is entered as the amount on which his pension benefits are based.

Mr. KNOWLES: It takes into account the kind of computation we just described?

Mr. THORSON: Yes. This is the amount of the earnings reported to his credit for all purposes of pension. It is this amount which is subsequently adjusted in order to arrive at the figure of his average pensionable earnings. This is a long and rather difficult clause. I wonder if there are any questions?

Mr. MONTEITH: How would it be if Mr. Thorson or somebdy were just to go through it rather slowly?

Mr. THORSON: I would much prefer that it be Mr. Sheppard.

Mr. SHEPPARD: There are three parts to this clause described as (*a*), (*b*), and (*c*). At the bottom it is stated that the person is credited with the least of the amounts determined under each of these paragraphs. Paragraph (*a*) is the total earnings, salary, wages, or self-employed earnings added together. These are qualifications provided in the paragraph which I shall explain later if you wish further clarification. Paragraph (*b*) is the dollar amount of the earnings upon which he made contributions plus his exemptions. Paragraph (*c*) is the maximum pensionable earnings for the year. He cannot get more than that.

If I might use an illustration—suppose we have a person who has salary and wages of $4,600, but he has contributed on only $3,600. The reason he only contributed on $3,600 was that he was working for two people simultaneously and received two exemptions. Then he could only be credited for $3,600 plus the $600 exemption, which makes $4,200, even though he had earned $4,600.

He has an option to make additional contributions on that short-fall under an earlier clause and if he did avail himself of this option he would get credit for the whole $4,600.

Hon. Mr. THORVALDSON: Is it only an option or a compulsion? He is not compelled?

Mr. SHEPPARD: No, not on that particular point. That is an option.

Hon. Mr. MCCUTCHEON: What is the clause under which he has an option?

Mr. THORSON: I think it is clause 11.

Mr. SHEPPARD: No, it is clause 12, subclause (3); that is the option.

Mr. THORSON: Yes, clause 12, subclause (3), yes.

Mr. SHEPPARD: And if he elects under clause 12, subclause (3), it is included as income for the purpose of clause 10. That is it is treated as self employed earnings for the purpose of making a contribution.

Mr. THORSON: That contribution, you will recall, is made on a 3.6 per cent rate.

Mr. SHEPPARD: I think we already discussed clause 14 which has a bearing on the interpretation of the words "salary and wages on which a contribution has been made". Have I satisfied you, or are there any more questions?

Hon. Mr. MCCUTCHEON: I shall say that I am satisfied.

Mr. THORSON: There is a point I should mention, and that is where the contributor is what we call a "dual" contributor, where he has made during his lifetime contributions under this plan as well as under a provincial pension plan. By virtue of paragraph (*b*), subparagraph (2), all his earnings are recorded in the record of earnings for pension purposes, whether his contributions were made under this plan or under the provincial plan. This becomes the definitive record of his earnings for all pension purposes under the Canada pension plan or under the provincial pension plan.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Shall we go on to clause 54?

Mr. KNOWLES: The result of the operation of clause 53 is the posting, in each person's ledger, of his unadjusted pension earnings for that year. Which is the clause under which the adjusting is done?

Mr. THORSON: It is done under clause 51.

Mr. KNOWLES: We are going backwards. However, the adjusting that is done under clause 51—which we have already had explained—does not take place until the time comes for the person to go on benefit. Clause 53 describes the way a contributor's record is kept year by year.

Mr. THORSON: It is not really necessary to make the adjustment until the time comes for payment.

Mr. KNOWLES: When the time comes for a person to retire, then the year by year records kept under clause 53 are adjusted in accordance with the provisions of clause 51. Is that right?

Mr. THORSON: That is correct.

Mr. CÔTÉ (*Longueuil*): If a person has worked in a province where there is a provincial plan and then moves out to another province and contributes to the federal plan, would he get his pension from the federal plan which would get a share from the province?

Mr. THORSON: No, this clause does not say that. It says that in the case of the dual contributor, his earnings will be recorded in the record of earnings established under this act, whether the contributions were made under the Canada pension plan or under the provincial plan. Whether or not he will receive his pension under the Canada pension plan or under the provincial plan will be contingent upon an agreement, and we will be coming to that in a later clause of part II.

Mr. MONTEITH: Before we move on to the next part on disability pensions, may I ask whether I understood you correctly to say that we are going to go through some of these examples with Mr. MacDonald tomorrow morning?

The CHAIRMAN (*Hon. Mrs. Fergusson*): That was my understanding.

Mr. MONTEITH: Would it be reasonable to suggest that we should not pass clauses 45 to 53, on which I understand these clauses depend, and carry on with clause 44 at present? I would be glad to do that. I would like to hold them open for further discussion in conjunction with these examples.

Dr. WILLARD: One possibility would be to have Mr. MacDonald discuss at this stage the examples that relate to the retirement benefit. I believe he has other examples that relate to the disabled and other supplementary pensions. We could take up those when we have completed the retirement benefit clauses and illustrations. We might ask Mr. MacDonald to say a few words.

Mr. BASFORD: It would be helpful if he went through the example on page 3 with reference to this particular clause.

Mr. MACDONALD: Madam Chairman, the first example is on page 3. The material on page 2 is supporting material to show how the year's maximum pensionable earnings and the year's basic exemption, that are used in the examples, are derived. The example on page 3 is of a retirement pension for a contributor who is 49 years of age in 1966, works until the end of 1984 and retires when he is 68 years of age at the beginning of 1985. The figures shown under the heading salary and wages are those which would appear in the record of earnings. The year's maximum pensionable earnings and the year's basic exemption govern what goes into the unadjusted pensionable earnings. You will see that in all cases where the year's maximum pensionable earnings exceed the figures in the salaries and wages column, the amount appearing in the unadjusted pensionable earnings column is equal to the year's maximum pensionable earnings since one may not contribute on more than the year's maximum pensionable earnings.

Mr. MONTEITH: Would you repeat that last sentence?

Mr. MACDONALD: For those years in which the figures shown in the salaries and wages column are greater than the figures shown in the year's maximum pensionable earnings column, the figure that appears in the unadjusted pensionable earnings column is made equal to the figure appearing in the year's maximum pensionable earnings rather than to the salary and wages.

Mr. BASFORD: That is by reason of clause 53(c).

Mr. MACDONALD: Yes.

In calculating the retirement pension, under the provisions of clause 51, a scaling factor is computed based upon the average of the year's maximum pensionable earnings in the year in which the pension becomes payable, plus the preceding two years. He is to begin receiving his pension in the year 1985. The year's maximum pensionable earnings for that year is $7,200, for the preceding year it is $7,000 and for the year preceding that it is $6,800. The average of these three figures is $7,000.

Mr. MONTEITH: I am sorry, I may appear a little dense, but what is the second to the last column? How do the pensionable earnings at $5,600 come in in 1966?

Mr. MACDONALD: That is what I am attempting to show first, that is how we obtain an adjustment factor to bring unadjusted pensionable earnings to pensionable earnings.

Hon. Mr. MCCUTCHEON: The pensionable earnings in 1966 are $5,000.

Mr. KNOWLES: The ceiling is $5,000.

Mr. MACDONALD: Taking the year 1966, in which the unadjusted pensionable earnings are $4,000.

Hon. Mr. MCCUTCHEON: That is the amount he earned.

Mr. MACDONALD: Yes. We divide $4,000 by $5,000 and multiply it by $7,000, which gives the pensionable earnings of $5,600.

Mr. MONTEITH: You are working up the previous years.

Mr. KNOWLES: This is the scaling up about which I was talking when I gave my extreme example.

Mr. MACDONALD: In this case you have $4,000 over $5,000 multiplied by $7,000 which, if you make the calculation, you will see comes to $5,600.

Hon. Mr. MCCUTCHEON: Those are the retroactive pensionable earnings after you have applied your scale-up.

Mr. MACDONALD: That is right. That comes from section 51. The pensionable earnings for the succeeding years are calculated in a similar manner, varying the year's maximum pensionable earnings appropriate to each one of these succeeding years and the unadjusted pensionable earnings recorded for each one of those succeeding years. Having calculated each of the pensionable earnings for each of the years, you will get a sum which represents the total pensionable earnings which is set out below as $98,542. This is provided for in clause 50 as the definition of total pensionable earnings. The number of months in the contributory period beginning in January, 1966, and ending in December, 1984, is 228 months. This particular contributor worked for three years after he had reached the age of 65. He is therefore permitted to drop 36 months out. We subtract the 36 months, worked after the age of 65, from 228 months from his contributory period. Looking down two or three lines we have now 192 months in his contributory period. Correspondingly, we wish to subtract the 36 months of lowest earnings. In this example, because of the fact there were three years in which he was credited with zero earnings, the amount we subtract from his total pensionable earnings is zero. Those are specifically the earnings for the years 1979, 1980 and 1981.

Mr. BASFORD: Under what clause do you drop those?

Mr. MACDONALD: We drop those out under clause 48(2) (*a*)—that is the month—and under clause 48(2)(*b*), the earnings. We still have more months left than the basic number of contributor months. We therefore take 10 per cent of the remaining months, giving us 19.2 months, which is rounded up to 20 months, and subtract these leaving us now with 372 months. These months are dropped out under section 48(3)(*a*).

We subtract from the pensionable earnings a corresponding amount. The amount shown here is $5,552, which is equal to the total pensionable earnings for the year 1982 plus eight twelfths of the pensionable earnings for the year 1983. We are left then with pensionable earnings of $92,990, and the number of months in the contributory period is 172.

Working then from clause 46 and clause 48(1) we obtain a retirement pension which is equal to 25 per cent of the netted pensionable earnings divided by the netted number of months in the contributory period, giving us $135.16 as the monthly pension.

Hon. Mr. THORVALDSON: I take it, Madam Chairman, that it is based upon contributions having been paid at all times.

Mr. MACDONALD: All these examples assume that everything has been cleaned up in respect of contributions.

Mr. GRAY: We have the 20 remaining lowest months. This subtraction is from what section?

Mr. MACDONALD: That is from clause 48(3) (*a*).

Mr. GRAY: That is the sum after the subtraction of the 10 per cent?

Mr. MACDONALD: The 20 months is the 10 per cent.

Hon. Mr. THORVALDSON: That is a lot easier than the sections of the act.

Mr. BASFORD: Where does clause 48(3) provide that the dollar value of $5,552 will be subtracted?

Mr. MACDONALD: Clause 48(3) (*b*).

Clause 48(3) (*b*) speaks of subtracting from his total pensionable earnings remaining the aggregate of his pensionable earnings for the number of months that were deducted under clause 48(3) (*a*).

Mr. BASFORD: Yes, I see that.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is this example sufficient? I think Mr. MacDonald has done a wonderful job.

Mr. MONTEITH: I think he has done a marvellous job, Madam Chairman, but I do not think any of us completely understand it yet.

Mr. MOREAU: On a question of privilege, I take exception to that.

Mr. CASHIN: Mr. Moreau being an engineer and a mathematician summa cum laude—!

Mr. MONTEITH: May I just go down this? We have the total pensionable earnings here in the second last column; the total number of months in the contributory period which is 228 months from the first of 1966 to the first of 1985.

Mr. MACDONALD: The end of 1984.

Mr. MONTEITH: Then subtract the number of months worked after 65. Perhaps he worked three years. That is under clause 48(2) (*a*).

Mr. MACDONALD: Correct.

Mr. MONTEITH: Subtract 36 months of lowest earnings. This is what we were discussing. I can see the layout here. This is where they received nothing. This is where we can say they subtract three lowest earnings after the lows he did work after ordinary retirement. All right, subtract 10 per cent of the remaining months. Now—

Mr. CÔTÉ (*Longueuil*): At 69 and 70 he did not pay.

Mr. MONTEITH: All right, subtract 10 per cent of your contributory months, then 20 remaining lowest months of earnings.

Mr. MACDONALD: These are all pensionable earnings recorded for the year 1982 which is the lowest amount.

Mr. MONTEITH: Take the next lowest, the remaining lowest month, yes. That is under clause 48(3) (*b*). Right?

Mr. MACDONALD: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you satisfied, Mr. Monteith?

Mr. MONTEITH: Yes. Are we going on with page 4?

Mr. MACDONALD: Page 4 is another illustration of a retirement pension and shows the effect of the transition period. We have here a man who was 58 years of age in 1966 and who works until the end of 1973, retiring when he is 65.

The total number of months in his contributory period is at first glance 96 months because he has eight years in which he has made contributions, but under clause 47 when a retirement pension becomes payable to a contributor commencing with any month before January, 1976, his average monthly pensionable earnings are determined by calculating the total pensionable earnings by the basic number of contributory months, which is 120 minus any number of months in which he was receiving a disability pension. So no dropout provisions are operating.

His pensionable earnings are calculated in the same way by finding the average of the year's maximum pensionable earnings for the year in which the pension becomes payable and the preceding two years, and using this to convert the unadjusted pensionable earnings to pensionable earnings.

The total pensionable earnings are found to be $37,346. This amount is divided by the basic number of contributory months, 120, and 25 per cent is taken off that result to give the retirement pension of $77.80.

Hon. Mr. THORVALDSON: In other words, as a result of coming into it at 66 that man at a certain age gets the benefit of 96 months increased to 120?

Mr. MACDONALD: Pardon me?

Hon. Mr. THORVALDSON: He gets the benefit. He has only worked for 96 months but it is calculated that he has worked for 120 months.

Mr. MACDONALD: The amount of his pension is in effect reduced by requiring that his average monthly pensionable earnings are calculated by taking 120 months rather than the 96 months.

Hon. Mr. THORVALDSON: His earnings are spread over a period of 120 months.

Mr. MONTEITH: How do you get 4160 again? I know you gave me the compilation before. Is it 405 by—

Mr. MACDONALD: $4,000 divided by $5,000 and multiplied by $5,200.

Mr. MONTEITH: Is that $5,200 the unadjusted pensionable earnings figure?

Mr. MACDONALD: No, the $5,200 is the average of the year's maximum pensionable earnings for the year 1972, 1973 and 1974.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Shall we proceed to clause 54 or are there any further questions?

Hon. Mr. THORVALDSON: May I ask one question on that? Suppose the man who retires here at 65 continues employment on the same basis for another three, four or five years. Can he do so under the scheme? And if he does will his pension be greater when he becomes 68 or 69 or 70?

Mr. MACDONALD: We would end up with more figures to add in the pensionable earnings column. The number of months in his contributory period would be increasing, and presumably at some point he would pass the basic number of contributory months. If we put it this way, if he worked two more years, in this calculation the 120 months would not change because his basic number of contributory months and his actual number of contributory months would be the same, while the amount of the pensionable earnings would be increased; therefore his pension would be higher.

Hon. Mr. THORVALDSON: The figure of $37,346 is the total pensionable earnings. This is divided by 120 months. He would get a bigger pension.

On Clause 54—*Amount of disability pension.*

Mr. THORSON: Clause 54, Madam Chairman, deals with the calculation of the disability pension. You will see that the basic amount of the disability pension has two components: first of all, what is called the flat rate component, which is dealt with in subclause (2); and secondly the earnings-related component which is determined as being 75 per cent of the amount of the contributor's pension calculated in accordance with the rules set out in subclause (3) of this same clause. So, there are the two elements, the flat rate portion and the earned portion.

Subclause (2) defines the flat rate portion as being an amount calculated by multiplying $25 by the ratio that the pension index for the year in which the benefit commences bears to the pension index for the year 1967. In other words, the initial amount of the flat rate element is $25, but as time progresses that is adjusted in accordance with any increase in the pension index from the year 1967 onward.

The other element in the disability pension, that is to say the 75 per cent of the contributor's retirement pension, is calculated in exactly the same way as his retirement pension would have been calculated, if it had become payable to him, under clauses 46 to 53, except in making the calculations under this clause certain adjustments have to be made in the method of calculation. For example, paragraph (a) provides that in making the calculation clause 47 is not applicable. That clause, you will recall, is the one that deals with the transition period. Similarly, certain modifications are made in clause 48. It too must be read in a somewhat different way from the way it reads when you are using it to calculate the retirement pension proper. Here, earnings are calculated by dividing the total pensionable earnings by the greater of the total number of months in his contributory period, or 60.

Paragraph (c) requires certain modifications to be made in the clause which defines the contributory period of the contributor. The commencement of the contributory period is the same but the period ends with the month in which a disability pension becomes payable to the contributor either under this act or under a provincial pension plan. In other words, instead of running the contributory period through in the ordinary course of events to age 65 or the month in which he last made a contribution after age 65, it is closed off, in effect, at the time he becomes entitled to the disability pension.

Paragraph (*d*) provides for the making of certain alterations in the application of clause 51 by which earnings are updated according to the earnings index. Here, instead of selecting the year in which a retirement pension becomes payable to the contributor as being the year on the basis of which the updating takes place, you must select the year in which the disability pension becomes payable to the contributor. With these modifications the earlier clauses are applicable to determine the 75 per cent of his retirement pension, and putting the two components together, this yields the amount of the disability pension.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. MacDonald has an example which illustrates this. It is on page 5 of the document which has been distributed. Would you like him to go over that?

Mr. MACDONALD: That page shows the calculation.

Mr. MONTEITH: May I ask if Mr. MacDonald would give us the clause or subclause which applies to each step as he goes through this for us.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think that is a good idea.

Mr. MACDONALD: On page 5 we have the calculation of a disability pension for a contributor who is 45 years of age in 1966 and became disabled in December 1977. This is the month in which he is found to be disabled. We calculate the pensionable earnings in precisely the same way that we did before with this one difference—and, essentially, it is not a difference; we find the average of the year's maximum pensionable earnings in 1976 to 1978 by taking $5,500, $5,700 and $5,900, and dividing by three, to give us a quotient of $5,700.

Mr. MONTEITH: Why take 1978 in when he actually became disabled in 1977. He is not going to be working in 1978.

Mr. MACDONALD: It is under clause 54, subclause (3). This says that clause 51 shall be read as covering the three year period ending with the year in which the pension becomes payable, and the pension does not become payable until 1978.

Mr. MONTEITH: Did you say that was clause 54, subclause (3)?

Mr. MACDONALD: Yes. We find the total pensionable earnings in the usual fashion by adding the pensionable earnings column. This is under clause 50. We find the number of months in the contributory period, which is really 48 in the light of clause 54, subclause (3) (*d*) and also clause 70, which appears later.

Mr. MONTEITH: I am sorry, but did you say clause 48 and clause 54, subclause (3) (*d*)?

Mr. MACDONALD: Yes, and clause 70. Clause 70 says that where payment of a disability pension is approved the pension is payable for each month commencing with the fourth month following the month in which the applicant became disabled. In this case he became disabled in December 1977. His pension becomes payable in April, 1978. So, the number of contributory months here is the 12 year period 1966 to 1977, plus the three months of the waiting period, giving us 147 months.

Mr. BASFORD: If he became disabled much earlier that figure would be 60.

Mr. MACDONALD: As the basic number of contributory months, yes. Now, he has enough months to make applicable clause 48 (3) (*a*) and (*b*). That is the clause which provides for a 10 per cent dropout. In this case he has 147 months and 10 per cent of this is 15 months, and the number of months in his contributory period is reduced to 132.

Mr. CANTELON: May we have that clause again.

Mr. MACDONALD: It is 48 (3) (*a*) and (*b*). The pensionable earnings are reduced by $5,728, which consists of the $4,560 of pensionable earnings for the year 1966 plus three twelfths of the pensionable earnings in the year 1967, which you will note is the year containing the next lowest pensionable earnings. You end up then with a total pensionable earnings of $58,008, and the number of months in the contributory period is 132.

Now, you may drop down a couple of lines in order to keep this in the correct order. The retirement pension is taken as 25 per cent of $58,008 over 132, and the portion of the retirement pension that he receives on account of his disability is 75 per cent of that amount. So, we show 75 per cent of 25 per cent of $58,008 divided by 132 months, which is clause 54 (1) (*b*), I believe.

Going up one line, the flat rate portion of $28.77 is the flat rate applicable in the year in which the disability pension becomes payable, which is taken in my examples from page 2 of this paper. You will notice opposite the year 1978 an amount of $28.77. The total disability pension is then the total of the portion of the retirement pension plus the flat rate portion, giving $111.26.

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

Hon. Mr. THORVALDSON: Madam Chairman, I have a question in respect of that flat rate benefit in the amount of $28.77. Although this may have been covered before, I take it that this is a factor built into the whole scheme. I am referring to this item for disability which I observe at page 2 in the amount of $25 plus certain adjustments.

Mr. MACDONALD: It is adjusted by the changes in the pension index. It begins at $25 and for each year it is calculated it is multiplied by the ratio of the pension index in the year in question and divided by the pension index in the year 1967.

Hon. Mr. THORVALDSON: The amount, the $111.26, is quite independent of a compensation payment that the person may have received through, say, a compensation board or anything of that kind.

Mr. MACDONALD: That is correct, senator.

Hon. Mr. THORVALDSON: Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): If there are no further questions perhaps we might go on to clause 55.

On Clause 55—*Amount of death benefit.*

Mr. THORSON: This clause defines the amount of the death benefit that is payable to the estate of a contributor who has made contributions for the minimum qualifying period. Here you will see the death benefit consists of a lump sum payment equal to six times the amount of the contributor's monthly retirement pension calculated as provided in the second subclause, up to a maximum of 10 per cent of the year's maximum pensionable earnings for the year in which the contributor died; that is to say, up to a maximum initially of $500, being one tenth of $5,000.

Hon. Mr. MCCUTCHEON: This is what we used to call in the life insurance business a burial policy.

Mr. THORSON: Subclause (2) deals with the calculation of the contributor's retirement pension for the purposes of paragraph (a) of subclause (1). If I may simplify it somewhat, paragraph (a) provides in the case of a contributor to whom a retirement pension actually was being paid, that you use the monthly amount of the pension that was being paid to him; but in the case of a contributor who died before any retirement pension became payable to him, it is necessary to evolve a constructive, or notional, retirement pension in much the same manner as was done in the previous clause. So, in this case the pension, which is based on 25 per cent of his average monthly pensionable earnings, is calculated in the same way it is calculated in clauses 46 to 53, but again in making the calculation, certain modifications are necessary. Again clause 47 is regarded as not applicable. The average monthly pensionable earnings of the contributor are calculated on the basis of his total pensionable earnings divided by the total number of months in his contributory period, without further restriction. The clause that deals with the updating of his average pensionable earnings according to the year in which he retired is modified so that his earnings are updated on the basis of the year in which he died.

Mr. AIKEN: Is the death benefit payable in every case?

Dr. WILLARD: Yes.

Mr. AIKEN: Regardless of the age at which the pensioner dies?

Mr. THORSON: Yes, so long as he has contributed for the minimum qualifying period. That is the basic three calendar years and one third of the total number of years included in his contributory period.

Mr. AIKEN: So, regardless of whether he lived to be 85 or 100, this death benefit is payable on the calculation set forth in this amendment.

Senator McCutcheon may have been joking, but certainly he gets this.

Hon. Mr. MCCUTCHEON: I was not joking at all; I was quite serious. I have not made a joke in this committee yet.

Mr. AIKEN: Is that what it is, a burial payment?

Dr. WILLARD: Quite a number of social insurance programs include this kind of a benefit. As has been mentioned earlier in our discussions, there are some people who would not receive some of the other benefits but who at least would get this amount. A man may have contributed and have no widow and may not live to receive his retirement benefit. In that case the death benefit is available for his estate.

Mr. AIKEN: In order to get this in perspective, the maximum and minimum amounts depend on earnings?

Dr. WILLARD: It might help if we looked at the examples which Mr. MacDonald outlined. We might take the example on page 3. I am sorry; Mr. MacDonald has a specific example on page 8. He might go ahead and discuss it. I was going to use one of the earlier examples.

Hon. Mr. MCCUTCHEON: May I ask Mr. Thorson whether the death benefit will be subject to estate tax?

Mr. THORSON: Yes, it will be.

Hon. Mr. MCCUTCHEON: What about the widow's benefit?

Mr. THORSON: I should not be quite that dogmatic; I assume it will be.

Hon. Mr. MCCUTCHEON: There is nothing in the bill which exempts it.

Mr. THORSON: No.

Hon. Mr. MCCUTCHEON: What about the widow's pension; are you going to commute that and add that back into the estate?

Mr. THORSON: Presumably it will be treated in the same way as other pension benefits.

Hon. Mr. MCCUTCHEON: Thank you very much.

Mr. THORSON: Of course there will be full deductibility of the contributions as I understand it.

Hon. Mr. MCCUTCHEON: You mean deductibility for income tax?

Mr. THORSON: On the pension contributions, yes.

Hon. Mr. MCCUTCHEON: Up to the permissible maximum.

Mr. THORSON: I am perhaps transgressing on Mr. Sheppard's field, but it is my understanding that the pension contribution will be fully deductible. There is nothing in this act which deals with deductibility or with the inclusion of payments.

Hon. Mr. MCCUTCHEON: It follows according to the law as it now stands unless there is a change made.

Mr. THORSON: Yes.

Hon. Mr. THORVALDSON: I notice the death benefit payable is six times the amount of the contributor's retirement pension calculated as provided in subclause (2). Would you tell me approximately what that means in simple language?

Mr. THORSON: Let us suppose the contributor's retirement pension, calculated in the manner set out in subclause (2), was $75 a month, this would mean that six times $75 a month would be the amount payable since it is less than the permissible maximum of $500.

Mr. GRAY: The death benefit is not payable only when the deceased is a pensioner. Am I right?

Mr. THORSON: It is payable whenever a contributor dies.

Mr. GRAY: Mr. Aiken perhaps inadvertently referred to when a pensioner died. My second question is: Is the benefit, whatever the amount may be, limited by this act to the payment of the cost of burial?

Mr. THORSON: No; there is no restriction built into the law in respect of how the benefit may be used. However, in the ordinary case it is payable to the estate, although there are some special qualifications to that, as will appear later on.

Mr. GRAY: But there is no limitation on the end use of the funds?

Mr. THORSON: No.

Mr. MONTEITH: I suggest we adjourn.

Mr. KNOWLES: Is there any doubt about the income tax deductibility of the contribution under this plan?

Mr. THORSON: No.

Mr. KNOWLES: I did not think there was, but I saw some headshaking up front.

Mr. THORSON: There is no doubt in my mind.

Mr. KNOWLES: If it is not in this act, where will it be?

Mr. KENT: The only doubt, which explains the headshaking, was in respect of whether the contributions under this act will be included as part of the maximum deduction allowed; that is, the $1,500 maximum allowed for pension purposes. I think we are right in understanding the intention is that the $1,500 limit would continue to apply.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Gentlemen, it is ten o'clock.

Mr. MONTEITH: I move we adjourn. This is pretty heavy going now. Please have mercy on us.

The CHAIRMAN (*Hon. Mrs. Fergusson*): We will adjourn. The committee will meet tomorrow at 10 a.m. in room 371 in the west block.

APPENDIX "G"

Additional Answers to Some of the Questions Raised During the Morning Session, December 1, 1964, of the Joint Committee on the Canadian Pension Plan

1. *Question:* What are the current federal and provincial administrative costs of the Old Age Assistance program?

Answer: The Old Age Assistance program is administered by the same staff that administers the Disabled Persons and Blind Persons Allowances programs. It is therefore not possible to give the administrative costs attributable separately to each of these three programs. A description of these programs was tabled at the Morning Session on December 1 of this Committee. From the data there presented it can be seen that, in March 1964, of the 165,493 recipients of benefits under these programs, 105,241 or 63.6 per cent received Old Age Assistance.

The federal costs of administering the three programs, including auditing by field staff, was $125,203 in 1963-64. This expenditure represents 0.194 per cent of the $64,402,621 paid out by the federal government as its share of the benefit payments under these programs. If it is assumed that 63.6 per cent of administrative costs can be apportioned to the Old Age Assistance program, then the 1963-64 federal administrative costs of this program would amount to $79,629 or 0.2 per cent of federal expenditures on Old Age Assistance in that year ($39,208,181).

There is no information available on the costs of provincial administration for these three programs. In the past the provinces have indicated the difficulty they face in establishing a figure for such expenditures, because their administration covers many other welfare services and provincial programs such as General Assistance, Mothers' Allowances, and Supplemental Allowances, as well as these three programs.

2. *Question:* Do any of the private pension plans in Canada provide for the automatic adjustment of pensions in pay in order to allow for increased wage levels or costs of living?

Answer: The 1960 Dominion Bureau of Statistics survey of private pension plans did not seek to determine whether or not these plans contained escalation provisions. Therefore it cannot be stated whether or not the plans surveyed provide for the automatic adjustment of pensions in pay. Officers of the Department of National Revenue who are responsible for approving private pension plans for income tax exemption purposes report that from time to time, though infrequently, private plans have been submitted for approval which contain provisions for linking pensions in pay to the cost-of-living index. Other plans provide for variable annuities for their members on retirement; the amount of such a pension fluctuates according to the yield of the investment fund rather than according to changes in the cost of living. However, no statistics are maintained concerning this aspect of pension plan provisions.

3. *Question:* Do private pension plans in Canada provide full benefits to contributors after as little as 10 years of contributions?

Answer: It is by no means uncommon for private pension plans in this country, when they are first introduced, to give recognition to employees' past years of service to the employer, even though they did not contribute during those years. Such past service is credited to these employees in the determination of their pensions. For this privilege, the employer, and in some cases the employee as well, must arrange to make additional contributions to the pension fund, quite apart from any contributions towards benefits for current service. Where these arrangements exist, employees with long service under the same employer at the time the plan commences can become entitled to full benefits after a relatively short period of contributions. Whether or not fewer than 10 years of contributions could secure full benefits for such employees would depend on the maximum age at which employees were permitted to join the plan. If employees over 55 were denied the right to participate, then it would appear that a minimum of 10 years of contributions was required in order to obtain full benefits, even if credit was given for past service.

The 1960 Dominion Bureau of Statistics survey of private pension plans did not determine the answer to this question in these precise terms. However, questions were asked about past service benefits and about maximum age for participation. The survey showed that about 40 per cent of the plans surveyed did make provision for the purchase of benefits in respect of service with the employer prior to the effective date of the plan. In about half these plans the purchase of past service pensions had been completed. The survey also showed that over one-third of the plans set a maximum limit on the age af which workers were eligible to join the plans, and that of these most plans set age 55 as the limit, although many plans set the limit as high as age 60. Information is not available as to whether the plans that allowed for past service benefits were one with low, high, or no maximum limits on the age at which employees might join. It is therefore not possible to say whether any private plans provide full benefits after fewer than 10 years of contributions.

It might be noted that a recent test by the Department of National Revenue in the six weeks ending October 30 indicated an increasing number of new pension plans have included provisions for allowing past service benefits to employees. About 48 per cent of the plans reviewed in that period contained this feature.

APPENDIX "H"

Reply to Question Raised in the Special Joint Committee
of the Senate and of the House of Commons
on the Canada Pension Plan
December 3, 1964.

Question: Has the U.S. Internal Revenue service followed the same administrative procedures in collecting and refunding Social Security contributions since the inception of the plan?

Reply: The Internal Revenue service in Washington has advised that the basic system of collecting and refunding Social Security contributions has remained unchanged since the beginning of the plan.

Taxation Division
Department of National Revenue
7th December, 1964.

APPENDIX "I"

Reply to Question Raised in the Special Joint Committee
of the Senate and of the House of Commons
on the Canada Pension Plan
December 3, 1964.

Question: What is the amount of refunds issued by the U.S. Internal Revenue service in respect of overpayments resulting from employees having more than one employer during a calendar year and having paid social security tax on more than $4,800?

Reply: The Internal Revenue service in Washington advise they do not keep statistics for this type of refund. Their system provides that the overpayment to which an employee is entitled should be credited against his federal income tax for a year. If the total amount of such overpayment and amounts deducted and withheld as income tax exceed the total taxes due, the amount of the excess constitutes an overpayment of income tax. Thus the Social Security Tax to be refunded is treated as an overpayment of income tax. For this reason they are unable to provide the information requested.

Taxation Division
Department of National Revenue
7th December, 1964.

APPENDIX "J"

Reply to Question Raised in the Special Joint Committee
of the Senate and of the House of Commons
on the Canada Pension Plan
December 3, 1964.

Question: What is the amount of refunds issued by the U.S. Internal Revenue service in respect of overpayments resulting from employees having more than one employer during a calendar year and having paid social security tax on more than $4,800?

Reply: The Internal Revenue service in Washington advise they do not keep statistics for this type of refund. Their system provides that the overpayment to which an employee is entitled should be credited against his federal income tax for a year. If the total amount of such overpayment and amounts deducted and withheld as income tax exceed the total taxes due, the amount of the excess constitutes an overpayment of income tax. Thus the Social Security Tax to be refunded is treated as an overpayment of income tax. For this reason they are unable to provide the information requested.

Taxation Division
Department of National Revenue
7th December, 1964.

APPENDIX "K"

Reply to Question Raised in the Special Joint Committee
of the Senate and of the House of Commons
on the Canada Pension Plan
December 3, 1964.

Question: Has the U.S. Internal Revenue service followed the same administrative procedures in collecting and refunding Social Security contributions since the inception of the plan?

Reply: The Internal Revenue service in Washington has advised that the basic system of collecting and refunding Social Security contributions has remained unchanged since the beginning of the plan.

Taxation Division
Department of National Revenue
7th December, 1964.

APPENDIX "L"

Reply to Question Raised in the Special Joint Committee
of the Senate and of the House of Commons
on the Canada Pension Plan
December 3, 1964

Question: What would be the number of employees who would not be able to make a full contribution on an annual basis if the monthly contribution was restricted to a maximum salary of $416.67 per month (i.e., one-twelth of $5,000 per year)?

Reply: The total number is estimated at 597,000 broken down into the following categories:

(*a*) Employees earning over $5,000 annually who work for less than a full twelve months and who are therefore restricted from making the full contribution of $79.20. These are estimated at 20% of the 880,000 employees who earned over $5,000 in 1962 176,000

Note: The 1961 census indicated that 33% of all employees worked for less than a full year but a figure of 20% is used above in respect of those earning over $5,000 annually.

(*b*) Employees earning over $5,000 annually who work the full year but receive pay of less than $416.67 in one or more months during the year. These employees would have no opportunity to contribute on earnings over $416.67 in order to offset the shortfall in months when they earned less than $416.67. This group is estimated at 10% of the 880,000 employees who earned over $5,000 in 1962...... 88,000

(*c*) Employees earning less than $5,000 annually who in one or more months earn over $416.67. These employees would have no opportunity to contribute on earnings in excess of $416.67 in a month even though total earnings for the year is within the $5,000 maximum. This group is estimated at 20% of the 1,260,000 employees earning between $3,000 and $5,000 in 1962 252,000

plus

5% of the 1,622,000 employees earning less than $3,000 in 1962 81,000

597,000

Note: Employees in Quebec are excluded in the calculation of the above estimates.

APPENDIX "M"

Reply to Question Raised in the Special Joint Committee
of the Senate and of the House of Commons
on the Canada Pension Plan
December 3, 1964

Question: What would be the additional contribution required to be paid by employers by reason of having positions paying over $5,000 annually that are successively occupied by two or more persons in a year and therefore attract a contribution in excess of $79.20 annually per position?

Reply: It does not seem possible to develop a firm estimate of this amount. If a vacated position is filled by promotion from within the employer's organization it could be said that no additional contribution arises in respect of that particular position. If the position is filled from the outside, an extra contribution arises in respect of that position; a position paying $10,000 that is filled from the outside during July in a year could cause an excess contribution of $79.20; a transfer earlier or later in the year reduces this by $6.60 per month.

We have no specific information on the number of wage and salary positions paying over $5,000 annually or the extent that these positions become vacant and are filled from the outside each year. As an alternative approach, there is tabled below the number of taxpayers who are classified as employees with incomes over $5,000 for 1962 (Quebec excluded). An estimate of the number of those who may have worked for two or more employers in that year and the amount of overpayments that would have therefore resulted under the Canada Pension Plan is shown. It is believed that this estimate goes beyond the strict boundaries of the question asked because it would include new positions created by existing employers during a year and positions created by a new employer during the year. The estimate covers all employees, including those of governments, school boards and institutions, as well as the employees of incorporated and unincorporated employers in private enterprise.

Income Range	Number Employees In Each Range 1962 (Quebec Excluded)	Estimated Number Working for More Than One Employer—30%	Estimated Per Capita Overpayment	Total Overpayment
		(See Note A)	(See Note B)	
$ 5,000- 6,000.........	382,885	114,865	$ 7.20	$ 827,028
6,000- 7,000.........	214,089	64,226	25.13	1,613,999
7,000- 8,000.........	109,825	32,947	30.60	1,008,178
8,000- 9,000.........	56,120	16,836	35.10	590,943
9,000-10,000.........	34,138	10,241	39.60	405,543
10,000-15,000.........	58,613	17,583	49.86	876,688
Over-15,000.........	24,582	7,374	79.20	584,020
	880,252	264,072		$5,906,399

NOTE A—A sample survey made on 1957 tax returns indicated that 30% of all employees worked for more than one employer during that year. No later survey has been made and the 1957 survey covered returns at all income ranges. 30% is therefore used above for employees earning over $5,000 in 1962 even though there may be reason to believe that the rate of turnover is lower with such employees.

NOTE B—The estimated overpayments are based on the assumption that, on the average, the employment with one employer will be for nine months and three months with the other. A six month-six month subdivision creates higher overpayments and an eleven month-one month subdivision creates lower overpayments. An interim period of unemployment between jobs reduces overpayments and is not provided for; on the other hand where income is over $10,000 and there are three employers, the overpayment could exceed $79.20 and this possibility is also not taken into account.

APPENDIX "N"

CANADA PENSION PLAN

Demonstration of the way in which certain key quantities are derived—Employees' Average Earnings, Earnings Index, Pension Index, Year's Basic Exemption and Year's Maximum Pensionable Earnings—and some pension calculation examples.

Two quantities, the Consumer Price Index and the Employees' Actual Average Earnings originate outside the system. The values used for these over the years are chosen to illustrate principles and are in no way meant to suggest forecasts.

In the examples of pensions calculations, the contributor and his widow are each assumed to have their birthdays in December and to have their pensions become payable in January so as to avoid having to take into account minor complexities that do little to illustrate the principles.

December 3, 1964.

DERIVATION OF CERTAIN QUANTITIES

Year	Employees' actual Average Earnings	Employees' Average Earnings	Earnings Index	Consumer Price Index (12 months ending June 30)	Pension Index	Year's Basic Exemption	Year's Maximum Pensionable Earnings	Flat Rate Benefit
	1	2	3	4	5	6	7	8
1966	4,200			137.3		600	5,000	
1967	4,300	(Base period value) 4,675		140.0	137.3	600	5,000	25.00
1968	4,500			141.0	140.0	600	5,000	25.49
1969	4,600			141.5	140.0	600	5,000	25.49
1970	4,700			142.1	141.5	600	5,100	25.76
1971	4,900			142.8	141.5	600	5,100	25.76
1972	5,000			143.7	141.5	600	5,100	25.76
1973	5,200			146.0	143.7	600	5,200	26.16
1974	5,400			149.5	146.0	600	5,300	26.58
1975	5,500			152.0	148.9	600	5,400	27.11
1976	5,700	4,825	103.2	156.0	151.9	600	5,500	28.11
1977	5,900	4,975	106.4	159.0	154.9	600	5,700	28.20
1978	6,000	5,125	109.6	160.0	158.0	700	5,900	28.77
1979	6.200	5.287	113.6	163.0	160.0	700	6.100	29.13
1980	6,400	5,450	116.0	167.0	162.0	700	6.200	29.50
1981	6,600	5,612	120.0	171.5	166.3	700	6.400	30.28
1982	6,700	5,787	123.7	175.0	169.6	700	6,600	30.88
1983	6,900	5,962	127.5	180.0	173.0	800	6,800	31.50
1984	7.100	6,125	131.0	182.0	176.5	800	7,000	32.14
1985	7,300	6,300	134.7	183.0	180.0	800	7.200	32.77

1—Determined from an analysis of T4 slips.

2—For, say, 1977=Average of Employees' Actual Average Earnings for 8 year period ending with 1975.
=1/8 (4,500+4,600+4,700+4,900+5,000+5,200+5,400+5,500)
=4,975

3—Ratio of Employees' Average Earnings for the year to Employees' Average Earnings for the base period. For instance Earnings Index, 1977 $= \frac{4,975}{4,675} = 106.4$

5—The Pension Index for a year is equal to the average of the Consumer Price Index for the 12 months ending June 30 of the previous year except that the Pension Index is not to be allowed to increase by more than two percent from one year to the next and except that where the increase would be less than one percent, no change is to be made.

6 and 7—The Year's Basic Exemption and the Year's maximum Pensionable Earnings are defined for the first two years as $600 and $5,000 respectively. In the years 1968 to 1975, they are each to be adjusted for changes in the Pension Index. In 1976 and subsequent years they are to be adjusted for changes in the Earnings Index. All adjustments are to be in multiples of $100.

8—The flat rate benefit is $25.00 at the start and it is to be adjusted for every change in the Pension Index.

CALCULATION OF RETIREMENT PENSION FOR CONTRIBUTOR WHO IS 49 YEARS OF AGE IN 1966 AND WORKS UNTIL THE END OF 1984 AND RETIRES WHEN HE IS 68 YEARS OF AGE AT THE BEGINNING OF 1985

Year	Salary and Wages	Year's Maximum Pensionable Earnings	Year's Basic Exemption	Unadjusted Pensionable Earnings	Pensionable Earnings	Age of Contributor
1966	4,000	5,000	600	4,000	5,600	49
1967	4,100	"	"	4,100	5,740	50
1968	4,100	"	"	4,100	5,740	51
1969	4,200	"	"	4,200	5,880	52
1970	4,700	5,100	"	4,700	6,451	53
1971	5,000	"	"	5,000	6,863	54
1972	5,700	"	"	5,100	7,000	55
1973	6,000	5,200	"	5,200	7,000	56
1974	6,200	5,300	"	5,300	7,000	57
1975	6,500	5,400	"	5,400	7,000	58
1976	6,900	5,500	"	5,500	7,000	59
1977	7,000	5,700	"	5,700	7,000	60
1978	7,000	5,900	700	5,900	7,000	61
1979	500	6,100	"	0	0	62
1980	0	6,200	"	0	0	63
1981	600	6,400	"	0	0	64
1982	2,000	6,600	"	2,000	2,121	65
1983	5,000	6,800	800	5,000	5,147	66
1984	6,000	7,000	"	6,000	6,000	67
1985		7,200				68

Steps in calculating retirement pension

Find average YMPE in 1983 to 1985 $= \dfrac{6{,}800 + 7{,}000 + 7{,}200}{3} = 7{,}000$

Find pensionable earnings for each year

$$= \frac{\text{Unadjusted pensionable earnings for the year}}{\text{YMPE for the year}} \times 7{,}000$$

Total pensionable earnings	98,542	
Number of months in contributory period		228
Subtract number of months worked after age 65		−36
Subtract 36 months of lowest earnings (Earnings for years 1979 to 1981)	0	
	98,542	192
Subtract 10% of remaining months		−20
Subtract 20 remaining lowest months of earnings (Earnings for whole years 1982 and 8 mos. of 1983)	5,552	
	92,990	172

Retirement pension $= 25\%$ of $\dfrac{92{,}990}{172} = \$135.16$

CALCULATION OF RETIREMENT PENSION FOR CONTRIBUTOR WHO IS 58 YEARS OF AGE IN 1966 AND WORKS UNTIL END OF 1973 AND RETIRES WHEN HE IS 65.

Year	Salary and Wages	Year's Maximum Pensionable Earnings	Year's Basic Exemption	Unadjusted Pensionable Earnings	Pensionable Earnings	Age of Contributor
1966	4,000	5,000	600	4,000	4,160	58
1967	4,100	"	"	4,100	4,264	59
1968	4,100	"	"	4,100	4,264	60
1969	4,200	"	"	4,200	4,368	61
1970	4,700	5,100	"	4,700	4,792	62
1971	5,000	"	"	5,000	5,098	63
1972	5,700	"	"	5,100	5,200	64
1973	6,000	5,200	"	5,200	5,200	65
1974		5,300				

Steps in calculating retirement pension

Find average of YMPE in 1972 to 1974 $= \dfrac{5{,}100 + 5{,}200 + 5{,}300}{3} = 5{,}200$

Find pensionable earnings for each year

$$= \frac{\text{Unadjusted pensionable earnings for the year}}{\text{YMPE for the year}} \times 5{,}200$$

Total pensionable earnings	$ 37,346.	
Number of months in contributory period		120

(The "basic number of contributory months" of the Act although the man has contributed for only 96 months).

Retirement pension $= 25\%$ of $\dfrac{37{,}346}{120} = \$77.80$

CALCULATION OF DISABILITY PENSION FOR CONTRIBUTOR WHO IS 45 YEARS OF AGE IN 1966 AND BECAME DISABLED IN DECEMBER 1977

Year	Salary and Wages	Year's Maximum Pensionable Earnings	Year's Basic Exemption	Unadjusted Pensionable Earnings	Pensionable Earnings	Age of Contributor
1966	4,000	5,000	600	4,000	4,560	45
1967	4,100	"	"	4,100	4,674	46
1968	4,100	"	"	4,100	4,674	47
1969	4,200	"	"	4,200	4,788	48
1970	4,700	5,100	"	4,700	5,252	49
1971	5,000	"	"	5,000	5,588	50
1972	5,700	"	"	5,100	5,700	51
1973	6,000	5,200	"	5,200	"	52
1974	6,200	5,300	"	5,300	"	53
1975	6,500	5,400	"	5,400	"	54
1976	6,900	5,500	"	5,500	"	55
1977	7,000	5,700	"	5,700	"	56
1978	0	5,900	700	0	0	57

Steps in calculating disability pension

$$\text{Find average of YMPE in 1976 to 1978} = \frac{5{,}500 + 5{,}700 + 5{,}900}{3} \times 5{,}700$$

Find pensionable earnings for each year

$$= \frac{\text{Unadjusted pensionable earnings for the year}}{\text{YMPE for the year}} \times 5{,}700$$

Total Pensionable Earnings	$ 63,736	
Number of Months in Contributory Period		147
(The contributory period runs to the time the disability pension becomes payable which is three full months after the applicant is disabled)		
Subtract 10% remaining months		15
Subtract 15 months of lowest earnings	5,728	
	$ 58,008	132

Disability pension is the sum of two quantities:

Flat rate benefit (see page 2)	$ 28.77
Portion of retirement pension 75% of 25% of $\frac{58{,}008}{132}$ =	82.49
Disability pension is	111.26

CALCULATION OF PENSION FOR WIDOW WHO APPLIES FOR PENSION IN JANUARY 1980; SHE REACHES 40 YEARS OF AGE IN THE MONTH HER HUSBAND DIES, DECEMBER 1979; SHE IS NOT DISABLED AND HAS NO DEPENDENTS

Year	Salary and Wages	Year's Maximum Pensionable Earnings	Year's Basic Exemption	Unadjusted Pensionable Earnings	Pensionable Earnings	Age of Contributor
1966	4,000	5,000	600	4,000	4,720	45
1967	4,100	"	"	4,100	4,838	46
1968	4,100	"	"	4,100	4,838	47
1969	4,200	"	"	4,200	4,956	48
1970	4,700	5,100	"	4,700	5,437	49
1971	5,000	"	"	5,000	5,784	50
1972	5,700	"	"	5,100	5,900	51
1973	6,000	5,200	"	5,200	"	52
1974	6,200	5,300	"	5,300	"	53
1975	6,500	5,400	"	5,400	"	54
1976	6,900	5,500	"	5,500	"	55
1977	7,000	5,700	"	5,700	"	56
1978	7,000	5,900	700	5,900	"	57
1979	500	6,100	"	0	0	58

Steps in calculating widow's pension

Find average YMPE in 1977 to 1979 = $\frac{5,700 + 5,900 + 6,100}{3}$ = 5,900

Find pensionable earnings for each year

$$= \frac{\text{Unadjusted pensionable earnings for the year}}{\text{YMPE for the year}} \times 5,900$$

Total pensionable earnings	$ 71,873	
Number of months in contributory period		168
Subtract 10% of months in contributory period		17
Subtract 17 months of lowest earnings	1,967	
	$ 69,906	151

Contributor's retirement pension is 25% of $\frac{69,906}{151}$ = 115.74

37½% of 115.74 = 43.40

Add the flat rate benefit for 1980 = 29.50

72.90

Adjust downward for the 60 months by which she is less than 45 years of age $\frac{60}{120}$ of 72.90

Widow's Pension is $36.45

CALCULATION OF PENSION FOR A WIDOW WHO APPLIES FOR PENSION IN JANUARY 1980: SHE REACHES 40 YEARS OF AGE IN THE MONTH HER HUSBAND DIES, DECEMBER 1979: SHE HAS DEPENDENT CHILDREN

Year	Salary and Wages	Year's Maximum Pensionable Earnings	Year's Basic Exemption	Unadjusted Pensionable Earnings	Pensionable Earnings	Age of Contributor
1966	4,000	5,000	600	4,000	4,720	45
1967	4,100	"	"	4,100	4,838	46
1968	4,100	"	"	4,100	4,838	47
1969	4,200	"	"	4,200	4,956	48
1970	4,700	5,100	"	4,700	5,437	49
1971	5,000	"	"	5,000	5,784	50
1972	5,700	"	"	5,100	5,900	51
1973	6,000	5,200	"	5,200	"	52
1974	6,200	5,300	"	5,300	"	53
1975	6,500	5,400	"	5,400	"	54
1976	6,900	5,500	"	5,500	"	55
1977	7,000	5,700	"	5,700	"	56
1978	7,000	5,900	700	5,900	"	57
1979	500	6,100	"	0	0	58

Steps in calculating widow's pension

Find average YMPE in 1977 to 1979 $= \dfrac{5{,}700 + 5{,}900 + 6{,}100}{3} = 5{,}900$

Find pensionable earnings for each year

$$= \frac{\text{Unadjusted pensionable earnings for the year}}{\text{YMPE for the year}} \times 5{,}900$$

Total pensionable earnings..	$ 71,873	
Number of months in contributory period............................		168
Substract 10% of months in contributory period......................		17
Subtract 17 months of lowest earnings..............................	1,967	
	$ 69,906	151

Contributor's retirement pension is 25% of $\dfrac{69{,}906}{151} = 115.74$

37½% of 115.74 = ... 43.40

Add the flat rate benefit for 1980.................. 29.50

72.94

Widow's Pension is $72.94

There would also be paid for each orphaned child an amount of $29.50 (the flat rate benefit for 1980) except that the total amount paid for all orphaned children shall not exceed $\frac{1}{12}$ of 25% of $5,900 = $122.91.

CALCULATION OF A DEATH BENEFIT OF A CONTRIBUTOR WHO DIED IN DECEMBER 1976. THIS EXAMPLE ALSO SHOWS THE APPORTIONMENT OF THE BENEFIT AMOUNT TO THE CANADA PENSION PLAN AND TO A PROVINCIAL PENSION PLAN. THE APPORTIONMENT FOR ALL BENEFITS WILL BE DERIVED IN THIS SAME MANNER.

Year	Age of Contributor	Salary and Wages		Year's Maximum Pensionable Earnings	Unadjusted Pensionable Earnings		Pensionable Earnings	
		CPP	PROV		CPP	PROV	CPP	PROV
1966	56	4,000		5,000	4,000		4,320	
1967	57	4,000		"	4,000		4,320	
1968	58		4,000	"		4,000		4,320
1969	59		4,000	"		4,000		4,320
1970	60	4,500		5,100	4,500		4,761	
1971	61		4,500	"		4,500		4,761
1972	62	3,000	2,000	"	3,000	2,000	3,174	2,116
1973	63	3,000	1,500	5,200	3,000	1,500	3,114	1,557
1974	64	1,500	3,000	5,300	1,500	3,000	1,529	3,057
1975	65	3,000	1,900	5,400	3,000	1,900	3,000	1,900
1976	66	4,000	1,500	5,500	4,000	1,500	3,927	1,473
1977	67							

Steps in calculating death benefit

Find average YMPE in 1974 to 1976 $= \frac{5{,}300 + 5{,}400 + 5{,}500}{3} = 5{,}400$

Find pensionable earnings for each year

$$= \frac{\text{Unadjusted pensionable earnings for the year}}{\text{YMPE for the year}} \times 5{,}400$$

Find apportion of benefit to be paid by CPP and by a provincial pension plan

Total pensionable earnings CPP = 28,145

Total pensionable earnings Provincial = 23,504

CPP percentage $= \frac{28{,}145}{51{,}649} \times 100 = 54.49\%$

Provincial percentage $= \frac{23{,}504}{51{,}649} \times 100 = 45.51\%$

Total pensionable earnings	51,649	
Numbers of months in contributory period		132
Subtract number of months worked after 65		−12
Subtract 12 lowest months of earnings	4,320	
	47,329	120

Retirement pension = 25% of $\frac{47{,}329}{120} = 98.60$

Death benefit is the lesser of 6 times the retirement pension or 10% of the Year's Maximum Pensionable Earnings for the year in which the contributor died.

6 × 98.60 = 591.60

10% of 5,500 = 550.00

Death Benefit is	$ 550.00
Canada Pension Plan portion of the benefit = 54.49% of 550.00 =	$ 299.70
Provincial pension plan portion of the benefit = 45.51% of 550.00 =	$ 250.30

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

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.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

TUESDAY, DECEMBER 8, 1964

WITNESSES:

Dr. Joseph Willard, Deputy Minister of Welfare, and Messrs. D. Thorson, Assistant Deputy Minister of Justice, D. Sheppard, Assistant Deputy Minister of National Revenue, Tom Kent, Policy Secretary, Prime Minister's Office, J. E. E. Osborne, Technical Adviser to this Committee, Robert Curran, Legal Adviser of the Department of National Health and Welfare, Bruce MacDonald, from the Comptroller of the Treasury's Office, Hart D. 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, 1964

MEMBERS OF THE COMMITTEE FOR THE SENATE

Honourable Senator Muriel McQ. Fergusson, *Chairman,*

and Honourable Senators:

Blois
Boucher
Croll
Denis
Flynn
Lang
Lefrançois
McCutcheon
Smith (*Queens-Shelburne*)
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*)
Francis
Gray
Gundlock
Klein
Knowles
Laverdière
Lloyd
Macaluso
Marcoux
McCutcheon
Monteith
Moreau
Paul
Perron
Rhéaume
Scott

(Quorum 12)

Maxime Guitard,
Clerk of the Special Joint Committee.

MINUTES OF PROCEEDINGS

TUESDAY, December 8, 1964

(11)

The Special Joint Committee of the Senate and of the House of Commons on 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.

Present:

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

Representing the House of Commons: Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Knowles, Lloyd, Monteith, Moreau, Munro, Rhéaume—15.

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. Sheppard, Assistant Deputy Minister of National Revenue; Bruce MacDonald, from the Comptroller of the Treasury's office; D. Thorson, Assistant Deputy Minister of Justice; and Hart D. Clark, Director of Pensions and Social Insurance Division, Department of Finance.

The Committee resumed its clause by clause consideration of Bill C-136.

The examination of the witnesses continuing, at 12:00 o'clock p.m. the Committee adjourned until 3:30 o'clock p.m. this day.

AFTERNOON SITTING

(12)

The Special Joint Committee of the Senate and of the House of Commons on Canada Pension Plan reconvened at 3:43 o'clock this afternoon. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Present:

Representing the Senate: Senators Blois, Croll, Fergusson, Lang, McCutcheon, Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson—8.

Representing the House of Commons: Messrs. Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Knowles, Laverdière, Lloyd, Macaluso, Monteith, Moreau, Munro—15.

In attendance: The same as at this morning's sitting, and Mr. Robert Curran, Legal Adviser of the Department of National Health and Welfare.

The Committee further considered Bill C-136, clause by clause.

On motion of Mr. Knowles, seconded by Mr. Munro,

Resolved,—That the document intituled "How the Retirement Pension is Calculated" be published as an appendix to this afternoon's Minutes of Proceedings and Evidence. (*See Appendix "O"*)

The Committee agreed unanimously to have the document intituled "Retirement Test: One Half of Earnings between $900 and $1500 and all of excess" published as an appendix to this afternoon's Minutes of Proceedings and Evidence. (*See Appendix "P"*)

The examination of the witnesses continuing, at 5:30 o'clock p.m. the Committee adjourned until 3:30 o'clock p.m. on Wednesday, December 9, 1964.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

TUESDAY, December 8, 1964.

The CHAIRMAN (*Mr. Cameron*): I see a quorum, gentlemen. I call the meeting to order.

Yesterday afternoon we were dealing with clause 45 and onwards. We had not quite completed those clauses, but we had the benefit of Mr. Thorson's evidence and of the examples presented by Mr. Macdonald.

Do you remember, Mr. Thorson, just which item we were dealing with when we adjourned last evening?

Mr. D. S. THORSON (*Assistant Deputy Minister, Department of Justice*): Mr. Chairman, I think we were dealing with the death benefit, clause 55, and Mr. MacDonald had commenced to illustrate this by example.

Dr. J. W. WILLARD (*Deputy Minister, Department of National Health and Welfare*): Before we proceed, Mr. Chairman, Mr. Kent has a comment to make.

Mr. Tom KENT (*Policy Secretary, Prime Minister's Office*): A point came up last night which I think ought to be clarified.

You will remember that we had confirmed, in response to questions by Mr. Knowles, that contributions under the Canada pension plan would be fully deductible for the purposes of income tax. That, of course, is the general policy that was announced in the white paper and other government statements. There was, however, a detailed point about what happens in the case of the high income contributor whose $79.20 contribution under this plan, if it were combined with a contribution under a private pension plan of over $1,400, would result in exceeding the allowable maximum of $1,500 a year of pension plan contributions deductible for tax purposes.

As Mr. Knowles detected, we were uncertain on this point. I am afraid what we understood from our hurried consultations was not entirely correct. That is to say, the point has not in fact been finally decided one way or the other. However, since it is a technical point in relation to the general policy announced for the pension plan, what we can say is that the government's intention is to clarify it while this legislation is before parliament though, of course, it is a decision that in any case does not take practical effect until the taxation year after next.

The CHAIRMAN (*Mr. Cameron*): Are you satisfied with that statement, Mr. Knowles?

I will ask Mr. MacDonald to continue.

Mr. Bruce MACDONALD (*Office of the Comptroller of the Treasury*): There is here a complete example for a death benefit, but it also involves some other points that have not been taken up yet so I would suggest that you refer back to the example on page 3 and consider that this man, as it were, dies immediately after he becomes in receipt of his retirement pension. We then find that his death benefit is either six times $135.16 or 10 per cent of the then prevailing average Year's Maximum Pensionable Earnings. So he would then receive either 10 per cent of $7,000 or six times $135.16, which I believe is $810.96. He would get the lesser of these two; therefore he would receive a pension of $700.

I am wrong in this case, by the way; it is the Year's Maximum Pensionable Earnings for the year in which the contributor dies, so it should be 10 per cent of $7,200. So $720 being less than $810.96, he would receive the $720 as the death benefit.

Mr. KNOWLES: Mr. Chairman, it is quite clear what that benefit is for a person who has already gone on pension. I think it is also easy to understand what the death benefit is for a contributor who has not yet gone on pension but who dies while he is contributing. Could we be told what the death benefit would be or how it could be worked out in the case of, let us say, a girl who worked five or ten years in the early years and then did not have to work again, and presumably did not marry.

Mr. MACDONALD: You would calculate the retirement pension at the time of her death and she would receive six times that or 10 per cent of the year's maximum pensionable earnings.

Mr. MONTEITH: There would not be any pensionable earnings, though, as far as she was concerned.

Mr. MACDONALD: She would presumably have contributed for the minimum qualifying period.

Mr. THORSON: In the example given she would have made contributions for ten years, and that would be the basis for calculating the retirement pension. You would multiply the result by six even though she had only worked for ten years, say between the age of 18 and the age of 28.

Mr. KNOWLES: The amount would be small but there would always be something.

Mr. THORSON: Correct.

Mr. KNOWLES: What about a person who contributed for less than the ten year period?

Mr. MACDONALD: In this case the retirement pension is calculated by dividing by the total number of months in the contributory period. The question of the basic number of months does not enter into it.

Mr. THORSON: But what does enter into the calculation in the example you gave, Mr. Knowles, is the minimum qualifying period. She must have made contributions for the minimum qualifying period.

Mr. KNOWLES: Which, in this case, is—

Mr. THORSON: At least three years and at least one third of the total number of years in the contributory period.

Mr. KNOWLES: Then, if there is a case of a person who contributes for a shorter period than that there is no death benefit?

Mr. THORSON: That is correct. In other words, if looking at her total contributory period she had contributed fewer than one third of the number of years falling in the period, there would be no death benefit payable in respect of her own contributions.

Mr. CHATTERTON: If that person paid say for six years and then died 20 years later—

Mr. THORSON: In the example you have given there would not be a death benefit payable on her death.

Mr. KNOWLES: Does the same answer apply to the other supplementary benefit?

Mr. THORSON: Yes.

I am assuming, of course, that she is not married to another contributor on whose death a death benefit would be payable.

Mr. KNOWLES: I was thinking particularly of the disability benefit.

Mr. THORSON: Yes, although you will recall that the minimum qualifying period in the case of the disability benefit is somewhat more stringent.

The CHAIRMAN (*Mr. Cameron*): Have you finished with your illustration, Mr. MacDonald?

Mr. MACDONALD: Yes.

Mr. KNOWLES: In other words, it is possible for some people to contribute for so short a period in their early years that there is nothing coming to them on their own account?

Mr. THORSON: There would always be the retirement pension available to them if they had made any contribution at all, but there might well not be survivor benefits payable in respect of their death in those cases.

In other words, once the contributor has made a contribution there will be some kind of retirement pension payable, but the same does not necessarily hold for the various supplementary benefits.

Mr. MONTEITH: You must have contributed for one third of the years possible in order to participate in the other benefits.

Mr. THORSON: That is correct.

The CHAIRMAN (*Mr. Cameron*): Clause 56 relates to the amount of widow's pension.

Clause 56—*Amount of widow's pension.*

Mr. THORSON: Clause 56 sets forth the amount of the widow's pension and the calculation of that pension. Subclause (1) is divided into paragraphs (*a*) and (*b*), the first dealing with a widow who is under age 65 and the second dealing with a widow who has reached 65 years of age. Because the flat rate old age security pension will be available to widows from age 65 onward, the bill employs different methods to determine the amounts of pension that will be payable to widows over 65 years of age and to those under 65 years of age. This difference is reflected in paragraph (*a*) and (*b*) of subclause (1). In the case of the widow under age 65 a flat rate component is included in the calculation, but this is not so in the second case, the case of the widow over age 65. You will see that in the case of the widow under age 65 the basic amount of her pension contains two components, the flat rate component, which is the $25 escalated in accordance with increases in the pension index, plus 37½ per cent of the contributor's retirement pension, that is to say, her husband's retirement pension calculated in the manner dealt with in subclause (3) of this same clause.

You will observe there is a reduction factor that is applied in the case of the widow who at the time of the death of her husband had reached 35 years of age but had not reached 45 years of age. In this case the amount of her pension is reduced by one one hundred and twentieths for each month by which her age at the time of the death of her husband is less than 45 years. Now, a further thing to observe is that the reduction that I have just mentioned does not apply if at the time of the death of the contributor the widow had dependent children in her care or if at any time, either at the death of her husband or at any time subsequent to his death, she becomes disabled.

Mr. CHATTERTON: At the time of his death?

Mr. THORSON: Yes. If at the time of his death she had dependant children in her care, then there is no reduction applied even though she may not be 45 years of age.

Mr. CHATTERTON: What if she gives birth six months after his death?

Mr. THORSON: That would be regarded as being a dependant child, by the definition. This would be the case even though the widow were under 35 years of age. Whatever her age, she would be entitled to the full widow's pension if she had dependant children in her care at that time, and so long as she has dependant children in her care.

Mr. MONTEITH: Does the widow not receive anything unless she is 35 years of age, if she is childless?

Mr. THORSON: Unless she is disabled, and it does not matter whether she was disabled at the time of the death of her husband or whether she became disabled subsequent to that time.

Reading down the same paragraph you will also observe that a reduction is made in the case of a widow who did have dependant children in her care at the time of the death of her husband, should she cease later on to have dependant children in her care before she reaches age 45. At that point of time, when her last child ceased to be regarded as a dependant child for the purpose of this bill there would be the reduction factor applied, if at the time the last child ceased to be dependant she was still under age 45.

Mr. AIKEN: Mr. Chairman, to summarize this, there are really then four categories, the widow under age 35 who has no benefit unless she has dependant children; a woman between 35 and 45 who has a reduced benefit; the widow between 45 and 60 who has a flat rate $25 plus the percentage of the husband's pension; and the widow over 65. Are these the four basic age divisions?

Mr. THORSON: Well, I am not sure about your third case, Mr. Aiken. I believe you indicated a woman over 45 who has a flat rate component.

Mr. AIKEN: Between ages 45 and 65.

Mr. THORSON: Oh, yes; you are giving her age now at the time of the death of her husband?

Mr. AIKEN: Yes.

Mr. THORSON: Yes.

Mr. AIKEN: What is the pension for a widow over age 65?

Mr. THORSON: That is dealt with in paragraph (*b*). You will see there that the basic amount of her pension is 60 per cent of the contributor's retirement pension calculated in the same manner I indicated earlier.

Mr. AIKEN: There is one thing I am not too sure of. The widow under age 65 has a flat rate component of $25 plus a percentage of the husband's pension?

Mr. THORSON: Yes, 37½ per cent.

Mr. AIKEN: I presume that there is no overlap, therefore, for the widow of age 65 or age 66, who would lose or gain in accordance with going into a different category?

Mr. THORSON: No. What would happen is that the pension would be recomputed at the point of time when she reached age 65 if she was receiving a widow's pension before she had reached that age.

Mr. AIKEN: So, if she started to receive the pension at age 62 or age 63 she would have the flat rate plus the 25 per cent of her husband's pension?

Mr. THORSON: Yes.

Mr. AIKEN: And, at age 65 it would be recalculated?

Mr. THORSON: Yes, it would be automatically recalculated at that time, at which time the flat rate component would be dropped having regard to the availability to her of the age-reduced old age security benefit; and, in addition instead of the earnings related portion being 37½ per cent of her husband's pension that amount would be increased to 60 per cent of her husband's pension.

Mr. AIKEN: At this time when she was age 65 she then could elect, if she so desired, to go on to the old age security at $51, I assume?

Mr. THORSON: That is correct.

Mr. AIKEN: So, in no case would she be left with a reduced pension at age 65?

Mr. THORSON: That is also correct. I do not think there is any case where she would be less well off.

Hon. Mr. SMITH (*Queens-Shelburne*): What happens if the widow remarries?

Mr. THORSON: There are a group of provisions lated on, Senator Smith, in the bill, which deal with that question in a variety of circumstances.

Hon. Mr. SMITH (*Queens-Shelburne*): Then, we will leave it until we come to that clause.

Mr. THORSON: Perhaps we may hold it until that time. I might add that is dealt with in clause 62 of the bill.

The CHAIRMAN (*Mr. Cameron*): Mr. MacDonald has an illustration on page 7 in respect of how the widow's pension is calculated. Is it your wish to hear from him now?

Mr. MONTEITH: I would be very happy to do that, but I wondered if Mr. Thorson wanted to go on with subclause (2) of the bill first.

Mr. KNOWLES: What is the position of the widow between ages 35 and 45 who is disabled?

Mr. THORSON: She would receive the full pension without any reduction.

Mr. MONTEITH: The $25 plus 27½ per cent?

Mr. THORSON: Yes.

Mr. KNOWLES: The full pension that a widow between age 35 and 45 receives because she has dependant children is in addition to the pension for the children that we come to later.

Mr. THORSON: Oh, yes. You are referring to the orphan's benefit.

Mr. KNOWLES: Yes.

Mr. THORSON: Yes; that is in addition. They are quite separate.

Subclause (2) deals with a case where the widow's pension is payable at the same time as a retirement pension is payable to the widow in her own right by virtue of her own earnings. She, herself, may have been a contributor and therefore ultimately is entitled to a retirement pension, but at the same time she may be eligible to receive a widow's pension by virtue of being the widow of a contributor also.

Subclause (2) deals with this situation and provides for the adjustment of the widow's pension payable to her, so that the combined amount of the two benefits payable will not exceed either, first, 60 per cent of the combined retirement pensions—that is to say, the widow's and the deceased husband's retirement pensions or 100 per cent of her own pension plus 37½ per cent of his pension, subject to an over-all limitation that the combined amount must not exceed $104.17 which is the maximum pension available to a retired contributor.

Mr. MOREAU: She would have to be over age 65 in order to draw her own retirement pension?

Mr. THORSON: Yes. This rule, therefore, applies only to the widow who is 65 or over.

Mr. CHATTERTON: But the husband's pension in that case is calculated up to the date of death.

Mr. THORSON: It is calculated on the notional basis I described yesterday. In other words, we construct a pension in accordance with the formula set out in this clause. There is a separate subclause dealing with the calculation of his pension; that is subclause (3).

Mr. KNOWLES: When you used the maximum figure of $104.17, you mean under the present arrangement?

Mr. THORSON: Yes; initially that is $104.17.

Also, I should add that the adjustment is made to the widow's pension, and not to her retirement pension which she receives by virtue of her own earnings in earlier years, in arriving at the combined maximum which may be paid to her.

Subclause (3) deals with the calculation of her deceased husband's retirement pension for the purpose of arriving at the widow's pension, either under subclause (1) or subclause (2). Here again you will see that her husband's pension is computed on what I have described as the notional basis in the same way that the pension was computed for the purpose of arriving at the amount of the death benefit. You will see there is a cross reference to clause 55 here; but the amount of the contributor's retirement pension must in some cases be updated in any recalculation, for example the recalculation that takes effect at the time when a widow who was previously subject to a reduction in her pension, by reason of being under 45, becomes disabled, or a case where she reaches age 65. A recalculation therefore is necessary. There must be an updating of the amount of her husband's retirement pension, because in the recalculation that is required to be made at this point of time, the original basic amount of the husband's pension is being used in the formula. Therefore, we must update the original basic amount in accordance with any increases in the pension index since the time of her husband's death. This is to bring it up to date again.

Mr. KNOWLES: That is, the earnings index is used in calculating what would have been the husband's pension, but the pension index is used to update her pension.

Mr. THORSON: The problem is that all pensions in pay must be adjusted and updated in accordance with the pension index. Now, her pension when it first was calculated—we will say at age 25 or 30—is calculated having regard to its basic amount at the time when her husband died. When the recalculation must be made a number of years later—perhaps as many as 35 years later—it would not be sufficient again to use the same basic amount. The basic amount itself will have to be escalated in order to arrive at the proper calculation of the pension payable to her from age 65 onward. That is all this provision does.

Mr. KNOWLES: The escalation in that case is on the basis of the pension index only.

Mr. THORSON: Yes; but of course that is what has been happening to her pension up to age 65; it has risen in accordance with the pension index. This simply picks it up from that point on and sets a new basic amount which again is escalated by the pension index.

You will see that subclause (3) deals with three situations where there will be a recalculation of pensions. The first case deals with the situation where the widow becomes disabled, not having been disabled at the time when her husband died. The second case is where she reaches 65 years of age, not having reached that age at the time of her husband's death. The final case is where she first becomes entitled to a widow's pension having already become entitled to a retirement pension. In each of these three situations a recalculation is necessary, and therefore we simply are upgrading the basic amount of the pension that is used in the calculation.

Subclause (4) is included in order to ensure that in calculating the amount of the retirement pension payable to the widow in arriving at the combined amount of her retirement pension and her widow's pension, the retirement test is to be disregarded; in other words, her retirement pension is computed as though it were not subject to any reduction under clauses 68 and 69 which deal with the retirement test.

Subclause (5) is a further rule which provides that where a disability pension and a widow's pension are payable to the same person; that is to say, because at one time she had been a contributor and then became disabled, then the combined amount of the two pensions taken together again must not exceed $104.17 initially, which is one-twelfth of 25 per cent of the average of the year's maximum pensionable earnings. And again I would point out that adjustment is made against the widow's pension, and not against the disability portion of the combined amounts.

Mr. KNOWLES: The adjustment I take it is made when it would be as easy as possible on the fund, actuarially?

Mr. THORSON: Well, it is to set a limit and to insure that in no case will the pension available to the widow—

Mr. KNOWLES: I did not intend to make a comment on the ceiling, but rather on the distribution adjustment.

Mr. THORSON: No. I think the method of making the adjustment stems from the view that since the retirement pension and the disability pension are the portion which she herself earned, then any adjustment made ought to be made against the other pension, which is a supplementary benefit.

Dr. WILLARD: There is a matter of equity here if you do not keep a comparable ceiling. You could have a contributor who had contributed all his life and the ceiling would keep his maximum benefit at a certain level. Then you could have a situation where through occurrence of different circumstances a person who has not been a contributor but a widow in receipt of a disabled widow's benefit and if you let the application of both the widow's and the disability benefits apply you could get a very high amount of benefit. Consequently an effort was made to bring them all within the limits of a certain maximum or ceiling.

Mr. KNOWLES: You are already protecting yourself against a person becoming a widow two or three times and gaining thereby.

Dr. WILLARD: Mr. MacDonald now has some examples to present to the committee.

Mr. MACDONALD: The examples on pages 6 and 7 are both for widows. They are really quite similar, and the fact there are two examples goes to show that they attempt to illustrate the effect of having or of not having dependant children.

Would you now please correct an error on page 6 in the bottom right hand corner where reference is made to pension index adjustment. That whole line should be stricken out, and the result of $43.94 does not apply.

Going down to the total we see that the 37½ per cent of the retirement pension plus the flat rate benefit should be $72.90 rather than $73.46. Where I speak of an adjustment downwards for 60 months by which she is less than 45 years of age, that should be 60/120 of $72.90.

Mr. MONTEITH: You strike out the pension index adjustment of 162/60 plus $43.40.

Mr. MACDONALD: You are now adding $43.40 and $29.50 in order to give you $72.90. Then I refer you down three more lines to the adjustment for the 60 months by which she is less than 45 years of age; and this is shown as a 60/120 difference, and it should be 60/120 of $72.90; so the widow's pension is for $36.45 rather than for $36.72. This was an unfortunate clerical error.

Mr. KNOWLES: You are taking 27 cents away from the poor widow.

Mr. MACDONALD: This example is quite similar to those covered yesterday in many respects with the unadjusted pensionable earnings being converted to pensionable earnings, with a different application of the scaling factor. The scaling factor is derived by taking the Year's Maximum Pensionable Earnings for the year in which the contributor dies, plus the Year's Maximum Pensionable Earnings for the preceding two years, and dividing by three, to give $5,900. The reference is to clause 56, subclause (3).

Clause 56, subclause (3) refers you back to clause 55.

Mr. MONTEITH: May I go back to the first step here. You have included 1979, when he actually earned only $500. Now, let us assume he worked for a certain period of time at the rate of $6,100 a year. Is that it?

Mr. MACDONALD: No, I assume that he worked for, or that he made only $500 in the year 1979, and died at the end of 1979, which is the end of his contributory period.

Mr. KNOWLES: Taking that year in has no bearing on the amount he paid, or vice versa, to give him the benefits of scaling up.

Mr. MACDONALD: Yes, I think that in this particular example it means that he ends up with one year of zero pensionable earnings, because he made only $500, which is less than the year's basic exemption of $700. Therefore, he makes no contrbiution and receives no unadjusted pensionable earnings, or no pensionable earnings.

Hon. Mr. THORVALDSON: It is presumed that he has been unemployed for the balance of the year.

Mr. MACDONALD: It could have been for a variety of circumstances; perhaps he was unemployed, or possibly he was ill, or partially unemployed.

We have calculated the scaling factor of $5,900, and proceeded to divide each year's unadjusted pensionable earnings by the corresponding year's maximum pensionable earnings, and we multiply that ratio by a scaling factor of $5,900 to get the pensionable earnings. His pensionable earnings are $71,873 as required by clause 50; and the number of months in the contributory portion is 168 as required by clause 49. He did not work after the age of 65, so clause 48, 3(*a*) does not apply. But he did have more than the basic number of contributory months. So we do subtract 10 per cent of the months in the contributory period, which is 17 months, thus reducing the number of months in the contributory period to 151.

Now we want to subtract 17 months of lowest earnings, and you will find these to be the pensionable earnings for the year 1979, which are zero, and 5/12 of the pensionable earnings for the year 1966. Now, 5/12 of $4,720 turns out to be $1,967. He is left then with total pensionable earnings of $69,906, and the number of months in the non-contributory period is 151.

The contributors' retirement pension is thus 25 per cent of the total pensionable earnings divided by the number of months in the contributory period, to make $115.74; and the widow's portion of this is 37½ per cent or $43.40 as required by clause 55, subclause (1)(a), subparagraph (ii).

We added to that the flat rate benefit of $29.50 for the year 1980, giving a total pension, at this stage at least, of $72.90. This is also from clause 56. To make this example simple, this widow had just reached 40 years of age at the time of her husband's death. She is therefore five years younger than the age of 45 and we will therefore take 60/120 off the $72.90. She ends up with half of $72.90, which is $36.45.

Mr. KNOWLES: May I ask Mr. MacDonald a question with regard to one element that appears in all the tables? I notice that in all of your examples, when you strike that 3 year average, you come out with a figure that is in round hundredths. Is that accidental, or is there something that says it must come out in round hundredths? I am not now speaking of the year's maximum pensionable benefits, but if you add 59, 59 and 6,000, what happens?

Mr. MACDONALD: We did that for our own convenience. There is no reason to believe this would happen frequently.

Mr. KNOWLES: So it is the average, whatever that figure is, right to its decimal point?

Mr. MACDONALD: Yes. The example on page 7 is exactly the same as the example on page 6, unfortunately with the same errors in it. The only difference is that this widow does have dependant children, therefore her pension is not subject to adjustment for the number of months in which she is less than 45 years of age. Her pension therefore is $72.90. There is a footnote appended there that there would also be paid for each orphaned child an amount of $29.50, (the flat rate benefit for 1980), except that the total amount paid for all orphaned children shall not exceed 1/12 of 25 per cent of $5,900, which is the scaling factor based on the last 3 years' maximum pensionable earnings. The total amount that could be paid, therefore, on behalf of the dependant children is $122.91.

Hon. Mr. THORVALDSON: Is the amount of the payment dependent on the amount of dependent children?

Mr. MACDONALD: Yes, up to the maximum amount. In this particular case, $29.50 is paid for each child.

Mr. RHÉAUME: In this case, it is paid for a maximum of four children. If the woman has more than four children, the others would not receive any benefit. Is that right?

Mr. THORSON: They would all receive benefits but subject to an over-all ceiling of 1/12 of 25 per cent.

Mr. RHÉAUME: You mean they would all receive less?

Mr. THORSON: Yes, they would all receive proportionately less.

Mr. RHÉAUME: How was the figure of four arrived at? How did you decide there would be some healthy limit to the number of orphans?

Mr. THORSON: It was not arrived at in terms of four children. It was arrived at in terms of the maximum pension that would be available to any one contributor should he contribute during his lifetime up to the full limit.

Mr. KNOWLES: Has Doctor Willard anything to say on this subject under the heading of equity? We understand that a widow who is only a widow would obviously not be able to get more than the maximum that other people get.

Mr. FRANCIS: It has to bear some relationship.

Mr. KNOWLES: Can you say in equity that a widow who has six children should be held down to the $104.70 initial ceiling? I am not trying to argue this point. Doctor Willard, have you any philosophical comments to make on the equity of this?

Dr. WILLARD: We might discuss this at another time. My only comment at this point is that you do have difficulty in setting rates of benefit according to the number of children for any benefit of this type. In the example you have before you, the widow with children would get $159.36; she combines her benefits with the children's benefits. If it would be helpful we could provide a table showing the combination of widows and orphans benefits for families with different numbers of children.

Mr. MONTEITH: Are adopted children legal for this purpose?

Dr. WILLARD: I am sorry, the figure I gave you was incorrect. It should be $195.81, which is even more favourable.

Mr. Moreau: The point I was going to make was that she in fact receives $122.91 and $72.90. She will then have received the benefits because she did have children and her pension was not scaled down as in the previous example. Therefore, in effect, she will have received more than $122.91 for the children. I believe I am correct in that interpretation.

Dr. Willard: That is correct.

Mr. Moreau: The actual pension for the children would be in the order of about $158 or $159.

Dr. Willard: I think, Mr. Chairman, that there are two other comments to be made. These calculations seem quite complicated, but this work will be done by a computer, and the calculation will be worked out automatically. I do not know whether Mr. MacDonald would want to make any comment on that aspect.

The other point relates to the first illustration given where the widow has no dependant children. I think the minister mentioned in her comments the difficulty which arises, when you pay a widow's benefit, in dealing with the situation of the young widow who may find it easy to go back into employment, and the widow at an older age who may have difficulty in finding employment. The type of adjustment that has made in this Bill is similar to the one that has been made in Sweden. In Sweden, they have full benefits above the age of 50 and then they reduce the benefit by 1/15 for each year until 35 years of age, when there is no benefit. They make their adjustments on the basis of 1/15 during the years of 36 to 49. In this case, the adjustment of 1/10 for each year in the period between 35 and 45 years of age is provided for.

Hon. Mr. Thorvaldson: There is a point on which I am not quite clear. You use the figure 40 as being the age of the widow in the month her husband died. Suppose she was 50 or 55; would this figure of $122.91 be changed, or would it be the same if the widow was older when her husband died?

Mr. MacDonald: It would not affect the amount paid on behalf of the dependant children.

The Chairman (*Mr. Cameron*): Mr. MacDonald, do you want to say anything about the computer that Doctor Willard mentioned?

Mr. Monteith: May I go back to page 6 for one moment? Does the widow in this case receive the $36.45 until she reaches the age of 45, or is it adjusted each year?

Mr. MacDonald: It is adjusted by the pension index.

Mr. Monteith: At the date of the death she was 40, so this is why you take 60/120. If she had been 39, you would have taken 72/100. That would apply until she was 45.

Mr. MacDonald: Until she is 65.

Mr. Aiken: These examples that are given seem to be based on the maximum contribution that could be permitted, or nearly so. Am I correct in assuming that we are very close to the maximum pensions on pages 5, 6 and 7? That is on pages 5, 6 and 7. The earnings are calculated there in the range of $4,000, $5,000 and $6,000, which is the general range of the maximum allowances under the plan. Am I accurate in assuming that these would be maximums?

Mr. MacDonald: This is a set of figures; another set of figures would produce a different set of results. In this particular case, if you take page 4, in six out of the eight years the man's salary and wages are lower than the year's maximum pensionable earnings in most years.

Mr. Aiken: What I am getting at is not the actual calculations which have been made, but rather the actual pensions that will be payable. At first I thought this widow's pension of $200 would be a reasonably generous pension, until it occurred to me that we now are talking about maximums. For a widow with children whose husband was in the, let us say, under $2,000 or $2,500 bracket of pensionable earnings, then that would be half or less than half the figures we are talking about.

Mr. MOREAU: The widow's and orphan's benefits are the same.

Mr. THORSON: Yes, because of the flat rate nature of the benefit.

Mr. MACDONALD: The orphan's benefit would be the same. Her flat rate portion would be the same. The only thing that would change would be the contributor's retirement pension, her portion of it; that is, the 37½ per cent which she receives of the contributor's retirement pension.

Mr. AIKEN: Do we have any examples here showing the lower range of income that would give us these figures? I am thinking about the person who has income of $2,000 or $2,500. Where do the widows and orphans stand?

Mr. MACDONALD: We have no such examples covering that situation here at present.

Mr. KNOWLES: In respect of page 7, roughly speaking, would it be fair to assume that if the contributor's income should be half what it was, the result would be that the $43.40 figure would be cut in half?

Mr. MACDONALD: Very much to that effect.

Mr. KNOWLES: But the other figure, the flat rate benefits for her and for the orphans, or for her fatherless children, would be the same?

Mr. MACDONALD: Yes.

Mr. KNOWLES: So that a total of $190 in that case would be reduced by $20 or $25.

Dr. WILLARD: Mr. Chairman, I think this is a very important point. The flat rate components have been built into the system in an effort to try to assist the lower income groups. If it were placed entirely on a percentage basis with no flat rate component, then we would have a situation that would provide quite a low pension for the lower income groups.

Mr. AIKEN: What is the minimum orphan's and widow's benefit if a widow were left with orphaned children; the flat rate, regardless of the husband's contributions.

Mr. MUNRO: That is $29.50 each.

Mr. AIKEN: I appreciate your explanation, but I would like to have the answer from the officials.

Dr. WILLARD: For the particular year, 1980, which is chosen for this example, the $29.50 is the flat rate benefit. If she was to receive a widow's pension, she would receive $29.50 on her own behalf and $29.50 for each child up to the stated maximum.

Mr. RHÉAUME: But, if the husband made no contribution, the orphan gets nothing. There is no flat rate benefit for the orphan if his late father did not contribute anything into the plan?

Dr. WILLARD: That is correct.

Mr. THORSON: The contributor must have made the contributions for the minimum qualifying period.

Mr. RHÉAUME: It just covers orphans of parents who have made contributions?

Mr. THORSON: There always will have to be an earnings related portion in the widow's pension.

Hon. Mr. THORVALDSON: I notice you have used 14 years here. Suppose you used ten years more, 23 or 24 years, would it be correct to say that these benefits would be increased considerably? Suppose a pensioner had a late family, would you use double the number of years; would it be fair to say that the figure at the bottom here would be increased considerably as a result of the additional amount paid into the account by the pensioner?

Mr. MACDONALD: The pensionable earnings would be increased but the number of months the contributory period also would be increased. One almost has to take each example by itself. Also, the year's maximum pensionable earnings are increased. The scaling factor is increased. The actual amount of the benefit in all probability would be higher.

Hon. Mr. SMITH (*Queens-Shelburne*): How many months would a person have to contribute in order to have his widow qualify for the flat rate pension?

Mr. MACDONALD: He would have to contribute the minimum qualifying period.

Mr. THORSON: Which is at least three calendar years, and at least one third of the total number of years in his contributory period.

Mr. CHATTERTON: The contributory period ending at his death?

Mr. THORSON: That is correct.

Hon. Mr. STAMBAUGH: Can the three calendar years start in November in one year and end in January in the third year?

Mr. THORSON: They could. In those circumstances, where the contributions began in November, that would be counted as a calendar year in which he had made contributions.

Mr. AIKEN: In order to qualify for a widow's benefit, there must have been one third of the maximum number of years in which a contributor could have contributed. Then if he could have contributed, for example of 24 years, then he must have contributed for at least eight of the 24.

Mr. THORSON: That is correct.

Mr. AIKEN: What about an orphan's benefit; is that the same regulation?

Mr. THORSON: It is on the same basis. The various supplementary benefits, with the exception of the disability pension, all are based on the same minimum qualifying period.

Mr. AIKEN: I was a little in doubt in view of Mr. Rhéaume's statement. I had the impression that if the contributor had contributed at any time in any amount, his widow and orphan would become qualified for pension.

Mr. THORSON: If that impression was given, then I must correct it. All these derive from contributions made for at least the number of years I mentioned.

Mr. AIKEN: At least the three years?

Mr. THORSON: Yes.

Mr. AIKEN: And in the interim period—

Mr. THORSON: The point is that the retirement pension can be based on any contribution. Albeit, it may produce a very small pension should the period of contribution be very short, but so far as the supplementary or survivor benefits are concerned, these all are subject to the same minimum qualifying period of at least three years and one third the total number of years in the contributory period.

Mr. AIKEN: I assume this period of at least three years is to take care of the first ten years.

Mr. THORSON: No. That is a continuing test that will hold during the first ten years of operation of the plan and thereafter.

Mr. AIKEN: Is this three years the last three consecutive years?

Mr. THORSON: No. He must have contributed at least three years; that is an absolute basic minimum test. For instance, he could have contributed a third of the total number of years in his contributory period without having contributed the minimum of three years. Do I make myself clear? Suppose his contributory period was only six years, he would have contributed for a third of the total number of years in his contributory period if he had made contributions for only two years; however, that is not sufficient. He must have made contributions in at least three calendar years somewhere along the line.

Mr. AIKEN: We are anticipating a situation where he may have started to work at age 25 and died at age 30. In that case, if he had paid for three years he would be qualified.

Mr. THORSON: This would ordinarily be the case where he died within a relatively few years after reaching 18 or became disabled.

Mr. RHÉAUME: But the number of years he should have contributed starts at 18 whether he does or not?

Mr. THORSON: Yes. The 3-year rule does not apply only to the 18 year old cases; it also applies during the first nine years from the inception of the plan.

Mr. RHÉAUME: I have a question to ask Dr. Willard. You indicated we should not be immobilized by these examples which look complicated because you intend using computers. There still will be the matter of the appeals. I think there was a figure of 1,130,000 appeals a year.

Dr. WILLARD: This figure related to refunds, not to appeals.

Mr. RHÉAUME: How many appeals are anticipated, or have you any way of estimating it?

Dr. WILLARD: When we reach the clause dealing with appeals, we will give some indication of the number we have had in respect of old age security which may be some guide.

The CHAIRMAN (*Mr. Cameron*): Do you wish to say anything about the computer?

Mr. MACDONALD: The intent, as we will be mentioning in some detail later, is that the record of earnings will be kept by a computer and that the calculations will be done by a computer. The advantage of the computer is that once you have provided certain instructions which tell the computer how to calculate each one of these types of benefits correctly, you are home free; it will handle it from that point on. It is not a difficult calculation in computer terms.

Mr. MOREAU: Would a contributor be advised in every year or every three years of what his accumulated contributions are; will there be any way in which a contributor will be given sort of a running record?

Mr. MACDONALD: There is provision in a later clause for providing information to the contributor along these lines.

Dr. WILLARD: We will come to that during the discussion of the later clauses.

The CHAIRMAN (*Mr. Cameron*): Clause 57.

On Clause 57—*Amount of disabled widower's pension.*

Mr. THORSON: Clause 57 defines the method of calculating the disabled widower's pension for each month. The basis of the calculation is substantially similar to the method employed in the case of the widow's pension. However, there are some simplifications which are possible. The reduction factor, for example, does not hold in this particular case. You will see there is a distinction drawn between contributors who are under 65 years of age and those over 65 years of age.

Paragraph (*a*) deals with those under 65 years of age, and again there is a flat rate component. An initial $25 escalated according to the pension index, plus 37½ per cent of the contributor's retirement pension, that is to say, the deceased wife's retirement pension, calculated in approximately the same way as the pension is calculated in the converse situation under the previous clause.

Subclause (2) deals with the calculation of a disabled widower's pension where there also is a retirement pension payable to him by reason of earlier contributions made by him before he became disabled. The method of arriving at the maximum amount payable is the same as in the case of the widow.

Subclause (3) deals with the method of computing the contributor's retirement pension, that is to say, the deceased wife's retirement pension, for the purpose of arriving at the disabled widower's pension and the combined maximum of his disabled widower's pension and retirement pension. Again, the method of calculation is the same as in the case of the widow, although there are some minor differences by reason of the absence of the reduction factor.

Subclause (4) is parallel to subclause (4) of clause 56, and is included for the same purpose.

Subclause (5) deals with the case of a disabled widower who is getting a disabled widower's pension and a pension in respect of his own disability. That is to say, where he has earned a disability pension as well as a pension payable to him by virtue of being the disabled widower of a contributor. Here again the ceiling imposed is one twelfth of 25 per cent of the years maximum pensionable earnings, which imposes an effective ceiling of $104.17 on the combined amount of any such pensions that may be paid to the disabled widower.

Mr. KNOWLES: Once that pension is in pay, is it like all the others subject to escalation by the pension index?

Mr. THORSON: Yes.

Mr. AIKEN: Is it fair to say that the widower's pension is very similar to a widow's pension but that he must be disabled in addition? The essential qualifying factor in clause 57 is that the widower receives no benefit unless he is disabled, but there are other categories in which he may fall.

Mr. THORSON: I might again mention that he must be disabled and also must have been disabled at the time his wife died, and must have been substantially dependant upon her at that time. As I recall it, that is dealt with in clause 44 of the bill.

Mr. KNOWLES: If he becomes disabled after his wife dies, he will get a pension only on his own account.

Mr. THORSON: That is right.

The CHAIRMAN (*Mr. Cameron*): We are now to consider clause 58.

On Clause 58—*Amount of orphan's benefit.*

Mr. THORSON: Clause 58 describes the orphan's benefit payable in the case of an individual orphan, subject to the limitation imposed by subclause (2) of this clause. The basic amount of the orphan's benefit is the flat rate benefit; that is to say, the one we have already dealt with, $25 a month initially, escalated according to any increase in the pension index after 1967.

Subclause (2) imposes a maximum on the total amount of orphan's benefits which may be paid in respect of any one contributor. Here the maximum as was mentioned earlier is 1/12 of 25 per cent of the year's maximum pensionable earnings, or initially, $104.17.

The CHAIRMAN (*Mr. Cameron*): Are there any comments?

Mr. MONTEITH: I did not think an orphan existed until both his parents died.

The CHAIRMAN (*Mr. Cameron*): I expected Mr. Aiken to ask that question.

Mr. KNOWLES: The definition of orphan is to be found on page 33.

Mr. THORSON: In clause 43 an orphan is defined as being a dependant child of a male contributor who has died, or a dependant child of a female contributor who has died, if immediately before her death the child was being maintained substantially by the contributor.

The CHAIRMAN (*Mr. Cameron*): Are there any further comments on clause 58? May I take it then that we have covered clauses 45 to 58, with the explanations of Mr. Thorson, Mr. MacDonald, and Mr. Willard?

Mr. CHATTERTON: Suppose the mother and the father both die?

Mr. THORSON: There can be only one orphan's benefit payable in respect of the contributing parents of the child; in other words, if one orphan's benefit is already being paid in respect of the death of the father, then regardless of whether the mother was a contributor or not, there could not be a second orphan's benefit accumulated.

Mr. CHATTERTON: To whom would the benefit be paid in case the second parent died?

Mr. THORSON: There would be no second orphan's benefit payable under this clause, because the benefit was already being paid to the orphan. I mean there would be no additional benefit paid.

Mr. CHATTERTON: When the second parent died, to whom would the benefit be paid?

Mr. THORSON: Under ordinary circumstances it would be paid to the guardian of the child. This will emerge later, since there is another specific clause dealing with the point.

Hon. Mr. CROLL: As far as the tables are concerned, it would be the same whether it devolved from the mother or from the father?

Mr. THORSON: That is correct.

Hon. Mr. CROLL: So there is no up or down?

Mr. THORSON: No, it is a flat rate amount; therefore it is not contingent upon earnings. The amount of it is not contingent upon the earnings of either parent.

Mr. MOREAU: There is a presumption of death if the disappearance of the husband is not accounted for?

Mr. THORSON: We have a clause later on dealing with presumptions of death.

Mr. RHÉAUME: It would not occur in the case of desertion?

Mr. THORSON: Oh, no.

Mr. RHÉAUME: Or a person going to jail, such as the husband being in the penitentiary?

Mr. THORSON: No.

Hon. Mr. THORVALDSON: I take it that on page 32, under the definition section, a person is a child for the first 21 years, and then on page 33 it refers to an orphan. I do not see any definition of how old a person would be when he ceases to be an orphan. But perhaps it is to be found in the bill.

Mr. THORSON: Since an orphan is defined as being a dependant child, this would include a child who was either under 18 years of age, or over 18 years of age and under 25 years of age but in full time attendance at a school or university.

Hon. Mr. THORVALDSON: That is to be found at the top of page 33?

Mr. THORSON: Yes.

Mr. KNOWLES: Would you care to comment further on the next one there on page 33?

Mr. THORSON: No, if the child is over 18 and disabled, he is not treated as an orphan unless he is in school attendance.

The CHAIRMAN (*Mr. Cameron*): Now, clause 59. We are now entering another division, the payment of benefits.

On Clause 59—*Application for benefits.*

Mr. THORSON: We have now concluded the group of clauses dealing with the calculation of the various benefits provided for by the bill. This division moves on to the next subject, which deals with the payment of benefits. There are included, under division C, a group of clauses which are of general application to the various benefits. Clause 59 deals with applications for benefits. No benefit is payable unless an application has been made by the applicant, and payment of the benefit is approved under the bill. Subclause (2) deals with the manner in which the application for a benefit is to be made.

Mr. KNOWLES: Does that apply even in the case of a person who has turned 70? Does he have to apply for it?

Dr. WILLARD: He does, that is correct.

Mr. THORSON: Yes, that is correct. There are of course special provisions dealing with the making of applications in the case of orphans and of persons under a disability.

Mr. CHATTERTON: Have you a proof of an application form prepared yet?

Dr. WILLARD: No, we have not.

Mr. RHÉAUME: I wonder if at some time later you could provide the committee with an estimate of the total staff increase which will be required? I am thinking of your regional offices and so on. Could you get from finance, labour, and so on the number of additional people who will be required for the regional offices in the country in order to process this, and make it available?

Dr. WILLARD: When we come to the clauses on administration I will have some material which shows the estimated cost by departments for the next 10 years; this will be on a sheet which I shall make available. The estimates made by the actuary in his report will also be on it.

Mr. RHÉAUME: I am not thinking so much of the dollars as of the bodies, the number of people who will be required.

Dr. WILLARD: We shall do what we can to supply this information as well.

The CHAIRMAN (*Mr. Cameron*): Mr. Rhéaume has been pursuing this subject, and I would like to get an answer. May we now pass on to clause 60?

Mr. KNOWLES: What about subclause (3) of clause 59?

Mr. THORSON: That deals with the consideration of applications by the minister, and the approval of those applications.

Mr. KNOWLES: May I ask if there is anything in the bill to take care of the situation you are now taking care of with respect to old age security, namely, when a person who may find that he is older than he thought he was—in other words, if a person does not know that he is 70, and he applies a year later—is there provision to aid him?

Mr. THORSON: Yes, this is dealt with in special rules pertaining to the payment of individual benefits, and there is a provision to permit back payments after the age of 70.

Mr. CÔTÉ (*Longueuil*): But suppose he does know that he is over 70?

Mr. THORSON: Well—

Mr. **KNOWLES**: A person has been known to go on making premium payments even after somebody has died.

Mr. **THORSON**: Yes. The premium payments in those circumstances would probably be refunded to the time when the contributor reached the age of 70, because under the plan all contributions cease at the time the contributor reaches 70.

Mr. **RHÉAUME**: In an application for benefits where it involves some test as to disability, would the medical examination or whatever is required have to be paid for by the federal authorities, or would the onus of it fall on the individual, to pay the cost of establishing his own disability?

Dr. **WILLARD**: I would prefer to deal with that question later on under administration, if I may.

The **CHAIRMAN** (*Mr. Cameron*): Let us now pass to clause 60.

On Clause 60—*Approval of interim benefit.*

Mr. **THORSON**: Clause 60 authorizes the minister to approve payment of what is called an interim benefit in circumstances where the application has been made for a benefit, but for any of a variety of reasons the minister cannot approve the final amount of the benefit because all the facts necessary in order to make the calculation are not yet known to the minister. This would permit the minister in such a case to approve an interim benefit which would then be paid to the applicant.

Upon the final determination of the precise amount of pension payable to the beneficiary, there would then be an adjustment made, should any adjustment be necessary.

Mr. **AIKEN**: This brings up the question of possible refunds, and the recovery of overpayments. What would be the situation if the minister finally decided after having paid an interim benefit that the applicant should not receive it, or was not entitled to it, or the applicant was entitled to less than the interim benefit? I ask this question because most of us here, as members, have to deal with these overpayments of old age assistance and mother's allowance, and a good many other things which are heartbreaking when they have to be refunded from a person who cannot possibly afford to refund them.

Mr. **THORSON**: My first observation is that it is most unlikely there would be an interim benefit approved in a case where there was no right to any benefit. An interim benefit may only be paid in a case where an application has been made and the minister has determined that there is a right to a benefit, but he cannot determine the precise amount of the benefit. Subclause (2) of this clause provides that upon final approval of the pension, if there has been underpayment of pension on the interim basis, the underpayment can be made up. And if there has been overpayment, this can be withheld from any later payment of pension due to the pensioner. That would be done in the manner directed by the minister.

Mr. **AIKEN**: That would be very much the same as it is now in the case of old age assistance which is recoverable by reducing subsequent payments, should there be an overpayment.

Dr. **WILLARD**: That is correct.

Mr. **THORSON**: And should there be an underpayment, the additional amounts could be made up by the final award of pension. The purpose of this provision is to avoid any delay in getting the benefits to the beneficiaries.

Mr. **AIKEN**: What element of evidence would be lacking in a case like this? What is anticipated? Is it the fact, as Mr. Rhéaume says, that a computer broke down, or aside from something like that? I assume that the question would be one of verification of the age, or verification of medical information. Where would it be?

Dr. WILLARD: The reason for this provision is the time lag between the time information comes in for the last year of contributions from the Department of National Revenue and the time the benefit is paid. This is especially important in the case of a self-employed person where his earnings may come in early in the year but relating to the previous year. We may not have an exact record of the earnings for the previous year and yet at that time we may have to put the person on benefit. There will have to be an estimate of what his earnings would be for the calculation of the benefit; in the case of an employee it would be based on the report obtained from the employer's certificate; that is, on a certificate obtained from the employer as to what wages were paid. For a time we will not have the information from the normal administrative channels, through national revenue, having to do with the earnings record. Thus, we shall have a year or two when in most cases we shall have an estimate. An effort will be made to keep the estimate as close to the actual situation as possible, but an adjustment will have to follow.

Mr. AIKEN: So that this interim benefit would not be just a casual or odd situation, but would arise in most circumstances with a pension payable pending final calculation of the final year's earnings. Is that right?

Dr. WILLARD: Yes, it is a very important clause in the Bill because of the lag between the earnings record for the final year and the need for the calculation of benefit, to put the person in pay.

Mr. AIKEN: Following up Mr. Rhéaume's general line of argument, this would be another readjustment period which would require a good deal of administrative effort. You may take that as a comment rather than a question if you wish.

The CHAIRMAN (*Mr. Cameron*): We have not reached administration yet.

Hon. Mr. CROLL: It is no different from certain cases under the Unemployment Insurance Act where some portion is in dispute while another portion is not. They deal with the portion which is not in dispute and hold over the other portion. That is what they are doing at the moment.

Mr. AIKEN: I think it would be more extended than that.

Hon. Mr. CROLL: There are other factors involved, but that is a notable feature involved under the Unemployment Insurance Act today.

Mr. THORSON: Yes, but you must remember that the final factors in the calculation are not yet available. If that is what you meant by dispute, that is the case.

Hon. Mr. CROLL: Dr. Willard called it information, and I used the word "dispute" as being another aspect of it, so it is not different.

Mr. RHÉAUME: This would happen in every case unless a man became eligible on December 31, or if his return were filed at that time. Would there be an interim payment in almost every case?

Dr. WILLARD: It would happen in the majority of cases, but there could be a person who retired at say 60. His record would be in before he qualifies for pension at 65. There are a number of situations where information could be made available ahead of time. However, this is a problem that is faced by all such contributory programs. I do not think the possibility of overpayment mentioned earlier in the case of old age assistance with recovery from old age security would arise in that magnitude at all. In those circumstances you are dealing with a situation where the person may have incorrectly reported his income, and later on, when this has been discovered, the recipient may have received benefits for four or five years. Therefore, there may be a considerable overpayment which has to be recovered. However, this instance you are dealing with an estimate which will probably be the actual figure. Also, once the plan gets under way, it is only one year in the whole earnings record. While it will result in an extra operation for the computer to make the readjustment, and it will require administrative staff to get this interim information from the employer, the adjustment factor in terms of the beneficiary's pension should not be large.

Mr. CHATTERTON: Has there been any estimate as to the percentage of cases where interim payments would be made? Is it 20 per cent, or 70 per cent?

Dr. WILLARD: I suggest that it will be for the great majority of cases.

The CHAIRMAN (*Mr. Cameron*): Are there any further comments on clause 60?

On Clause 61—*Where payment approved after month of commencement.*

Mr. THORSON: Clause 61 provides that payments of benefits are to be made in arrears at the end of the month. The subclause also deals with the case where the payment of the pension is formally approved after the month in which the pension commences. In this case it provides that there will be a lump sum payment made following the month when the pension commences, representing any arrears that may have accumulated between the time when the pension is provided under the bill to commence and the time when the approval is actually forthcoming.

On Clause 62—*"Survivor's pension" defined.*

Mr. THORSON: Clause 62 is the clause I mentioned earlier this morning. It sets forth a number of rules dealing with the payment of survivor's pension. By a survivor's pension we mean the widow's pension or the disabled widower's pension. The first of these rules is in subclause (2) of clause 62 which deals with the case where the spouse has remarried before the survivor's pension becomes payable to her or to him. In this case the survivor's pension does not become payable to the widow or widower during the period of the remarriage. If after the death of the spouse by such subsequent remarriage, a survivor's pension would be payable to the beneficiary, and then the spouse has the option of naming which of the two deceased spouses should be the spouse for the determination of the payment. In other words, she can take her choice of husbands.

Mr. GRAY: Is the reverse possible?

Mr. THORSON: Yes, indeed.

Mr. CHATTERTON: Do you define marriage somewhere?

Mr. THORSON: No.

Mr. KNOWLES: Is there any appeal on that?

Mr. THORSON: I am not sure I understand the question.

Mr. KNOWLES: I meant an appeal from the deceased.

Mr. RHÉAUME: Does marriage here include commonlaw relationships that are stable?

Mr. THORSON: In certain circumstances. That is dealt with in the following clause.

Mr. RHÉAUME: I am intrigued by subclause (8) where we have to convince the honourable lady of our motives.

Mr. MOREAU: Perhaps orphans should be defined in here. There might be commonlaw relationships which are bigamous, in other words there are two families. Do all the children qualify?

Mr. THORSON: The orphan must, of course, be the child of the contributor, and whether the child is legitimate or illegitimate is not relevant to the right to receive the orphan's benefit.

Subsection (3) provides that where a person to whom a survivor's pension is currently being paid remarries, the survivor's pension is discontinued commencing with the month following the month in which she was married.

Subclause (4) takes a further step and provides that where the spouse of a person whose survivor's pension was discontinued under subclause (3) dies, that person may apply to be paid a survivor's pension equal to the survivor's pension that was discontinued under subclause (3), or the survivor's pension that would have been payable by reason of the death of the spouse if no survivor's pension had previously been payable to that person.

Mr. KNOWLES: There is no choice here. You have to take whichever is the greatest.

Mr. CANTELON: You cannot lose.

Mr. THORSON: We do not feel that this would work any particular hardship.

Subclause (5) deals with the case where the marriage of a person, whose survivor's pension was discontinued under subclause (3), is terminated otherwise than by death. In that case, the survivor's pension that was previously payable to the survivor becomes payable again.

Subclause (6) is included because of the escalation factor that is at work where there has been a discontinuance and the pension is subsequently resumed. There must be some means of providing for updating of the pension, notwithstanding the discontinuance. This provision simply means that the pension is calculated as though there had not been a discontinuance, and the escalation process had continued during the interim.

Subclause (7) provides that no survivor's pension is payable to a surviving spouse by reason of the death of the contributor if the contributor married after the time when a retirement pension or a disability pension became payable to him, except in the case of a contributor who married after a disability pension became payable to him, and who in fact contributed under the plan in respect of his earnings after the time of his marriage.

Mr. CANTELON: If he gets married at the age of 66, whoever he marries will not get any benefits.

Mr. THORSON: Unless after the time of his marriage in those circumstances he again makes a contribution.

Hon. Mr. STAMBAUGH: Would he have to be married three years?

Mr. THORSON: He would have made the contributions before his marriage, presumably.

Mr. MONTEITH: Once a person goes on pension at the age of 65, he cannot, at the age of 68, start paying for the last few years. Is that right?

Mr. THORSON: No, once he goes on pension, that terminates his contributory period. Did I make that clear?

Mr. MONTEITH: You probably did.

Mr. CHATTERTON: If he gets married after he goes on pension, and then he dies, what happens to the widow?

Mr. THORSON: There would be no benefit to the widow in those circumstances.

Subclause (8) deals with what might be described as the deathbed marriages.

Mr. AIKEN: I have heard of deathbed admissions, but this is a new one.

Mr. THORSON: If a contributor dies shortly after his marriage, in some cases you may have this deathbed marriage situation. Under this provision the department would have to adduce some evidence to indicate that there was a foundation for the minister's suspicion that the marriage was contracted for the purpose of obtaining a survivor's pension.

Mr. RHÉAUME: So that if you could convince the minister that it was nothing but love, and if your husband did die within a year, it is possible you could still get that pension?

Mr. THORSON: The minister need not examine each case. This provision is written in such a way that it would operate only in cases where there were grounds for suspecting that the obtaining of a benefit was the reason for the marriage.

Mr. CHATTERTON: The minister has to establish that?

Mr. THORSON: There would have to be positive evidence brought forward indicating that this was the case. The minister is not under an obligation, under this provision, to examine each and every case of a marriage contracted within three years of the death of the contributor.

Mr. FRANCIS: It is left to the discretion of the minister.

Mr. RHÉAUME: Ordinarily it would be paid except where there are grounds to believe this was an attempt to gain a pension.

Mr. THORSON: The use of the double negative in the provision brings about that result.

Hon. Mr. SMITH (*Queens-Shelburne*): If somebody in a small community squealed to the minister, she would have to see that an investigation was carried out. She would have to go to the community and ask whether it was true or not. Would it not be a difficult situation?

Mr. RHÉAUME: You could ask the computer.

Hon. Mr. McCUTCHEON: If there was a suspicion, it would be investigated.

Dr. WILLARD: Mr. Hart Clark is at the officials' table. He has had quite a bit of experience in relation to the public service superannuation program. This provision was included as a result of the experience under that program. Perhaps he would like to speak on this subject.

The CHAIRMAN (*Mr. Cameron*): We would certainly like to hear Doctor Clark on this subject.

Mr. HART D. CLARK (*Director of Pension and Social Insurance Division, Department of Finance*): We have had this provision in the Public Service Superannuation Act since it came into force in January of 1954. I would say that we average close to one case every two weeks which has to be considered, and while, before the Public Service Superannuation Act came into force there were cases of these deathbed marriages which Mr. Thorson mentioned, we have not had a case in ten years under this Act, or in the four years of experience under the Canadian Forces Superannuation Act, or the Royal Canadian Mounted Police Superannuation Act, where any deduction had to be applied. The evidence has not been hard to obtain, for maybe documentation is easier to obtain in the case of civil servants and members of the forces, but we have not had any problem in obtaining satisfactory proof. There have been some rather peculiar circumstances, but the Treasury Board, which has to exercise judgment on such cases under these other three Acts, has had no real difficulty in arriving at a decision.

Hon. Mr. THORVALDSON: I presume that probably the same problem would arise under a private pension plan, would it not? I suppose it depends on the plan. When you have a plan which provides for widows' benefits, I would think the same decision would have to be made from time to time.

Mr. CLARK: It happens more often in the private plans that no right is given to the widow to receive a pension unless the husband, for example, agreed to a reduction in his own benefits to make provision for his widow. It would not arise so frequently in the private plans.

Mr. BASFORD: Do you not find that some people marry under these circumstances for the express purpose of legitimizing children? I would suggest that situation should be excluded.

Mr. CLARK: Again I can only say that we have not run into any problem in this connection.

Mr. KNOWLES: I am a bit lost in these double negatives. When Mr. Clark said they have not into any trouble finding proof, what proof does he mean?

Mr. CLARK: Finding proof to indicate that the widow's pension was not a consideration in the marriage; in other words, they did not marry with the view of providing a pension for the widow.

Mr. KNOWLES: In other words, it is easy to find proof that it was love?

Mr. CLARK: That is right, that is, the prospect of death which occurs within two or three years or five years as the case may be, was not a factor in the marriage.

Mr. KNOWLES: I am very interested in this. Mr. Clark, since you had something to do with the Members' of Parliament Pension Act, why did you not put this kind of provision in there, that if a woman marries an M.P. on the day he gets defeated, she gets a pension?

Mr. BASFORD: I put forward my suggestion quite seriously and I would like Mr. Clark to consider that point. As a solicitor, I have been involved in a number of cases of people being married in hospital for the express purpose of legitimizing their children. It seems to me that this situation should be excluded.

Mr. CLARK: This would be covered by the following clause where, presumably, if there were children, it would be recognized as a common law marriage, apart from any other consideration. We have had a number of cases where marriage took place just before death, but it was possible to apply the provisions of the following clause in those cases. Perhaps when we come to them in discussing clause 63, that would become more evident.

Hon. Mr. STAMBAUGH: In the case of bigamy you would have two widows.

Mr. THORSON: In the case of bigamy there can only be one widow.

Mr. RHÉAUME: My understanding is that there has never been a single case, in the experience of the administering this sort of provision in the Civil Service Superannuation Act, where anyone married for the purpose of obtaining benefits. Is that correct?

Mr. CLARK: There has not been a single such case in the ten years since this came into force. There were cases under the old Act before 1954 where these cases did arise, and they gave rise to the inclusion of this provision in the act. Whether it is coincidence or otherwise I cannot say, but in the ten years since then we have not had such a case.

Mr. RHÉAUME: Are you suggesting that it is because of the inclusion of this clause?

Mr. THORSON: I would have thought that the mere inclusion of such a provision in a bill such as this would have a deterrent effect.

Mr. RHÉAUME: You mean that people getting married would actually be familar enough with the act?

Mr. THORSON: They would not marry for the express purpose of taking advantage of the act.

Mr. KNOWLES: I wonder if I could ask Mr. Kent one simple question with respect to the statement made at the start of our meeting. He said there would be a clarification of the income tax matter while we are dealing with this legislation. I would like to ask whether this clarification will be made in this committee, or will it be made in the house?

Mr. KENT: I would think it would be made in the house, but I do not know for sure.

The CHAIRMAN (*Mr. Cameron*): Are we through with clause 62?

Mr. AIKEN: Have we finished clause 62?

The CHAIRMAN (*Mr. Cameron*): Are there any more comments on it?

Mr. AIKEN: I have no objection, but the principle is certainly basically wrong. It is wrong to permit a decision to be made on the reason for a marriage or to decide why a marriage at that age was performed. However, since it is there, for the moment I only wish to register a slight protest. I may raise it again.

The CHAIRMAN (*Mr. Cameron*): We will adjourn and meet at 3.30 p.m.

AFTERNOON SITTING

TUESDAY, December 8, 1964.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, we have a quorum. Mr. Osborne has just handed to me a paper in which he has set out in what he calls layman's language how the retirement pension is calculated. This starts with clause 46 and continues through to clause 53, and if someone would make a motion that we have this appended as an appendix to today's proceedings we will do so.

Mr. KNOWLES: I so move.

Mr. MUNRO: I second the motion.

Motion agreed to.

Mr. MONTEITH: Do you have any extra copies for distribution at this time?

The CHAIRMAN (*Mr. Cameron*): No, but I am sure members will find this information very useful.

Mr. KNOWLES: Mr. Chairman, I would like to say a word of appreciation for the speed with which we are getting our record of the proceedings and evidence.

The CHAIRMAN (*Mr. Cameron*): I will pass that on to the officials who are appearing before us.

Mr. OSBORNE: Well, Mr. Chairman, I believe that compliment is due to the clerk of the committee.

Mr. KNOWLES: I am referring to the speed with which we have received the printed proceedings and evidence. The officials who are appearing before us get their credit here.

The CHAIRMAN (*Mr. Cameron*): Then, what I said in respect of the officials here applies to the clerk in equal measure.

Gentlemen, I think we had dealt with clause 62 and, if it is agreed, we will proceed to clause 63.

On Clause 63—*Person deemed to be surviving spouse.*

Mr. THORSON: The next two clauses, clauses 63 and 64 are parallel to similar provisions that have been included in each of the major superannuation acts enacted by parliament; that is to say, the Public Service Superannuation

Act and the superannuation acts applicable to the Canadian forces and to the Royal Canadian Mounted Police.

These clauses deal with a case where a man or a woman has been held out publicly by a contributor as being his or her spouse although, in fact, there may be a defect in the marriage or there may be no marriage at all. In such circumstances, where it is established to the satisfaction of the minister that a person has been so held out as being the spouse of the contributor for a period of not less than seven years before the death of the contributor, then it is possible to treat the person so held out as being for all purposes of the bill the spouse of the contributor.

Hon. Mr. CROLL: What is the rule under the veterans act? What is the period of time? It is not seven years, is it?

Mr. THORSON: Well, under each of the three superannuation acts it is seven years. You are referring to where the persons concerned were prohibited by law from marrying one another; that is to say, where there was a subsisting marriage either of the contributor or the spouse. But, you will appreciate this is to cover a case where a marriage may have been contracted, based on the assumption that there had previously been a valid divorce obtained by one or the other parties. In such a case the contributor and his spouse could not be regarded as being validly married because there was a previous marriage, in fact. But they may have entered into the subsequent marriage in all good faith on the assumption the divorce was valid.

Hon. Mr. CROLL: But that was not my question. Under the War Veterans' Allowance Act they recognize these common law and irregular marriages. In respect of those provisions is there a similar period? I rather doubt that there is.

Mr. THORSON: I am not absolutely certain, Senator Croll, but I think the period is seven years. However, we can check that.

The first situation I described is dealt with in paragraph (*a*). Paragraph (*b*) deals with the case where neither the contributor nor the person held out as being the spouse of the contributor was married.

Hon. Mr. MCCUTCHEON: But in that case you do not put in the seven year period?

Mr. THORSON: No, no fixed period is required here. This may be dealing with a case where the persons concerned thought they were contracting a valid marriage but for some reason or another there may have been a defect in the marriage, with the result that in law neither is married to the other.

Subclause (2) empowers the minister to deal with certain cases where the spouse may have deserted her husband and children or otherwise be living apart from her husband under circumstances that, by the provincial law applicable to such a case, would disentitle her to an order for her separate maintenance. In such a situation, having regard to the welfare of any children that may be involved, it would be possible to treat the spouse as having predeceased the contributor, with the result that the spouse would not be entitled to a widow's benefit based on her husband's earnings during his lifetime.

The CHAIRMAN (*Mr. Cameron*): Are there any comments on this section? If not, we will proceed to clause 64.

On Clause 64—*Benefit not to be assigned, etc.*

Mr. THORSON: Clause 64 is designed to ensure that no benefit payable under the Canada pension plan will be capable of being assigned or otherwise anticipated.

On Clause 65—*Return of benefit where recipient not entitled.*

Mr. THORSON: Clause 65 requires that a person who has received a benefit payment to which he or she is not entitled must return the payment or the equivalent amount.

Hon. Mr. MCCUTCHEON: You refer to the excess of the amount of the benefit paid. From my experience here during the last 1½ days anyone who could tell whether or not they are getting exactly the right payment would be a genius.

Mr. CHATTERTON: Except a computer.

Mr. THORSON: That may be the case where what is at issue is the calculation, but there certainly will be many cases where the recipient of the pension benefit would be aware of his or her rights in the matter. This would come into focus particularly in respect of a benefit that may be subject to the retirement test.

Subclause (2) of the same main clause provides that where a person has received a benefit payment to which she is not entitled, then the amount may be recovered at any time as a debt due to the crown.

Mr. CANTELON: Was there not an earlier clause that set a limit of four years in this respect?

Mr. THORSON: No, not so far as pension benefits are concerned.

Mr. CANTELON: Just those contributions overpaid?

Mr. THORSON: Yes.

Mr. KNOWLES: That had to do with the calculation, did it not?

Mr. THORSON: Yes.

Mr. CANTELON: It is highly unlikely that a person who receives an overpayment knows they have received it, and it may come back on the estate ten years later.

Mr. THORSON: Well, I do not know whether it is correct to say it is highly unlikely that the recipient would be unsure of his position. This is really dealing with the case where the benefit payment is directed to a person who is not entitled to the benefit at all, although it is also true it applies to a person who receives an amount in excess of the amount to which he or she is entitled.

Mr. CANTELON: It was the latter case with which I was primarily concerned. I would doubt whether they knew they had been paid in excess of what they should have been paid.

Mr. THORSON: The sole function of the clause is to create a liability to return such payment, and when such a payment has been made to create a debt in favour of the crown so the amount may be recovered.

Mr. CANTELON: It seems to me there ought to be something that would outlaw it after a period of time.

Hon. Mr. CROLL: The general rule of the statute of limitations does not run against the crown. Do we vary that in some instances?

Mr. THORSON: Yes, it is varied in a good many statutes, but it is difficult to enunciate them all.

Mr. MONTEITH: The item to which Mr. Cantelon made reference was in respect of contributions, was it not?

Mr. THORSON: Yes.

Mr. MONTEITH: That is, if someone was more than four years in arrears, except by direct fraud, it was forgotten. Am I correct in that assumption?

Mr. KNOWLES: But, the minister cannot go back four years afterward and reassess the payment due.

Mr. THORSON: Yes, that is right. There are later provisions in the bill which appear in part III dealing with the presumption of accuracy as applied to statements of earnings recorded to the credit of the contributor in the Record of Earnings. After a certain number of years have elapsed the earnings so credited to the contributor are conclusively presumed to be correct. So, it is unlikely in those circumstances that there would be recoveries after lengthy periods of time.

Mr. CHATTERTON: In this case the claim could be made on the estate of the person?

Mr. THORSON: Oh, yes, it establishes a debt in favour of the crown. But, I should point out that it does provide that if the person in question becomes a beneficiary, the indebtedness would be recovered by way of deduction from any benefit that would be paid to the beneficiary.

The CHAIRMAN (*Mr. Cameron*): If there are no further comments on this clause we will proceed to clause 66.

On Clause 66—*Commencement of pension.*

Mr. THORSON: Clause 66 is under the next grouping of clauses dealing with the payment of benefits. These are the special rules that apply to the various individual benefits, the first of them being the retirement pension.

Clause 66 deals with the month in which a retirement pension commences. You will see that it commences on the latest of the months described in paragraphs (*a*), (*b*) and (*c*).

Paragraph (*a*) describes the month in which the applicant ordinarily reaches the age of eligibility for the benefit.

Paragraph (*b*) describes the month in which the application was received and contains the provision that was referred to, I think, earlier today, permitting the minister to go back for a maximum of 12 months where the application is made after the applicant's seventieth birthday.

Paragraph (*c*) describes the month for which the applicant applied for the pension to commence. In other words, he can make his application before the month in which he intends the benefit should become payable.

In these circumstances it is the latest of the three months described that sets the commencement of his pension.

Subclause (2) provides for the scaling in, if I may call it that, of the retirement pension at ages earlier than 70. You will see that the progression is year by year.

Mr. KNOWLES: These are the same years that turn up in a later section in regard to taking old age security.

Mr. THORSON: The same except the first, I believe, Mr. Knowles.

Dr. WILLARD: The old age security age adjusted benefit commences in 1966. The reason why this provision starts for those 68 or over in the year 1967 in this particular case is so that the two programs will be in harmony.

Mr. KNOWLES: This is also one case in which we will overcome a year we have lost in getting this thing through.

Dr. WILLARD: That is correct.

The CHAIRMAN (*Mr. Cameron*): Are there any other comments?

Mr. KNOWLES: Before we leave clause 66, may I ask one other question?

Both here and with respect to the old age security an arrangement is now being provided to back date the payment of pension in the case of a person who turns out to be older than he thought he was, provided that person is 70 or over. Is there any similar provision for persons who elect between 65 and 69 to go on these pensions and then discover that he is older than he thought?

Mr. THORSON: No, there is not. The problem in relation to the age group 65 to 70 is tied in with the retirement test. In other words, the benefit is not unconditionally payable. It is only unconditionally payable—that is to say regardless of whether or not the beneficiary has retired from regular employment—at the age of 70. It would be very difficult indeed to make this kind of provision for the age group under 70.

Mr. KNOWLES: It is really more relevant to the old age security. Since I have asked it, Mr. Chairman, perhaps I may go one step further.

A person who at age 68, or say at age 66, decides to go on both this pension and the old age security pension receives an amount under the Canada pension plan which is fixed by various methods of calculation, but he gets for life an old age security pension at a figure determined by his age.

If that person discovers that he is older than he thought—and people do discover this, as you know—if he discovered later that he was a year older, that would make a difference to the amount of his pension for the rest of his life. That is why, Mr. Chairman, I crave your indulgence for this half minute. Before we get to the clause in the Old Age Security Act this aspect of it might be looked at.

Mr. CHATTERTON: It is a very good point, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): It is a very valid point.

I am sure it will be looked into, and I am sure you will not allow us to overlook it either, Mr. Knowles.

Mr. KNOWLES: You know me, do you?

Dr. WILLARD: This relates particularly to the old age security benefit.

Mr. KNOWLES: Yes, but you will look at it between now and then?

Dr. WILLARD: Yes.

The CHAIRMAN (*Mr. Cameron*): Are there any other comments on clause 66?

On Clause 67—*Duration of payment.*

Mr. THORSON: Clause 67 provides that a retirement pension will continue to be paid during the lifetime of the beneficiary and shall cease with the payment for the month in which the beneficiary dies.

Mr. KNOWLES: The best thing to do is to be born on the 30th of the month and die on the 2nd.

On Clauses 68 and 69—*Persons under age 70 not retired from regular employment.—Monthly exempt earnings defined.*

Mr. THORSON: Clauses 68 and 69 are the two sections which deal with the retirement test.

Subclause (1) of clause 68 provides that if a person has not attained the age of 70, then he must be retired from regular employment in order to receive a retirement pension. The pension is not payable for any month in which he continues to be engaged in regular employment.

Mr. CHATTERTON: By which means is it indicated that he has retired? Does he certify that?

Mr. THORSON: This will be done under regulations made under the authority of subclause (2) of this same clause.

Mr. FRANCIS: Probably by his application form he will make a declaration.

Mr. THORSON: That is my understanding.

Subclause (2) authorizes the making of regulations concerning the matters set out in the subclause. It provides that the regulations may define what is meant by retirement from regular employment, and the time when a person is to be regarded as having retired or as having ceased to be retired from regular employment. It also authorizes the making of regulations defining what is meant for the purposes of these two sections by the expression "employment earnings", and also their method of computation.

Mr. CHATTERTON: Does all this apply to self-employment also?

Mr. THORSON: Yes.

Mr. CHATTERTON: All this applies to both?

Mr. THORSON: Yes.

It further authorizes the making of regulations specifying the procedures for determining employment earnings and outlining the conditions under which a retirement pension may be suspended during the period of an investigation as to the eligibility of a pensioner to receive a retirement pension having regard to any retirement earnings.

The CHAIRMAN (*Mr. Cameron*): Are there any comments?

Hon. Mr. THORVALDSON: Would Mr. Thorson go back to (1)?

Does that mean that a person having reached 75 years—five years over 70—although not retired automatically starts his pension at 70? Is that the case even if he is still in employment?

Mr. THORSON: If he applies for it, Senator Thorvaldson, yes; he would not be subject to the retirement test provided by these two clauses.

Mr. MONTEITH: You do not accept payment of contributions from anyone over 70?

Mr. THORVALDSON: Would he make further contributions if he continued to work after 70?

Mr. THORSON: No, he cannot in any circumstances contribute beyond the age of 70.

Mr. KNOWLES: The senators are not complaining, are they?

Hon. Mr. SMITH (*Queens-Shelburne*): I do not hear the members of parliament complaining either.

Mr. KNOWLES: We do not have the same guarantees.

Mr. THORSON: Subclause (3) provides that a person will be conclusively presumed to be retired from regular employment if his earnings are less than his exempt earnings for the year, which are initially $900. That is to say, 12 times his monthly exempt earnings, which initially are $75.

This expression is defined in the next following clause, clause 69.

If in the initial years of the operation of the plan his employment earnings are less than $900 a year, then there will be no reduction applied against his pension.

Mr. CHATTERTON: Is it proper at this time to ask Mr. Sheppard about these regulations? Do you have any general idea of how they might apply the test of retirement other than the $900 to such categories, let us say, as farmers and fishermen.

Dr. WILLARD: The procedure for carrying out a retirement test will be as follows. When a person in the age group 65 to 69 applies for benefit, he will be asked to report on whether or not he expects to be working in the coming year and if so to give an estimate of what income he expects to receive so that the retirement test can be applied at that particular time.

A proportion of the people in this age group will, of course, be carrying on in their regular employment, whether it be as self-employed persons or as employees, and they will be well above the earnings test ceilings. Therefore they will not apply for pension or come into the benefit system; they will receive no retirement benefit. Another large group will be retired completely with no earnings and will be receiving the retirement benefit. A third group will be carrying on part time or casual employment. The reason for the $75 a month—or the $900 a year exemption—is so that these people can receive their retirement benefit and yet the retirement test will not apply to them.

I should mention at this point that the retirement test does not apply to the old age security benefit. Therefore, if a person at age 65, say, is retired and receiving $51 per month, this means that he not only has the $75 exemption, as it were, before the retirement test applies here but he would also receive the $75 under the old age security.

Hon. Mr. McCUTCHEON: Fifty one dollars.

Dr. WILLARD: I am sorry, $51 not $75. So you get $1,512 a year for the single contributor and $2,124 a year where the wife is also receiving an old age security in the case of a married couple before the test applies to the contributor.

Thus, you have a very large proportion of the group between 65 and 69 who will not be affected by the retirement test.

In the United States they have an annual report to be completed and submitted at the end of the year by people who are affected by the retirement test and who are in receipt of the retirement pension. This is used to check on the initial report that was received when the person commenced benefit. If necessary an adjustment in benefit is made. Of course, later on, at a later time, data on the earnings of the individual would come through from the Department of National Revenue which would enable the Department of National Health and Welfare to verify the information already received from the beneficiary up to that point of time. Whether or not there might be need for any additional notice or report throughout the year is a thing that will still have to be determined. However, as I understand it, in the United States they are able to get along with these two reports: One which the beneficiary will make initially, and another which he will make at the end of the year.

Mr. CHATTERTON: So that he must make his decision as to his old age security before the age of 65?

Dr. WILLARD: No, he must make his decision when his benefit is about to commence.

Mr. CHATTERTON: I am speaking of the old age security portion of the $51.

Dr. WILLARD: It is not subject to the retirement test.

Mr. CHATTERTON: But in many cases whether the person decides to take $51 at the age of 65 or not would perhaps depend on the retirement test applied otherwise, would it not?

Dr. WILLARD: That is correct.

Mr. CHATTERTON: At what point does a person have to make the decision to receive old age security, is it at the age of 65?

Dr. WILLARD: At any time between the ages of 65 and 70.

Mr. CHATTERTON: So he can defer his decision until he is 66?

Mr. KNOWLES: He can make that decision at any time in the 60 months.

Dr. WILLARD: This gives a person flexibility as far as planning his retirement income is concerned. I am now speaking of the 65 to 69 age group. That age group is in the twilight zone as it were as far as the employment market is concerned. Some people are able to and want to carry on in employment and have employment while others do not. This approach will give them flexibility in trying to adjust their income through part time casual earnings or full time earnings perhaps at a low level. They can decide what they want to do with respect to old age security in the light of the earnings test.

Mr. CHATTERTON: Do you envisage some kind of counselling service to those people to help them make a decision to their benefit?

Dr. WILLARD: Yes, Mr. Chairman. I think that the offices of the Department of National Health and Welfare will have to have pamphlets and informational material dealing with each of the important points that affect the decision of the beneficiary or of the applicant so that when they are making this choice they can assess the financial impact on them. We should have staff in the offices that are available to discuss these matters directly with applicants; in many cases, of course, it would have to be done by mail.

Mr. CHATTERTON: I was thinking of the case of a man who, after retirement, elects to take his $51 at the age of 65. That is irrevocable. Before he makes that decision, he should have some indication or advice on what his position will be as regards the retirement test.

Dr. WILLARD: If he continues in his job for another year or two, he will make one decision. If it is a high paying job, that is one thing. If it is a part time job, with earnings of about $1,500, that might affect his decision. Also, any other kind of income for example from other retirement plans may affect his decision on when he will take his old age security.

Mr. KNOWLES: He does not have to take both pensions at the same time. Is that right?

Dr. WILLARD: No, he does not.

Mr. KNOWLES: Both decisions, once made, are irrevocable, but if he has a chance, he could later go into the labour market under the provisions of the act.

Dr. WILLARD: Yes.

On Clause 69—*Monthly exempt earnings defined.*

Mr. THORSON: Under clause 69 a person who is retired may still make what I might call modest earnings from part time or casual employment without any effect on his retirement pension. Any higher level of earnings would bring about a reduction in the amount of pension payable.

Clause 69 sets out what reductions are contemplated. Subclause (1) provides that a person's monthly exempted earnings are to be calculated at one and a half per cent of the earnings ceiling for a year. On an earnings ceiling of $5,000, it would amount to $75. This level of earnings each month would be exempted and would have no bearing on the amount of his pension. As the ceiling rises, of course, the monthly exempted earnings level will also rise, but only in jumps of $5 at any given time. When the ceiling reaches, let us say, $5,400 for example, the monthly exempted earnings would rise to $80. When the ceiling is at a higher figure of $5,700, the exempted earnings would be $85.

Mr. CHATTERTON: Is this calculated on a monthly basis, or an annual basis? Let us say a real estate agent, selling real estate on a part time basis, averages $75 a month for ten months. In the last two months of the year, let us say, he gets a windfall and earns $500 a month. What is his position?

Mr. THORSON: We will come to that later. That is dealt with in subclause (3).

Subclause (2) employs the concept of the monthly exempted earnings to establish the level of the annual earnings test, that is, to be applied to earnings after retirement. It provides that a person's retirement pension, before he reaches the age of 70, will be reduced if his earnings from employment after he retires exceed 12 times his monthly exempted earnings, that is to say, initially $900, which is 12 times $75.

Paragraph (*b*) of this same subclause provides for a further reduction of earnings in excess of 20 times his monthly exempted earnings, that is to say a further reduction on any amount in excess of $1,500, which is 20 times $75. The amount of the reduction in pension will be graduated according to the level of his employment earnings while he is retired. On earnings between 12 times and 20 times his monthly exempted earnings, that is to say, on earnings of $900 to $1,500 initially, the reduction will be at the rate of 50 cents for each dollar earned. Thus, if a man were to earn $1,500, his annual pension would be reduced by $300. On earnings of more than 20 times his monthly exempted earnings, that is to say of more than $1,500, the reduction is at the rate of a dollar for a dollar. Thus, if a person were to earn $1,800 for a year, his annual pension would be reduced by $300 plus $300, that is, $600.

Mr. CHATTERTON: Does this initial figure of $900 relate to something, or was it taken out of thin air?

Mr. THORSON: It is arrived at by reference to the year's maximum pensionable earnings. However, I do not think that is the answer you are looking for. Perhaps Doctor Willard could answer your question.

Dr. WILLARD: In arriving at these levels, account was taken of the old age security benefit. We did get to levels that would assure a reasonable level of pensionable and other income when the two were taken together.

The other point about an earnings test is that it is really designed to take out of the system those who are employed on a full time basis. As you can see, the upper levels involved here are pretty well in full time employment. The thought was that since the basic premise is provision of a retirement benefit between the age of 65 and 69, these were reasonable levels.

Mr. CHATTERTON: In view of what you have said that you feel they should retire at the age of 65—that is the tendency, I understand—why then did you allow the month by month dropout in another clause? Would that not conflict with the intent you have just stated?

Dr. WILLARD: The month by month dropout after the age of 65? I did not suggest that anybody should retire at the age of 65. We suggest this is a period when some people do retire and some do not, and the system is devised to make it as flexible as possible. In order to be fair to the people in the 65 to 69 age group who do carry on and do work and do contribute more to the pension system, a dropout provision is built into the formula to give them some extra credit because of the fact they have contributed in that period.

Mr. CHATTERTON: So those provisions are not related to whether it is advisable or not for them to retire at the age of 65? Has it no bearing on that?

Dr. WILLARD: That is correct.

Hon. Mr. THORVALDSON: Can you then say that there is an actual financial incentive for people not to earn more than a certain amount after the age of 70? In other words, they are prejudiced in the amount they would otherwise receive from the system.

Dr. WILLARD: After the age of 70 there is no retirement test. In other words, you have an age of presumed retirement which is the basis on which we have worked over the years in the case of old age security which is payable at age 70. In the United States the age at which this is set is 72, so that their retirement test applies up to the age of 72. In the case of Canada, where we have an old age security pension payable to everybody as a universal payment from the age of 70, it seemed reasonable that we would use that age as the upper limit for the retirement test.

Mr. OSBORNE: In further answer to Mr. Chatterton's question about why these levels were chosen, I might point out that we also had in mind the limits under the United States program. Their corresponding level is $100 a month, where ours is $75, making a total of $1,200 a year. Their upper ceiling is $1,700 a year instead of our $1,500. They have a spread of $500; we have a spread of $600 because it is easier to divide by 12.

Mr. MONTEITH: May I just check on a couple of examples? Let us say, for argument's sake, that someone made $3,000 between the age of 65 and 70, that those were his annual earnings. How would his pension be affected?

Dr. WILLARD: We do have a table, which we had hoped to distribute, which would bring out the kind of point which Mr. Monteith is raising. Perhaps we could have it distributed now and Mr. Osborne could explain it.

Mr. CHATTERTON: Could we first deal with the clause?

Mr. THORSON: It might be helpful to deal with subclause (3), and then consider the application of the entire clause.

Mr. KNOWLES: Before you leave subclause (2), may I ask a simple question about this phrase "50 cents for each dollar"? Does it mean precisely that, that you deal only in round dollars? For example, if a person's income is $900.95, what happens?

Mr. THORSON: We would disregard the 95 cents.

Mr. KNOWLES: You would disregard anything except round dollars?

Mr. THORSON: That is right.

Mr. CHATTERTON: The $900 and the $1,500 will also be subject to the earnings index.

Mr. THORSON: The process of escalation previously described, yes.

Hon. Mr. MCCUTCHEON: Mr. Chairman, could I move that this be made an appendix to today's proceedings?

Some hon. MEMBERS: Agreed.

Mr. MONTEITH: Mr. Chairman, are we going to take subclause (3) and then study the chart?

Mr. THORSON: If that is agreeable, yes.

Subclause (3) provides, notwithstanding the limitations contained in subclause (2) that for any month in which a person's employment earnings do not exceed his monthly exempt earnings, which is initially $75 a month, his pension will not be reduced. Now, to illustrate, a man entitled to a $75 monthly retirement pension who earns $200 a month for eight months and $75 a month for the remaining four months of the year, giving a total of $1,900, would have his pension for the year reduced not by the full $700 which it would be reduced by but for this provision, but only by the $600 that he was entitled to receive by way of pension for the first eight months. His $300 pension for the last four months would not be reduced because of this further limitation contained in subclause (3). And, in an extreme case, a person who earned $75 a month for 11 months—perhaps this is Mr. Chatterton's example, and who earned $1,000 in the final month of the year—would have his pension reduced not by $625, which would be the figure under subclause (2), but only by the $104.17 benefit that he would be entitled to receive for the twelfth month. Since earnings of not more than $75 a month are regarded under the bill as being consistent with retirement from regular employment, the retirement test does not deny a pension benefit to a pensioner in any month when his earnings are $75 or less.

Hon. Mr. MCCUTCHEON: How would you be able to keep track of what my earnings are month by month?

Mr. GRAY: Do you not make returns?

Hon. Mr. MCCUTCHEON: Would it be necessary to make a monthly return now?

Dr. WILLARD: Mr. Chairman, I mentioned that the Americans follow the procedure of having a report submitted by the person applying for benefit when he applies in that particular year. The applicant gives an estimate of his earnings for the year and we would work on that basis for the year. Then, at the end of the year it would be adjusted in accordance with actual earnings experience reported for the year.

Hon. Mr. McCUTCHEON: At the end of the year are we to make a return of income month by month as we make a return now for the totally earned income?

Dr. WILLARD: For those where the monthly pattern was important this would be important but, as you know, for the great bulk of cases this probably would not matter.

Mr. MONTEITH: Mr. Chairman, I do not like to keep putting supplementary questions, but I am thinking of retailers—and I know many of them—who have gone on running their stores after 65 years of age and it is during the Christmas season when they make most of their money, which is purely on a volume basis. Are these people going to have to get out monthly statements?

Dr. WILLARD: I would think most of the retailers who carry on in their regular employment as self-employed persons probably would find that they are not retired, in effect, because of the earnings test.

Mr. CHATTERTON: But how about the farmer who engages a foreman? How can you calculate his monthly earnings?

Dr. WILLARD: Well, Mr. Chairman—

Mr. BASFORD: This would only apply if someone had elected to take the pension at age 65?

Dr. WILLARD: Yes. Mr. Chatterton is thinking of a farmer with relatively low earnings.

Mr. CHATTERTON: No, I am not. This farmer may have had a good income but at age 65 he partially retires and engages a farm manager. He may do some management work on the farm. But, his net would be greatly reduced because of the engagement of a foreman at possibly $5,000 a year.

Mr. OSBORNE: For the administration of this test we had in mind using something similar to the American test, which also includes, as well as a test of dollar income, a measurement of the amount of time spent by self-employed persons in their self-employment. I believe they use the figure of 45 hours a month. They say that any self-employed person who spends more than 45 hours a month at his self-employment is deemed not to be retired. We have had in mind that we might need a similar kind of administrative test to see whether or not a self-employed person in that age group is, in fact, retired.

Mr. CHATTERTON: How about the case of a fisherman who works perhaps three months of the year and the remainder of the year he is not working.

Mr. OSBORNE: Well, if he can substantiate that he was retired during most months of the year, then during those months he would be eligible for the retirement pension that was due him.

Hon. Mr. McCUTCHEON: In the same way as he becomes eligible for unemployment insurance.

Mr. OSBORNE: If in other periods of the year he has income from self-employment he would be called upon to declare this income, and the test of retirement envisaged in the regulations under clause 68 would have to bear in mind the peculiar seasonal fluctuation involved in the industry.

Mr. CHATTERTON: But, we have to recall what Mr. Thornson said in the case of the commercial fisherman. He passes the retirement test and operates on a smaller scale. In a three month period he may make $1,000 a month and that would not be debited against his exemption except for the $600. But then, for the other nine months he is not earning anything at all. He is not penalized for that.

Mr. OSBORNE: This would depend on the past pattern of his employment history. If, when he was a younger man, he also worked three months of the year at his fishing business and then was unoccupied the remainder of the year this certainly would be taken into account in trying to assess whether or not he was retired between the ages of 65 and 69. If there were no change in his pattern of employment in that period it might well be held that he was not retired.

Mr. CHATTERTON: So the provision of $75 a month would apply whether he is retired or not; that is firm?

Mr. THORSON: Yes, although it is recognized there may be some people in respect of whom it may be difficult to make a conversion of annual income into monthly income.

Hon. Mr. MCCUTCHEON: I have one other question. Let us take a man who has established that he is retired and who earns something over $900 and less than $1,500, although his pension is not cut into severely; we will assume he is an employee and not self-employed. In this case does his employer take contributions from him and remit them to the fund? In other words, does his employer contribute in respect of him?

Mr. OSBORNE: Not if the man already has claimed a pension.

Hon. Mr. MCCUTCHEON: Not if he already is claiming a pension.

Mr. OSBORNE: If he already has claimed a pension he is no longer required to make contributions, and his employer would have to be apprised of that fact.

Hon. Mr. MCCUTCHEON: Despite the fact that his earnings result in him having a reduced pension?

Mr. THORSON: Yes. Once the pension commences, regardless of what his earnings may be, there would be no further contributions made by him.

Hon. Mr. MCCUTCHEON: What happens if he really has been in retirement for two years, say, because of ill health and he comes back into the labour market at age 67 and, admittedly, earns $3,000, $4,000 or $5,000 a year; does he then resume contributions?

Mr. THORSON: No, he does not. Again, this is governed by the rule that once he does become entitled to a retirement pension that is the end of his contributory period.

Mr. CHATTERTON: He would lose his pension during the period he was earning $3,000 or $4,000 by virtue of the test, and once he goes back to retirement he comes back on?

Mr. THORSON: The retirement exemption in the example given would effect a complete reduction down to zero.

The CHAIRMAN (*Mr. Cameron*): I am sorry, Mr. Monteith, but we were going to have this explained.

Mr. MONTEITH: Mr. Chairman, I was wishing someone would explain this for me.

Mr. OSBORNE: Mr. Chairman, we provided this table with the hope it would illustrate how the retirement test would affect individuals receiving different rates of benefit annually.

Therefore, the column headings give four different examples: A man whose benefit is $480 a year; one whose benefit is $720 a year; another whose benefit is $960 a year, and the fourth, whose benefit is $1,250 a year, which is the maximum benefit at the outset.

Mr. MONTEITH: These are pensions being received?

Mr. OSBORNE: Yes. Now, opposite the items in the first column headed "Annual Earnings", is shown what would happen to each of these four individuals were their earnings at these varying levels—varying from $900 a year up to $2,500.

Mr. CHATTERTON: After retirement?

Mr. OSBORNE: Yes, annual earnings after retirement.

Take the first row. If the annual earnings were $900 there would be no reduction in annual benefit in any of these four cases. So, the first man gets his $480 benefit; the next man receives his $720, and so on. This will be added to the $900 earnings, so that the column headed "Earnings plus Benefits" shows the combined income of that individual in the amount of $1,380 in the first case, $1,620 in the second case, $1,860 in the third, and $2,150 in the fourth case. However, earnings beyond the level of $900 bring on the effects of the retirement test. Earnings of $1,000 result in an annual reduction of $50 in the benefit.

Mr. CHATTERTON: Would you please explain how you get that?

Mr. OSBORNE: This is the operation of clause 69, subclause (2), paragraph (*a*), which deducts 50 cents on the dollar; there is $100 in excess earnings over the $900.

Mr. CHATTERTON: Oh, yes.

Mr. OSBORNE: And, half of that is $50. So, the first man's benefit would be reduced from $480 to $430 by the amount of that $50 reduction in the second column.

Similarly, the second, third and fourth men's benefits also would be reduced by $50. For example, the man who received $1,250 a year would have his benefit reduced to $1,200 a year. When added to the $1,000 that he made in outside earnings he has a total income of $2,200 for that year.

Mr. CHATTERTON: In other words, the same deduction applies, no matter what happens?

Mr. OSBORNE: Yes, but the end result is different because the basic pension is larger. If his earnings were $1,500 a year the reduction in annual benefit would be $300, again 50 cents on each excess dollar, so that the first man's benefit would be reduced from $480 to $180. When you pass the $1,500 mark the provisions of subparagraph (*b*) come into play. As well as 50 cents on each excess dollar there is a second reduction of 50 cents on the same dollar.

Take the man who has earnings of $1,600 in the year; the $600 excess between $900 and $1,500 would be subject to a reduction of 50 cents on each dollar, or $300. In addition, the $100 excess over $1,500 would be subject to a dollar for dollar reduction so that the total reduction in benefit is $400 in that case. If the man earns $1,800 his total reduction is $600, that is $300 under paragraph (*a*) plus $300 under paragraph (*b*).

So, you find in the four different cases at different earnings levels the benefits are wiped out. For the man whose benefit, was $480, his benefit will be reduced to zero if his additional earnings are $1,700. The man whose benefit was $720 would have it completely reduced when his annual earnings reach $2,000. The man whose benefit was $960 would have it completely reduced when his earnings were $2,200 and, finally, the man whose annual benefit was $1,250 would have it completely reduced when his earnings reached $2,500.

Mr. MONTEITH: And this applies only from ages 65 to 69 inclusive?

Mr. OSBORNE: Yes.

Mr. BASFORD: How do you reduce the benefit? Take the first man who has $480 annual benefit? He is going to have 12 pension cheques at $40 each.

Mr. OSBORNE: He would be expected to notify the department of his anticipated earnings for the year, as Dr. Willard explained, and the necessary adjustment could be made in his pension cheque.

Mr. BASFORD: So, he would get one twelfth of $430; is that right?

Mr. OSBORNE: The computer is capable of making this division.

Mr. BASFORD: I know that but that is what the computer would be asked to do?

Mr. OSBORNE: Yes. There would have to be an adjustment at the end of the year, presumably, when his actual earnings experience was known.

Mr. BASFORD: Then there would be an additional payment or a refund?

Mr. OSBORNE: Yes.

The CHAIRMAN (*Mr. Cameron*): Does that complete your explanation, Mr. Osborne?

Mr. OSBORNE: Yes.

The CHAIRMAN (*Mr. Cameron*): Are there any further comments? If not, we will proceed to clauses 70 and 71.

On Clause 70—*Commencement of pension.*

On Clause 71—*When pension ceases to be payable.*

Mr. THORSON: Clauses 70 and 71 are the rules governing the payment of the disability pension, Mr. Chairman.

Clause 70 provides that a disability pension, when it has been approved, will commence with the fourth month following the month in which the applicant became disabled. Clause 71 provides that a disability pension will terminate at age 65 or, of course, earlier if the pensioner ceases to be disabled or dies, and that upon reaching age 65 he will be regarded as automatically having made an application for his retirement pension to commence with the next following month. In other words, at age 65 he ceases to be paid his disability pension and becomes entitled to a retirement pension.

The CHAIRMAN (*Mr. Cameron*): Are there any comments on these two clauses?

Mr. MONTEITH: What about subclause (2) of clause 71? Is there anything there?

Mr. THORSON: I am sorry; subclause (2) dealt with the second provision I mentioned, that upon reaching age 65 he is treated as though he had made application for a retirement pension to commence the next following month after the last payment of his disability pension.

Mr. BASFORD: Although I think you explained this this morning I have forgotten what was said. Why do we have to wait four months for the disability?

Dr. WILLARD: There is a three month waiting period in the case of the disability benefit.

I think I also mentioned that in many countries they have quite a long waiting period in respect of the disability benefit. In many countries the duration is six months. The United States, for instance, has a six month waiting period.

Mr. BASFORD: Is it possible to speed that up?

Dr. WILLARD: There are a number of considerations here. One, of course, is the need for distinction between temporary disability and permanent disability. Administratively it will reduce a large number of claims that at the start appear to be long term permanent disability claims but by the end of treatment it is apparent that they are temporary disabilities, and that a benefit of a different nature should apply.

The other is a point that I think Senator McCutcheon mentioned the other night. In the other supplementary benefits you are dealing with the case of the death of the contributor; here you are dealing with a very difficult problem with regard to the determination of disability. There are certain restrictions built in to the disability benefit that are not in the other supplementary benefits.

Hon. Mr. McCUTCHEON: Some people recover very quickly after they get a disability payment.

Mr. BASFORD: I recognize that, but perhaps the minister should have some discretion.

Obviously, if a fisherman loses both arms he is going to be disabled.

Dr. WILLARD: It is also true that sick leave, sickness insurance and other short term sickness benefits are expected to provide the contributor with income during the waiting period. Not all people will have this type of protection, but this certainly will be a cushion for a good many people.

Mr. KNOWLES: With respect to subclause (2) of clause 71 I believe there is no possible combination of pensions that a person would lose by transferring from the disability to the retirement pension at age 65.

Dr. WILLARD: No, Mr. Chairman.

Mr. KNOWLES: The disabled widower who is pensioned, for example, is a different kettle of fish.

Dr. WILLARD: That is correct.

Mr. MACDONALD: Mr. Chairman, in each case there is a flat rate component of the pension which in a sense would be replaced by the flat rate old age security pension available at age 65.

Dr. WILLARD: It is increased from $25 to $51 in the flat rate component.

Mr. KNOWLES: If I may ask what I think is relevant, Mr. Chairman, what happens to the disabled widower when he reaches 65?

Mr. MACDONALD: Mr. Chairman, the disabled widower should be able to draw both the disabled widower's pension and the retirement pension if he has been a contributor in his own right.

Mr. KNOWLES: Suppose he has not? I agree it is a far fetched hypothesis.

Mr. MACDONALD: It would be recalculated at the 60 per cent rate that we discussed last time, and in addition he could claim the old age security pension.

On Clause 72—*Persons by whom application may be made.*

Mr. THORSON: Clause 72 deals with the payment of the death benefit. Subclause (1) states who may make application for benefit. You will see that in the ordinary case the application would be made on behalf of the estate by the executor or legal representative of the deceased person or by anyone else to whom the benefit could be paid under the bill.

Subclause (2) provides that where payment of the death benefit has been approved the benefit is to be paid in a lump sum to the estate of the contributor or, if it is less than a prescribed amount, it may be paid directly to such person or persons as may be prescribed by the regulations.

It will be appreciated that where the amount of the death benefit is very small, it would perhaps be a hardship to insist on the presence of an executor or other person formally appointed to deal with the estate of the contributor. In these circumstances, there may be provision for direct payment to the immediate heirs or to other dependants of the contributor.

Mr. LLOYD: That is a real problem. You will have a large number of death benefits arising in which there is obviously no need for processing through probate courts.

Mr. THORSON: This provision is designed to deal with that problem.

Hon. Mr. McCUTCHEON: What will be the maximum death benefit when the plan gets fully into effect?

Mr. THORSON: Initially, $500. The prescribed amount will presumably be something less than $500.

Hon. Mr. McCUTCHEON: To require the full legal process in many estates to collect $500 is, I think, going to be a real hardship.

Mr. LLOYD: That is the point.

Hon. Mr. CROLL: They need not go through the process.

Hon. Mr. McCUTCHEON: That only applies to some amount less than $500. I say $500 is small enough. The minister should have discretion in every case.

Mr. THORSON: The provision gives complete flexibility up to the maximum amount.

Hon. Mr. McCUTCHEON: I am just suggesting that discretion should be exercised.

Mr. MUNRO: Is that procedure not now adopted for partial payment under the old age security? You do not require any probate papers or any complicated legal process?

Mr. THORSON: There are a number of what might be called tag-end or clean-up payments made under various statutes that give rise to somewhat similar problems as the one dealt with here.

Mr. BASFORD: Perhaps I am not reading this correctly, but it seems to me one can only pay a prescribed amount to the estate—"shall be paid to the estate in a lump sum", or less than an amount prescribed.

Mr. THORSON: If it is less than the amount prescribed, then it may be paid in a lump sum to such person or persons and in such manner as may be described.

Hon. Mr. McCUTCHEON: Which could include estates.

Mr. THORSON: Yes, or the immediate relatives.

Mr. BASFORD: If it is the prescribed amount it has to be paid to the estate.

Mr. THORSON: I do not read it that way.

"It shall be paid to the estate", but if it is less than the prescribed amount then it shall be paid to such person or persons as may be prescribed.

Mr. BASFORD: But the senator and I are concerned that the prescribed amount can also be paid to other than the estate, are we not, senator?

Mr. THORSON: Let us say the prescribed amount is fixed at $250 and the amount of the death benefit works out at $200, then under this provision I think this section is saying that it could be paid either to the estate, if that should be the appropriate way of doing it, or to such other persons as may be prescribed.

Hon. Mr. McCUTCHEON: That is my understanding of the section.

Mr. MONTEITH: It strikes me that if it is a maximum of $500 it must be paid to the estate; but if it is anything less, it can be paid otherwise.

Mr. THORSON: As it is drafted we do not say that it must be less than the "maximum" amount. We say if it is less than such amount as may be prescribed. You could prescribe the maximum—

Hon. Mr. McCUTCHEON: Or $1 over the maximum.

Mr. THORSON: Yes, or $1 over the maximum.

On Clauses 73 and 74—*Commencement of pension. Duration of payment.*

Mr. THORSON: Clause 73 deals with the commencement of the widow's pension once it has been approved.

You will see that there are a number of possibilities dealt with. In the ordinary case the pension would begin in the month following that in which the widow became a widow.

Again, you will see there is flexibility provided here for going back at least 12 months.

Mr. KNOWLES: For the widow who did not know she was a widow?

Mr. THORSON: There will be many circumstances in which the application following the death of the breadwinner would not be made immediately. There would be quite often cases like that.

Mr. KNOWLES: Seriously, there might be much longer lags. Despite all the publicity given to this legislation there will be cases of widows who will not know.

Mr. THORSON: That is right. Generally we have provided the same sort of thing for all the supplementary benefits.

Mr. KNOWLES: Though in most cases the member of parliament will know about it and can give advice.

Mr. LLOYD: Will members of parliament and judges, to preserve the independent quality of the work, be provided with different manufactured types of computers?

Mr. CHATTERTON: Do the interim payments apply to the supplementary benefits too?

Mr. THORSON: Yes, they do. It is very important that provision for interim benefits should apply to such supplementary benefits.

Clause 74 provides that the widow's pension continues during her lifetime and ceases with the payment for the month in which she dies.

Mr. KNOWLES: Did we have some discussion this morning about widows who remarry? What did that come under?

Mr. MACDONALD: Clause 62, subclause (3).

Mr. THORSON: This is the general enunciation of the period for which the widow's pension is payable. It will of course be subject to any special rules such as the one we discussed earlier today.

Mr. KNOWLES: The first three words take care of that—"subject to this act".

The CHAIRMAN (*Mr. Cameron*): Are there any further comments?

On Clauses 75 and 76—*Commencement of pension. Duration of payment.*

Mr. THORSON: Clause 75 deals with the commencement of payment of the disabled widower's pension. Again, there is provision for going back for a maximum of 12 months. Clause 76 provides that the disabled widower's pension will continue during his lifetime but will stop with the payment for the month in which the beneficiary either ceases to be disabled or dies.

The CHAIRMAN (*Mr. Cameron*): Are there any comments on these two clauses?

Mr. BASFORD: I would like to go back to Mr. Chatterton's question and refer to the interim payment in clause 65 and clause 70. Could you make an interim payment before the three months are up?

Mr. THORSON: I do not quite understand the question.

Mr. BASFORD: I was asking you about clause 70 and the necessity to wait four months for disability pension. Could you make an interim payment before?

Mr. THORSON: No. There is no right to receive the benefit until the fourth month.

The CHAIRMAN (*Mr. Cameron*): Are there any further comments?

Mr. CHATTERTON: I am a little behind. Does the interim payment apply to the death benefit too?

Mr. THORSON: Yes, it does.

On Clauses 77 to 79 inclusive—*Persons by whom application may be made. Payment of benefit. When benefit ceases to be payable.*

These next clauses, Mr. Chairman, 77, 78 and 79, deal with the payment of the orphans benefit.

Clause 77 (1) states how an application for an orphan's benefit may be made. Here it is provided that the application may be made on behalf of the orphan, either by the orphan where that is possible, or by any other person to whom under the later subclauses of this clause the benefit could be paid.

Mr. CHATTERTON: Excuse me. What if it is not known at the time? Could some friend of the family—it may not be the official guardian—apply for the orphan's benefit although it is not known to whom the benefit is to be paid? May he apply for that so the entitlement could be established?

Mr. THORSON: Any person generally speaking having the care and custody of the child would be able to make the application on behalf of the orphan, and in those circumstances presumably the person making the application would be the one to whom the cheques would actually be mailed.

Subclause (2) of clause 77 deals with the commencement of payment of the orphan's benefit within the twelve month period.

Subclause (3) ensures there may be no more than one orphan's benefit paid in respect of the child's mother and father taken together. That is to say, where one orphan's benefit has become payable to the orphan in respect of a contributor, either under the Canada pension plan or under a provincial plan, then no orphan's benefit is payable to the same orphan on the death of the other parent.

Mr. MONTEITH: If the mother and father were both earning money and they were killed in an airplane accident, for example, there would only be one benefit?

Mr. THORSON: That is correct.

Hon. Mr. MCCUTCHEON: Do you give the child the choice of which parent he is going to adopt!

Mr. THORSON: It would make no difference to the determination of the amount of the benefit, but under this rule I suppose the ordinary law of *commorientes* would apply; in other words, the elder of the two would be regarded as having predeceased the younger.

Hon. Mr. CROLL: It would not make much difference.

Mr. THORSON: No, it makes no practical difference.

The CHAIRMAN (*Mr. Cameron*): Are there any other questions?

Mr. THORSON: Clause 78 deals with the person to whom an orphan's benefit would be paid. Here you will notice that the payment will be made in some cases to the orphan himself where the orphan is of such an age that he is managing his own affairs. But in the ordinary case where the orphan has not reached 18 years of age the payment would be made to the person having the custody and control of the orphan.

For the purposes of this particular rule, the surviving spouse of the contributor, if there is a surviving spouse, except where the orphan is living apart from the surviving spouse, is presumed in the absence of any evidence to the contrary to be the person having the custody and control of the child.

In other words, in the ordinary event, should the father die the mother would be the person presumed to have the custody and control of any child under 18 years of age.

Clause 79 provides that the orphan's benefit stops with the payment for the month when the orphan ceases to be an unmarried child within the meaning of the definition, or the month in which the child should die, whichever should occur first.

Hon. Mr. McCUTCHEON: Is there a definition of an unmarried child?

Mr. THORSON: Yes, in clause 43 the definition of a dependent child of a contributor describes an unmarried child of a contributor—and then follow the two subparagraphs referred to.

Hon. Mr. McCUTCHEON: That is rather retrograde legislation, preventing these young university students from marrying!

Mr. BASFORD: Under the act it is impossible to marry a rich woman or a rich orphan. As a bachelor I have been very conscious of these provisions.

Mr. KNOWLES: Oh, so that is why you are on this committee.

Hon. Mr. McCUTCHEON: He wanted to know what the rules are.

Mr. KNOWLES: It is self-defence.

On Clauses 80, 81 and 82—*Amount of benefit payable under Act. Total pensionable earnings attributable to contributions made under Act defined. Payment of benefits in accordance with agreement with province.*

Mr. THORSON: This deals with quite a different subject. The function of these next three clauses is to determine the amount of any benefit that may be payable under the Canada pension plan. These clauses are required because, as you will recall, all earnings in the case of a dual contributor, that is to say, a contributor who has made contributions at some time during his career under the Canada pension plan and under a provincial plan, are credited to him in the record of earnings. That produces the aggregate amount of the pension that is payable to him. The function of these two clauses is to determine the portion of that grand total that is payable to him by virtue of his contributions under the Canada pension plan.

The necessity for the provisions will perhaps be more apparent by reference to clause 82 which authorizes the making of an agreement with the appropriate authority in any province which has its own pension plan, under which the whole amount of the benefit to which the contributor is entitled as the result of his lifetime contributions would be paid either under the Canada pension plan or under the provincial pension plan. In the absence of an agreement, of course, it will be necessary to make an allocation of the proportionate amounts that are charges on the Canada pension plan, and the corresponding amounts that are charges on the provincial pension plan.

I may say that clause 82, is in a sense, parallel to the earlier clauses dealing with the subject of refunds. You will recall there was authority to make the whole of the refund either under the Canada pension plan or under the provincial plan. This is a rather similar approach to that adopted towards the payment of benefits.

Mr. CHATTERTON: I am not clear on this. Does this refer to the person who has paid for a period under the provincial plan and then has moved to the Canada pension plan? The question then comes up of resolving the benefits he was to have received.

Mr. THORSON: Yes. Because that person is considered to be a dual contributor. Having made contributions to the two jurisdictions, he would have all of his earnings recorded under both the record of earnings established under the Canada pension plan, and, on the other hand, the record of earnings established under the provincial pension plan.

Mr. CHATTERTON: Is that done by agreement?

Mr. THORSON: That would be the case whether or not there was an agreement; the earnings would be recorded in both records of earnings. However, should there be an agreement, then it is possible to pay the whole of the benefit either under the one plan or under the other plan, and, of course, all rights deriving from that approach would follow. For example, should the benefit be payable under the Canada pension plan under the agreement, he would take any appeal pursuant to the Canada pension plan. If he were paid under the provincial pension plan, all his rights would derive under the provincial legislation.

Mr. CHATTERTON: Let us assume there will be an agreement. It is logical, and certainly it is in the interest of both jurisdictions. Let us say that after the agreement has been signed, a provincial plan changes substantially, which you said can be done. What happens then?

Mr. THORSON: It would have to be a term of any such agreement that the agreement would continue in force only so long as the two plans remain comparable as regards the payment of benefits.

Mr. CHATTERTON: If the provincial plan changes, then the agreement would not be operative any more. Is that right?

Mr. THORSON: That is correct.

Mr. CHATTERTON: That is when you run into difficulty.

Mr. THORSON: Indeed we would. It is very important.

Mr. MONTEITH: In the administration of those two plans, let us say for argument's sake that a person contributed under the Canada pension plan for 40 years and for the last seven years of his life he contributed under the Quebec plan, or vice versa. Who would have the actual administration of his benefit when he applied for it?

Mr. THORSON: The administration of the benefit would normally follow the jurisdiction which, under the terms of the agreement, was responsible for paying the benefit.

Mr. KNOWLES: So far as the potential pensioner is concerned, he would get just one cheque. If you were going to make an appeal, it would be an appeal to one authority.

Mr. CHATTERTON: By agreement.

Hon. Mr. CROLL: But if there is no agreement?

Mr. THORSON: If there is no agreement, then, of course, we would have to invoke the provisions of clauses 80 and 81 in order to determine the respective portions of the benefit payable under the two plans.

Hon. Mr. CROLL: So he could conceivably be receiving two cheques?

Mr. THORSON: That is correct. That would be the result, should there be no agreement.

Mr. KENT: As long as the plans are comparable, there is every reason why there should be an agreement.

Hon. Mr. CROLL: Of course, that is my point.

The CHAIRMAN (*Mr. Cameron*): Does that complete clauses 80, 81 and 82?

On Clause 83—*Appeal to Minister.*

Mr. THORSON: Clause 83 is under the heading: division F: Appeals. These of course relate exclusively to appeals under part II of the act. Under clause

83 an applicant who is dissatisfied with any decision as to the benefit to which he is entitled may appeal the decision to the minister. Rather he may ask for a reconsideration of the decision or determination—I should not describe it as an appeal because, of course, it is in effect a request for reconsideration.

Under subclause (2) the minister is under an obligation to reconsider forthwith the decision or determination, and either to confirm it or to change it. He must then notify the applicant or beneficiary of his action.

On Clause 84—*Appeal to Review Committee.*

Mr. THORSON: Under clause 84 a person who is dissatisfied with the decision of the minister under the previous clause is entitled to appeal that decision to a review committee within 90 days from the time the decision was communicated to him.

Subclause (2) deals with what we mean by a review committee. There you will see that the committee is to consist of three persons resident in Canada, one of whom would be appointed by the applicant or the beneficiary, the second of whom would be appointed on behalf of the minister, and the third of whom would be appointed by two of them together. The third person would be the chairman of the committee.

Subclause (3) deals with the case where the two persons appointed on behalf of the applicant or beneficiary and on behalf of the minister are unable to agree on the appointment of a chairman. In this case provision is made for the matter to be referred to a judge of a court in the province.

Hon. Mr. CROLL: Mr. Chairman, the section sounds very fair on the face of it, but what a cumbersome administrative process you have there! This might become a normal labour dispute, almost a conciliation board. Is there not a shorter way of doing it? What is involved is a lifetime pension, whatever the amount may be. The normal procedure is that a person gets a friend to act for him who knows nothing except that his friend is right and the government is wrong. On the other hand, the government has, sitting on their side, somebody who knows what it is all about. They try to get a man who may be a judge. He is a fair man. However, is the man who is appealing really getting a fair deal?

Mr. THORSON: The procedure proposed here is designed to avoid putting applicants and beneficiaries to the expense of a formal application to a court. These are locally constituted bodies, and in the first instance any appeal taken on the decision of the minister could be looked at locally without going to the expense of a formal court application.

Mr. MONTEITH: Are these review committees not similar to the tribunal under the Old Age Security Act?

Mr. THORSON: That is correct. I think there is also a similar type of tribunal provided for under the Unemployment Insurance Act.

Hon. Mr. CROLL: No, the Unemployment Insurance Act is different.

Dr. WILLARD: They have courts of referees. Mr. Curran, our legal adviser, is here at the officials' table. He can provide some of the background of our experience with tribunals. He did some of the technical work in connection with the appeals clauses and other parts of the Bill. He might wish to make some comments.

Mr. GRAY: Before we call on Mr. Curran, may I say that Mr. Monteith raised a very good point which might be helpful. May I ask whether Mr. Monteith is right in suggesting that this procedure of a review committee is very similar to the tribunal procedure now existing in the Old Age Security Act?

Hon. Mr. CROLL: You have a different problem there.

Mr. ROBERT CURRAN (*Legal Adviser, Department of National Health and Welfare*): Under the Old Age Security Act proof of age is required. That is the only issue which they have to determine. Sometimes it may be difficult because of faulty or insufficient information.

Mr. Chairman, if you would like me just to say a word or two on the development of this procedure, let me say this: We had regard to the system in the United States which has the force of some years experience. We have looked at the unemployment insurance procedure, income tax procedure, as well as the old age security procedure. We came up with a procedure which we thought incorporated some of the best features of the other systems which we examined. To illustrate, we have found, under the old age security procedure, that the ad hoc tribunal which is set up in the same manner has worked very satisfactorily. In old age security we have had approximately 1,200 to 1,500 of these tribunals convened annually. We have found them very satisfactory, and we thought that, having regard also to the procedure in the United States, this provided a local forum in which the appellant could have a rather convenient adjudication of whatever was his dissatisfaction. In the United States they have a slightly different procedure. They have a hearing officer, and the appeal is referred to a single person who is appointed as the hearing officer.

Hon. Mr. CROLL: By whom is he appointed?

Mr. CURRAN: By the government.

Hon. Mr. CROLL: Like the pensions advocate?

Mr. CURRAN: Yes. He is appointed by the department of health, education and welfare. He is a permanent official. After the decision rendered by the hearing officer, they have a third stage in the appeal to an appeals council which sits in Washington. We have provided in this bill an appeal at the third level to the pension appeal board which will be more or less a judicial body, and the members of which will be judges. We have tried to incorporate under this bill a parallel procedure to that in the United States, but having special regard to our experience in Canada under comparable legislation or in comparable areas.

Hon. Mr. CROLL: In a case where a man decides to continue the review, have you made provisions for providing him with evidence at various stages without cost?

Mr. CURRAN: There is a provision that before the pension appeal board his expenses can be paid if he is requested to appear before the Board. I should also say that he can only appeal to the pensions appeal board with the leave of the chairman of the board, and then the chairman would decide whether or not the personal attendance of the individual was necessary.

Going back to the review committee, the idea there was to provide an inexpensive or non-expensive method for the applicant or beneficiary to have an adjudication. There is no provision here for any fees to be paid to members of the ad hoc review committee.

Mr. CHATTERTON: This review committee sets its own procedures. Is it also intended that the committee meet in the locality where the applicant resides?

Mr. CURRAN: That is right. I would not say, however, that the committee would set all of its own procedures; certain regulations would be made, as to the conduct of the hearing. But by and large the committee will be in charge of its own proceedings.

Hon. Mr. CROLL: I suppose we will amend this in due course as we learn from experience.

Mr. THORSON: I think this is a reasonable approach to take. If the system is found not to be workable, then obviously we ought to have it changed.

Mr. BASFORD: How do you get a chairman without paying him?

Mr. CURRAN: This may be an area in which experience will tell us what to do, but up to the present time there has been no difficulty, under the old age security tribunal, in getting a chairman to act without remuneration. We have never run into a case where the chairman refused to act without remuneration.

Hon. Mr. McCUTCHEON: For the first year or two we ought to have Mr. Thorson on these hearings to explain the bill.

Mr. KNOWLES: And Senator McCutcheon will act for the appellants.

Mr. MUNRO: Could the minister decide later on, by an amendment to the regulation, to pay the chairman under this act?

Mr. THORSON: No, that would have to be especially provided in the bill or otherwise provided by parliament.

Hon. Mr. CROLL: Patronage is prohibited, you know.

Hon. Mr. McCUTCHEON: On that note we might end the meeting, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): That is a good idea, probably.

The meeting is adjourned until tomorrow afternoon at 3.30 p.m.

APPENDIX "O"

HOW THE RETIREMENT PENSION IS CALCULATED

Monthly Benefit

(Section 46)

The Canada Pension Plan retirement pension has been set at 25 per cent of average monthly pensionable earnings. So if average monthly earnings are $200, the pension will be $50 a month; if average monthly earnings are $400, the pension will be $100 a month. For the first two years of the program an annual ceiling has been set at $5,000 (averaging $417 a month) on the amount of earnings that can be used in calculating the pension.

Average Monthly Pensionable Earnings Before 1976

(Section 47)

Average earnings are total lifetime earnings (after the plan starts) averaged over one's working life and expressed on a monthly basis. During the first 10 years of the program however, the transitional period, one's total pensionable earnings in that period will be divided normally by 120 (the basic number of contributory months) in order to arrive at the average monthly figure. Thus, if one earns $24,000 between January 1, 1966 and December 31, 1975, one's average monthly pensionable earnings will be $200. However if a disability pension was received during this period, the months when it was being paid must be deducted from the 120 and the remainder divided into total earnings to strike the average.

Average Monthly Pensionable Earnings After 1975

(Section 48 (1))

After the first 10 years have passed, one's total lifetime pensionable earnings (after the plan starts) will be divided by the total number of months when one could have been covered under the plan, in order to arrive at one's average monthly pensionable earnings. The number of months when one could have been covered is called one's "contributory period". For this purpose it can not be less than 120 months, unless one has received a disability pension.

Drop-out Feature

(Section 48 (2))

After the 10-year transitional period, if you work and contribute at ages 65 to 69 you may substitute any months of earnings during these years for less favourable months of earnings before age 65, as long as this does not reduce your contributory period below 120 months. For example, you may have high earnings at ages 66 and 67 which you would like to substitute for two years of unemployment in your twenties. In calculating your pension, the number of months in which you contributed beyond age 65 will be dropped out from the number of months in your contributory period, as long as this does not reduce your contributory period below 120 months (or 120 less any months in which you received a disability pension). At the same time, your total pensionable earnings will be reduced by the amounts earned in that same number of months, your months of lowest earnings being chosen for this drop-out.

(Section 48 (3))

During your working career you may have had months or even years of sickness or unemployment, or just low earnings. Some people will have been attending high school and university, or taking other types of education beyond age 18. Provision has therefore been made for a further drop-out of years of low earnings, or no earnings, amounting to 10 per cent of the number of months left in your contributory period after allowing for the drop-out just described for people who contribute beyond age 65. Once again, however, the contributory period cannot be reduced below 120 months. Again, both the number of months indicated, and the amounts earned in that number of months, would be dropped out from the calculation.

Two basic principles underlie the approach taken to these two types of drop-out. (1) Anyone who tries to improve his pension by working beyond age 65 should be able to do so. Thus a year of such contributions can be used either to extend the amount of one's benefit during the transition period, or as a substitution for a low-income year after the transition period is passed. (2) The 10 per cent drop-out allowance should only be extended to people who have contributed for more than 10 years. For this reason, the drop-out allowance cannot reduce one's contributory period below 120 months, even if one's contributory period is short due to months of disability.

To calculate anyone's pension, then, two facts must be know about his work history: what were his total pensionable earnings over his working lifetime? During how many months could he have contributed to the plan—his contributory period? The latter divided into the former gives average monthly pensionable earnings.

Contributory Period

(Section 49)

Your contributory period is the total number of months when you could have been covered under the Canada Pension Plan. This period extends from the day the plan starts until you reach age 65. If you were not yet 18 when the plan started, your contributory period would be from your 18th to your 65th birthday. If you contribute beyond age 65, your contributory period will end with the month of your last contribution.

Note that the maximum contributory period may extend beyond the 47 years from age 18 to age 65. However, the effective period for averaging wages cannot exceed 47 years since years of earnings after age 65 may be substituted for an equal number of years before that age. If you die before age 65, your contributory period will end with the month in which you die. Thus, if you are 30 years and 6 months old when the plan begins on January 1, 1966, and you retire on your 65th birthday, your contributory period will be 414 months. From this figure must be deducted the number of months during which you received a disability pension, since you could not be expected to contribute from earnings from employment if you had been found to be so disabled that you were unable to pursue any regular gainful employment.

Total Pensionable Earnings

(Section 50)

It has already been mentioned that average monthly pensionable earnings will be obtained by dividing total lifetime pensionable earnings by the number of months in one's contributory period, after adjusting for drop-outs. But how are total lifetime pensionable earnings calculated? This simply represents the sum of one's pensionable earnings in each month in one's contributory period.

Pensionable Earnings for a Month

(Section 51)

It is in the calculation of one's pensionable earnings for a month that use is made of the wage index. The record of one's actual earnings in any month of one's working career will be adjusted to keep step with rises in the general wage level. This is how it is done. The earnings on which you have contributed for a month are divided by the earnings ceiling that applies to the year in which that month falls. Then the result is multiplied by the average of the earnings ceilings in the last three years. By the last three years, is meant the year in which your pension becomes payable and the two years just before that. And by the earnings ceiling is meant the maximum earnings on which anyone can make a contribution during a particular year. (It will be recalled that for the first two years of the program the earnings ceiling has been fixed at $5,000. After 1968, it will increase with increases in the Consumer Price Index, and after 1975, it will rise as the general level of wages rises.) By this calculation then, your lifetime earnings will all be expressed in "current 1999 dollars" if you claim your pension in 1999. To do this, a wage index rather than a price index will be used, because increased productivity must be taken into account as well as any increases in price levels that may occur.

To give an example, suppose the earnings on which you have contributed in each month of 1966 were $300 and that you reach 65 and retire in 1994 when the earnings ceiling is $10,200. Suppose also that the earnings ceilings in 1992 and 1993 are $9,800 and $10,000. Then the average ceilings over the last three years will be $10,000. Since the earnings ceiling in 1966 will be $5,000, your pensionable earnings for each month in 1966 will amount to

$$\frac{\$300}{\$5{,}000} \times \$10{,}000 = \$600 \text{ a month.}$$

The same kind of calculation will be made for each month in your contributory period in order to up-date your earnings in terms of 1994 wage levels.

Earnings on which you have Contributed for a Month

(Section 52)

The next question that arises is: how are the earnings on which you will have been considered to have made contributions for a month arrived at, as the information will be forthcoming only once a year from the Income Tax office? What will be done is this. The total annual earnings on which you have made a contribution will be reported by the Income Tax department. To this will be added your basic exemption for the year to get your "unadjusted pensionable earnings" for the year, and this total will be divided by 12, as long as it exceeds the basic exemption.

There will be certain exceptions to this, of course, to allow for people whose pensionable period does not start and end on January 1. In the year in which you become age 18 or age 70, or in which your pension becomes payable, or in which you become or cease to be disabled, or die, the total annual earnings for which you made a contribution in that year will be divided by the number of months in the year during which you were age 18, or you were not 70 or disabled, or during which your pension was not payable, or you were not dead. Thus, if your pension becomes payable on September 1, and your unadjusted pensionable earnings for the year are $2,400, you will be credited with earnings of $2,400 divided by 8, or $300 a month. If the Income Tax office reports that in a particular year you have not made any contributions at all, then the earnings on which you have made contributions for each month of that year will be recorded as zero.

Unadjusted Pensionable Earnings

(Section 53)

Finally, there is the question of how unadjusted pensionable earnings are determined. These are earnings before any adjustment has been made in line with changes in the earnings index and the earnings ceiling; these are the earnings that will be recorded in the Record of Earnings.

There are two ways in which a contributor's unadjusted pensionable earnings during the year may be derived:

(*a*) they are equal to the sum of his annual salary and wages, and his annual self-employed earnings, provided the two together exceed his basic exemption (initially $600 a year).

(*b*) they are equal to the sum of the earnings on which he has contributed to this plan and to a provincial plan, plus his basic exemption for the year.

Normally these two ways would yield the same figure; if they do not, as in the case of the moonlighter who gets an exemption from both his employers, the lower figure wil be used as the correct measure of his unadjusted pensionable earnings for the year. Of course, if either (*a*) or (*b*) yield a figure greater than his maximum pensionable earnings for the year (initially $5,000), then this ceiling will be used as his unadjusted pensionable earnings.

There is also the problem of determining the earnings on which he has contributed to the Canada Plan and to a provincial plan. This is done by aggregating (A) the salary and wages on which he has contributed to either plan for the year, and (B) $\frac{100}{3.6}$ times the contribution he has been required to make to either plan on his self-employed earnings for the year. (Note that if the contribution is determined as $\frac{3.6}{100}$ times his contributory self-employed earnings, then his contributory self-employed earnings must be $\frac{100}{3.6}$ times his contribution.)

For example, suppose a contributor works for six months in New Brunswick earning $300 a month, and then six months in Quebec at the same rate. His contributory salary and wages for the year will be $3,600. With an exemption of $50 a month, he will have contributed on $250 a month for six months in New Brunswick giving a total of $1,500 earnings on which he contributed under this Act, and on $250 a month for six months in Quebec, giving another $1,500 in earnings on which he contributed to the provincial pension plan. The second way to determine his earnings is to add the $1,500 under the Canada Plan, the $1,500 under the Quebec Plan, and the $600 basic exemption for the year, giving again a total of $3,600.

However, if the contributor earned $150 a month in New Brunswick for 12 months, and concurrently earned $150 a month in Quebec for the same 12 months, his contributory salary and wages for the year would again be $3,600. But both employers would have given him an exemption of $50 a month, so he would have contributed on $100 a month to each plan for 12 months, that is on $1,200 each. His unadjusted pensionable earnings under the second method would be $1,200 under this plan, plus $1,200 under the provincial plan, plus the $600 basic exemption, or a total of $3,000. Since this is less than the $3,600 it would be used as the correct figure for unadjusted pensionable earnings.

Research and Statistics Division,
December 1964.

APPENDIX "P"

RETIREMENT TEST: ONE HALF OF EARNINGS BETWEEN $900 AND $1,500 AND ALL OF EXCESS

Annual Earnings	Reduction in Annual Benefit	$480 Annual Benefit		$720 Annual Benefit		$960 Annual Benefit		$1,250 Annual Benefit	
		Reduced Benefit	Earnings plus Benefit	Reduced Benefit	Earnings plus Benefit	Reduced Benefit	Earnings plus Benefit	Reduced Benefit	Earnings plus Benefit
$	$	$	$	$	$	$	$	$	$
900	0	480	1,380	720	1,620	960	1,860	1,250	2,150
1,000	50	430	1,430	670	1,670	910	1,910	1,200	2,200
1,100	100	380	1,480	620	1,720	860	1,960	1,150	2,250
1,200	150	330	1,530	570	1,770	810	2,010	1,100	2,300
1,300	200	280	1,580	520	1,820	760	2,060	1,050	2,350
1,400	250	230	1,630	470	1,870	710	2,110	1,000	2,400
1,500	300	180	1,680	420	1,920	660	2,160	950	2 450
1 600	400	80	1,680	320	1 920	560	2 160	850	2,450
1,700	500	—	1,700	220	1,920	460	2,160	750	2,450
1,800	600	—	1,800	120	1,920	360	2,160	650	2,450
1,900	700	—	1,900	20	1,920	260	2,160	550	2,450
2,000	800	—	2,000	—	2,000	160	2,160	450	2,450
2,100	900	—	2,100	—	2,100	60	2,160	350	2,450
2,200	1,000	—	2,200	—	2,200	—	2,220	250	2,450
2,300	1,100	—	2,300	—	2,300	—	2,300	150	2,450
2,400	1,200	—	2,400	—	2,400	—	2,400	50	2,450
2,500	1,300	—	2,500	—	2,500	—	2,500	—	2,500

Research and Statistics Division,
Department of National Health and Welfare,
December 1964.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

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

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

WEDNESDAY, DECEMBER 9, 1964

WITNESSES:

Dr. Joseph Willard, Deputy Minister of Welfare and Messrs. D. Thorson, Assistant Deputy Minister of Justice, D. Sheppard, Assistant Deputy Minister of National Revenue, and J. E. E. Osborne, Technical Adviser to this Committee, Robert Curran, Legal Adviser of the Department of National Health and Welfare, Robert L. Beatty, Assistant Director of the Unemployment Insurance Commission.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

MEMBERS OF THE COMMITTEE FOR THE SENATE

Honourable Senator Muriel McQ. Fergusson, *Chairman,*

and Honourable Senators:

Blois
Boucher
Croll
Denis
Flynn
Lang
Lefrançois
McCutcheon
Smith (*Queens-Shelburne*)
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*)
Francis
Gray
Gundlock
[3]Klein
Knowles
Laverdière
Lloyd
Macaluso
[2]Marcoux
McCutcheon
Monteith
Moreau
Munro
[1]Paul
Perron
Rhéaume
Scott

Maxime Guitard,
Clerk of the Special Joint Committee.

[1] Mr. Howe (*Wellington-Huron*) replaced Mr. Paul on December 9, 1964.

[2] Mr. Leboe replaced Mr. Marcoux on December 9, 1964.

[3] Mrs. Rideout replaced Mr. Klein on December 9, 1964.

ORDER OF REFERENCE

WEDNESDAY, December 9, 1964.

Ordered,—That the names of Messrs. Howe (*Wellington-Huron*), Rideout (Mrs.), and Leboe, be substituted for those of Messrs. Paul, Klein and Marcoux on the Joint Committee on the Canada Pension Plan.

Attest.

MINUTES OF PROCEEDINGS

WEDNESDAY, December 9, 1964.
(13)

The Special Joint Committee of the Senate and of the House of Commons on Canada Pension Plan met at 3:48 o'clock this afternoon. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Present:

Representing the Senate: Senators, Blois, Croll, Fergusson, Lefrançois, McCutcheon, Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson—8.

Representing the House of Commons: Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Knowles, Laverdière, Lloyd, Monteith, Munro, Scott—15.

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare, and Messrs. D. Thorson, Assistant Deputy Minister of Justice; Robert Curran, Legal Adviser of the Department of National Health and Welfare; J. E. E. Osborne, Technical Adviser to this Committee; Robert L. Beatty, Assistant Director of the Unemployment Insurance Commission, and D. Sheppard, Assistant Deputy Minister of National Revenue.

The Committee resumed its clause-by-clause consideration of Bill C-136.

On motion of Senator Croll, seconded by Mr. Francis,

Resolved,—That the document intituled "How the Widow's Pension is calculated" be published as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix "Q"*)

On motion of Mr. Knowles, seconded by Mr. Francis,

Resolved,—That this Committee meet at 3:30 o'clock p.m. and 8:00 o'clock p.m., if necessary, on Thursday, December 10, 1964.

The examination of the witnesses still continuing, at 5:38 o'clock p.m. the Committee adjourned until 3:30 o'clock p.m. on Thursday, December 10, 1964.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

WEDNESDAY, December 9, 1964.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Gentlemen, I see a quorum.

Mr. CANTELON: Madam Chairman, before we start where we left off at our last meeting may I direct a question to Mr. Thorson in respect of clause 75 on page 54.

The first part is quite simple until you get down to the word "but". I will read the latter part of this clause.

> —but in no case earlier than the twelfth month preceding the month following the month in which the application was received.

Suppose we take a case of someone who died in January and an application was made in February, what effect does this last part, which I have read, have?

Mr. D. S. THORSON (*Assistant Deputy Minister, Department of Justice*): Were the application to be made in February it would become payable as of February.

Mr. CANTELON: Then what effect does this last part have?

Mr. THORSON: That deals with the case where the application may be delayed for as much as, say, six or eight months. In these circumstances the application comes along much later, a considerable number of months after the death of the contributor.

Mr. CANTELON: Well, just as an example, suppose a person died in January and there was not an application sent in until July. When would the first payment commence?

Mr. THORSON: You said "died in January"?

Mr. CANTELON: Yes.

Mr. THORSON: Under this provision it would commence as of February.

Mr. MONTEITH: I think there is a year of grace.

Mr. THORSON: Yes.

Mr. CANTELON: So there would be back payments?

Mr. THORSON: Yes, there would be accumulated back payments in the case you described.

Mr. CANTELON: All that means is it just began when it should have begun.

Mr. THORSON: Yes, notwithstanding that the application may not have been made for a number of months afterward.

Mr. CANTELON: I was just trying to figure it out to the twelfth month preceding the month following, which brings you back to February again.

Mr. THORSON: The twelve months would come into play where the application was not made for a period of, say, two years after the death of the contributor. In that case you would not go back to the month following his death; you would go back only twelve months.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think we are ready to proceed where we left off at our last meeting. Yesterday Mr. Osborne gave us an explanation in layman's language of how the retirement pension should be calculated under this bill.

Mr. Osborne now has prepared a similar explanation in respect of the widow's pension. Is it your wish that this information be appended to today's proceedings?

Hon. Mr. CROLL: I so move.

Mr. FRANCIS: I second the motion.

Motion agreed to.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think we are on clause 85.

On Clause 85—*Appeal to pension appeals board.*

Mr. THORSON: Clause 85 provides for appeals from the decision of a review committee to the pension appeals board with the leave of the chairman of that board.

Subclause (2) of clause 85 deals with the constitution of the pension appeals board.

Mr. CHATTERTON: Before you go on, is it specified anywhere on what grounds the chairman may refuse an application?

Mr. THORSON: No. This would be governed by the considerations that ordinarily would govern a court's decision to grant leave to appeal. In other words, there must be some mechanism to prevent frivolous appeals, those which have no basis in fact or in law on the face of the matter, from being brought before the board.

Mr. CHATTERTON: But is that specified anywhere?

Mr. THORSON: No.

Mr. CHATTERTON: It is entirely at the discretion of the chairman?

Mr. THORSON: Yes. This is the customary approach taken, I think, in various federal statutes. I am thinking of the Exchequer Court Act, for example, and the Supreme Court Act, where appeals in certain classes of cases can be taken only with leave of the court.

Subclause (2) deals with the constitution of the board. You will see that the board consists of a chairman, who will be a judge either of the Exchequer Court of Canada or of a superior court court of a province, and not less than two and not more than five other persons, each of whom shall be either judges of the exchequer court or of a superior, district or county court of a province.

Subclause (3) provides that the chairman is to preside at all meetings of the board. The provision has been drafted in such a way that the board, should it be necessary that it do so, may sit in panels; in other words, they can sit in more than one panel at the same time should the workload of the board warrant it.

Subclause (4) deals with the hearing of appeals by the pension appeals board.

Subclause (5) deals with the quorum of the board, and ties in with the subclause I just mentioned, namely subclause (3).

Subclause (6) deals with the powers of the board in respect of appeals taken to it.

Mr. BASFORD: If I may interrupt, Dr. Willard mentioned the other day that he had some statistics in respect of how many appeals might be anticipated.

Dr. J. W. WILLARD (*Deputy Minister, Department of National Health and Welfare*): I think Mr. Curran has some data with him today, and perhaps he might speak to that matter.

Mr. ROBERT CURRAN (*Legal Adviser, Department of National Health and Welfare*): Mr. Chairman, it is very difficult at this stage to project the number of possible appeals, and the best way one can form any opinion is by reference to other comparable areas of legislation where there is an appeal procedure in operation.

As I mentioned last night, under the Old Age Security Act, we have annually anything from 1,200 to 1,500 appeals or tribunals established to determine the age of an applicant, so on that basis you might project the number of review committee hearings to determine age.

Of course, I should mention that the act does not permit an appeal to the pension appeals board on the question of age only.

I have obtained some figures from the United States which, generally, has a similar procedure. In the year ended June 30, 1964, they report that in respect of non-disability cases they had 2,613 requests for hearings. Now, the requests for hearings would correspond to an appeal to the review committee because that is roughly the same level of appeal. They had approximately 1,200 requests for review by the appeals council in these cases. So, of 2,613 roughly 1,400 had been resolved by a comparable procedure, and in 1,200 requests were received to go to the appeals council, as they call it. This would correspond to the pension appeals board.

Now, by relating the population of the United States to the population of Canada it might be fair to say that one tenth of that number of hearings or appeals could be anticipated. But, this is only an anticipated figure. Only experience actually will indicate the number. But, I think that would be a fair guide to look at at the present time.

In respect of disability, the figures are substantially different because in the year ended June 30, 1964, they had 18,117 requests for hearings of disability cases. Of that number in 8,000 cases requests for a hearing before the pension appeals council in Washington were received. So, they had more than halved the number in both instances, from 2,613 down to 1,200 and from 18,117 down to 8,000. Applying the one tenth figure, it might be anticipated that 800 cases might receive consideration by the pension appeals board if the chairman of the board granted leave.

Hon. Mr. BLOIS: Are the disability tests the same?

Mr. CURRAN: They are quite similar to those in the United States.

Mr. CHATTERTON: Would you outline the administrative procedure in respect of payment of costs for the applicant and his counsel?

Dr. WILLARD: Madam Chairman, the question of how some of these administrative matters will be carried out, of course, has not been finally decided; but if we followed a procedure similar to the one used in the United States and the one followed under the program for the permanently and totally disabled, the applicant would be expected to provide the administration with information of a medical nature in the form of a medical report. The cost of that report would be borne by the applicant. Where it is a severe and prolonged disability and where the applicant would no doubt be receiving frequent medical attention, his doctor could provide such a statement.

Mr. CHATTERTON: Would the administration appoint the medical officers to whom a person would have to go?

Dr. WILLARD: No, not in the first instance under the procedure in the United States or in Canada at the present time. In some cases under these programs for the disabled it may also be necessary to have a report from a hospital on the applicant's condition. In the United States this medical information goes before a review committee, which is made up of three persons, two of whom must be professional persons. One must be a doctor. The evidence is reviewed, and this includes not only evidence on the medical condition but also on the question of employability which enters into their disability test.

In the case of the federal-provincial program for the permanently and totally disabled in Canada, we have a medical review board consisting of a federal doctor, a provincial doctor and, a third person who may be the welfare administrator in the province. Thus, in both these programs there are three people who review the evidence. Both under the United States program and the existing program in Canada, the situation may occur in any case where further medical evidence is needed. Under these circumstances the administration pays the cost of specialists' reports. If the applicant is asked to go to hospital to have certain tests, the administration pays for these tests. Accordingly, further evidence from consultants and specialists is paid for by the administration. This is the pattern in two programs I have mentioned and it seems likely that something along this line might be adopted in this program.

Mr. CHATTERTON: Before he appeared before the pension appeals board would there be someone like the pensions advocate in respect of the veterans pension legislation; is that what is contemplated?

Dr. WILLARD: No. The review committee will consist of three persons. As Mr. Curran mentioned yesterday, these persons would be located in the community where the applicant lives, in order to make it inexpensive or at no expense at all for him to appear before the Committee.

Mr. CHATTERTON: That is the review committee.

Dr. WILLARD: Yes. You are talking about the appeals board, I believe. Mr. Curran might wish to speak further about the pension appeals board generally. Of course, it will be located at central points and will be made up of judges. Usually it will be on the basis of evidence submitted rather than a personal plea by the applicant.

Mr. Curran, have you anything further to add to your statement on the pension appeals board?

Mr. CURRAN: I might mention one additional point.

Clause 88 does provide for the travelling and living expense, including compensation, to be paid to an applicant who is requested to appear before the pension appeals board. The idea here is that in many of these cases the evidence well can be submitted by a written brief or presentation, but where the chairman feels the applicant should appear before the board for one reason or another, provision is made for travelling and living expenses, including any loss of compensation, while attending.

Mr. CHATTERTON: How about counsel?

Mr. CURRAN: There is no provision made in the act for counsel at this stage. In the light of experience this might be necessary. However, at the present time no provision is made for the payment of counsel on behalf of the applicant.

Hon. Mr. THORVALDSON: I notice that subclauses (4) and (5) of clause 85 provides for the pension appeals board to move around, as it were.

Mr. CURRAN: Yes.

Hon. Mr. THORVALDSON: It will travel across Canada?

Mr. CURRAN: The thought there was that the board would arrange for convenient attendances in various parts of Canada to suit the convenience of the applicants who have appealed to the pension appeals board. This, again, should help militate against any hardship on the applicant when appearing.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Clause 86.

On Clause 86—*Authority to determine questions of law or fact.*

Mr. THORSON: Clause 86 (1) deals with the authority of the pension appeals board to determine questions of law or fact and provides that the decisions of the board are to be final and binding for all purposes of the act.

Subclause (2) provides authority for the minister or for a review committee, or the pension appeals board, to amend decisions on new facts adduced.

Subclause (3) provides, as Mr. Curran has mentioned, that no appeal lies to the pension appeals board from a review committee on a question only of the age of an applicant or of a beneficiary.

Hon. Mr. CROLL: Why would he be denied one on that particular point only; is there any particular reason?

Mr. CURRAN: The reason here is that there have been two intervening reviews of the applicant's complaint. If it is related only to age and is for the purpose of adducing new evidence before the minister or before the review committee, which would result in any variation, it did not seem that a matter of that kind necessarily should go before the pension appeals board. Here we relied on the fact that we have this type of tribunal to determine age under the Old Age Security Act which has worked out very satisfactorily. The same facilities are given to the applicant up to this stage by going to a review committee. That is the only reason behind it.

Hon. Mr. THORVALDSON: Age is entirely a question of fact in any event and not of law.

Mr. CURRAN: We rather imagine that the matters which will go before the pension appeals board will be ones dealing with principles or questions of law rather than simple questions of fact such as age.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Clause 87.

On Clause 87—*Appeals under provincial pension plan.*

Mr. THORSON: Clause 87 provides that the pension appeals board may entertain appeals taken under a provincial pension plan where the law of the province concerned so provides.

I might add that this merely directs the pension appeals board, which of course is constituted under this legislation, to entertain any such appeal. The effect of any decision of the board in such a case of course would derive from the provincial law.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Clause 88.

On Clause 88—*Attendance before pension appeals board.*

Mr. THORSON: Clause 88 has perhaps already been dealt with by Mr. Curran in his comments.

The CHAIRMAN (*Hon. Mrs. Fergusson*): We might go on to clause 89.

On Clause 89—*Census information.*

Mr. THORSON: Clause 89 is a clause which is somewhat similar to a section that has been in the Old Age Security Act since its inception. This clause authorizes the minister to obtain, from the dominion bureau of statistics for the purpose of ascertaining the age of applicants or beneficiaries, information contained in census returns where the census was taken more than 30 years before the date of the request.

Mr. FRANCIS: What is the significance of the 30 years?

Dr. WILLARD: In the old age security legislation there is a similar provision. The thought is that if you go back 30 years, at that time there would not be the same thought of advantage, in terms of pension, in giving an incorrect age. If you come to more recent census data, when a person may be approaching retirement age, there might be sufficient incentive for that person to misrepresent his or her age.

Mr. FRANCIS: This would prohibit a request which would be for a period prior to 30 years; there would be no authority for that kind of a request.

Mr. THORSON: Within a period within 30 years.

Mr. FRANCIS: Yes; I am sorry.

Mr. BASFORD: Should the same information be made available to the applicant or the beneficiary?

Dr. WILLARD: In most cases where we obtain this information we are doing it to try to help the applicant.

Hon. Mr. CROLL: If an applicant writes in and indicates where he lived at the time of the census, they will give him the information.

Mr. THORSON: In most cases the applicant himself will have supplied the information to the census taker.

Mr. BASFORD: If this information is being obtained by the administration, at the same time should it not go to the applicant?

Mr. THORSON: I am not quite sure what would be gained by such an approach.

Mr. BASFORD: I will explain it at a later date.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Clause 90.

On Clause 90—*Presumption as to death of contributor or beneficiary.*

Mr. THORSON: Clause 90 authorizes the issue of certificates relating to presumptions of death. We appreciate that in a law of this nature it is necessary in certain circumstances to make presumptions concerning the death of contributors who may have disappeared, in order that the surviving beneficiaries will be eligible to receive benefits. In the ordinary course, no presumption of death could be made except after the lapse of a period of seven years—this is part of the ordinary provincial law. Under this provision, a certificate may be issued presuming the contributor to have died on the date stated in the certificate, where the minister is satisfied beyond reasonable doubt that the person in question, in fact, is dead.

Mr. FRANCIS: Is it intended to have further regulations on this point?

Mr. THORSON: No, Mr. Francis.

Hon. Mr. CROLL: Could this certificate be used in any court process?

Mr. THORSON: No. Its sole function is to effect presumptions as far as this act is concerned.

Hon. Mr. CROLL: He could be dead for the purposes of the act, but alive for other purposes.

Mr. THORSON: Oh, yes. We are not purporting to interfere with the ordinary application of provincial law in such circumstances.

Dr. WILLARD: If this clause were not provided, it would mean a great deal of hardship for many widows. That is why it was put in the bill.

Hon. Mr. THORVALDSON: The whole purpose is to prevent the necessity of relatives or those concerned having to go and get a declaration from the court.

Mr. THORSON: Yes. There might otherwise be very lengthy delays before any benefits could be paid.

Hon. Mr. THORVALDSON: And also it would be difficult.

Mr. THORSON: That is right.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Now, clause 91.

Hon. Mr. MCCUTCHEON: I think there must be something wrong with the drafting here, because this is one case where all the circumstances have not been provided for.

Mr. THORSON: What do you have in mind?

Hon. Mr. MCCUTCHEON: Oh, I am sorry. There is a provision, that if he has not died, the beneficiary does not have to return the pension.

Mr. THORSON: That is right. That is the effect of subclause (2), and perhaps I should have dealt with it when I dealt with subclause (1).

On Clause 91—*Regulations.*

Clause 91 authorizes the making of regulations in relation to various matters arising under part II of the bill. Paragraph (*a*) is the provision which corresponds to the one we mentioned under part I. Paragraph (*b*) concerns applications for benefits and the procedures to be followed in dealing with and processing applications. Paragraph (*c*) deals with the procedure to be followed on appeals either to a review committee or to the pensions appeal board.

Paragraph (*d*) deals with the making of applications by persons on behalf of prospective beneficiaries in any class of cases where the beneficiary is incapable of managing his own affairs. This same provision would authorize payments to be made to a person on behalf of a person under such a disability, and it also requires that there be an accounting made by that person.

Paragraph (*e*) is intended to provide for the commutation of benefits in certain cases where the amount of the benefit does not exceed a maximum of $10 a month. In such a case, where no pension was then payable to the beneficiary under the Old Age Security Act, the benefit could either be commuted by a single lump sum, or else, the intervals for the payment of the benefit could be increased. In other words, it could be paid semi-annually or even annually. This provision is really necessary because of the number of cases which are anticipated, where very small benefits will be paid based on very short periods of contribution.

Paragraph (*f*) is concerned with the payment of amounts by way of benefits that remain unpaid at the time of the death of the beneficiary. This would permit payment to be made in a more direct fashion than would otherwise be possible if it were necessary to take out letters of probate, for example, in every case.

Paragraph (*g*) authorizes the making of regulations specifying the terms on which agreements may be entered into under clause 81, which, you may recall, is the clause dealing with payment of benefits as between the government of Canada and the government of a province having its own pension plan.

Paragraph (*h*) authorizes the issue of single cheques by the government of Canada covering benefits payable both under the Canada pension plan and under a provincial plan in any case which is not covered by an agreement respecting the payment of benefits authorized by clause 82. Paragraph (*i*) is the general provision.

Hon. Mr. CROLL: Is subclause (2) of clause 91 normal in that form? I have not seen it previously.

Mr. THORSON: There are I believe a number of acts which authorize the making of regulations by the minister, which in turn authorize the performance of particular acts by officers of a department. For example, the Income Tax Act permits the devolution of certain duties which by statute fall upon the minister or upon the deputy minister of National Revenue, and who may in turn authorize officers in the department.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Clause 92.

On Clause 92—*Offence and punishment.*

Mr. THORSON: Clause 92 deals with certain offences under part II of the act. Paragraph (*a*) makes it an offence knowingly to make a false or misleading statement in any application or declaration. Paragraph (*b*) deals with the negotiation or the attempt to negotiate cheques for benefits to which the possessor of the cheque is not entitled.

Paragraph (*c*) makes it an offence knowingly to fail to return any cheque or amount thereof, or any excess amount thereof, and in each case the offence is punishable under summary conviction.

Hon. Mr. SMITH (*Queens-Shelburne*): Do I understand the provisions of paragraph (*b*) and (*c*) to follow the terms stated in paragraph (*a*), that this person must knowingly have made a wrong statement as to his earnings and so on. But suppose some person unknowingly does this thing. Will he be punishable under the provisions of the act for doing something unknowingly?

Mr. THORSON: Under paragraph (*c*), if a person should receive an amount in excess of the amount to which he is entitled under the act, he can only be found guilty of an offence under this provision if in fact he knowingly kept the cheque contrary to the provisions of clause 65. There would have to be knowledge on his part that that was the case. In the other case, the one which you mentioned in paragraph (*b*), it concerns only the case where a person negotiates or attempts to negotiate a cheque to which he is not entitled.

Hon. Mr. SMITH (*Queens-Shelburne*): And it also presumes that he knowingly does such a thing. It does not say so, but one has to explain these things to a layman once in a while.

Mr. THORSON: I do not think you could convict under this provision in the absence of any *mens rea*.

Hon. Mr. SMITH (*Queens-Shelburne*): Very well.

The CHAIRMAN (*Hon. Mrs. Fergusson*): And now, clause 93.

On Clause 93—*"Minister" defined.*

Mr. THORSON: This is the first clause under part III of the bill, dealing with administration. It provides that a reference to the minister in part III of the act is to the Minister of National Health and Welfare.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Now, clause 94.

On Clause 94—*Administration of act.*

Mr. THORSON: Clause 94 provides that the Minister of National Health and Welfare is the minister who has the control and direction of the administration of all the parts of the act except part I. Under subclause (2) of the same clause, the Minister of National Revenue has certain duties. He must from time to time each year report to the minister, under paragraph (*a*), information with respect to earnings and contributions in order to permit the calculation of the amount of unadjusted pensionable earnings to be shown to the account of the contributor in the record of earnings, and the information must also be in a form sufficient to identify in the record of earnings the unadjusted pensionable earnings of contributors by provinces.

Paragraph (*b*) deals with information required to permit the determination of any benefit which may be payable under this act, or of any benefits which are payable as a result of which a financial adjustment may be necessary under the terms of an agreement entered into under clause 82 dealing with the payments of benefits.

The third category of information to be reported by the Minister of National Revenue to the Minister of Health and Welfare is statistical and other general information necessary for the administration of the act.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Now, clause 95.

On Clause 95—*Duty of comptroller of the treasury.*

Hon. Mr. MCCUTCHEON: What actuarial facilities does the Minister of the Department of National Revenue have?

Dr. WILLARD: This is the provision of statistical information which may be necessary for the actuary in the department of insurance to have in order to carry out actuarial studies. The minister of the Department of National Health and Welfare has the right to get this information from the minister of the Department of National Revenue for these purposes under the program.

Mr. THORSON: Clause 95 directs the comptroller of the treasury to furnish to the Minister of Health and Welfare such assistance as the governor in council may direct.

On Clause 96—*Duty of Unemployment Insurance Commission.*

Mr. THORSON: Clause 96 is a corresponding clause in posing a similar duty on the unemployment insurance commission.

Mr. BASFORD: Do you not need such a clause for the Minister of Finance?

Mr. THORSON: I think your question will be answered by reference to the financial provisions of the bill which appear under clause 110 and the following clauses.

On Clause 97—*Record of earnings.*

Mr. THORSON: Clause 97 directs the minister to establish what is known as a record of earnings. This is the record in which information will be recorded relating to contributions, and so on. The information that must be recorded in the record of earnings is such information as is necessary to permit, first of all, the determination of the amount of any benefit that may be payable to or in respect of a contributor, secondly, the calculation of any financial adjustments necessary by reason of an agreement under clause 82; and, thirdly identification of unadjusted pensionable earnings of contributors by provinces.

Hon. Mr. SMITH (*Queens-Shelburne*): Is there any provision whereby when a person who has been a contributor for many years reaches the age of 65 he could make an inquiry as to what pension would be available to him if he retired at that age? He might then be making up his mind whether to retire at the age of 65 or at some later time.

Mr. THORSON: The next following clause permits him to inquire of the minister what earnings have been credited to him in the record of earnings. From that there could be constructed a statement of the benefit that would be payable to him were he to retire at that time.

Dr. WILLARD: I think that this would be a fairly common occurrence. The administration would have to be prepared to provide information at that time. This is particularly important because of the age adjusted benefit under the Old Age Security Act, so that the applicant could make a decision as to whether he wants to continue working and to take his age adjusted benefit. Also, he might want to figure out the effect of the retirement test.

Hon. Mr. CROLL: I presume that information would not be available to anyone else but to him?

Dr. WILLARD: It would be only available to the applicant.

Mr. FRANCES: Would the information be provided in writing, in a document form?

Dr. WILLARD: Yes, Madam Chairman. In many cases this would be a written request, and the information would be provided in a standard form. Under the United States system, they have forms prepared for this purpose. Mr. Osborne has an example of one of these, and if any member would like to look at it later, he is welcome to do so.

Mr. KNOWLES: Madam Chairman, I would like to ask a question about clause 97(c). Under what circumstances is this kind of information necessary? I can understand it in a case where the province wanted to know the amount of money in the fund, but why would it need to know the unadjusted pensionable earnings of contributors by provinces?

Mr. THORSON: It would be necessary for two reasons, Mr. Knowles: In the first place, in order to permit the calculation of the amount that will be available for investment in the securities of each of the provinces; and, in the second place, so that a transfer of assets and liabilities might be made should any province, in future, decide to enact its own pension plan.

Mr. KNOWLES: With respect to the first part of your answer, Mr. Thorson, I thought that the determination would be made on the amount of money actually in hand.

Mr. THORSON: Yes, but the unadjusted pensionable earnings are arrived at having regard to the amount of contributions that are recorded to the credit of the contributor. Therefore, in effect, the unadjusted pensionable earnings figure embraces the contribution figure.

Mr. LLOYD: So that in fact it would be correct to ask here if you are looking for a cash flow figure. That is what you are after when you speak of the unadjusted pensionable earnings.

Mr. THORSON: Yes, for the first purpose. For the second purpose, as I described it, it is necessary to know the actual amount of unadjusted pensionable earnings.

Mr. LLOYD: But you are really after the cash flow figure as well, for the purpose of the investment features of the act. You say that the identification of unadjusted pensionable earnings of contributors by provinces might be required at some future time. In that case I am not quite right. You do not need it for cash flow purposes under paragraph (c).

Mr. THORSON: No, strictly speaking, although the records that would be kept in relation to unadjusted pensionable earnings would reflect the amount of the contributions according to the province of source.

Mr. OSBORNE: In this connection, may I refer members of the committee to proceedings No. 3 of this committee, Wednesday, December 2. The last page of these proceedings contains some examples submitted by the Department of National Revenue which will bring back to your mind the way in which this information was used for the purpose of clause 53. You will recall that you arrived at the unadjusted pensionable earnings by way of the figures for contributions.

On Clause 98—*Application for statement of earnings and request for reconsideration.*

Mr. THORSON: Clause 98 provides that every contributor may, not more often than once every 12 months, require the minister, on application, to inform him of the amount of the earnings credited to him in the record of earnings.

The subclause further provides that if the contributor is not satisfied with the amount shown to his credit, he may ask the minister to reconsider the matter. In that event the minister would be obliged to reconsider the statement, and the contributor would, on the basis of the reconsideration, have a full right of appeal on the question to a review committee or, ultimately, to the pension appeals board. That is dealt with in subclause (2).

Subclause (3) is an exception to the general principle enunciated in this clause. It provides that an entry in the record of earnings relating to the contributions of earnings of a contributor under a provincial pension plan will only be varied in accordance with the terms of any agreement that may be entered into with that province under clause 108, which is a clause to which we will be coming. It deals with the exchange of information and records between the government of Canada and the government of a province having its own pension plan. The purpose is to keep the records under both plans in line with one another so that the contributor cannot in effect get one record changed on appeal without the other record being correspondingly adjusted.

Hon. Mr. McCUTCHEON: In that circumstance, he would have to appeal to the province.

Mr. THORSON: Yes.

Hon. Mr. McCUTCHEON: And a new record will be ordered.

Mr. THORSON: The other record would then be changed in accordance with the agreement.

Mr. KNOWLES: Madam Chairman, my question is on subclause (1) and may be supplementary to the question asked by Senator Smith a moment ago. It is clear that once a year a contributor can require information as to unadjusted pensionable earnings. But what about the position of the man at 65 or 66 who tries to decide whether or not to retire? Has he the right to require information from the department on what those unadjusted pensionable earnings, adjusted, would give him in the way of a pension?

Mr. THORSON: No, the law does not require that the actual amount of the pension must be constructed; but given the figures of earnings I would have thought it would not be a very difficult proposition for the department to construct the amount of the pension.

Mr. KNOWLES: I take it from what Dr. Willard said a moment ago that the department expects to get this type of inquiry and expects to deal with it.

Dr. WILLARD: Yes, Madam Chairman.

On Clause 99—*Entry in record of earnings.*

Mr. THORSON: Subclause (1) of this clause, Madam Chairman, provides that entries in the record of earnings relating to contributions are to be conclusively presumed to be accurate and cannot be called into question after four years have elapsed from the end of the year to which the entry purports to relate.

This is to give a measure of finality to entries in the record of earnings.

Hon. Mr. McCUTCHEON: Let us say a man has been an employee all his life, and let us say that he has gone along and has had his contributions deducted. When he comes to ask for the information which Dr. Willard has said will be made available to him, if there have been any mistakes prior to his reaching the age of 61, those mistakes stand whether in his favour or against him.

Mr. THORSON: Yes, as a matter of law that is the case, but I should qualify that answer by reference to subclause (2) of this clause, to which we are now coming. This says:

> (2) If, from information furnished by or obtained from the records of an employer, or a person required to make a contribution in respect of his self-employed earnings, after the time specified in subsection (1), it appears to the minister that the amount of the unadjusted pensionable earnings shown in the record of earnings to the account of an employee of such employer or to the account of that person is less than the amount that should be so shown in such record, the minister may cause the record of earnings to be rectified in order to show the amount of the unadjusted pensionable earnings of the contributor that should be so shown therein.

Therefore, the minister may call for the record of earnings to be rectified to show the increased amount of unadjusted pensionable earnings that should be shown.

Hon. Mr. McCutcheon: The limitation in subclause (1) merely takes away the right of formal appeals in clauses 82 to 86, and it is left to the minister's discretion?

Mr. Thorson: That is correct, after four years.

Hon. Mr. Croll: Madam Chairman, something troubles me here. This man obtains information from the department and Mr. Thorson says he will not have much trouble working out this pension. At that moment he is making probably one of the greatest decisions of his life because he has to live with a reduced pension at that time.

Should there not be an obligation on the department to say to him, "You will receive as your pension $X so he will know at that time exactly what he is going to get from that time on rather than having these figures before him and thinking he is going to get so much and then, having made his decision, finding that his pension is not what he thought it was going to be?

Dr. Willard: Madam Chairman, when the person reaches the age of 65 or any of the years that follow and he is interested in his retirement pension, he will obviously seek information of this type and he will want explanations about his entitlement. He will want in many cases more than the basic information. This would be a normal responsibility of the department. Just as the department has to explain how the legislation works in general, once the legislation is passed it would have to carry on this as a part of its normal duties. The great majority will probably have made their decision. They will file a formal application, and the calculations will be made and the result will be known.

In some of the instances you have mentioned, the persons inquiring may want to know what the amount of benefit would be if they did apply. In those circumstances, the department would have to provide that information; otherwise, they could not be sure they were making the right choice in deciding when they should make application.

As far as the department is concerned, we would have to go through the same procedure in calculating the benefit as if an application had been made.

Mr. Gray: What you are saying, then, is that as a matter of administrative practice the department looks forward to doing this.

Dr. Willard: That is correct.

Mr. Gray: I suppose also, doctor, as happened in the United States, friendly neighbourhood life underwriters would be happy to provide a calculation too.

Mr. Knowles: I take it, Madam Chairman, that a man inquiring at age 65 what his pension would be if he retired at that point could be told precisely what it would be. However, if he also asked what his pension would be by waiting another four or five years, the department could only give him a guess because of the scaling factor.

Dr. Willard: That is correct, Madam Chairman.

Mr. Knowles: What would you do? Would you give him a guess?

Dr. Willard: In the first instance it would be an estimate because his final returns of earnings would not be in; and in the second case there would have to be some kind of estimate given to him, and it would probably depend upon other things being equal.

Mr. Knowles: It would depend on what happened to the earnings index and it would depend upon how much he earned.

Dr. WILLARD: "If there is no change in the wage index and the price index, this is what it would be at such and such a time."

Hon. Mr. McCUTCHEON: And if there were no change in his earnings?

Dr. WILLARD: And if there were no change in his earnings, yes.

Mr. LLOYD: In such predictions when you look at the provisions of the act, is it not fair to observe that there would not be much variation in the predictions you would make for the ensuing year in most cases? Suppose you received a request for information on what the pension might be in 1972 for retirement at 73. It is not likely, with the weighted averages that you are using, that the difference would be so very substantial in most cases, is it?

Dr. WILLARD: I cannot predict what the policy would be in this matter, but my own view at the moment would be that we should not as an administration get into speculation in regard to what the beneficiary would get so many years ahead. This might be a place or the circumstances where the applicant or the potential beneficiary would have to work this out for himself, with such general advice that we can give, and with him seeking advice from other sources if necessary.

Hon. Mr. McCUTCHEON: He would go to his member of parliament!

Dr. WILLARD: Perhaps he would want to go to members of this committee.

Mr. LLOYD: I learned the other day that each of us is going to be provided with a computer for this purpose!

Mr. KNOWLES: The law requires the department to give the total of unadjusted pensionable earnings at least once in any year.

Mr. THORSON: Only on request.

Mr. KNOWLES: But the other for which we are asking is not required at all. I would not like to see a situation—of course, it would not happen under this deputy minister—in which someone wrote in and asked what his pension would be if he retired that year, obtaining a reply saying, "Here are the figures. Sorry, we cannot work it out; you work it out yourself."

Dr. WILLARD: I agree that would not be a very reasonable thing to expect, Madam Chairman.

I do not think it would be reasonable to expect any administration to operate in that way. This particular section has been put in for the early years for years prior to retirement when the contributor has made some contributions. He may be in doubt with regard to what his actual earnings record is and therefore he may wish to write in an order to obtain some information about it.

It is considered that up to a given period of years this should be possible in cases where the contributor feels for some reason that his record of earnings is incorrect.

In the United States the time limit for correcting anyone's earnings record is set at three years and three months. The provision under discussion is a little more generous because it allows four years. This will overcome the problems that may arise 20 or 30 years later when a person writes in and says, "In some of these early years I think I should have been credited with such and such pensionable earnings." It may not be possible to obtain sufficient evidence after that long period of time. However, this provision does give him a specified time within which to write in, to get the record, to check it and be satisfied.

Mr. KNOWLES: I am satisfied with what is here and I am also satisfied with the statement that Dr. Willard has made. If it is not in the act, at least it is on the record.

Hon. Mr. CROLL: Do you think that will do some of these people some good?

Mr. KNOWLES: Well, members of parliament have been known to quote the record.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you finished with clause 99?

Mr. THORSON: We still have to deal with subclauses (3) and (4). Subclause (3) provides that where, following any upward correction of the contributor's account, as provided for in the previous subclause (2), it is found that the earnings and contributions in question had been incorrectly credited to the account of another contributor, then the minister may make a corresponding reduction of the earnings shown to the credit of the other contributor. But, this must be read with subclause (4), which provides that where a contributor has been furnished with a statement of his pensionable earnings and these are reduced subsequently to the statement being given to him by the minister, then if these earnings are reduced under the terms of subclause (3), or for any other reason, the minister must notify the contributor who is affected by the reduction. Again, if the contributor is not satisfied with the reduction that, in fact, has been made in the record, he can take advantage of the provisions for appeal similar to those I mentioned a moment ago.

Hon. Mr. CROLL: Suppose we take the case of a man who mistakenly overpaid a considerable sum of money and then it was found out. I would imagine that in this case a payment would be made from the first cheque that is payable to him in the normal way?

Mr. THORSON: Do you mean where a man has been credited with an excess amount of earnings in the record of earnings?

Hon. Mr. CROLL: Yes.

Mr. THORSON: In that case there could be an adjustment made to rectify the error. But, it would be an adjustment made presumably at the time the record was being settled rather than an adjustment that was made later on. Again, you must bear in mind the four year rule, that four years have elapsed entries in the record are presumed to be conclusive.

The CHAIRMAN (*Hon. Mrs. Fergusson*): If there are no further comments we will proceed to clause 100.

On Clause 100—*Application for assignment of social insurance number.*

Mr. THORSON: Clause 100, Madam Chairman, leads us to a new subject, a matter of social insurance numbers.

Under subclause (1) of clause 100, every individual who is 18 or more years of age on the date a proclamation is issued under the authority of this clause and who at that time is employed in pensionable employment must, if he has not already been assigned a social security number under the authority of other legislation, apply to be assigned such a number.

Hon. Mr. MCCUTCHEON: Even though he is over age 70?

Mr. THORSON: No; he must be employed in pensionable employment.

Hon. Mr. MCCUTCHEON: Well, senators will be employed in pensionable employment.

Mr. THORSON: Not if they are over age 70.

Hon. Mr. CROLL: That goes back to your definition of pensionable employment.

Mr. THORSON: Yes. Subclause (2) is a matching piece. It provides that every individual who has reached 18 years of age before the date of the proclamation I mentioned earlier and who is not employed in pensionable employment on the date of the proclamation, but thereafter becomes so employed, must similarly, if he has not already received a social insurance number, apply to have such a number assigned to him, and such application must be made within 30 days from the time he reaches 18 or becomes employed in pensionable employment, as the case may be.

Subclause (3) relates to self-employed persons. This subclause requires such a person, where he is required to file a return of his self-employed earnings for a year, to make an application for the assignment to him of a social insurance number on or before the day on or before which he is required by clause 34 to pay any amount on account of his contributions on his self-employed earnings. In other words, he must apply not later than the time of making his first contribution or instalment of contributions in respect of his self-employed earnings.

Subclause (4) imposes an obligation on the minister, where an application for a number has been made, to cause a number to be assigned to the applicant and a social insurance number card to be issued to him.

Subclause (5) imposes an obligation on each employer who employs persons in pensionable employment. Such an employer must, generally speaking, within 30 days after the date of the proclamation referred to in subclause (1) or within 30 days of the time when he takes on a new employee, require the employee to produce his social insurance number card, and he must also maintain records of the social insurance numbers of each such employee.

The companion piece of subclause (5) is subclause (6), which imposes a duty on an employee who is required to produce a number card to his employers to produce the card within 30 days of the time when he is required by his employer to produce it.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any questions on that part of it? If not, we will proceed to clause 101.

On Clause 101—*Application to be signed by applicant.*

Mr. THORSON: This clause provides that applications for social insurance numbers are to be signed by the applicants, and provision also is made for the attestation of applications where the applicant is unable to sign on his own behalf.

Mr. KNOWLES: May I ask whether the social insurance cards as envisaged here will be identical to the ones already being issued and which some of us already have?

Mr. THORSON: That is my understanding. It is the same card. And, I should mention that the obligation to apply for a social insurance number under the authority of this legislation exists only where the employee or the self-employed person has not been previously assigned a social insurance number under other legislation, such as the Unemployment Insurance Act.

Subclause (2) requires each person to whom a number card has been issued who changes his name, whether by reason of marriage or otherwise, to make a further application for a number card to be issued to him in his new name.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Clause 102.

On Clause 102—*Effect of failure to file application under s. 100.*

Mr. THORSON: Clause 102, subclause (1), sets out the consequences of failure to file an application under clause 100. In this case any earnings in respect of which he may have contributed before the date when he applies to be assigned his social insurance number would not be taken into account in calculating his unadjusted pensionable earnings. That is to say earnings for any pay period before an application is made by him for a social insurance number would be disregarded.

The corresponding provision relating to self-employed persons is subclause (2). This too deals with the effect of failure to file an application. In this case, while he may nevertheless thereafter apply for a number, none of his self-employed earnings in respect of which he is required to make a contribution for a year before the application is made for a number, would be taken into account in calculating his unadjusted pensionable earnings.

There is, however, a qualification which is reflected by the words "except as provided by regulation". I understand that in practice it is intended there would be prior notice in such circumstances, or a warning given that the person in question must make an immediate application if he wishes to be credited with the earnings. It is appreciated that in the initial stages of the plan there may be cases where it would be unfair to apply a restriction of this kind.

The Chairman (*Hon. Mrs. Fergusson*): Clause 103.

On Clause 103—*Agreement respecting assignment of social insurance numbers.*

Mr. Thorson: Clause 103 authorizes the Minister of National Health and Welfare to enter into an agreement with the government of a province having its own pension plan under which the minister might assign social insurance numbers to persons on the basis of applications that have been made by such persons to the appropriate authority in the province. This is designed to ensure an integrated number system.

Subclause (2) provides that any numbers so issued are regarded for all purposes as having been assigned under the authority of this act.

On Clause 104—*Regulations.*

Clause 104 authorizes the making of regulations in relation to a number of matters pertaining to social insurance numbers.

Paragraph (*a*) authorizes regulations requiring employers to distribute applications and other material relating to these numbers.

Paragraph (*b*) deals with the districts and places where application may be made.

Paragraph (*c*) deals with the replacement of lost social insurance number cards.

Paragraph (*d*) authorizes regulations setting out the conditions on which and the circumstances in which self-employed earnings of a person can be taken into account in calculating his unadjusted pensionable earnings in those cases where he may not yet have applied to be assigned a social insurance number.

Mr. Knowles: Do these nine digit numbers we are being given follow any coding system; can someone in the department, by looking at a number, tell what part of the country that person came from, what his occupation is, how old he is, or is it just a consecutive numbering system?

Dr. Willard: We are using a random number rather than a significant number.

Mr. Beatty, do you wish to comment?

Mr. Robert L. Beatty (*Assistant Director of Unemployment Insurance*): The only significance the number has is in relation to the first digit of the number which does have a geographical connotation which is associated with our operation. We have five regions in the Unemployment Insurance Commission and for convenience in our record keeping process we have followed the practice of attaching the digit one to our so-called Atlantic region which comprises the maritime provinces; the digit two to Quebec; the four for Ontario, and there are two more for our other two regions.

There is no other signficance such as date of birth, and so on in respect of the number.

Mr. KNOWLES: If a person moves from one of these areas to another area he retains throughout his life the same number he is given in the first instance.

Mr. BEATTY: Yes. It simply indicates to us when he moves that originally he received his number in the area shown by the first digit, and it means that his records for unemployment insurance purposes were in this area where he first received that number.

Dr. WILLARD: I am sure you appreciate that by using the random number we avoid the difficulty which arises in the case of significant numbers which show the age of the person.

Hon. Mr. MCCUTCHEON: Is there any relationship between these numbers and the coding which now appears in connection with our income tax forms?

Mr. BEATTY: There is none whatsoever.

Hon. Mr. MCCUTCHEON: Could they not be made the same for administrative convenience?

Mr. BEATTY: At the moment social insurance numbers are used for internal operations as far as our work is concerned.

Hon. Mr. MCCUTCHEON: That means that we would be dealing with two sets of numbers.

Dr. WILLARD: Perhaps Mr. Sheppard could explain.

Mr. SHEPPARD: Previous to this time the taxation division had started on their computer operations and there was developed a different system of numbers to be assigned for the computer. That is the system which is used in the taxation division at the present time.

Hon. Mr. MCCUTCHEON: So there is no relationship between the two numbers at the present time. I wondered if, as a matter of administrative convenience, the number on the income tax return and this number could be made the same.

Mr. BEATTY: It has been the practice for some time for the unemployment insurance number to appear on the income tax return. But since the unemployment insurance number as such is now obsolete, it has to be replaced by the social insurance number, and it is this number which will appear on the income tax return.

Hon. Mr. MCCUTCHEON: Yes. Will there be two numbers then?

Mr. BEATTY: There will be just the one social insurance number.

Mr. SHEPPARD: We have been asking the taxpayer for years to insert his unemployment insurance number on his income tax return as a means to assist us in the way of identification. Of course, now they will put their social insurance number on their income tax return in lieu of the other number. But our records for the computer at the present time are based on a different number system which developed before this system came into effect.

Hon. Mr. MCCUTCHEON: I think most people would put their social security numbers on their income tax returns, but, of course, there were many people who were not covered by unemployment insurance previously, and they would never have had one to put on.

Would the taxation division be changing their number system to the social insurance number system for administrative simplicity?

Mr. SHEPPARD: That would be a matter for decision by the government?

The CHAIRMAN (*Hon. Mrs. Fergusson*): You are probably right. Now, clause 105.

On Clause 105—*Offence and punishment.*

Mr. THORSON: Subclause (1) of clause 105 makes it an offence for a person to give false information in an application for a social insurance number. Subclause (2) makes it an offence for a person to apply for a social insurance number under circumstances where he is aware that a number has already been assigned to him. Subclause (3) makes it an offence for an employer to fail to comply with subclause (5) of clause 100, which requires him to keep records of the social insurance numbers of his employees, or who fails to comply with any regulations made under clause 104, which require an employer to distribute applications and other material relating to social insurance numbers to his employees.

Hon. Mr. CROLL: In that clause do you not see the possibility of someone dealing with these numbers? Is that what is troubling you?

Mr. THORSON: Yes.

Hon. Mr. CROLL: Suppose I made application for another number. According to your records would you know that I already had a number?

Mr. THORSON: The number could conceivably be applied for under another name.

Mr. BEATTY: You are quite correct. If anyone applied for a second number, giving the same information the second time, or even basically the same information but with silght variations, the record process would identify that person as already having applied, and as already having a number, and, therefore, he would not be issued a second number. This is the kind of problem we have had in unemployment insurance, where people have on occasions obtained more than one number. It is for this reason that a similar provision appears in our legislation.

Mr. KNOWLES: This would be detected by your computer.

Mr. BEATTY: The computer is used in part of the operation, but the actual detection is a visual process using modern techniques copied from the American system.

Mr. THORSON: If an application is made under another name, then detection is not easy. But nonetheless it will be an offence to have made such an application knowingly.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any other questions on that clause? If not, let us pass on to clause 106.

On Clause 106—*Time limit for prosecution.*

Mr. THORSON: Clause 106 is of general application to offences under the act. Subclause (1) provides a five year time limitation on the commencement prosecutions. Subclause (2) deals with offences by corporations. This is similar to the provisions in the Income Tax Act under which every officer of a corportion who participates in the offence is regarded as being a party to and guility of the offence. Subclause (3) relates to the laying of informations under the provisions of the act other than part I. It corresponds to the provisions contained in part I relating to the same subject matter.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Now, clause 107.

On Clause 107—*Communication of privileged information obtained under act.*

Mr. THORSON: Clause 107 is designed to ensure that with certain stated exceptions, information obtained under the act which relates to individual contributors or beneficiaries will be treated as being privileged information and must, therefore, not be communicated, except as expressly authorized by the act, to persons not entitled to receive such information.

The remaining subclauses are for the most part exceptions to and limitations on the general rule enunciated in subclause (1). For example, subclause

(2) provides that information relating to individual contributors or beneficiaries that is obtained under the act, may, at the request of an individual contributor or beneficiary, or at the request of his estate representative, in the case of a deceased beneficiary, be communicated to any person or authority named in the request upon such conditions and in such circumstances as may be prescribed. It may be necessary, for example, for such information to be furnished to an employer by an employee in connection with the integration of private pension plans.

Subclause (3) is a further exception relating to information obtained on behalf of the minister by officers or employees of the Department of National Health and Welfare. Here such information may be communicated to the named persons where it is necessary to communicate this information for purposes relating to the administration of the act.

Subclause (4) constitutes a further exception. Under paragraph (*a*) of subclause (4), information obtained by certain employees or officers of various departments such as national revenue, finance, and the unemployment insurance commission, may in turn be communicated by those officers or employees to officers in the department of health and welfare and the other departments mentioned, again for purposes relating to the administration of the act. So there is a limited interchange of privileged information which is possible under the act.

Hon. Mr. CROLL: Within the government?

Mr. THORSON: Yes, within the government.

Hon. Mr. CROLL: What would happen with a provincial government, supposing we have somebody opting out?

Mr. THORSON: There is a separate provision made for it, and we shall be coming to it.

Hon. Mr. CROLL: Very well.

Mr. THORSON: Paragraph (*b*) of the same clause authorizes the minister in cases where social insurance members have been assigned under the authority of other acts of parliament to exchange information with the other departments concerned, and it permits the minister to make available any such information on the same terms and conditions as it might have been made available had it been obtained under the authority of the other act in question. An example which comes to mind readily would be the Unemployment Insurance Act.

Subclause (5) provides that no officer or employee of Her Majesty may be required in connection with any legal proceedings to give evidence that is privileged information under the act.

Subclause (6) however is a qualification to subclause (5) as well as subclause (1). It provides that the two provisions I have just mentioned do not apply in relation to proceedings that have to do with the administration or enforcement of this act.

Hon. Mr. MCCUTCHEON: That would relate to appeals?

Mr. THORSON: Yes. Subclause (7) makes it an offence for an officer or employee of the crown to contravene the prohibition contained in subclause (1).

Mr. KNOWLES: In the light of the stringent security regulations, what happens when a person writes to his member of parliament and seeks on his own behalf information about his records, or information on what his pension or other benefits would be? Of course, the member of parliament may write to the minister, and the minister in turn may write to the constituent. But is there any area here where the member of parliament can legitimately try to get information for a constituent? I use the word "legitimate" with emphasis.

Dr. WILLARD: There would be two types of information, general information, about a particular kind of benefit—eligibility requirements, how the benefit operates or relates to a particular set of circumstances, and so on, about which many constituents would want to know, and would write to their member of parliament. Of course, the department would assist in any way it could in this regard but, as for the entitlement and the amount of benefit that would be payable to a particular individual, I think the individual would have to apply for this himself.

Mr. MONTEITH: Or give a letter to his member of parliament.

Dr. WILLARD: Yes, or give a letter. Of course, if he authorizes someone else on his behalf to request the information that would suffice. But I was thinking of just a general inquiry from a member of parliament.

Mr. KNOWLES: I have it in mind that it would create a lot of red tape for many people. I have received inquiries from people who wanted to know what would happen in respect of their government annuity rights. It would be possible to write to the government annuity branch to get that information.

Mr. GRAY: May I suggest to Dr. Willard that the draftsman may have already covered the point raised by Mr. Knowles in clause 107, subclause (2) which says that:

> (2) Any information with respect to an individual contributor or beneficiary obtained by an officer, clerk or employee of Her Majesty in the course of the administration of this act, may, upon request in writing to the minister by or on behalf of the contributor or beneficiary or the legal representative of such person, be commmunicated to any person or authority named in the request upon such conditions and in such circumstances as may be prescribed.

Dr. WILLARD: That is correct. The question is: what is to be regarded as being on behalf of the contributor?

Mr. GRAY: It may be that it is decided administratively that if a member of parliament writes a letter to a constituent, it is obvious that the constitutent is in fact asking that member of parliament to get information on his behalf; and also if the member of parliament should write and say "I have been requested by Mr. So-and-So..." then obviously he is writing pursuant to such a request.

Mr. THORSON: I would have thought that in these circumstances it was clear that the member of parliament would be acting on behalf of the questioner.

Mr. KNOWLES: He would not be violating any code of ethics.

Mr. THORSON: I would have thought not, if the facts were such as were indicated, and the question was being asked on behalf of such a person.

Hon. Mr. SMITH (*Queens-Shelburne*): Would it not be necessary for the member of parliament to provide the department with the number that the person writing in would have on his card in order to identify the case, as well as to identify the fact that somebody, possibly a neighbour, is not writing in to find out about the person in question? Would you not have to be given the number in order to follow up any such interrogation? Could you do it just by the name alone?

There are a great many people named "Smith"!

Mr. BEATTY: If I may speak to that question, the information that is being recorded against this number is such that with the name and other basic information it will be possible to identify the man's record, and the number that is associated with him. Through a process of screening we would be able to tell whether the man was originally given this number from the man's name and this other information.

Hon. Mr. SMITH (*Queens-Shelburne*): What would you do in the case of one of those Macdonalds from Cape Breton, where there are so many by that name?

Mr. LLOYD: Thank God for the numbers!

Mr. BEATTY: This will, of course, complicate the problem, but, in addition to the name there is the other information that forms part of the application for a number. This application contains much other information which will be used in establishing positive identification in such cases. For example, it was mentioned earlier that the application for a number must be signed. This is an example of one other feature which will be used in the identification process. There are many other pieces of information that can be used to establish, even in the case of the Smiths and such common names, that this in fact is the person who is making the inquiry.

Hon. Mr. SMITH (*Queens-Shelburne*): I admire your system.

Hon. Mr. CROLL: Madam Chairman, I think, following what was said here, the practice of the department of immigration for a long time was not to give information when a certain person landed in this country, information which was available to members of parliament acting on this person's behalf.

Dr. WILLARD: I am sure we can resolve this problem. Mr. Thorson has given his views on the interpretation that might be placed on this particular subclause. I think that where an individual could not be readily identified—in a case such as Senator Smith mentioned—and if it were a large city and not a small community, it might be wise for the administration in such a case to ask the member to obtain the social insurance number and deal with the matter in that way.

Mr. MONTEITH: This is the problem with income tax now.

On Clause 108—*Agreement with province for exchange of records and furnishing of information.*

Mr. THORSON: This clause provides for agreements respecting the exchange of information on a reciprocal basis relating to contributions that have been recorded in the record of earnings in connection with persons who are dual contributors; that is to say, a contributor who has made contributions under both the Canada pension plan and a provincial pension plan. Such an agreement would authorize full exchange of all material that is recorded in the record of earnings of the one jurisdiction in favour of the other jurisdiction.

Hon. Mr. CROLL: My question is related to this clause. When they obtain this information, can they pass it on beyond the provincial authorities?

Dr. WILLARD: This would be one of the matters covered in the agreement. I would think that the provincial government would want certain protection on this point from the federal government and vice versa.

Hon. Mr. CROLL: What concerns me is something that does not appear on the face of clause 108. The number of people who would be eligible for a pension at the age of 65, and who are obtaining public assistance, may well run into a high percentage. The province concerned may well put pressure on these people to take their pension earlier, which means that the contributor makes a sacrifice that stays with him the rest of his life, a sacrifice of a reduction from $75 to $51, I think it is. If the information is available to them, the pressure will be put on these people, and they are very numerous. They will be required to pick up their pension at an earlier age rather than to wait until the age of 70. I wonder if some consideration has been given to that, because all you are doing here is relieving welfare of expenses and turning the pension plan into a welfare assistance plan, if that information is available.

Hon. Mr. MCCUTCHEON: A reduced pension requires no transfer of information at all.

Hon. Mr. CROLL: No, but it may well require a means test for getting public assistance, and force a reduction of pension on them if the information is available.

Hon. Mr. MCCUTCHEON: They will know the age. If he is 65 he is entitled to the reduced pension. That is all that is necessary.

Dr. WILLARD: Madam Chairman, under the assistance programs the province asks the applicants to provide information on income. If they want to request information about the amount of income from the earnings-related plan or the age-reduced old age security under the old age assistance legislation this could be done. So it would not really matter whether they obtained the information this way or through information directly from an applicant for assistance.

What has to be worked out with all provinces is what approach is to be taken in the years ahead towards old age assistance, for instance.

As I mentioned in one of my earlier presentations, we have had several discussions with the provinces. In many instances where in the early years of this program the retirement benefit is insufficient to meet the full need, there will have to be supplementation through social assistance. In those circumstances, the federal government and the provinces will have to work out a satisfactory approach to the question of other income or allowable income under assistance legislation, over and above any assistance income.

This is a problem which is ahead of us, a matter that has to be worked out with regard to social assistance. Therefore, I do not think it really alters the question we have before us with regard to the exchange of information.

For years the federal government has had its officers going into individual records to audit individual accounts of recipients of provincial assistance programs. The secrecy of this information known to officials of the two governments has been well maintained. Surely we would have the same confidence federally if the process were the other way under this legislation; but in actual fact it would operate two ways. The province will have a contributory record of the particular beneficiary; the federal government will also have one if he has been a dual contributor. It is, therefore, in the interests of both governments to have the same basic information concerning the applicant or the beneficiary as the case may be.

Hon. Mr. CROLL: Madam Chairman, I was not really concerned with that aspect of it but I asked the question because the discussion seemed to lend itself to it.

What concerns me about this is your statement that these people who need it the most and who can afford it the least will have to go on the lower pension because they happen to be on public assistance. That is what it amounts to.

Dr. WILLARD: Madam Chairman, I do not think there is anything in what I have said which would suggest that to be the case.

Hon. Mr. CROLL: I cannot take anything else from what you said. If he is on public assistance, he is going to be forced to take the pension at 65. It is a means test and the authorities will say, "You can take this pension; you must take it at 65". It follows.

Dr. WILLARD: It will depend upon the income of the person in each particular case and the provisions made for allowable income.

In our discussions with the provinces when the matter of the age adjusted benefit was under discussion it was made quite clear that, in so far as the federal government was concerned, we did not want in any circumstance to force an eligible person to choose the old age security benefit at an earlier age than they would wish to take it.

Now, looking at it from the provinces' point of view, what they lose one way they gain another; in other words, the age adjusted benefit is geared to average life expectancy. So, if a person takes a lower benefit at an earlier age and the person is on assistance the province will have to supplement it not just to age 70 but after age 70 so long as the recipient lives. While the beneficiary might have received $75 under old age security at age 70 if he had not taken an age adjusted benefit earlier—

Hon. Mr. CROLL: You are making it worse. Now you are saying he will need a supplement all the rest of his life, and yet we cut him down in the early stages.

Dr. WILLARD: I have one additional comment. No country in the world has been able to do away with social assistance and assistance supplementation in the old age income maintenance field, and I am sure for some time to come while level of benefits are building up under the pension plan the situation will be such that we will need supplementation.

Mr. GRAY: Madam Chairman, the senator raised a very interesting point. I gather what he is endeavouring to bring out is that the provinces may assume as a notional, if I may use that word, income the age reduced pension at 65 whether the person gets it or not, and this would put him in a position where he has to apply for it.

Hon. Mr. CROLL: That is my point.

Mr. GRAY: In dealing with this very interesting point I would like to direct this question to Dr. Willard. In so far as this may arise under the old age assistance program, is it not a fact that the income requirements are set forth in an agreement made between the provinces and the federal government which will spring from federal and provincial legislation?

Dr. WILLARD: That is correct.

Mr. GRAY: And, therefore, in so far as the old age assistance is concerned, this could not happen unless there was an agreement backed up by legislation permiting the notional amount of the age reduced pension to be deemed income, whether it is received or not?

Dr. WILLARD: That is correct. The question of this additional income will have to be considered by the federal and provincial governments.

Mr. GRAY: What I am saying is that unless the existing regulations defining income for old age assistance can be interpreted to include as income the notional amount of the age reduced pension, then the point with which Senator Croll and myself are concerned would not arise under old age assistance.

Dr. WILLARD: It would be a matter of interpretation of how this income would be classed. Since there is no provision under the Old Age Assistance Act that would exclude it from being counted as income, I assume, as the act now stands, it probably would be counted as other income.

Mr. GRAY: If it is received. But, that is not what the senator is concerned about. Even if it is not received it might be deemed an income in the same way as a rental factor is included as income whether a man has rent from his home or not.

Dr. WILLARD: Madam Chairman, our discussions have been around this question which also involves the provinces. Before any adjustment can be considered in the Old Age Assistance Act we have to have further meetings with them. But, this is very much to the fore at this time and is a matter that has to be resolved.

Hon. Mr. CROLL: Let us think about it.

Mr. MONTEITH: Yes, may I suggest that we think about it overnight.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you a question Mr. Aiken?

Mr. AIKEN: I would like to ask just one supplementary question while we are considering this.

I have heard that the provinces which receive adjustment grants, the maritime provinces and so forth, actually will come off worse under old age assistance because of this very same problem than provinces such as Ontario which have a higher contribution to the Canada pension plan. Has there been any such assessment made?

Dr. WILLARD: I would like to take a look at that question when I see it in the minutes and have an opportunity to consider it.

Mr. AIKEN: The basis behind this is that these provinces pay 50 per cent of old age assistance, and, since the income standard is lower, the return from the Canada pension plan will be lower, but therefore the old age assistance to those provinces will be higher and there will be an increase in old age assistance resulting from what the senator has just raised, and this increase will hit the poorer province harder than it will the others.

Mr. MONTEITH: Madam Chairman, I think it would be a good idea if Dr. Willard thinks about this overnight.

Mr. MUNRO: I believe it was decided at the meeting of the steering committee the other day that we would determine the number of meetings which remain in the week. I understood, Madam Chairman, that it was the wish of several senators that we do not meet tomorrow morning. We are almost at clause 110 now, and perhaps we could finish the clause by clause phase tomorrow. I would think that two meetings tomorrow would clean it up and that it would not be necessary to meet on Friday.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Should we meet at 3.30 in the afternoon?

Hon. Mr. CROLL: Let us get it done.

Mr. KNOWLES: I would move that we meet in the afternoon and in the evening, if necessary.

Agreed.

The CHAIRMAN (*Hon. Mrs. Fergusson*): We will adjourn until tomorrow at 3.30 p.m.

APPENDIX "Q"

HOW THE WIDOW'S PENSION IS CALCULATED

Amount of Monthly Pension

The amount of pension a widow can receive will depend on her (Section 56)
age. A widow under 65 will receive a flat-rate benefit plus 37½ per (1)
cent of her husband's monthly retirement pension. The flat-rate benefit will be $25 a month initially, but this amount will be adjusted annually in line with changes in the Pension Index. In any given year, the $25 will be multiplied by the ratio of the Pension Index for that year to the Pension Index for 1967; in this way, the flat-rate benefit should have roughly the same purchasing power in future years as it will have in 1967. A widow of 65 or more will receive a pension equal to 60 per cent of her husband's monthly retirement pension. She will, of course, also be able to claim an old age security pension at age 65.

Reduced Pensions for Widows Under 45

However, for some widows who are not yet 45 when their husbands die, the amount of the widow's pension may be reduced. A widowed mother who is caring for dependent children, or a disabled widow, will suffer no reduction in pension even though she is not yet 45. And a widow who becomes disabled after having been awarded a reduced pension will have her full pension restored even though she is not yet 45. On the other hand, a widow who ceases to have dependent children in her care, or a widow who ceases to be disabled, will if she is not yet 45 start to receive a reduced pension. All other widows under 45 will also receive reduced pensions.

The amount of the reduction is 1/120 for each month below age 45 a woman is at the time she becomes a widow without dependent children, or the time she ceases to be disabled. This amounts to a reduction of 10 per cent for each year of age, so that if her husband dies on her 35th birthday, leaving her able-bodied and without dependent children, her widow's pension will be reduced by 100 per cent. She will get no widow's pension until she is 65, unless she becomes disabled before then.

There is a special provision for the widow whose children remain dependent after reaching age 18 by continuous attendance at school or university; she will continue to receive an unreduced widow's pension while her youngest dependent child is at school, up to age 25, but thereafter her widow's pension will be reduced by the appropriate fraction for her age at the time he reached 18. Brilliant offspring do not therefore ensure permanently high pensions.

The philosophy behind these provisions is that widows of 45 or more will find considerable difficulty in obtaining employment if they have not previously been working, whereas widows under 35 should have little difficulty in obtaining employment unless they are disabled or have young children to care for.

To illustrate these provisions, suppose a woman becomes a widow in 1977 on her 40th birthday, and that her husband's retirement pension amounts to $100. If the Pension Index for 1977 is 20 per cent higher than that for 1967, the flat-rate benefit for that year will have increased from $25 to $30. The full amount of this widow's pension would be $30 plus $37.50 or $67.50. However, if she has no dependent children and is not disabled, her pension will be reduced by 60/120, since there are 60 months between her 40th and 45th birthdays. She will receive only $33.75 a month, escalated each year by the Pension Index, until she is 65. On the other hand, if her youngest child becomes 18 on her 44th birthday, and is not at school, she will receive $67.50 for four years and $60.75 ($67.50 less $6.75) from age 44 to age 65. These amounts of course would be escalated each year by the Pension Index.

Widow's and Retirement Pensions Combined

(2) When a widow reaches 65, or when a woman of 65 or more becomes a widow, the widow's pension is calculated at 60 per cent of her husband's retirement pension. She may, however, be entitled to a retirement pension in her own right. In that case she can (a) choose between a combined payment amounting to 60 per cent of her own pension and 60 per cent of her husband's, or a payment of 100 per cent of her own pension and 37½ per cent of her husband's. Of course, she need not actually make this choice as the computer will indicate which is the better arrangement for her. This will be done at the time she claims her retirement pension, if she already is receiving the widow's pension, or at the time she claims the widow's pension, if she already is receiving the retirement pension. For this (4) purpose, the amount of her own retirement pension is to be taken as the amount she was entitled to in the year she claimed the second pension, before any retirement test has been applied. In this way, she will retain the benefit of any escalation that may have already taken place in the value of her retirement pension.

(2) (b) However, in claiming her combined retirement and widow's pensions, a widow will not be able to obtain a higher pension than would be payable to a retired contributor—initially $104.17, before any escalation has taken place—in the year when the second pension is claimed. Where this ceiling operates to limit the combined pension, it is the amount of the widow's pension, not the retirement pension, that is reduced. This reduced pension becomes the full widow's pension thereafter payable to her, subject to escalation, regardless of any fluctuations in her retirement pension due to the retirement test.

Calculation of Husband's Retirement Pension

(3) A widow's pension is based on either 37½ per cent or 60 per cent of her husband's retirement pension. If her husband was already receiving a retirement pension, the amount that he was entitled to receive in the month of his death, before any retirement test has been applied, is the amount that will be used for this purpose. If he was not yet receiving a retirement pension, the amount that will be used must be specially calculated. In this case, his pensionable earnings will be averaged over the number of months between the start of the plan and the month of his death, even if this number is fewer than the 120 months in the transition period. (In other words, the gradual 10 per cent a year increase in the size of the retirement pension during the period 1967-1976 will not apply here.) These pensionable earnings will have been up-dated by means of the earnings

index and earnings ceilings, except that, instead of the earnings ceiling in the year of retirement, the ceiling in the year of his death will be used.

There are three special situations in which the calculation of her husband's retirement pension may be made long after his death; (*a*) the widow under 45 who becomes disabled after her husband's death; (*b*) the widow who reaches 65 after her husband's death, and whose pension may therefore be subject to recalculation at the 60 per cent rate; and (*c*) the widow who claims a combined retirement and widow's pension, having already been receiving the widow's pension. The amount of the husband's retirement pension will be escalated by the Pension Index for the period between the year of his death and the year the calculation is being made. By this means, the widow retains the benefit of any escalation that may have already taken place in the value of her widow's pension.

Widow's and Disability Pensions Combined

A widow who is entitled to both a disability pension and a widow's pension cannot receive from the two together more than the maximum retirement pension payable to a retired contributor in the year she claims the second pension. The widow's pension will be reduced to an amount equal to the maximum pension minus the disability pension. Such a combined pension would amount to two flat-rate pensions ($25 each, escalated) plus 75 per cent of her own retirement pension and 37½ per cent of her husband's retirement pension. At age 65 these combined pensions would automatically be replaced by the combined widow's and retirement pensions described above, to which, of course, the old age security pension could be added. (5)

Research and Statistics Division December 1964.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

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

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

THURSDAY, DECEMBER 10, 1964

WITNESSES:

Dr. Joseph Willard, Deputy Minister of Welfare and Messrs. D. Thorson, Assistant Deputy Minister of Justice, Tom Kent, Policy Secretary, Prime Minister's Office, Robert Bryce, Deputy Minister of Finance.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

21709—1

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Monteith
Moreau
Munro
Perron
Rhéaume
(Mrs.) Rideout
Scott

Maxime Guitard,
Clerk of the Special Joint Committee.

MINUTES OF PROCEEDINGS

THURSDAY, December 10, 1964
(14)

The Special Joint Committee of the Senate and of the House of Commons on Canada Pension Plan met at 8:10 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 Denis, Fergusson, McCutcheon, Smith (*Queens-Shelburne*), Stambaugh (5).

Representing the House of Commons: Mrs. Rideout and Messrs. Basford, Cameron (*High Park*), Cantelon, Chatterton, Côté (*Longueuil*), Francis, Gray, Knowles, Laverdière, Lloyd, Monteith, Moreau and Munro (14).

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare, and Messrs. D. Thorson, Assistant Deputy Minister of Justice, Tom Kent, Policy Secretary, Prime Minister's Office, and Robert Bryce, Deputy Minister of Finance.

The Committee resumed its consideration clause by clause of Bill C-136.

The examination of the witnesses continuing, at 10:07 o'clock p.m. the Committee adjourned until 9:30 o'clock a.m. on Friday, December 11, 1964.

Maxime Guitard,
Clerk of the Committee.

NOTE: The printing of *Appendices "R" and "S"* was authorized by resolution at the meeting of Friday, December 11, 1964, and are reproduced herein for the convenience of the members of the Committee, as requested.

EVIDENCE

THURSDAY, December 10, 1964.

The CHAIRMAN (*Mr. Cameron*): We have a quorum, ladies and gentlemen.

This is the first appearance of Mrs. Rideout who is a new member of this committee. We welcome her here.

Mr. Francis has indicated to me he would like to ask Mr. Thorson one or two questions relating to prior clauses in the bill.

Mr. FRANCIS: I would like to clarify two things. Under clause 98 regarding the right of a contributor to get a statement from the minister concerning presumably benefit rights under the plan in respect of contributions paid, the question I would like to have clarified is, who is authorized to sign such a statement? For example, obviously if the minister signed it, there would be no question. However, I can think of some unfortunate instances under the Public Service Superannuation Act in which personnel officers of the department signed a statement which later was repudiated on behalf of the crown. Who would be the authorized signing officers here; under what circumstances would a statement be accepted and be one you could count on as not likely to be repudiated by the crown?

Mr. D. S. THORSON (*Assistant Deputy Minister, Department of Justice*): Apart from the minister, to whom you have referred, the deputy minister of the department would be entitled to sign such a certificate. This would derive from the general provisions of the law under which the deputy of the minister may in his own right exercise powers conferred on the minister. In addition to that, however, I would presume, as is usual in these cases, that certain officials in the department would be expressly authorized by the minister to act on the minister's behalf in the signing of the statements.

The situation you mentioned with regard to personnel officers, I think, is one that is unlikely to rise under this bill, because here you have express authority for the issuance of statements of earnings. Those statements are based on information contained in the record of earnings, and you will recall the provisions of clause 99 of the bill, under which amounts shown to the credit of a contributor in the record of earnings are presumed to be conclusive after four years have elapsed from the date of the making of the entry.

Mr. FRANCIS: The second question I wanted to ask for purposes of clarifying the record is this. I am concerned about the wording of clause 105 (2):

> Every person who has been assigned a social insurance number and who knowingly makes application again to be assigned a social insurance number, whether giving the same or different information in such application as in his previous application, and whether or not he is assigned a social insurance number again, is guilty of an offence punishable on summary conviction.

I am sure this is not what is intended, but as I read this it seems to mean that if a contributor were to lose a social insurance card and knowingly make application again for a second card—as I read this and understand it—he would be presumed to be guilty of an offence. The wording here gives me some concern and I would like to hear your view on it.

Mr. THORSON: No. I do not think that would be the result under the bill as drafted. Subclause (2) of clause 105 provides that it is an offence knowingly to make application again to be assigned a social insurance number, having already been assigned a social insurance number. In the case of the card that is lost, destroyed or mutilated, should the applicant be applying for a new number card, I should point out that what he is applying for is not to be assigned a social insurance number, but rather a number card. Therefore, under the terms of clause 105 (2) there would be no offence in the circumstance you describe.

Mr. FRANCIS: Thank you.

The CHAIRMAN (*Mr. Cameron*): I believe Dr. Willard wishes to answer more fully a question asked by Mr. Aiken.

Dr. J. W. WILLARD (*Deputy Minister, Department of National Health and Welfare*): Mr. Chairman, at the end of the last meeting Mr. Aiken raised a question which I said I would answer today. His question related to the effect of the pension proposals on the cost of assistance payments borne by the provinces. He made special reference to the maritime provinces where he said the levels of income were on the average lower than in more industrialized provinces.

The first point I would like to bring out in reply is that the proposed legislation would greatly reduce the relative role of assistance in the provision of old age income security and the relative burden borne by the province. This occurred after old age security was introduced and would occur as a result of introduction of this plan. Of the total expenditures made in income maintenance payments to persons 65 years of age and over, federal government expenditures represent almost 95 per cent. Of the total expenditures paid to this age group, only about 10 per cent now are provided on an assistance basis.

The introduction of the age-reduced old age security benefits under this bill will, in the short run, reduce provincial old age assistance payments. Over a longer period, as the years in the 10-year transition period pass by, more and more people will have higher benefits arising from the earnings related portion of the plan.

As I mentioned, in individual cases it will not be necessarily to the advantage of the provinces to encourage assistance recipients to take the age reduced benefits, because the age reduced benefit reflects average life expectancy. What the province gains at the outset through reduced assistance costs it will have to make up later through continued assistance supplementation after age 70. Nevertheless, some persons will of their own choice take the age reduced benefit. For some it may mean that this is sufficient, together with other resources, so that they do not need to apply for assistance.

A second point I wish to make is that the impact of both the age reduced flat rate and earnings related benefit must be considered together in assessing the effect on assistance in any area. The flat rate benefit does have important redistribution effects for the Atlantic provinces. For instance, in 1962-63, old age security tax revenues in those four provinces amounted to about 3 per cent of the revenue collected, while old age security payments represented about 10.7 per cent of the total payment throughout Canada.

Another point I would like to mention is that the earnings related benefit is designed to provide benefits geared to previous earnings levels and, generally speaking, average earnings are higher in areas where living costs are higher. This means that the earnings related portion is helpful in providing higher benefits to those living in areas with higher living costs.

I took the opportunity since our last meeting to review some data showing median incomes for persons 65 and over in various provinces. One thing that strikes you is that median incomes in various provinces are not as widely different as one would expect for these persons when one compares the urban groups, on the one hand, or the rural non-farm group on the other. Data on median income and living costs do reflect, however, differences between urban and rural non-farm. It would seem fair to expect that the earnings related portion would be of greater assistance in the larger cities where living costs are higher, largely, of course, because of higher rents or cost of accommodation.

In areas where incomes have been quite low, old age security represents a high proportion of previous income; additional earnings related benefits over and above that flat rate benefit will provide a substantial benefit in comparison with previous earnings of the beneficiary and with earned income in the area. The role for assistance in these circumstances will considerably be diminished.

Now, in the case of old age assistance there are a number of variables which need to be considered. For instance, there is the percentage of persons 65 to 69 years of age to total population in the province. There are some striking differences, if the different provinces are compared. For instance, Ontario which is a high income province has 2.87 per cent of its population in this age group, whereas British Columbia has 3.3 per cent. On the other hand, Nova Scotia has 2.8 per cent in this age group, which is comparable to Ontario.

Another variable is the percentage of recipients to the population, age 65 to 69. Here we find a much greater correlation between levels of income. We find the percentage of recipients, for instance, in Ontario and British Columbia is much lower than it is in the Atlantic provinces.

A third variable is the average assistance level, or the percentage of recipients receiving maximum benefit. It is interesting that the figures for March, 1963, when the assistance level was $65 a month, showed a very considerable variation among the provinces. For instance, in Ontario, 76.8 per cent were receiving the maximum benefit, while in Nova Scotia 69.4 per cent were receiving the maximum benefit. In British Columbia, it was 85.2 per cent and in Prince Edward Island 71.6 per cent.

It is difficult to try to assess in general terms what the impact of the earnings related portion will be without taking into account the flat rate portion and without taking into consideration a number of these variables which affect assistance payments within each province. I do not think one can generalize as Mr. Aiken's question would suggest. I think one can be certain, however, that the relative importance of assistance payments will decline very markedly; and, to the extent that the provinces are carrying part of the burden of the assistance, their relative burden will decline with regard to old age income security.

The CHAIRMAN (*Mr. Cameron*): Thank you, Dr. Willard. I think that concludes any questions on clause 108.

Mr. THORSON: I am not sure we have completely dealt with clause 108.

The CHAIRMAN (*Mr. Cameron*): Then please proceed and complete it.

Mr. THORSON: I think, Mr. Chairman, I had dealt with the first part of clause 108 which authorizes an agreement with the government of a province having its own pension plan, providing for the exchange of information on a reciprocal basis relating to the contributions of what are called dual contributors.

Paragraph (*b*) relates to an agreement which may be entered into with such a provincial government, and the circumstances under which information in connection with earnings may be furnished to persons who are dual contributors, and the circumstances under which the minister or the appropriate provincial authority will act on any request by such a person for reconsideration of the statement of earnings furnished to him.

Subclause (2) authorizes agreements with any province for the exchange of information on a reciprocal basis for purposes relating to the administration of the act.

On Clause 109—*Reciprocal arrangements re administration, et cetera.*

Mr. THORSON: Clause 109 deals with reciprocal agreements with other countries. This clause authorizes agreements for the making of reciprocal arrangements relating to the administration or operation of the Canada pension plan and of any social insurance or social security law of the foreign country. Under such an agreement the matters dealt with could include, first of all under paragraph (*a*), exchanges of information concerning a person's pension credits and his years of contribution under the foreign plan or under the Canada pension plan.

Under paragraph (*b*) the arrangement could cover the administration of the benefits payable under the Canadian plan to persons residing in the foreign country, and the extension of the benefits that are payable under either the foreign plan or the Canadian plan to former participants under the Canadian plan, or their survivors, who now may be resident in or employed in that foreign country.

The converse of paragraph (*b*) is paragraph (*c*) of this same subclause, which deals with arrangements governing the administration of the benefits payable under the foreign pension plan to persons residing in Canada and the extension of benefits payable either under the Canadian plan or the foreign plan to former participants under the foreign country's plan or their survivors who may now be resident or employed in Canada.

Subclause (2) authorizes the making of regulations by the governor in council for giving effect to any reciprocal agreement entered into under subclause (1) and authorizes the making of whatever financial adjustments may be necessary.

Subclause (3) is an extension of the same idea. This subclause authorizes the minister to enter into agreements with the government of a foreign country for the making of reciprocal arrangements relating to the matters mentioned in subclause (1), but as they relate to a provincial pension plan. Because a province may not enter into direct relationships wtih a sovereign foreign power, this provision is included so that any reciprocal arrangement that may be made by Canada with the government of a foreign country also may include similar arrangements with regard to any provincial pension plan.

Mr. KNOWLES: Mr. Chairman, I would like to ask Mr. Thorson a question in respect of a specific plan in a foreign country and specifically in respect of the railway retirement act.

Officials here are familiar with this legislation and know that Canadian employees who cross the line are covered by the plan in this country and obtain coverage under the United States legislation as well.

I am not asking for details but I wonder if that is one of the plans for a country like the United States concerning which there might be reciprocal arrangements or some other understanding.

Mr. THORSON: May I ask Dr. Willard to comment on that.

Dr. WILLARD: Mr. Chairman, the type of plan we had in mind was the old age survivors and disability insurance program. In the case of the railway retirement plan in the United States, it is a companion piece to O.A.S.D.I., as it were, and I would assume that it would fall into the same category and that we would have to negotiate through the United States government.

However, I am not certain whether it is a government scheme or whether it is a private scheme, and this is a point that would have to be cleared up.

Mr. KNOWLES: I think it is a government scheme. As a matter of fact, I think it is legislation in this field that actually predated the old age social security.

Dr. WILLARD: That is correct.

Mr. KNOWLES: I asked the question because I felt it was in the same family, as it were, and if it is I take it from what you have said, Dr. Willard, that reciprocal arrangements could be made in this area.

Dr. WILLARD: Very much so because the real purpose of this clause is to take care of a situation such as that.

Mr. THORSON: If it is in the same family as the United States social security act, that would be the case.

Mr. GRAY: Mr. Knowles is right in suggesting it is a government scheme. There is a railway retirement board set up by federal statute that administers it. The New York Central goes through the place from which I come and I have people in my area who are covered, and there are Canadians who work on the Grand Trunk going through Michigan who have the same benefits. I think Mr. Knowles has raised a useful point.

Mr. KNOWLES: If it is a reciprocal arrangement we have in mind, it means just that; it would work both ways. Canadians who cross the line would benefit or be protected, and the converse of that must be obvious. What about United States citizens who work on railways but spend part of their time in Canada?

Dr. WILLARD: I think, Mr. Chairman, we are getting into the question of integration of two plans. There would have to be a great deal of study made of the details of the United States plan and of ours to see how they could be integrated to ensure protection both ways.

Mr. KNOWLES: The first answer was satisfactory, namely, that the United States railway retirement act is a plan of the type envisaged under this section.

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

Mr. MONTEITH: I think I asked a similar question of the minister when she was here but I do not know whether I phrased it in exactly the same way.

I am just wondering whether, if a province should desire to enter into an agreement with a foreign country and such agreement was not entered into by the federal government, the federal government would be obligated to enter into an agreement on behalf of that province with that country.

Mr. THORSON: No, it would not be obligated to enter into such an agreement.

Mr. MONTEITH: The province could not do it on its own?

Mr. THORSON: No, it could not, but I would point out that this is a permissive section. In other words, the government would not be obligated to enter into such an arrangement but this section would provide the authority under which it could do so.

Mr. MONTEITH: Then, in practice, it probably would.

Mr. THORSON: Probably.

Mr. MONTEITH: Is there any reason why it should not?

Mr. THORSON: Well, there may be circumstances in which there might be a valid objection to doing so that cannot be judged in advance, I would think.

Mr. CÔTÉ (*Longueuil*): A province which has its own pension plan can make arrangements with a foreign country, can it not?

Mr. THORSON: No.

Mr. CÔTÉ (*Longueuil*): Even if they have their own plan they cannot do so?

Mr. THORSON: No. This is a matter of the capacity of a province to enter into agreements with sovereign foreign governments.

Mr. CÔTÉ (*Longueuil*): Even if they have some people in their province who have belonged to a foreign country and who at the time of retirement live in the province which has its own plan?

Mr. THORSON: The purpose of this particular provision is to accommodate such situations.

Dr. WILLARD: Mr. Chairman, I am sure if we enter into negotiations with another country to work out a reciprocal agreement the other country will be interested in the fact that the protection provided in so far as Canada is concerned relates to the whole country. Therefore, it is important that we have provision here whereby we can enter into an agreement with any province having a comparable plan, so the effect of the agreement can relate to the whole country.

Mr. THORSON: I might add that no such agreement would be entered into by the government of Canada except at the request of the provincial authorities concerned.

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

On Clause 110—*Canada Pension Plan Account established.*

Mr. THORSON: This, Mr. Chairman, is the first of a group of financial sections.

Clause 110 establishes in the accounts of Canada the account previously mentioned in earlier sections, namely the Canada pension plan account.

Subclause (2) provides that there shall be paid into the consolidated revenue fund and credited to the pension account, first of all, all contributions that have been made under the act; secondly, all amounts that must be credited to the account pursuant to the agreements referred to in clauses 40 and 82; thirdly, all interest on securities that the Minister of Finance may purchase under clause 112, which is a clause, of course, that we have not reached.

Mr. MONTEITH: Just briefly, what are clauses 40 and 82?

Mr. THORSON: Clause 40, Mr. Monteith, is the clause authorizing agreements with the government of a province having its own pension plan relating to payment of refunds on a reciprocal basis. Clause 82 is the clause providing for agreements governing the payment of benefits to persons who have made contributions both under the Canada pension plan and the provincial plan.

Mr. KNOWLES: Mr. Chairman, is this the appropriate place for me to ask a question I asked once before? I have to scratch my own head to recall the exact question, but it seemed to me it had to do with penalties or fines or things of that sort. I asked would such money go to the consolidated revenue fund or would it go into the Canada pension plan account. I had no idea when I asked the question whether it would be a few cents or many dollars, but I can imagine it might be worth looking at.

Mr. THORSON: There are a number of such payments that might be involved. In addition to interest and penalties, there might be overpayments of contributions and, conversely, refunds. Similarly, there might be adjustments with respect to benefits that have been made.

We have the question that you asked under notice, Mr. Knowles, and it is proposed at a later stage to make a statement on this subject.

Mr. KNOWLES: Are you speaking of a later stage in this first runthrough of the bill or when we get back to the bill again?

Mr. THORSON: When we get back to the bill again.

Mr. KNOWLES: My point, if I might state it briefly again, is that it seems to me there are sums of money there in effect which the fund would have lost by not having the money there to earn interest and, therefore, when such money does come, it ought to go to this fund instead of to Mr. Bryce.

Mr. THORSON: That is what was contemplated. It is a question of the technique by which that would be achieved. We would like to make a statement on that later on.

Subclause (3) of clause 110 deals with payments out of the consolidated revenue fund. In such cases, there would be charged to the Canada pension plan account, first of all, all amounts that are paid under the act as or on account of benefits; secondly, all amounts that must be charged to the pension plan account under the terms of any agreement entered into under clause 40, clause 82 or under the two other clauses mentioned, 91 and 109. The third category of payments that would be recorded as charges to the pension plan account would be the costs of administration of the act, as authorized by parliament.

Subclause (4) contains a limitation to the effect that no payment is to be made out of the consolidated revenue fund under this authority in excess of the amount of the balance then standing to the credit of the Canada pension plan account.

Mr. KNOWLES: Do not frighten us. What happens if the fund is broke and people have pensions coming to them?

Dr. WILLARD: I am sure parliament could deal with that situation if it should arise, but it is not anticipated.

Mr. FRANCIS: The actuary's reports do not give us that type of concern.

The CHAIRMAN (*Mr. Cameron*): Are there any other questions?

Mr. MUNRO: We will not be here if that should be the case.

The CHAIRMAN (*Mr. Cameron*): If there are no more comments we will pass to clause 111.

Mr. LLOYD: Before you continue, Mr. Chairman, in connection with item (4) am I correct in assuming—

The CHAIRMAN (*Mr. Cameron*): Are you referring to clause 110 (4)?

Mr. LLOYD: Yes, Mr. Chairman. Am I correct in assuming that this is really a limitation, that you cannot overdraw the account in any way? The administration of funds is controlled by parliament. That is all it means?

Mr. THORSON: That is right.

Mr. LLOYD: And if in fact at a later date additional funding was required it would mean a presentation of the circumstances in a measure before parliament?

Mr. THORSON: That is my understanding.

On Clause 111—*Canada pension plan investment fund established. Amount to be charged and credited to investment fund.*

Clause 111 establishes in the accounts of Canada a second account to be known as the Canada pension plan investment fund. The function of this fund will appear from the later provisions this same grouping of sections.

Subclause (2) provides that there will be paid out of the consolidated revenue fund and charged to the investment fund the cost of all securities that are purchased by the Minister of Finance under the authority of clause 112 and there will be paid into the consolidated revenue fund and credited to the investment fund all proceeds of redemption of securities that have been purchased by the minister under the same authority.

The CHAIRMAN (*Mr. Cameron*): Are there any comments?

Mr. BASFORD: I am curious about the use of the word "redemption". Why is it not "the proceeds of redemption or sale"?

Mr. Thorson: It is not contemplated that there would be a sale of securities.

When we come to the next two clauses following it will appear that the kind of securities we are talking about are those that are limited as to their negotiability or transfer and therefore what follows is redemption, rather than sale.

On Clause 112—*Definitions.*

Subclause (1) of this clause, Mr. Chairman, sets out a number of definitions that are relevant to the two following clauses.

The first definition is that of an operating balance, which is the balance to the credit of the Canada pension plan accounts, to which, of course, are credited contributions and to which are charged benefits, less the balance in the Canada pension plan investment fund.

Mr. Lloyd: In short, the uninvested funds.

Mr. Thorson: That is correct. This describes the amount uninvested.

Mr. Monteith: Yes, but if it is invested does it not have to come out of the Canada pension plan account?

Mr. Thorson: As securities are purchased the cost of the securities is charged to the investment fund. As securities purchased by the minister under clause 112 are redeemed, then they are credited to the investment fund.

Mr. Knowles: We are just defining the operating balance.

Mr. Thorson: Yes.

The definition of "province" in paragraph (*b*) simply makes it clear that when we are talking about the amount that may be invested in the securities of any province we are talking about the ten provinces, not including the two northern territories.

Mr. Knowles: Page Mr. Rhéaume!

Mr. Thorson: The point is that the two territories do not have the authority to issue securities in the right of the territory.

Mr. Munro: It is only for this particular series of provisions.

Mr. Thorson: That is correct, for the purposes of the three clauses mentioned in the opening words of subclause (1).

The next paragraph defines what is meant by the expression "security" in the three clauses that I have mentioned.

As applied to Canada, a security means an obligation of the government of Canada that complies with the conditions set out in clause 113. Those words are at the end of the definition and apply both to securities of Canada and securities of a province.

The expression "securities" as applied to a province means:

> —an obligation of the government of that province, or an obligation of any agent of Her Majesty in right of that province that is guaranteed as to principal and interest by the government thereof,—

Again, there must be compliance with regard to the security with clause 113.

Mr. Gray: Does the term "agent of Her Majesty in right of that province" include a municipality?

Mr. Thorson: No, it would not.

Hon. Mr. Smith: It means crown corporations under the jurisdiction of the province, such as a power commission.

Mr. Thorson: Yes.

Mr. BASFORD: Would it include school boards?

Mr. THORSON: No.

The classes of crown agents would, of course, vary from province to province—

Mr. BASFORD: Yes, we have some funny ones in British Columbia.

Mr. THORSON: —depending upon the kind of agency relationship you are looking at.

Mr. MUNRO: This would not preclude a province from setting up a crown agency that was determined to lend money to municipalities.

Mr. THORSON: No, it would not preclude that, but if a security being looked at is a security of an agent of the crown, it is imperative in those circumstances that the security be guaranteed as to principal and interest by the government concerned.

Mr. BASFORD: I come from a province that is allegedly debt free. What do they do?

Mr. MONTEITH: Allegedly.

Mr. KNOWLES: What about the provincial bank that province might have?

Mr. THORSON: I feel I had better not get into that matter. As far as British Columbia is concerned the securities issued that relate to British Columbia would presumably be securities of agents of the crown in right of British Columbia, guaranteed by the government of British Columbia.

Mr. GRAY: These agents could be set up to relend the money to municipalities or for municipal purposes?

Mr. THORSON: Yes, there is no restriction on the use for which the fund in question may be employed.

Subclause (2) requires interest to be credited to the pension account on the last day of each month based on the amount of the operating balance in the account on the last day of the preceding month. Under this provision the Minister of Finance would fix the rate of interest to be credited to the account on that basis.

Mr. MONTEITH: From where will it be credited?

Mr. THORSON: From general revenue.

Mr. KNOWLES: Are there any guidelines to help the minister fix that rate?

Mr. ROBERT BRYCE (*Deputy Minister of Finance*): Not here in the statute, Mr. Knowles. We would have to try and figure out what is a reasonable rate. Presumably it would be based on some one of our short term interest rates. We also would like to have a look and see what the pattern of these balances are from month to month within the month. As you can see, the amount we pay on here is the amount at the end of the month, and it may turn out that the average amount during the month is not as high as the amount that is normally there at the end of the month. That sort of thing we should look into when setting what is a reasonable rate.

Mr. BASFORD: Why is it necessary for consolidated revenue to pay interest on the operating balance?

Mr. MONTEITH: Why not?

Mr. BASFORD: It is all money in the same pocket.

Mr. KNOWLES: This fund is having to pay all its costs; should it not get any interest that is available on its money which consolidated revenue has the use of?

The CHAIRMAN (*Mr. Cameron*): Would you like to answer that question, Mr. Bryce.

Mr. BRYCE: Well, we have felt it was reasonable enough to credit it with interest on these temporary balances as well as with interest on the investment funds. The extent to which we hold temporary balances, of course, will depend on how far we exercise the powers described later on for buying short term securities, and this gives us some leeway as to whether we pay interest on the operating balance or invest the operating balance in short term securities.

Mr. FRANCIS: I would like to ask if this is the same procedure which is followed in respect of superannuation fund for the public service employees or the government of Canada?

Mr. BRYCE: The superannuation fund is credited with interest on its balance from time to time during the year when that calculation is required, and I believe it is credited quarterly on the balance at the end of the preceding quarter.

Mr. FRANCIS: Is it interest at the average rate of government bonds?

Mr. BRYCE: Interest at 4 per cent.

Mr. FRANCIS: That seems a little low. Is there any provision for interest being related to the average cost to the government of Canada of borrowing?

Mr. BRYCE: Well, that is another question.

Mr. CÔTÉ (*Longueuil*): There already is about $2 billion in that fund.

Mr. FRANCIS: The interest that would be credited here is what I would like to have explained better. Where securities are purchased this would be an established issue and there would be no problem about interest rates. But, what about these funds on hand? What interest rates are contemplated here?

Mr. BRYCE: We have not said that, chiefly for the reason I mentioned when speaking to Mr. Knowles: If these funds turned out to be available to us on a reasonably even pattern I would think that we ought to credit to it either the rate we pay on treasury bills that are outstanding or the rate that we earn on our bank balances when they exceed a specific level and that is, I think, nine-tenths of the treasury bill rate. To be quite frank, I am not quite sure which is the proper comparison. However, if it turned out that the monthly pattern of the balance in this account is such that, normally at the end of the month we have more in than throughout the month, which is quite possible if the national revenue remission of contribution works out in one way—then we may want to take that into account in determining what is the proper rate.

Mr. FRANCIS: I would like to see some formula which would be laid out as a guide. Perhaps Mr. Bryce would like to enlarge on that further at some future date.

The CHAIRMAN (*Mr. Cameron*): Well, he might want to take time to consider it.

Mr. LLOYD: Mr. Chairman, I would suggest before you decide on that aspect of the matter which is under discussion that we run through the other sections and obtain a picture of the whole operation of the investment process. It may be that the practice that will develop will not leave too much by way of substantially uninvested funds. As I say, Mr. Chairman, let us run through it first and then we can revert to this clause afterward.

Mr. MONTEITH: This has nothing to do with interest other than the fact that the basic factor is going to be interest. Do I understand that when funds come in from contributors they will be credited to the Canada pension plan account and that this is only a credit so far as the government of Canada is concerned, which they just owe to the Canada pension fund account, or is it going to be in a separate account and, when I say "a separate account" I mean an actual separate bank account?

Mr. BRYCE: No, it will not in the first instance be in a separate bank account. It will be in our general bank account; but, of course, as soon as we invest it, it comes out of the general account and goes into securities which are held in this other account.

Mr. MONTEITH: As stated earlier, I was wondering if it was going to be a separate account. If that is only a bookkeeping account showing that this is owed to the Canada pension plan fund, then I agree you should pay interest.

The CHAIRMAN (*Mr. Cameron*): Mr. Francis, are you willing to reserve your question until we deal with the other matters?

Mr. KNOWLES: Mr. Chairman, I would like to hear more at this time in respect of the questions which Mr. Francis and I have been putting.

The CHAIRMAN (*Mr. Cameron*): Perhaps we should deal with it now rather than run through the clauses at the present time.

Mr. KNOWLES: I would like to have discussed further the authority of the minister of finance to decide how much money is to be invested in securities. It seems to me that what the minister's authority there is has a bearing on how much interest you should pay on the operating balance.

Mr. BRYCE: Perhaps it is best then to come back to it after looking through the later clauses.

Mr. LLOYD: Mr. Chairman, it is my understanding the subsequent clauses deal with these matters and I think if we went through these clauses it might save repetition later on.

Mr. THORSON: I would think so because subclause (8) for example seems to be directly relevant to this discussion.

Subclause (3) describes the total amount that will be available month by month for investment in the securities of all provinces and in securities of Canada. There, you will see that where in any month the operating balance in the pension plan account exceeds the amount—and I hope you will forgive me for quoting from the bill, but perhaps this is the best way of doing it at this point—that the minister of finance estimates will be required to meet all payments under subclause (3) of clause 110—that refers to payments of benefits and cost of administration—in the immediately following period ending three months after the end of that month, then the amount of the excess in that month is available for the purchase of securities of the provinces and securities of Canada as provided in the further provisions of this clause. This fixes the total amount available month by month for investment in any of the securities.

Mr. MONTEITH: There is a three month reserve required?

Mr. THORSON: Yes. Subclause (4) has as its function the determination of the amount of the excess that is to be available for the purchase of the securities of any one province. Here the amount available is that proportion of the excess described in the preceding subclause that the total of all contributions credited to the account during the 120 preceding months, in respect of employment in the province that we are looking at and in respect of self-employed earnings of persons resident in that same province, is of the total amount of all of the contributions that have been credited to the account during the same 120 months. This establishes the basic allocation formula for determining the amount that is available for investment in the securities of any given province.

Hon. Mr. McCUTCHEON: Mr. Chairman, as I read the formula, the factors which govern what a particular province will have available for investment are the balances in the fund, which are the total contributions less the cost of administration, less the payments out of the fund, less the appropriate reserve, and the balance is available to the individual provinces for investment on the basis of their contribution on a 10 year moving average.

Mr. **Thorson**: That is substantially correct.

Hon. Mr. **McCutcheon**: I want to ask one more question, Mr. Chairman. I take it that means there could be a considerable difference in the funds available to a province which did not operate its own fund if the payments out to the residents of that province were less, shall we say, than the average payments over the whole fund.

Mr. **Bryce**: After all, the relationship between in-payments and out-payments differs markedly between the provinces because there could be a difference in age distribution, let us say; I think this could be the case if there was a separate fund established entirely for that province, and it might be larger or smaller. As I say, it might be larger or smaller than the amount arrived at by this formula.

Hon. Mr. **McCutcheon**: Correct.

Mr. **Gray**: Mr. Chairman, I would like to put a question. Would it or would it not be correct to say that there would be an automatic advantage to a province which operated its own plan in contrast with one that was part of this national plan.

Mr. **Bryce**: Not as a general rule. There might be situations if some provinces, let us say, had a widely different age distribution from the average where, by operating its own plan, it would have more or less in the fund than it does under this arrangement.

Mr. **Gray**: But, generally speaking, it is expected that the funds available for investment in any particular province would not be likely to vary whether it operated its own plan or whether it was part of this national plan.

Hon. Mr. **McCutcheon**: That is incorrect.

Mr. **Gray**: If you do not mind, Senator McCutcheon, I would like to have the witness answer my question.

Mr. **Lloyd**: I think the member is quite right. The witness gave the answer a moment ago, and he can say so.

Mr. **Gray**: If the senator does not like the answer that is going to come, that is his problem.

Hon. Mr. **McCutcheon**: I got my answer.

The **Chairman** (*Mr. Cameron*): Mr. Bryce is here and I am sure he heard the question.

Mr. **Bryce**: Could I just get the question clear. I am sorry but I missed part of it because of the by-play.

Mr. **Knowles**: You are not so innocent.

Mr. **Gray**: Well, based on the actuarial studies that you have made is it expected that it would be thought likely there will be these differences in age distribution and so on and that it can be expected as a general rule, let us say, that a province which operates its own plan can expect to have more funds available for investment than if it participated in the national plan?

Mr. **Bryce**: I think if one carried out a careful actuarial appraisal of the situation in individual provinces you might well find that some could reasonably expect to be better off and others reasonably expect to be worse off in the amount of accumulated funds they would have if the funds were entirely segregated than if handled in this way.

Mr. **Munro**: Mr. Chairman, on this point, I am sure that when we have the chief actuary here he will have some projections to show what the true picture would be or what is estimated could happen in such circumstances, and in that way we could ascertain whether, in fact, there was any real substantial prejudice to any province.

The CHAIRMAN (*Mr. Cameron*): You may be correct. However, the questions and answers are on the record and they stand there for examination.

Mr. MOREAU: Perhaps this is a question for the actuaries as well. Would it be correct to say that under a national scheme of this kind the actual reserve fund could be, percentagewise, lower for the national plan than in the case of the provincially operated plan where you would not have the contingency factors; in other words, there might be a slightly greater risk if the plan is smaller, and so on. I wonder if the actual reserve fund might safely be lower?

Mr. BRYCE: I think the smaller the unit to which your plan applies the more you would want to have some contingency reserve; that is, higher proportionately. But, whether that is a major factor, frankly, I have not analysed the actuarial aspects of the plan enough to be able to say, for example, whether with population over a million that becomes a significant factor.

Mr. GRAY: I would like to put two more questions. If I understand the answer you gave me correctly, the possibility of an improved position with operating one's own plan in a province arises out of the possibility of age distribution and not the effect of an independent operation as such.

Mr. BRYCE: No, not as such. It would arise because of the differences in the relationships over time between the contributions and the benefits and this depends on age distribution, on income change and quite a variety of factors which the actuary has to take into account.

Mr. GRAY: My next question arises out of the answer you gave. You mentioned these relationships change over time and by that I presume you mean that a province which today may have a certain age distribution which might produce factor A, five, ten or fitfteen years later there might be a situation created where you would have quite a different effect.

Mr. BRYCE: Yes. It may be that this can be projected by the actuaries. It may be that there is a possibility of population changes, however, that he would not foresee.

The CHAIRMAN (*Mr. Cameron*): It seems to me that these are all hypothetical questions and I think the actuary would be better qualified to answer such questions.

Mr. MOREAU: As I understand this clause, the funds available for investment in provincial securities are based entirely on the collections of the province rather than on any outpay. There are going to be provisions, as I understand the plan for people to leave the country and perhaps retire in Florida. These factors such as the place where the pensioner normally was resident, may be difficult to determine, at least in respect of a national plan. For instance, we might have an Ontario situation where a number of people would go to Florida; whereas in British Columbia they would take advtange of the warm climate there. There is also the factor, for instance, that in the western provinces we have quite a number of semi-retired people who go to the coast. This pattern might be a very difficult one to predict.

Mr. BRYCE: I should defer to those who are more expert on the workings of the plan; but my understanding is that the obligation in respect of any province arises from the contributions made in the province rather than residence at the time of retirement. Is that not the case?

Mr. THORSON: That is correct.

Hon. Mr. MCCUTCHEON: In respect of any province which operates its own plan?

Mr. BRYCE: Yes.

Mr. CÔTÉ (*Longueuil*): Following Mr. Gray's question, I would like to ask Dr. Willard whether he has any statistics in which we could find the average age in the different provinces. For instance, with the old age security, the information may be available.

Dr. WILLARD: Yes, Mr. Chairman, we can obtain statistics on the average age in the different provinces.

Mr. CÔTÉ (*Longueuil*): Can you tell us whether there is a great difference?

Dr. WILLARD: When we are dealing with projections in respect of age distribution, I think we might leave this to the chief actuary who has been working in this area.

Hon. Mr. MCCUTCHEON: Will the actuary have that information when he appears before us?

Dr. WILLARD: I am sure the chief actuary who is here tonight will keep that in mind.

Mr. KNOWLES: Mr. Chairman, I have one question supplementary to the question originally asked by Senator McCutcheon. I take it from Mr. Bryce's answer that if there is to be any advantage or disadvantage to a province under the terms of this clause, it would depend upon the various variables to which you have referred; but the most significant variable, I gather, is the matter of claims in respect of death, disability, and so on, and it is not related to the wealth or productivity of a province.

Mr. BRYCE: That is a factor because of the operation of the $600 exemption in determining a contribution; so, the average income in a province does have an influence on the situation.

Mr. T. KENT (*Policy Secretary, Prime Minister's Office*): If I might add one point, it depends not so much on what those variables are now as how they develop in the future. The difference between the distribution of investment funds based entirely on the contributory income to the plan, and the distribution of funds based on the net experience as it would be under the provincial legislation, is a difference which would develop only in the future as the benefits become larger in relation to contributions. Therefore, it is not a matter of trying to estimate what the variables are now, but what they might be sometime hence. That is a major factor.

Mr. MOREAU: Would it be fair to say that if we look ahead perhaps 40 years in the future—I do not know the precise point—there will be no substantial accumulation of funds at this point, and perhaps this factor in the future is of diminishing importance.

Mr. KENT: That would depend on what decision parliament makes 20 years from now, perhaps.

Mr. MUNRO: Perhaps we should not be debating a lot of these matters at this point when the actuary will be here next week.

The CHAIRMAN (*Mr. Cameron*): Perhaps the committee might agree that this type of question would be discussed better with the actuary and we might pass on, but I do not want to eliminate any such question while Mr. Bryce is here to answer it.

Hon. Mr. MCCUTCHEON: Mr. Chairman, I had my answer from Mr. Bryce and I am quite satisfied with this. Mr. Bryce does not pretend to be an actuary. I would hope the attention of the chief actuary will be drawn to the discussion this evening so that he will give us a better breakdown of the figures than I noticed in the report which has been presented to us today.

The CHAIRMAN (*Mr. Cameron*): The chief actuary is here, and I have no doubt he is absorbing the questions.

Mr. LLOYD: I share with other members what obviously is one factor in what ultimately no doubt will be comparisons between this plan and what might be in existence or might be proposed. At this stage of the game I think I am satisfied with an explanation of the facts in respect of how this one is proposed to operate, and there will not be much by way of practical meaningfulness in treating this in isolation. I think you have to have them all before you can draw any real comprehension from this kind of questioning. For instance, under subclause (4) I take it that if there is a province with a low level of income, the volume of moneys available to it for investment obviously is going to be lower per capita because the contribution base is lower. That is a simple statement of fact which I think can be drawn from this.

The CHAIRMAN (*Mr. Cameron*): Would you deal with subclause (4); I do not think we had finished the whole clause?

Mr. THORSON: The concluding portion of subclause (4) imposes an obligation on the minister of finance, once the proportion of the amount available for investment in the security of a particular province has been struck, to notify the provincial treasurer of the amount available for such purpose.

Subclause (5) directs the minister to purchase securities of a province up to the lesser of the amount that is allowed under the preceding clause—that available for investment in those securities; or the aggregate amount of securities of that province which in fact are offered for purchase by the minister of finance by the provincial authorities, not later than ten days after the end of the month in question. In other words, it will be appreciated that in certain circumstances the entire amount available for the purchase of securities may not be offered by the provincial authorities for purchase by the minister of finance.

Hon. Mr. MCCUTCHEON: Would you say that again?

Mr. THORSON: I am sorry. There will be cases where a province may not wish to offer for purchase by the minister of finance the full amount available to it under the formula we just have been discussing.

In those circumstances under subclause (6), the minister of finance is directed to purchase securities of Canada to make up any deficiency in the total amount available for purchase that arises—any deficiency that arises as a result of the province not wishing to take down the full amount available to it.

Mr. MUNRO: If the province does not want to take its full allotment, we can invest it in federal securities.

Mr. THORSON: Yes. The securities of Canada will have attached to them the same conditions and the same interest earning capacity as the securities of the provinces.

Mr. LLOYD: Would it be correct to say that the priority of the investment of these funds goes first to the provincial authorities?

Mr. THORSON: Yes.

Mr. LLOYD: And then if there still is an excess of funds, they are for the time being invested in government of Canada securities of the kind and nature that can be liquidated through our agency fairly easily to be available should the case arise where the province wants to take advantage of its priority at a later time.

Mr. THORSON: That is not quite correct.

Mr. LLOYD: Or are they going to be denied that?

Mr. THORSON: Should the province not wish to subscribe for the full amount available to it, then the obligation is on the minister of finance to offer securities of Canada on exactly the same basis as the provincial securities would be offered. In other words, if we are talking about 20-year term provincial securities, then the securities of Canada that would be offered by the minister in such a situation similarly would be 20-year securities.

Mr. LLOYD: So, if a province does not take up its priority position—

Mr. KNOWLES: At the end of any month.

Mr. LLOYD: —at the end of any given period provided for by this statute, then the government of Canada comes in and occupies its investment opportunity and these funds then are frozen in that investment.

Mr. BRYCE: Yes.

Mr. LLOYD: Suppose that at a later date, two years later, a province may have wanted to employ this kind of financing to a greater degree in any one future year, then perhaps it is available to it in this year, but the government of Canada does not retreat from its investment in the fund.

Mr. BRYCE: No. The minister of finance shall purchase securities in this amount each month. Presumably the law has regard primarily for the condition of the fund and is ensuring that it is invested promptly on a long term basis, and if the province does not want to take the money up, then there is an obligation on the Minister of Finance to invest it.

Mr. LLOYD: It is lost forever.

Mr. BRYCE: That is right.

Hon. Mr. MCCUTCHEON: Not necessarily on a long term basis. There is a subsequent clause.

Mr. BRYCE: Except that the subsequent clause applies to a different investment from the one made under this subclause.

Mr. THORSON: Subclause (7) has to do with the consolidation of securities. Under this provision, at the request of the provincial treasurer of the province concerned, the minister of finance is authorized to accept, in place of any series of securities issued during a period up to but not exceeding 12 months, a consolidated issue in the place of the earlier issue, bearing interest at the same rate and in an amount equal to the aggregate amount of the securities in the series that is being replaced.

It is a condition of any such exchange on consolidation of securities that the province pay any interest that may have accrued on those securities up to the date of the exchange. The purpose of this is to ensure that the fund will not lose interest by accepting the substituted securities.

Hon. Mr. MCCUTCHEON: The purpose also being to enable the province to manage its financial affairs on a better basis than a month-to-month basis.

Mr. THORSON: In describing the "purpose" I had reference only to the payment of accrued interest. The purpose of the consolidation itself, of course, is as you have described it.

Subclause (8) makes it clear that the minister of finance is not to be regarded as being limited by the other provisions of this clause, in so far as he may deem it expedient to invest any portion of the operating balance at any given time in short term obligations of the government of Canada. In such a case any interest earned by those short term obligations and any proceeds of sale of those obligations would insure to the benefit of the Canada pension plan account. Here we are talking about a quite different kind of security, one that is not limited as to negotiability; this presumably would be the ordinary short term government of Canada obligation.

Mr. KNOWLES: This ties in with what we were talking about earlier, namely the interest the government pays on the operating balance?

Mr. THORSON: Yes.

Mr. KNOWLES: The two subclauses taken together imply that the minister of finance is supposed to see to it that the operating balance earns as much interest as it can, either interest direct from the government, or on short term security.

Mr. THORSON: That is the purpose.

The CHAIRMAN (*Mr. Cameron*): Do you have any further comments in respect of subclause (2), Mr. Francis?

Mr. FRANCIS: The discussion has been adequate, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): If there are no further questions may we pass to the next clause?

On Clause 113—*Issue and conditions of obligations.* (delst)

Mr. THORSON: Clause 113 defines the kind of obligation that may qualify as a security of a province or as a security of Canada so that the funds may be invested in that security. Every such obligation must comply with the conditions enumerated in this subclause, whether the obligation is an obligation of a province or an obligation of Canada.

The first condition is that the obligation must be payable to the credit of the investment fund and must be expressed to be not negotiable and not transferable or assignable. It is not a negotiable instrument in any sense.

The second condition is that the term to maturity would be 20 years or, should the minister of finance deem it necessary to fix a lesser period in order to meet the payments he will have to meet under subclause (3) of clause 110, such lesser period as the minister may fix.

Paragraph (c) provides that the obligation will be redeemable in whole or in part prior to maturity only at the option of the minister of finance where he deems it necessary to redeem the security in order to meet the payments that the account must meet. In such a case, the redemption could only be made after notice in writing given to the provincial treasurer not less than six months before the date of the redemption.

Hon. Mr. MCCUTCHEON: May I interrupt now to ask a question?

In the case of the province which operates its own provincial pension plan, am I right in assuming that these restrictions on investment and term—I am talking about interest and term; start with that—would not be applicable?

Mr. THORSON: No, sir, they would not be applicable.

Mr. CHATTERTON: Do I understand from this that the term of maturity shall be 20 years maximum in any event?

Mr. THORSON: That is correct.

Mr. CHATTERTON: Initially, I presume, that would be the term, but as time goes on and we need some of this surplus fund then the term will be less.

Mr. BRYCE: As you get closer to the point where the fund will cease going up and may turn down, then you may call for a shorter term because you will need the funds at an earlier stage.

Mr. CHATTERTON: But the terms of repayment are determined by the minister?

Mr. BRYCE: Yes.

Mr. CHATTERTON: At the time of the purchase of the securities?

Mr. BRYCE: Yes.

Hon. Mr. MCCUTCHEON: Subject to his calling them on six months' notice.

Mr. CHATTERTON: In any event?

Mr. BRYCE: Yes.

Mr. CHATTERTON: In other words, the minister could sell the securities on a 20 year basis and then, after a certain term, he could call for repayment.

Mr. BRYCE: He can call them when he finds that it is necessary in order to meet payments that will be required to be made. These payments will be the payment of benefits, essentially.

Mr. CHATTERTON: Even though the original term was 20 years?

Mr. BRYCE: Yes, even though the original term was 20 years.

Mr. THORSON: But only in the circumstances described in paragraph (*d*), the next following paragraph.

Mr. LLOYD: No matter who has the fund, this kind of investment policy would be the kind of precaution that a minister of finance would take in any event, would it not?

Mr. CHATTERTON: You do not know Mr. Bennett of British Columbia!

Mr. LLOYD: Perhaps I should have used the term "a conservative finance minister".

Hon. Mr. McCUTCHEON: I am not sure that even a conservative finance minister would like to invest in 20 year securities that someone else could call at six months' notice.

Mr. LLOYD: But the contributors likewise would want to be sure that their investments in these kind of funds would be handled in a way that was consistent with the security of their contribution benefit.

The CHAIRMAN (*Mr. Cameron*): There may be differences of opinion, and I do not think we should go into them at this time.

Mr. MUNRO: This is just a safeguard.

The CHAIRMAN (*Mr. Cameron*): I think it is in order to question Mr. Thorson, but we do not want to get into debate on economic and political matters between members. We want to have on the record what Mr. Thorson says.

Mr. LLOYD: I will be delighted to pursue the facts of the plan and to reserve observation until a later time.

Mr. MUNRO: Questions on calling at six months' notice would be better dealt with when the chief actuary is here.

The CHAIRMAN (*Mr. Cameron*): We probably all have our own thinking on the matter, but I do not think it is our thinking necessarily on what might or might not happen that is the important thing. The important thing is what the departmental officials have to say about it; that is what we want to understand so we can make up our own minds.

Mr. KNOWLES: I would like to ask Mr. Thorson a question supplementary to the exchange which took place with Senator McCutcheon a moment ago. He gave the answer that these conditions do not apply to any province operating its own plan.

Mr. THORSON: My answer was strictly a lawyer's answer. As a matter of law, that is the answer.

Mr. KNOWLES: That is an interesting comment. I will not put any adjective on my question.

Will you make some comment, Mr. Thorson, in relation to the discussion we had earlier about a provincial plan having to be comparable to the federal plan in order for the federal plan not to operate in a province. Is there anything in the arrangements for a comparable plan or anything in the agreement that calls for the investment provisions of a province to be comparable?

Mr. THORSON: No, Mr. Knowles. You will recall that the requirement with respect to a provincial plan being comparable to this plan dealt only with comparability as regards benefits. These provisions, in a sense, are not directly germane to the kind of pension plan that would be operated by a province.

Mr. KNOWLES: But it seems to me the security of those benefits might be of interest to those concerned.

Mr. THORSON: I am sure it would be, but I am not sure that could be a subject with which the parliament of Canada could concern itself.

Mr. LLOYD: Mr. Chairman, am I correct that in drafting this bill for the purposes of comparability you are looking at the end result? What is the end obligation of the governments concerned to the beneficiaries? How the government of a province or the federal government arrives at the method of raising the money or administering investment and so on is something you consider can be left out of your thinking because you desire that the benefits be comparable in order to maintain the degree of portability that you are seeking? Is that it?

Mr. THORSON: Yes.

Mr. KENT: Perhaps it should be added, Mr. Chairman, that the power to redeem these securities, of course, is a power that arises if redemption is required in order to pay benefits. A comparable provincial plan in the same circumstances would be faced with the same need to pay benefits, and therefore presumably would be achieving the same financial result—redeeming securities—

Mr. LLOYD: They would be faced with the same actuarial considerations and administrative considerations in general?

Mr. THORSON: Yes.

Mr. CHATTERTON: Is there any provision whereby, if the minister felt he should not recall the loans to the provinces, perhaps for political reasons, he could call on any other fund?

Mr. THORSON: No.

Mr. CHATTERTON: Therefore, he must redeem.

Mr. THORSON: Yes.

Mr. CHATTERTON: Regardless of the political pressures?

Mr. THORSON: That is my understanding.

Mr. BASFORD: But it is also true that the Minister of Finance has to keep three months working capital.

Mr. THORSON: Of course.

Mr. BASFORD: So the chance of running out is extremely slim.

Mr. MONTEITH: If the minister should require, for argument's sake $100 million, is there any indication whether or not he redeems securities *pro rata*?

Mr. THORSON: That is dealt with in paragraph (*d*), Mr. Monteith. Paragraph (*d*) sets out the methods by which the minister may redeem the securities of any jurisdiction whether the jurisdiction is a province or whether the jurisdiction is Canada.

You will see under paragraph (*d*) that a given security is redeemable either in whole or in part before maturity only after all securities of the same jurisdiction as the obligation that we are concerned with, that were issued before the month in which the relevant obligation was issued, have been fully redeemed. Secondly, it is redeemable in whole or in part before maturity only on the basis that the amount that is to be realized at any time by way of redemption of securities of the same jurisdiction held to the credit of the investment fund is the proportion of the total amount to be realized by way of redemption of securities held to the credit of the fund—

Perhaps it would be clearer if I were to read the formula enunciated in the statute.

Hon. Mr. MCCUTCHEON: Please explain it; do not read it!

Mr. BRYCE: They are to be redeemed *pro rata* and in series.

Mr. KNOWLES: That is what the act says.

Mr. CHATTERTON: It is a perfect explanation.

Hon. Mr. McCutcheon: If the minister of finance is redeeming his own securities he redeems them out of what is properly called the general revenues of the country.

Mr. Bryce: Yes.

Hon. Mr. McCutcheon: He redeems them out of tax revenues, and his ability to redeem them depends upon the tax revenues that he can raise at that time.

Mr. Bryce: Or the refunding that he can do.

Hon. Mr. McCutcheon: Or the refunding, yes.

Mr. Bryce: But the same applies to the province.

Mr. Lloyd: You say the same applies to a province?

Mr. Bryce: Yes. If an occasion arises for the redemption of the provincial securities, presumably the province gets the funds in the same way as it would get funds for any other purpose.

Mr. Chatterton: Even in a Social Credit province?

Mr. Bryce: Well, it depends how they get funds there for other purposes. These provisions have been discussed with the provincial treasury officials. They are familiar with them.

Mr. Gray: All the provincial treasury boards?

Mr. Bryce: All the provincial treasury officials.

Mr. Gray: Of all the provinces?

Mr. Bryce: I think it was all the provinces.

Mr. Basford: What is the priority of redemption between federal and provincial securities?

Mr. Bryce: It is in proportion to the amounts held in the funds of the two in the series being redeemed.

The Chairman (*Mr. Cameron*): If that ends this series of questions we shall pass on.

Mr. Knowles: Are the amounts from the Yukon and the Northwest Territories just part of the federal share?

Mr. Thorson: Well, to the extent that the ten provinces do not constitute the entire source of revenue of the fund, then that amount would be available for investment in securities of Canada.

Paragraph (*e*) makes it clear that the obligation must bear interest payable semiannually at the rate applicable under subclause (2), which is the next following subclause, at the time of the issue of the obligation. In other words, whatever the rate was at the time of the issue of the obligation holds throughout the lifetime of the obligation.

Paragraph (*f*) provides that the obligation must be issued in accordance with and must contain such terms and conditions in addition to those I already have described, as may be set forth in any agreement entered into between the minister of finance and the appropriate provincial authorities by whom the obligation is issued. I said "appropriate provincial authorities"; I should have said by the appropriate authority because, of course, the authority in question could be the minister of finance when we are talking about securities of Canada.

Mr. Chatterton: Is it the intention of the government initially to purchase securities on the basis of 20 years repayment?

Mr. Bryce: Yes.

Hon. Mr. McCutcheon: I am not going to refer to the actuarial report but is it fair to say that there is going to be a long period here when the contributions will exceed the payments of benefits, interest, administrative charges, and so on, so that during that period a province or the minister of finance can really settle his interest obligations by further i.o.u.'s?

Mr. BRYCE: Well, the interest has to be paid in cash. The interest will help the fund to accumulate. As the fund accumulates there will be an obligation to invest it in provincial securities.

Hon. Mr. MCCUTCHEON: That is what you call crossing cheques.

Mr. LLOYD: Well, Mr. Chairman, I believe that is what happens with all funding operations; there is nothing different.

Mr. BRYCE: No.

Mr. LLOYD: In that case there must be a good deal of "crossings" going on right now.

Mr. KNOWLES: It is all right; we are just missing the presence of the member from Lapointe tonight.

Mr. THORSON: Subclause (2) deals with the fixing of the interest that is to apply on any security that may be purchased by the minister of finance under the preceding clause. The subclause provides that the rate shall be calculated in the case of an obligation that has a term of maturity of 20 years on the basis of the average yield to maturity of all outstanding obligations of the government of Canada, and I should say by that, obligations that are not limited or restricted as to negotiability, that have terms to maturity of 20 or more years. In arriving at the average yield to maturity the outstanding obligation of the government of Canada having such terms are to be weighted according to the amounts of the obligations then outstanding.

Hon. Mr. MCCUTCHEON: That might produce a rate of interest different from the interest that the government of Canada at the moment could sell 20 year obligations. I am putting that in the form of a question and not a statement.

Mr. BRYCE: Presumably these are the market yields, and if the government of Canada were going to issue securities of that term what it could issue them for would be determined in large part by what the market is willing to pay for securities of that kind.

Hon. Mr. MCCUTCHEON: That is not what this subclause says.

Mr. BRYCE: Well, this subclause speaks of the average yield to maturity of outstanding obligations.

Hon. Mr. MCCUTCHEON: Weighted according to the amount of these obligations outstanding?

Mr. BRYCE: Yes.

Hon. Mr. MCCUTCHEON: Well, that to me seems to be an additional factor introduced into this, which might mean that the rate of interest might be less or it might be more than the government of Canada at that moment could sell 20 year securities.

Mr. BRYCE: Well, it should not be far out.

Hon. Mr. MCCUTCHEON: It would not be far out; I am just saying it could be out.

Mr. BRYCE: Yes.

Mr. BASFORD: Would this rate of interest also apply to short term securities?

Mr. BRYCE: No.

Mr. THORSON: Paragraph (b) deals with obligations that have terms to maturity of less than 20 years. Here the minister is directed to look to the average yield to maturity of all outstanding negotiable obligations of the government of Canada that have terms to maturity within a range comparable in average duration to the term of the obligation in respect of which the calculation is being made, and weighted according to the amounts of these obligations that are then outstanding.

Under subclause (3), the minister of finance when he has fixed an interest rate for the purpose of subclause (2), is to give notice what rate was fixed by publication of the rate in the Canada *Gazette*.

Hon. Mr. MCCUTCHEON: Does that mean a monthly notice in that publication?

Mr. THORSON: Well, there would be a publication if there was a change in the interest rate.

Mr. BRYCE: There is almost bound to be. This is figured to a decimal point and, presumably, there will be a monthly determination.

Mr. KNOWLES: Why is the minister required to publish this rate of interest in the Canada *Gazette* but not required to publish the rate of interest that the minister fixes in respect of payments on what is in the operating account?

Mr. BRYCE: Presumably, this is to let all the provinces know officially the rate with which we are dealing.

Mr. THORSON: In this way there could be no doubt about the rate that would prevail should they wish to offer securities for purchase during that month.

Hon. Mr. MCCUTCHEON: Surely the rate applicable to the operating account would be the treasury bill rate?

Mr. BRYCE: We were speaking about that earlier, senator. Presumably it will be either the rate we pay on treasury bills to finance short term obligations or the rate that we get from the banks on our balance; in other words, the rate on the excess balance held with the bank, which is close to that other rate. There possibly might be some adjustment if it turns out the monthly balance fluctuates a good deal, so I would like to preserve our position on that until we see what the pattern is.

Mr. KNOWLES: But that rate will become public information?

Mr. BRYCE: Oh, yes. I assume there will be questions asked in the house concerning it.

Mr. KNOWLES: Yes, you have been around a while. You are an oldtimer.

The CHAIRMAN (*Mr. Cameron*): We will now proceed to clause 114.

On Clause 114—*Effects of regulation made under subsection (2) of section 3.*

Mr. THORSON: This is the clause that was mentioned earlier in connection with clause 3. This clause describes the results that follow from any regulation that is made by the governor in council under subclause (2) of clause 3, whereby the province is prescribed as being a province providing a comprehensive pension plan. You will see that where any regulation has been made under the authority I mentioned, two consequences follow, firstly, all obligations and liabilities that had accrued up to the date when the regulation became effective and for the assumption of which the law of the province made provision, cease to be obligations and liabilities under the Canada pension plan from and after the date on which the regulation became effective.

Hon. Mr. MCCUTCHEON: Of course, I take it this applies only to a province that sets up its own plan after the effective date of this plan?

Mr. THORSON: Yes, that is correct. Otherwise, of course, there will be no obligation and liabilities to be assumed under the provincial plan.

Hon. Mr. MCCUTCHEON: In other words, it relates to a province which five years from now decides to set up it own plan?

Mr. THORSON: Yes. The second consequence is dealt with in paragraph (*b*). This imposes an obligation on the minister of finance to pay an amount, which is to be calculated in the manner set out in subclause (2) of this clause, to the government of the province concerned. That amount is to be paid by the transfer to the government in the first instance and to the extent that it may be necessary, of the securities of that province that are held to the credit of the investment fund. In the second instance there would be transferred to the extent necessary for the purpose securities of Canada held to the credit of the fund, and should it be necessary, should there be any remainder to be paid, there would then be transferred the balance in such manner as will be prescribed.

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

Mr. THORSON: Subclause (2) deals with the calculation of the amount that is to be transferred by the minister of finance to the government of a province in the circumstances described in subclause (1), that is to say when the province has been prescribed as having its own pension plan.

The amount is calculated by the minister by adding two amounts, the total of all contributions that have been credited to the account, up to the date when the regulation became effective, that derive from employment in that province or self-employed earnings that have been earned by persons residents of that province. To that amount is added such part of any interest that has been credited to or that has accrued to the credit of the account up to the date when the regulation became effective as derived from the contributions mentioned in paragraph (*a*).

Hon. Mr. MCCUTCHEON: How do you calculate the interest that you are going to turn back? Surely you cannot calculate it in respect of the contributions because contributions would not necessarily be in the same proportion.

Mr. BRYCE: We are going to have to keep detailed records of the payments in and the payments out in respect of each particular province.

Hon. Mr. MCCUTCHEON: That is all I want to know.

Mr. BRYCE: This will be done by a computer.

Hon. Mr. MCCUTCHEON: In other words, as well, you are going to keep track of the payments in and the payments out?

Mr. BRYCE: Yes.

Hon. Mr. MCCUTCHEON: I take it you are going to charge your administration on a general *pro rata* basis?

Mr. BRYCE: Yes. Now, to complete my answer to your question, there may be some difficulties where we have different rates of interest owing to the fact that we have to allow the interest payable on the operating balance, so to speak, and things of this sort, but I assume we can resolve this with reasonable equity.

Hon. Mr. MCCUTCHEON: By and large the interest will be charged on what I might call the net balance and payments in and payments out, like administration charges.

Mr. BRYCE: Yes.

Mr. CHATTERTON: But the amount that is to be paid to the provincial government, except in so far as interest is concerned, does not depend on the payments out.

Mr. BRYCE: Mr. Thorson is coming to that.

Hon. Mr. MCCUTCHEON: This means the formula is a different formula to the formula in respect of amounts payable for investment?

Mr. BRYCE: Yes.

Hon. Mr. McCUTCHEON: It hardly is an administrative difficulty that sets the formula for investment; in other words, you are going to keep nine sets of books.

Mr. BRYCE: Buried away in the computer will be all these records. Stored in the memory of the computer will be sufficient information to constitute these accounts if necessary, but we would not propose to keep these accounts in our regular books.

Mr. BASFORD: We are delighted to note Senator McCutcheon mentioned we would have nine sets of books.

Hon. Mr. McCUTCHEON: The minister suggested we did not want ten and I suggested we certainly were not going to have ten anyway.

Mr. KNOWLES: But it is good to know from an Ontario senator that we have nine.

Mr. THORSON: From the total of the two amounts described in paragraphs (*a*) and (*b*) there would be subtracted, in arriving at the amount to be transferred, two separate amounts described in paragraphs (*c*) and (*d*).

Paragraph (*c*) describes the amount of the benefits that have been paid but that would not have been paid if the province in question had been a province having its own pension plan from the inception of the federal plan.

Paragraph (*d*) describes part of the cost of administration of the act up to the time when the regulation became effective, computed according to the proportion—such costs of administration up to that time that the total of the contributions referred to in paragraph (*a*)—that is to say, the contributions that derive from employment or self-employed earnings in that province —is of the total amount of all contributions credited to the account up until the same day.

Subclause (3) again has in contemplation the situation described in subclause (1). Under this subclause, the minister is authorized to enter into agreements with the government of a province that has given notice of its intention to establish its own plan, that would permit the furnishing to that government, under specified circumstances, of all information obtained up until that time relating to earnings and contributions. It also generally would permit the exchange of information and other data so as to enable the province to assume the obligations and liabilities that had accrued up until that time under the Canada pension plan.

Hon. Mr. McCUTCHEON: This is the same type of provision of cross-information that was provided earlier in respect of a province that initially operates its own plan.

Mr. THORSON: Yes, but it authorizes the exchange of such information in anticipation of the establishment of the plan so that the plan may be effective and may assume the obligations and liabilities which must be assumed.

Mr. MONTEITH: What time do we meet again, Mr. Chairman?

The CHAIRMAN (*Mr. Cameron*): It now is five minutes after ten. We have 11 more clauses to deal with.

Mr. MONTEITH: We cannot finish them all.

The CHAIRMAN (*Mr. Cameron*): I was hoping perhaps we might meet tomorrow morning at 9.30 and endeavour to finish by 11 a.m.

Mr. KNOWLES: We might meet from 9.30 a.m. to 11 a.m. and then decide what we will do.

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

APPENDIX "R"

CANADA PENSION PLAN

COSTS OF ADMINISTRATION

I. Estimated Expenditures by Department in 1966

Department of National Revenue	$5,709,000
Department of National Health and Welfare	1,466,000
Comptroller of the Treasury	60,000
Unemployment Insurance Commission	406,000
Data Processing (Rental and operating)	312,000
Total	$7,953,000

II. Estimated Expenditures for all Departments

1966	$ 7,953,000
1967	8,372,000
1968	8,422,000
1969	10,077,000
1970	11,719,000
1971	13,101,000
1972	14,607,000
1973	14,838,000
1974	15,570,000
1975	16,416,000

III. Actuaries' Estimate of Administration Expenditures

On page 14 of the short range estimates of the chief actuary, he indicates in his principal assumptions that he assumes expenses of administration will be 0.1% of contributory earnings.

On page 15 (Table 2) and on page 17 (Table 6) he shows the estimated administrative expenditures on the basis of two assumptions; the first, on a 3% annual rate of increase in earnings (Table 2) and the other on a 4% annual rate of increase in earnings (Table 6). These are as follows:

Year	Table 2 3% increase in earnings	Table 6 4% increase in earnings
1966	$12,200,000	$12,200,000
1967	12,700,000	12,800,000
1968	13,300,000	13,400,000
1969	13,900,000	14,100,000
1970	14,400,000	14,700,000
1971	15,000,000	15,400,000
1972	15,700,000	16,100,000
1973	16,300,000	16,800,000
1974	17,000,000	17,500,000
1975	17,600,000	18,300,000

APPENDIX "S"

ECONOMIC IMPLICATIONS OF THE CANADA PENSION PLAN

Department of Finance
December 10, 1964.

ECONOMIC IMPLICATIONS OF THE CANADA PENSION PLAN

1. *Introduction*

The purpose of this report is to provide a framework in which the operations of the Canada Pension Plan, together with the comparable Quebec Plan, can be considered in the perspective of the Canadian economy as a whole. Essentially, the Pension Plan will provide for the transfer of income from the active working force to those who are retired, as well as certain benefits to survivors and the disabled. Initially, it will provide for the accumulation of a fund in the hands of provincial governments until the payment of benefits under the Plan reaches the aggregate level of the contributions plus interest earnings. The inauguration of the Plan will bring into operation a new set of transactions which will affect major economic relationships in a variety of ways. While it is not possible to specify the exact effects of these transactions, nor the reactions to them, it is possible to form some view as to the potential size of their impact on the economy under varying assumptions, and to establish a range for the orders of magnitude which seem likely to be involved.

The actuarial data which form the basis of this assessment are set forth in the following Table, for the years 1966, 1975 and 1985. These data, which are derived from the Actuarial Report on the Canada Pension Plan, have been adjusted upward by one-third to provide approximate totals for all of Canada including the Quebec Plan. In order not to minimize in any way the effects in 1985, the analysis for that year has been based on the "high-cost" estimates which appear in the Actuarial Report, that is, on the low-immigration, low fertility assumptions. For this estimate, the actuary has assumed that average earnings increase at 4 per cent annually, while the Consumer Price Index increases at 1½ per cent anuually until 1975 and at 2 per cent annually thereafter.

ACTUARIAL ESTIMATES
(estimates for all of Canada)

	1966	1975	1985
Employee Contributions	252	376	664
Employer Contributions*	252	376	664
Contributions of Self Employed	64	127	259
Total Contributions	568	879	1,587
Benefit Payments	—	497	1,853
	568	382	—266
Less admin. expenses	—16	—24	—45
Build-up of Reserve (apart from interest)	+552	+358	311

For comparative purposes, some figures of major economic aggregates are given below. These estimates have been derived from the earnings and population figures in the Actuarial Report. They are not a forecast of future developments; rather they are a set of projections consistent with the actuarial calculations and are a necessary tool in the economic analysis which follows. A description of the derivation of these figures is given in Appendix "A".

PROJECTIONS OF SOME MAJOR ECONOMIC AGGREGATES
($ billions)

	1966	1975	1985
Gross National Product	50	88	157
Labour Income	25	44	79
Corporation Profits (before taxes)	5	8	15
Personal Disposable Income	35	60	109
Consumer Expenditure	32½	56	101
Personal Saving	2½	4	7½
Business Saving	7½	13	22½
National Saving	10	17	30

Note: Figures have been rounded off to the nearest half million.

*This Report is founded upon the Actuarial Report which does not take into account the fact that Employer Contributions will be somewhat greater than the Employee Contributions due to the operation of the contribution and refund provisions of the Bill on the Canada Pension Plan.

2. *The Framework of the Analysis*[1]

An appropriate framework for considering the aggregate economic effects of the Pension Plan is provided by the National Accounts prepared by the Dominion Bureau of Statistics for economic purposes. In the National Accounts, the economy is grouped into three major sets of transactors called "sectors" —the consumer (personal) sector; the business sector; and the government (public) sector. A fourth group, the non-residents sector, is fitted into this system to take account of transactions in goods and services occurring between each sector and the rest of the world (Canada's current account in her international balance of payments). Each of these four major groups of transactors receives income, has an outgo of expenditure, and generates saving (or, where expenditure exceeds income, dissaving). The sum of the savings of the consumer, business and government sectors, i.e., national saving, provides the source of funds for the financing of capital investment, supplemented, as has been the case in recent years, by investment from abroad, represented by the balance on the non-residents sector account.

The Pension Plan will alter the flow of income, outlay, and saving in each of the three main groups—consumers, businesses, and governments. For the consumer group, the effects are twofold. The employee's contribution to the Pension Plan represents a reduction in his income, and this initially must bring about either a reduction in his spending or in his saving. At the same time, the benefits paid by the Pension Plan represent income for a different group of consumers, the aged (or the disabled), whose ratio of spending out of income is high, and whose saving rate is low, or sometimes negative. The net effect is thus to transfer income from individuals working to a particular group of consumers having a low rate of saving. After this initial impact, of course, the employee may succeed in gaining higher wages, which produces further effects which are taken into account below.

For the business group, the employer's contribution represents an addition to business costs. This increase in costs would initially bring about a reduction in profits, and thus a reduction in business savings, or in dividends paid out to shareholders, except to the extent that it may be offset through consequential price increases or the granting of smaller wage increases than would otherwise be granted.

For the government sector, these contributions from employees and employers constitute a form of revenue, in economic terms, and the benefit payments (and administrative costs) a form of expenditure. The build-up of the pension reserve constitutes an addition to the saving (or a reduction in the dissaving) of the public sector.

In this over-simplified exposition, the operation of the Pension Plan can be seen to result in a transfer of funds from savers (workers) to spenders (the retired) via the public sector, but in the early years of the Plan a large part of these funds is being stored in the saving of the public sector. An initial reduction in personal and business saving is accompanied by an increase in government saving represented by the build-up of the reserves—but after the first year a growing part of the funds transferred is paid out to consumers whose propensity to save is low.[2]

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[1] This section sets out the line of approach which is followed in most of this report, but the exposition at this point is necessarily somewhat over-simplified. Various complicating assumptions are introduced later to illustrate the impact of the Pension Plan under differing sets of conditions.

[2] For illustration, see examples given at Appendix B, sections A(1) and A(3).

At this point it will be helpful to distinguish between the initial, short-run effects of the Plan, and the longer-run effects once the Plan has reached a stage of maturity where reserves are no longer being accumulated.

In 1966, when the plans begin, virtually all the contributions by employees, employers and self-employed to the Pension Plan will represent withdrawals from current income; in the first year of the Plan there will be no benefit payments, and the Fund will begin to accumulate. The initial impact of these operations, considered by themselves, will depend upon whether individuals cut their saving or their spending in that year in order to pay the contributions. The impact will also depend upon the extent to which the payment of contributions gives rise to changes in wages and prices at this stage. Since the reserves will be made available to the provincial authorities, the uses which they make of these reserves will also have an impact on the economic, the chief issue being the extent to which they increase their total borrowing or substitute this Pension Fund borrowing for other forms of borrowing.

Once the plans have matured, and the total of contributions match the total of benefits, the net result will be a transfer of funds from those working to those who are retired, and, broadly speaking, from those who are inclined to save to those who are less inclined to save. The subsequent analysis will indicate the magnitude of the transfer, assuming that basic relationships in the economy have not changed. In fact, adaptations and adjustments will take place continuously, and some comments will be offered on this aspect.

Some of the magnitudes involved in these transactions are outlined in the following pages. But first some comment must be made on the important question of incidence, and on other problems encountered in the analysis.

3. *The Incidence Question*

The economic effects of a payrolls levy, whether paid initially by the employee or by the employer, cannot definitely be determined and expressed in a single set of estimates because the ultimate incidence of the levy will depend on market forces. It will depend on the type and degree of "shifting" that takes place, and this will vary according to circumstances which differ from firm to firm, from industry to industry, and from time to time.

Employees may attempt to maintain their income position and endeavour to pass the cost of the levy on to the employer in the form of an increase in wages at the next opportunity. Alternatively, they might take the view that their contributions represent payments for future benefits whose cost they are prepared to carry. The employer will find his total and marginal costs increased by his own payroll contributions, and may be expected to react normally by endeavouring to adjust the prices of his products or services so far as market conditions allow. In other cases he may endeavour to keep his costs down by making smaller increases in subsequent wage adjustments. But the success of the employee in transferring the levy to the employer through higher wages, or of the employer in recouping his higher costs through price rises or by smaller wage increases will depend upon a wide variety of factors, including the strength of the labour market, union power and policy, the strength of the market for the product or service of the firm, competition at home and abroad, and many other factors which will vary by firm and by industry. None of these factors or their effects is measurable in any exact way. This shifting process remains indeterminate and unpredictable.

Despite lack of knowledge of the shifting and incidence process, it is possible to make a broad quantitative evaluation of the effects of the Pension Plan under certain assumed situations. This can be done by specifying the conditions which mark off the upper and lower limits to the shifting process, then working out the quantitative implications at these limits. This is the procedure generally followed in the examples which are give in Appendix "B".

For example, in a situation of "no shifting"[1], if the employee is unable to shift the cost, his disposable income is reduced and, other things being equal, his personal saving or his personal spending must decline. If the employer is unable to shift his share of the cost, business profits are reduced and, again other things being equal, business saving declines. In this situation, there is no change in end-product prices, but a reduction occurs in personal income and savings or spending, and in business income and savings. The analysis indicates the limits within which this will lie.

At the far end of the spectrum, in a situation of complete "forward shifting",[2] where the employee succeeds in transferring the cost of the levy to the employer, and where the latter in turn succeeds in shifting both portions forward to the ultimate purchaser, end-product prices will rise. In this situation, both employee (personal) income, and business income, will remain unchanged in money terms. But, in terms of their ability to command real goods and services, these unchanged money incomes have in fact been reduced by the rise in prices. The figures in the Appendix suggest that the initial price rise required to pass on these increased costs in such circumstances would be of the order of one per cent. The situation thus created must be expected to lead quickly to a number of other adjustments in all three sectors of the economy as consumers, businesses and governments respond in various ways to increased price and cost levels. Some will be prevented by market forces or other reasons from increasing their own prices, wages or other receipts and consequently will have to adjust their expenditure and saving to take account of this limitation on their incomes.

Finally, at the opposite end of the spectrum, in a situation of "backward shifting",[3] the employer might succeed in passing the cost of his contribution back on to the employee who must then carry both shares. In this situation, business income remains unchanged, but employee disposable income is reduced, and, other things being equal, personal saving or spending must decline. The analysis can tell us here how much of a reduction in personal income, saving or spending might be involved.

From what has been said above, it is clear that whether the cost is borne by the individual employee and employer, or is shifted forward to the ultimate purchaser, the *initial* result of the payrolls levy is to reduce command over goods and services on the part of workers and businesses. In two cases ("no shifting" and "backward shifting"), this is accomplished by a reduction in money incomes; in the other case ("forward shifting"), by a rise in the price of goods and services purchased by consumers and businesses, out of unchanged money incomes.

Thus, while this type of economic analysis is dependent upon assumptions about the shifting process itself, it can tell us much about effects and orders of magnitude involved under various alternative assumptions.

Other Problems of Analysis

In addition to the problem of incidence, there are two sets of reactions which are difficult to judge in arriving at some assessment of the impact of the Pension Plan. The first involves the amount of private saving that will be diverted to this public plan. To the extent that saving which has hitherto taken place in the private sector is now stored in the public sector, there is no

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[1] See Appendix "B" Section A

[2] See Appendix "B" Section B

[3] See Appendix "B" Section C

effect on private spending, but simply a transfer of saving. The second reaction to be considered involves the use to which provincial authorities put the pension fund reserves. If provinces increase their spending as a result of the Pension Plan, this would involve a transfer from private saving or spending to public spending. Some comments will be made substantially on both these aspects.

There is a further important limiting factor which attaches to the analysis and which needs to be borne in mind. The economy is a very dynamic system, and economic effects which come about at the first stage of any given process have second round and later effects which feed back and alter the relationships which were present in the first round. Thus, the initial impact of the payrolls contribution is to reduce a personal income, business income, or both, in either money or real terms. However, there are offsets which take place through changes in government transfer payments, changes in tax liabilities, the general level of prices, and changes in imports, among others. Efforts to take into account these many secondary and later effects lead us to the conclusion that they do not alter greatly the general direction or orders of magnitude and the effects as outlined here in terms of first round effects. These secondary effects are more significant in those cases where there is forward shifting and the distribution of the burden of the contributions is largely determined by the interplay of market forces.

Another consideration is the effect of general economic conditions prevailing during the process of adjustment, particularly regarding the degree of unemployment or economic slack that may exist in the economy at the time. These conditions will affect the market forces which determine the shifting, forward or backward, of the cost of the contributions. They will also have a bearing upon whether the transfer of the resources from workers to pensioners who are more inclined to spend, would give rise to increased production and employment, and consequently to higher incomes generally, or whether this transfer would give rise primarily to price increases. In the long term analysis in this paper it has not been practicable to take variations in this influence into account.

4. *The Business Sector—Costs, Profits and Prices*

From the point of view of business, the principal immediate effect of the Pension Plan will be an increase in payroll costs. The first important consideration is to assess whether this increase is so large as seriously to effect the position of the export industries and the import competing industries. The following section discusses the amounts involved, in relation to other elements in the cost and price structure.

In circumstances in which cost of the contributions is not shifted, the combined cost in 1966 for business employers and self-employed persons, is estimated to be $316 million. Of this amount, self-employed persons would contribute $64 million. The remaining $252 million is paid by employers, and may properly be regarded as an addition to labour costs—an additional "fringe benefit". Since it is projected that labour income in 1966 will amount to about $25.0 billion (Appendix "A"), this would represent a maximum increase of about one per cent on total labour costs.[1] This figure needs to be reduced by the extent of present employer contributions to other plans which would be diverted to this Plan. This diversion is difficult to forecast but could well amount to enough to reduce the cost of employers to perhaps 0.8 per cent of total labour costs.

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[1] The levy of 1.8 per cent applies initially only to incomes up to a $5,000 ceiling and there is an exemption for the first $600 of income. Also, labour income includes many fringe benefits and supplements on which contributions are not calculated.

During the past decade, average wages and salaries in Canada have risen, on balance, by 3 to 4 per cent each year. Tables showing average rates of increase in selected industries are given in the attachments to this memorandum (Appendix "C"). This average annual increase in labour costs is substantially greater than anything involved under the Canada Pension Plan. Considering that increases of 3 per cent or more have been absorbed each year, on average, with little recent change in the price level (productivity gains having substantially offset the rise in costs), there is little reason to believe that the amount involved in the payroll levy will give rise to any major disruption in the structure of costs, profits or prices. Any cost and price increases of this nature would only occur at the time when the contributions commence or much later when the contribution rate might be increased.

The main impression to be derived from these figures is that the orders of magnitude involved are small when considered in the perspective of the economy as a whole. As a proportion of labour costs, the business share of the levy involves a maximum increase only of the order of one per cent, and possibly less. The effect on profits before tax, assuming no shifting, would be a maximum of 4 per cent. There is nothing in this picture to lead one to conclude that the inauguration of the Pension Plan will greatly alter the structure of costs and prices or seriously impair the capability of businesses to generate funds for expansion.

Even though the amounts are relatively small, there is a net additional cost to business, and it is appropriate to consider this in relation to Canada's international competitive position. In this connection, it may be noted that the declne in the foreign exchange value of the Canadian dollar during 1960, 1961, and 1962 improved the competitive position of Canada's export and import-competing industries of better than 10 per cent. The relative stability of costs and prices in Canada in the face of recent rapid increases in the cost and price levels of European and other overseas countries has further strengthened Canada's competitive position. In relation to these developments, the potential cost and price effects of the Pension Plan appear manageable.

It would be appropriate at this point to examine briefly the cost of all social security schemes in Canada in relation to the value of total output. It is sometimes feared that "excessive" social security costs will affect adversely the competitive position of industry and the growth rate of the economy. This is a real consideration, but there can be no hard or fast rules which determine when social security costs become "excessive".

One way of looking at this problem is to examine what other countries spend on social security. There has not been, to our knowledge, any detailed comparison of a large number of countries since a study was made by the I.L.O. in 1961 comparing social security outlays in the period 1949 to 1957. The results for certain countries are presented below:

Government Outlays on Health and Social Welfare as a
per cent of Gross National Product at Market Prices
1957

Country	
Germany	16.1
France	13.9
Italy	11.7
Sweden	11.7
New Zealand	11.1
United Kingdom	9.3
Australia	7.5
Canada	6.8
United States	5.2

These figures show Canada in 1957 well below most major industrial economies in relative outlays on public health and welfare plans. The growth performance of most of these countries since 1957 does not support the suggestion that high outlays on social security hinder economic growth.

We have at hand no data for all of these countries in more recent years. However, the following table shows relative outlays in 1962-63 for five of the countries.

Government Expenditure on Health and Social Welfare as per cent of Gross National Product at Market Prices
1962-63

Country	
New Zealand	12.1
United Kingdom	10.5
Canada	9.4
Australia	8.2
United States	7.0*

Source: Research and Statistics Division, Department of National Health and Welfare, Ottawa.

There are two observations worth making. First, the proportion spent by all five countries increased between 1957 and 1962-63. Second, the Canadian proportion in 1962-63 was still below that reached in 1957 in many major European countries.

5. *Personal Income, Spending and Saving*

The effect of the Pension Plan on the consumer sector will depend upon the degree of shifting which takes place and the way in which consumers adjust to changes in their income position by altering their spending or saving patterns. Various combinations and alternatives are assessed in Appendix "B". Where employees bear the cost of the levy themselves, they must adjust their spending or saving in 1966 by a sum of $252 million less any diversion of contributions from private to public plans, to offset the amount deducted from their disposable income. Self-employed persons must absorb an additional $64 million, less the diversions in their case from private savings plans, unless they are able to shift it forward. These figures will be reduced by an amount estimated at $43 million which will be borne by governments through reduced individual income taxes, since these contributions can be deducted from taxable income. If the total of $273 million all came out of personal saving, it would represent about 11 per cent of a projected total of $2.5 billion of personal saving in 1966. If it all came out of consumer expenditure it would amount to about 0.9 per cent of total consumer spending. As the plan matures, consumer spending out of benefit payments will show a progressive increase; by 1975, even if the working group of consumers were to cut back their spending by the full amount of the contributions which they pay, total consumer spending would increase slightly, on balance, as a result of the Pension Plan.

Both of the extreme positions which have been suggested as regards shifting are improbable; employees are unlikely to succeed in shifting all of the levy forward, and employers are equally unlikely to succeed in shifting it all back on to the employee; but each group may succeed to some extent depending

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*Includes Old Age Survivors' Insurance. Combined rates of contribution on payrolls by employers and employees have been increased as follows:
January 1, 1960 from 5% to 6%
January 1, 1962 from 6% to 6¼%
January 1, 1963 from 6¼% to 7¼%
January 1, 1966 from 7¼% to 8¼%

upon its market power. At the same time, it is most unlikely that a change in consumer income would be reflected either wholly in consumer spending, or wholly in consumer saving. The most likely outcome would be some combination of the two, where a reduction in income results in a reduction in both spending and saving.

The effects on personal saving of the various combinations are shown in the Appendix. As would be expected, the most serious effects occur if there is backward shifting and the consumer maintains his spending. If there is no shifting, the impact upon consumer saving would be a reduction of $171 million a year if the contributions, after allowing for tax reductions and diversions from existing plans, had an equal effect on spending and on saving. It would be $273 million a year if the net burden of the contribution resulted wholly in a reduction in saving. To the extent that there is forward shifting of the burden of contributions from the employee to the employer the impact upon consumer saving will be reduced in the first instance, but to the extent that the employer shifts forward the burden of his own contributions and what is shifted forward to him, there will be secondary effects on consumer savings arising out of the ensuing higher price levels.

While the above figures indicate some of the limits that may be reached in the effect of the Plan on personal savings, it would be fair to suggest that the figures over $200 million seem likely to be highly improbable. If past experience is a guide, individuals will probably leave neither their spending nor saving unchanged. Over many years the ratio of personal saving to personal income appears to be reasonably stable and if incomes change, savings do as well. Accordingly, the contributions in 1966 will most certainly fall on both saving and spending. Just how much will fall on each is difficult to judge. If persons retained their average savings rate of about 7 or 8 per cent of disposable income, the effect would, of course, fall largely on spending. It seems likely that the initial impact on saving will be more than 7 or 8 per cent of the contributions because spending habits tend to persist for some time during an adjustment to change in income. Moreover, it would seem reasonable to expect that many persons would take into account the fact that the Pension Plan will be reducing their need to save for retirement and they will be ready, therefore, to reduce their savings in other forms. However, other influences will also be at work as time goes on. It is said that the existence of moderate pension plans frequently encourage their beneficiaries to save more because a reasonable living during retirement seems possible on the foundation of such a pension plan. The historical record in Canada and other countries suggests that increased public provision for retired people is not accompanied statistically by a reduction in the personal savings ratio.

Clearly one of the important considerations is the amount of personal saving at present going into private pension funds which might be diverted to the new Pension Plan.

In 1960, there were 1,815,000 workers covered by employee pension plans of all kinds. About 400,000 of these were in plans run by the federal or provincial governments, where generally contributions are paid into the relevant Consolidated Revenue Fund and pensions are paid out of it.

Private pension plans usually create "funds" to meet future pension obligations. Pension contributions, both employer and employee are paid into the fund, which purchases earning assets and records the future liability of the fund to the contributor. The fund may be held and administered by a trustee, or by an insurance company, or (in cases where federal government Group Annuity Plan is used) by the federal government. The trustee may be an individual, or a group such as representatives of employers and employees, or a trust company.

The accumulated assets of trusteed pension plans in 1962 amounted to $4,572 million. This total had been accumulating in recent years at a rate of

12 per cent or more each year, reflecting both a rapid rate of increase in contributions and high average earnings on the assets, including capital profits.

The calculated assets of life insurance group annuities in Canada in 1962 amounted to $1,606 million, and the amount of the federal government group annuities plan totalled $625 million, carried as a part of the public debt of Canada. Total of all these funded plans, therefore, amounted to $6,803 million.

Contributions to funded plans in 1962 amounted to an estimated $667 million. These contributions were made by, and in respect of about 1,500,000 employees, we estimate. These employees amounted to 23 per cent of the labour force in that year, and to about 27 per cent of those who would be expected to contribute to the Canada and Quebec Pension Plans. If, to take the extreme case, all of these employees were to divert from their contributions to existing plans an amount equivalent to their contributions to the new Pension Plan, this would amount in 1966 to perhaps $70 or $75 millions. However, it is to be expected that, in many instances, part or all of the new Pension Plan contributions will be additional to present private arrangements. This would mean, of course, that the amount diverted from personal savings in private pension plans would likely be much less than $70 million in 1966.

The integration of existing government plans into the Canada Pension Plan does not affect personal savings in the sense defined in the national accounts. In the case of the federal government Public Service Superannuation Act, the amount which had hitherto been deducted from salary will continue to be deducted as before. What is different under the Canada Pension Plan is that funds which had been counted as federal government receipts (in a national accounts sense) or as cash receipts of the federal government will (after payment of benefits and administration) be available to the provinces. In 1966, this will amount to approximately $13 million, an amount to be matched by the federal government in its capacity as employer. However, in an aggregative, economic sense, the funds still remain as receipts (and, as such, as part of the fund of national saving) in the public sector. They will have been diverted from the federal government to provincial governments.

6. *The Public Sector*

It will be noted that in all of the examples given in Appendix "B", the "saving" of the government sector is seen as being equal to the excess of government receipts over government outlay, and this in turn is equal to the build-up of the pension fund (adjusted for administrative expenses), less the loss of general government revenue resulting from the effect of the deduction of contributions for income tax purposes. Thus, in the first three examples of Appendix "A":

	1966	1975	1985
		($ millions)	
Receipts from pension reserve fund (actuarial estimates) (apart from interest payments)	568	879	1587
Less benefits and administrative expenses	— 16	—521	—1898
Less loss of general revenue due to allowance for individual and corporation tax purposes	—106	—163	— 293
Change in saving of government sector (as per examples in Appendix "B")	+446	+195	— 604

This "saving" in the public sector in the early years, which is represented in a broad sense by the build-up of the pension reserve (apart from interest payments which represent a transfer within the government sector) constitutes a net transfer of funds from the private (personal and business) sectors to the government sector. But it is not possible to say what effects this initial increase in government saving, or the eventual dissaving, will have on the economy in and of itself; the change in government saving cannot be viewed in isolation from what happens to personal and business saving. If, as is likely in 1966, personal and business saving should be reduced by less than the increase in government saving, the net primary effect on the economy would be a reduction in total expenditure. This situation would occur where consumers reduced their spending to make their pension contributions. In this situation, the "first round" effect on the economy would be a reduction in demand. In subsequent stages which are outside the scope of the "round one" effects, but which would follow quickly, other factors would have their impact. Among them is the fact that the pension fund reserve will be available as a source of financing for provincial government programmes, and could affect the total of government outlays in the economy, if a net increase in government spending were to result from the availability of these funds. In the later stages of the Pension Plan, as it approaches maturity, as illustrated in the figures for 1985, the effect of this on the public sector is markedly different. At that stage the receipts from contributions as shown by the actuary are $266 million less than the benefits being paid, and administrative costs are forecast at another $45 million. This net dissaving of $311 million in the Pension Plan would be almost wholly financed by the interest paid on the amounts previously borrowed from the Fund which interest the actuary estimates at about $300 million in that year.

Initial Impact

It would be well at this point to bring together some of the implications to the economy of the introduction in 1966 of the Pension Plan.

As indicated above, it is likely that the build-up that year of public savings through the plans will exceed any declines in private saving. The consequence is that there will likely be some net reduction in expenditures. This net reduction will not, however, be equal to the gross amount of contributions, estimated at about $568 million. It will, in fact, be considerably lower as a result of:

(1) Declines in personal and business saving, including the diversion of contributions from private plans to these new public plans.

(2) Declines in income tax liabilities, since contributions can be charged to personal and business income.

Moreover, to the extent that provincial authorities increase their spending, due to the availability of Pension Plan reserves at slightly lower rates of interest than they have been paying, there would be an offset to the withdrawal of purchasing power represented by the effect of the contributions on expenditure.

While no precise net result can be derived with respect to the above factors, there are a number of relevant observations than can be made:

(1) The reduction in tax liabilities in 1966 has been estimated arising from the payment of contributions at $106 million, assuming no other changes occur in the economy.

(2) The contributions will probably bear on personal spending to a greater extent than on business spending on capital investment and inventories. Indeed, economic analysis suggests that business investment is determined to a large extent in the short run by such factors as current and prospective size of markets, degree of plant utilization and the need for modernization, as well as levels of

profits and cash flows. The additional cost to business of the contributions seems unlikely substantially to affect business investment in 1966.

(3) The effect on total output (Gross National Product) of any reduction in expenditures will be lessened by some reduction in imports of goods and services from abroad, since a significant part of Canadian incomes is spent on foreign-produced goods and services.

(4) It must be expected that employers and some of the self-employed will increase the prices of what they sell as a result of the increase in costs arising from the contributions they are required to pay. This "second round" effect will result in higher expenditures in current dollars, and will redistribute the original impact of the contributions, but will not obviate the need for changes in expenditure or saving after allowing for price changes that are required to balance the accumulation of reserves or the increased public expenditure made by borrowing from such reserves.

(5) Subsequent to 1966, benefit payments will, of course, augment private expenditure and offset declines arising from the initial impact of the contributions.

The net impact of the Pension Plan on demand will be an important factor in the development of total demand in the economy that year, and governments will no doubt take it into account in determining their economic policies.

7. *National Saving and Investment*

It may be asked whether the Pension Plan, by transferring funds from those groups who account for most of the country's saving to groups of retired persons who are likely to spend more of their incomes, will lead to a reduction in national saving and thus to a higher consumption—lower investment type of economy. The examples which have been given in Appendix "B" suggest that this is not the case. The most extreme assumptions in Appendix "B", for example, produce an increase in national saving of about 5 per cent at one end of the range (in 1966), and a reduction of about 6 per cent at the other end (in 1985), as compared with what would otherwise have occurred.

The existence of a Pension Plan of this nature in its later stages, as illustrated for 1985, would in itself probably result in a slightly lower ratio of national saving, but it is likely to be more than offset by the influence of other factors, notably the growth in average incomes.

The Tables of Appendix "D" would suggest that, despite the introduction of major welfare programmes sinces 1940—programmes which have had the effect of transferring income to high consumption groups in the community—there is no evidence of any long-term decline in savings rates. The same point appears to apply to other countries as well. The figures are, of course, affected by variations in farm crops, catastrophic events such as the Depression and World War II, and the position of the economy in the business cycle. Periods of boom have tended to be characterized by high rates of national saving, and periods of slower growth by low rates of saving. But there does not appear to be any obvious connection between rates of saving and the existence of these welfare programmes, as far as can be judged from the statistical evidence of Appendix "D". The rate of national saving rose very sharply immediately after the war, and continued at record levels through the late 1940's and early 1950's, despite the fact that this period saw the introduction of both family allowances (1945) and the old age security programme (1952). In 1963, although these two programmes and the unemployment insurance programme amounted to the equivalent of ⅔ of personal saving, the personal saving rate (as a per cent of disposable income) was 8.8 per cent, a rather high figure historically, barring wartime experience.[1]

It would appear from an examination of the statistical evidence, and making full allowance for the difficulties of interpretation, that the single most fundamental influence on the saving rate is the rate of economic growth through its effect on changes in income. The highest rates of national saving have been associated with periods of most rapid economic growth. The increased amounts of national saving made available during the early years of the Plan will, if effectively mobilized, act to enhance economic growth. The process by which these financial savings are transformed into real investment is extremely complicated and relates, in part, to the interest rate mechanism. This is alluded to below in the section on financial markets.

However, this process is accomplished, it is true that the growth potential of the economy will be increased in the early years by the introduction of these new transfers affecting the supply of potential national saving. Over the longer term, when the Plan matures, there would probably be some decline in national savings, if nothing else happened. However, as indicated earlier, the ratio of savings to incomes has tended to be relatively stable over long periods of time notwithstanding social welfare measures. It would seem reasonable that this tendency will continue to operate in the future.

8. *Impact on the Financial System*

The Pension Plan provides for the investment of the unused balances of the Fund in direct and guaranteed obligations of the provinces. These obligations will normally have a term to maturity of 20 years and will pay a rate of interest calculated on the basis of outstanding marketable Government of Canada Bonds having a term to maturity of 20 years or more. The provinces will receive these funds at an interest rate of ¼% to ½% below what they might normally expect to pay in the market for funds having a similar term before repayment.

There are likely to be three main effects arising out of the availability of these funds to the provinces. First, the provinces, beginning in 1966, will receive direct from the Pension Fund money which they would otherwise have had to borrow from the capital market. This will affect the volume of transactions undertaken on the capital market, as well as the types of securities handled. Second, the slightly lower cost of borrowing via the Pension Fund, in comparison with market costs, together with the assured source of funds, may affect the volume of outlays made by provincial authorities. Third, the amount of funds accumulated through the Pension Plan in its early years will likely be greater than any declines in private saving that might take place, resulting in some slight shifts in relative interest rates in the economy. These three major effects are not mutually exclusive. They will be considered in turn.

The funds to be made available to the provinces in the 1966-1975 period will average annually about $675 million. This compares with average annual net new issues of provincial direct and guaranteed securities of $713 million over the 1959-1963 period. This average is inflated by the heavy borrowing by British Columbia in 1961 and Quebec in 1963 for the purchase of private

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[1] The argument that welfare programmes lead to a high consumption-low investment type of economy seems to be based on a view of the economy as a static system with no capacity for growth or adjustment; in such a situation, transfers of income from "savers" to "spenders" would obviously impair the rate of national saving. But in a dynamic economy, each increase in output and income leads to a readjustment of spending-saving relationships at the new level of income. It is well established, for example, that saving rates are highest in the higher income brackets. As larger numbers of workers move into higher income ranges, saving rates (as a percentage of income) should tend to shift upward, other things being equal.

hydro-electric utilities operating in these provinces. Deducting the exceptional borrowing for this purpose ($104 million in 1961 for British Columbia and $270 million in 1963 for Quebec), the average of net new issues is reduced to about $640 million.

It may well be that provinces will decide to lend some of these funds to their municipalities. The volume of municipal borrowing is normally quite substantial and their net new issues amounted on the average to $375 million per annum over the period 1959 to 1963. If this is added to the average of the net provincial issues over this period the total is about $1 billion per annum.

It is difficult to say to what extent provincial spending (and borrowing) will increase when they have available the funds from the Pension Plan. It could be argued that since provincial authorities must have in mind certain notions about the amounts they should be borrowing, they will not exceed these limits, even though substantial funds are assured to them at rates of interest somewhat lower than they have been paying. It must, however, be recognized that demands for provincial (and municipal) facilities and services are quite pressing, and continuing to grow. The availability of funds via the Pension Plan may cause provincial authorities to reassess their notions about debt limits especially as all of the provinces are affected simultaneously. It would not be unreasonable to expect some net increase in provincial outlays and borrowing as a result of the Plan.

It would appear reasonable to expect that, over the next few years, net new provincial borrowing will not increase by as much as the funds available from the Pension Plan. Accordingly, during this period, receipts from the Pension Plan may be meeting the increase to be expected in provincial borrowing requirements. If funds from the Pension Plan should provide a substantial part of the net new borrowing requirements of a province, it may be expected that the province would wish to make some of the funds available to provincial agencies, institutions or municipalities.

A consequence of these developments would be that the investment dealers, as underwriters of provincial securities, would see this part of their Canadian dollar underwritings reduced. It is estimated that about 10 per cent of their Canadian dollar underwritings have, in recent years, taken the form of net new provincial securities.

Finally, this discussion leads to a consideration of the flow of savings through financial intermediaries, and the possible effects on relative interest rates.

The financial intermediaries would have less funds than otherwise available, with which to make investments, in the early years of the Plan, since private savings would not have grown as rapidly as would otherwise have been the case. However, the demands for funds on the private sector would also be reduced through a reduced level of new provincial borrowing. If total national saving were to be unchanged, as a result of the Pension Plan, the financial intermediaries would have a relatively smaller amount of funds available for investment, and there would be a correspondingly smaller demand for funds by provincial authorities. The result would be that a larger part of their investments would take place in new securities other than those of provincial governments, e.g. securities of the federal government, or corporations or mortgages. If national saving should increase as a result of the Pension Plan, as could well happen in the early years, there would be a tendency for financial intermediaries to have available on balance a supply of funds relatively larger than the demand for funds. In these circumstances, financial intermediaries could be expected to search out ways and means of placing their funds profitably, and this could lead to some lessening of pressures on interest rates, and perhaps to greater reliance on domestic markets for borrowing. It would be easy, however, to exaggerate these effects. The maximum (and unlikely) increase in national saving for 1966 was established at about 5 per cent, and will probably turn out to be considerably lower. It is recognized, of course, that only a part of national saving is channelled through the financial markets, so that the proportion of "marketable" savings affected by the Plan would be somewhat larger. Nevertheless, the amounts involved are likely to prove to be small in relation to the kinds of adaptations that financial markets have made in the recent past, for example, in respect of sharp swings in capital inflow from abroad.

9. *Other economic considerations*

Moving out of the statistical framework to consider some of the more general aspects of the Pension Plan, there are several areas calling for further comment. The first concerns the question of the real economic costs of the pension programme—how much of a net additional cost does it really impose on the economy? This question must be considered in the light of what it costs to maintain the retired part of the population under presently existing arrangements. Regardless of how the financing is done, the retired population represents a group of consumers who have withdrawn from productive service and whose maintenance must be drawn from the pool of resources available to society at large. In a real economic sense, the cost on the economy is represented by whatever is taken to provide food, shelter, and clothing for this part of the population, irrespective of the financing arrangements. At the present time, these resources are made available through the liquidation of financial claims that the retired population has accumulated on its own behalf out of cash savings, annuities, life insurance, stocks, bonds, private pension funds, or failing these arrangements, family assistance or public welfare. In the last case a transfer of resources via public funds is involved, and this is of course a part of the economic cost. The Canada Pension Plan provides financial machinery through which the community collectively, rather than on an individual, industrial or charitable basis, provides for those who retire. In this respect, the Pension Plan is similar to the Old Age Security scheme. It is worthy of note that the Old Age Security benefit payments will continue to exceed those of the Canada Pension Plan until after 1985. In the sense of the real economic costs involved, the net additional costs to the economy must take into account substantial amounts which otherwise would have been paid out either by way of family assistance, public welfare, or the liquidation of private savings. In the calculations of economic effects in the earlier part of this report it has not been possible to take into account the amounts that might be saved in these categories.

It is to be noted that the Bill provides that benefit payments under the Pension Plan and under the Old Age Security plan will be adjusted upward to reflect increases in the level of consumer prices subject to a cumulative maximum of 2 per cent annually. The economic effect of this formula would be to enlarge automatically the amount of benefits paid out if prices increase at any rate up to this limit. In essence this will maintain the real value of the transfer being made between those who are working and those who are retired. It should be borne in mind that the level of contributions to the pension fund and to the Old Age Security Fund will, in both cases, reflect increases in the average level of earnings, subject to certain limitations and adjustments, and increases in these levels of earnings almost invariably accompany increases in consumer prices. As a consequence, the linking of these benefits to changes in the price level should not distort the relationship between the levels of benefits and the levels of contributions, and in effect should produce an equitable relation between the two. The Canada Pension Plan and the Old Age Security Plan may be regarded as in substance a very long-term contract made by the Government of Canada with the workers of Canada, and a provision to adjust benefits in this way ensures that the purpose and the equitable balance of that contract will not be frustrated by unforeseen changes in price levels. The Old Age Security payments are now being woven so closely into the structure of the wage-related pension plan that it seems logical that they too should be adjusted in this manner.

An important economic aspect of the Pension Plan is the assurance of portability which it provides to workers. It has been increasingly recognized during the past decade that the lack of portability in the benefits of private employer-employee pension plans is a serious restraint on the mobility of workers in Canada. This is a matter of great importance in economic conditions such as those in the present decade where industrial adjustment and change is so important. Under the Canada and Quebec Pension Plans the worker's accumulated entitlement is fully portable from job to job and from province to province. As the Plans take effect this feature should add to the flexibility of the labour force and to the productivity of the economy. This beneficial effect will be increased by the progress being made in legislation in respect of private pension plans. The Ontario Pension Benefits Act, for example, is designed to increase the portability of pension rights of the workers in Ontario who move from job to job after the age of 45. Other provinces are considering similar legislation and as it becomes more general we may look forward to a widespread improvement in this important feature of our economy.

Another particular feature of the Canada and Quebec Pension Plans should also be noted. They provide substantial benefits to persons who are already in their 50's or 60's and some improved assurance to them of incomes for retirement even if they are not covered, or are very meagerly covered in a private pension plan. It is widely recognized that the mobility of workers over 40 is particularly impaired by the practices followed by many employers with private pension plans. The introduction and development of these public plans should improve the willingness of employers to hire people over 40 and thereby increase the employability and mobility of persons of this age group.

In this report attempts have been made to carry out a quantitative analysis of the impact of the Pension Plan only up to 1985. Although the figures become increasingly larger as time goes on, the orders of magnitude in relation to the earnings base and general economic aggregates should not change markedly. After the turn of the century the difference in the actuarial estimates between those on the high-cost and on the low-cost assumptions begin to diverge substantially. This is chiefly because of the possible variation in the proportion of working population to retired population arising from different long-term trends in fertility and immigration. The rate of change in economic conditions, technical progress and productivity is so substantial in this century that it does not seem necessary or fruitful to pursue the economic analysis into the next century.

10. *Conclusion*

The purpose of this report has been to show the quantitative implications of the Pension Plan within a statistical framework that enables it to be viewed in the perspective of the economy as a whole and in terms of the relationships between the different sectors of it. The central conclusions which emerge from this study are that the commencement and development of the Plan will involve some adjustments to the structure of these relations between the public sector of the economy, the business sector and the consumer sector, but that the overall effects are on a scale which is modest in relation to the size of the adaptations regularly taking place in the economy for a variety of reasons.

It seems likely from a consideration of the figures and the economic interrelationships that the commencement of the Pension Plan will give rise to a modest increase in prices in the Canadian economy, perhaps of the order of 1 per cent, but should not distort significantly the structure of costs or prices or seriously impair the capability of businesses to generate new funds for replacement or expansion. The payment of their contributions by employers may be expected to add something of the order of 1 per cent to their labour costs, but this should not seriously impair the ability of Canadian business to compete with producers outside of Canada. In the early years of the Pension Plan the accumulation of reserves will probably add more to saving in the government sector of the economy than it will reduce saving in the business and consumer sectors, but this difference may be largely offset by additional expenditures that will be undertaken by a number of the provinces with the funds made available to them. Over the longer term the existence of the Pension Plan as it approaches maturity may, in and of itself, bring a modest reduction in the level of national saving than would otherwise occur, but this seems likely to be small in relation to the total volume of national saving at that time and to be overshadowed by the changes in that volume likely to be taking place as a result of economic growth and change.

The statistical evidence in the attached Appendices supports these conclusions and also suggests that experience not only in Canada, but in other countries as well, indicates that social insurance and welfare programmes can be accompanied by the maintenance of a high level of investment and economic growth.

Appendix "A"

Projections of Gross National Product and Related Aggregates, 1966, 1975 and 1985

($ billions)

	1966	1975	1985
Gross National Product	50.0	88.0	157.0
Wages, Salaries and Supplementary Labour Income	25.0	44.0	78.5
Corporation Profits	5.0	8.0	15.0
Pesonal Income	38.0	66.5	119.0
Personal Disposable Income	35.0	60.0	109.0
Consumer Expenditure	32.5	56.0	101.5
Personal Saving	2.5	4.0	7.5
Business Saving	7.5	13.0	22.5
National Saving	10.0	17.0	30.0

NOTE: These data are provided to indicate the orders of magnitude of the GNP and related aggregates in 1966, 1975 and 1985. They have been constructed on assumptions similar to those underlying the Actuarial Report. The assumptions underlying the projections are described below. All figures have been rounded off to the nearest half billion.

Assumptions

Average earnings are computed for 1963, in accordance with the method in Appendix 3 of the Actuarial Report. The farm income component of average earnings is taken as the average of 1961-1963.

Earnings per employed member of the labour force rise by 3% per year from 1963 to 1966 and by 4% thereafter.

The growth of population and of labour force is based on the assumptions of low immigration and low fertility employed in the Actuarial Report. This yields a high cost estimate of the Pension Plan.

The unemployment rates for all of Canada are assumed to be 5½% up to 1966 and 4% thereafter in accordance with the assumptions made in the actuarial report.

G.N.P. is taken to be 167% of total earnings from wages, salaries and self-employment.

Labour income is taken to be 50% of G.N.P.

Corporation Profits are taken to be 9.3% of G.N.P.

Personal income is taken to be 75.8% of G.N.P.

Personal disposable income is taken to be 91.4% of personal income.

Personal net savings are taken to be 7% of personal disposable income.

Consumer expenditures are taken to be 93% of personal disposable income.

Business savings are taken to be 14.5% of G.N.P.

National savings are taken to be the sum of business and personal savings. This assumes a balance in the government sector.

These percentage assumptions are based on the relationships between the aggregates characteristic in recent years.

Appendix "B"

Quantitative effects of Canada Pension Plan and Quebec Pension Plan on income, spending and saving under various assumptions

I

BASIC DATA[1]

	1966	1975	1985
		($ millions)	
Employee Contributions	252	376	664
Employer Contributions	252	376	664
Contributions of Self-Employed	64	127	259
Total Contributions	+ 568	+ 879	+ 1,587
Less:			
Benefit Payments	—	— 497	— 1,853
Admin. Expenses	— 16	— 24	— 45
Net Change in Fund for Year (Apart from Interest)	+ 552	+ 358	— 311

Comments on the Basic Data

(1) Actuarial estimates have been rounded to the nearest $ million.

(2) Canada Pension Plan estimates have been adjusted upward by one-third to allow for the Quebec Pension Plan, to permit analysis in relation to the economic aggregates for all of Canada.

(3) Interest receipts of the Pension Plan have been excluded, as these receipts are offset by interest payments of provincial governments when deriving the figures for the saving of the government sector.

II

THE ASSUMPTIONS USED IN THE MODELS

The Pension Plan will alter the flow of income, outlay and saving in each of the three major sets of transactors in the economy (see page 3 of this Report). The models set out in this Appendix are provided as an illustration of the quantitative impact of the Pension Plan within this framework. Results are first round effects only, including shifting as specified, in an assumed static situation. These models are, of course, constructed on the basis of various assumptions, as follows.

Assumptions Underlying Models

(A) *Assumptions used in all models:*

(1) It is assumed that provincial authorities do not increase their spending in the first round as a result of the Canada Pension Plan and the Quebec Plan.

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[1] Based on actuarial estimates and adjusted upward by one-third to include Quebec.

(2) It is assumed that 25 per cent of employee contributions represents a diversion from private pension fund contributions. For employers and the self-employed, the percentage of contributions representing diversion is assumed to be 11 per cent.

(3) For purposes of simplification of the models, employee contributions to public service pension funds which will be diverted to the Canada Pension Plan have been included in the personal sector. While this is not in strict accord with national accounts definitions, the difference to personal and government saving are small, and the total of national saving is unchanged. If strict national accounting definitions had been used, in 1966 personal saving would be approximately $20 million higher and government saving lower by the same amount.

(4) It is assumed that retired persons spend $97 out of every $100 of benefit payments for consumer goods and services.

(5) The employers' share of the contributions is treated as a business cost which is an additional charge against the firm's gross income.

(6) The average combined corporation income tax rate of federal and provincial governments is taken as 46%.

(B) *Assumptions used in the no-shifting models,* i.e., the models where employers and employees each bear their respective shares of the cost, and there is no change in wages or prices as a consequence of the Pension Plan:

(i) Condition 1—where the net impact of the levy results in *an equal decline in consumer spending and in consumer saving* (impact share 50:50).

(ii) Condition 2—where the impact of the levy results in a *decline in consumer spending* by the net additional amount paid by employees and self-employed individuals.

(iii) Condition 3—where the impact of the levy results in a *decline in consumer saving* by the net additional amount paid by employees and self-employed individuals.

(C) *Assumptions used in the models where forward shifting occurs:*

(i) Condition 1—where the employee bears his own share of the cost through a reduction in spending, but the *employer passes on his net additional levy to final purchasers in the form of higher prices.*

(ii) Condition 2—where the *employee succeeds in passing his portion of the additional levy on to the employer in the form of a wage increase,* and the employer does not pass on the increase in his cost through price increases.

(iii) Condition 3—where there is complete forward shifting, and *both the employee and employer portion of the additional levy is passed on to final purchasers in the form of higher prices.*

(D) *Assumptions used in the models where backward shifting occurs*—the employer shifts his share of the cost back on to the employee in the form of a reduction in wages, or a lesser increase in wages than would otherwise occur—i.e., the employee bears the cost of both portions of the additional levy.

(ii) Condition 1—where the impact is shared equally by *a reduction in consumer spending and consumer saving* (shared 50:50).

(ii) Condition 2—where the impact results in *a decline in consumer spending* by the full additional amount of the levy.

(iii) Condition 3—where the impact results in *a decline in consumer saving* by the full additional amount of the levy.

A—MAIN ASSUMPTION—NO SHIFTING—employees and employers each bear the cost of their additional contributions individually.

Condition 1 —where the impact of the levy is shared equally by a decline in consumer spending and consumer saving* (50: 50)

(millions of dollars)

	1966	1975	1985		1966	1975	1985
Employee's share							
Personal Income.......	−252	−476	− 664	Pers. income tax......	− 33	− 49	− 86
				Personal Expend......	− 78	−117	− 206
				Personal Saving.......	−141	−210	− 372
Self-Employed							
Personal Income.......	− 64	−127	− 259	Pers. income tax......	− 10	− 20	− 41
				Personal Expend......	− 24	− 47	− 95
				Personal Saving.......	− 30	− 60	− 123
Employers' share							
Business Net Income..	−252	−376	− 664	Corporate Income Tax	− 63	− 94	− 166
				Business Saving.......	−189	−282	− 498
Benefit Payments							
Personal Income.......	—	+497	+1,853	Personal Expend......	—	+482	+1,797
				Personal Saving.......	—	+ 15	+ 56
Government Sector							
Receipts from Contributions..........	+568	+879	+1,587	Outlay................	− 16	+521	+1,898
loss of tax revenue —employees.......	− 33	− 49	− 86	Saving................	+446	+195	− 604
loss of tax revenue —self-employed ...	− 10	− 20	− 41				
loss of tax revenue —employers.......	− 63	− 94	− 166				
	+462	+716	+1,294				

Consolidation	1966	1975	1985
Personal Saving............................	−171	−255	− 439
Business Saving............................	−189	−282	− 498
Government Saving........................	+446	+195	− 604
National Saving.........................	+ 86	−242	−1,541

First round effects: demand is reduced slightly in 1966, expanded slightly in 1975 and proportionately rather more in 1985. Consumer spending is cut back in 1966, increased slightly in 1975, and increased to a greater extent in 1985. National saving raises slightly in 1966, falls slightly in 1975, and falls proportionately rather more in 1985.

*Personal saving is reduced by the amount of private pension funds diverted to the CCP plus by one half the additional cost to the consumer. The additional cost to the consumer is equal to $252 million less the amount diverted from private pension funds, less the personal income tax allowance since the additional contributions are deductible from taxable income.

Condition 2.—where the impact of the levy results in a *decline in consumer spending* by the full additional amount by which personal income is reduced

(millions of dollars)

	1966	1975	1985		1966	1975	1985
Employee's share							
Personal Income	−252	−376	− 664	Pers. income tax	− 33	− 49	− 86
				Personal Expend.	−156	−233	− 412
				Personal Saving*	− 63	− 94	− 166
Self-Employed Persons							
Personal Income	− 64	−127	− 259	Pers. income tax	− 10	− 20	− 41
				Personal Expend.	− 47	− 93	− 190
				Personal Saving*	− 7	− 14	− 28
Employer's share							
Business Net Income	−252	−376	− 664	Corporate Income Tax.	− 63	− 94	− 166
				Business Saving	−189	−282	− 498
Benefit Payments							
Personal Income	−	+497	+1,853	Personal Expend.	−	+482	+1,797
				Personal Saving	−	+ 15	+ 56
Government Sector							
Receipts from Contributions	+568	+879	+1,587	Outlay	+16	+521	+1,898
loss of tax revenue —employees	− 33	− 49	− 86	Saving	+446	+195	+ 604
loss of tax revenue —self-employed	− 10	− 20	− 41				
loss of tax revenue —employers	− 63	− 94	− 166				
	+462	+716	+1,294				

Consolidation	1966	1975	1985
Personal Saving	− 70	− 93	− 138
Business Saving	−189	−282	− 498
Government Saving	+446	+195	− 604
National Saving	+187	−180	−1,240

First round effects: Consumer spending is cut in 1966 and increased in 1975 and 1985. National saving increases in 1966, falls slightly in 1975, and is lower again in 1985.

* In all models, the diversion of savings from private plans to the new plan will reduce personal saving in the private sector. At the same time, saving in the government sector increases.

Condition 3.—where the impact of the levy results in a *decline in consumer saving* by the full additional amount by which personal income is reduced.

(millions of dollars)

	1966	1975	1985		1966	1975	1985
Employee's share							
Personal Income	−252	−376	− 664	Pers. income tax	− 33	− 49	− 86
				Personal Expend.	n.c.	n.c.	n.c.
				Personal Saving	−219	−327	− 578
Self-Employed							
Personal Income	− 64	−127	− 259	Pers. income tax	− 10	− 20	− 41
				Personal Expend.	n.c.	n.c.	n.c.
				Personal Saving	− 54	−107	− 218
Employer's share							
Business Net Income	−252	−376	− 664	Corporate Income Tax	− 63	− 94	− 166
				Business Saving	−189	−282	− 498
Benefit Payments							
Personal Income	—	+497	+1,853	Personal Expend.	—	+482	+1,797
				Personal Saving	—	+ 15	+ 56
Government Sector							
Receipts from Contributions	+568	+879	+1,587	Outlay	+ 16	+521	+1,898
loss of tax revenue —employees	− 33	− 49	− 86	Saving	+446	+195	− 604
loss of tax revenue —self-employed	− 10	− 20	− 41				
loss of tax revenue —employers	− 63	− 94	− 166				
	+462	+716	+1,294				

Consolidation	1966	1975	1985
Personal Saving	−273	−419	− 740
Business Saving	−189	−282	− 498
Government Saving	+446	+195	− 604
National Saving	− 16	−506	−1,842

First round effects all years: demand expanded. Consumer expenditure raised by the amount of spending out of benefit payments, and national saving declines by an almost equivalent amount.

n.c. = no change

B—MAIN ASSUMPTION—FORWARD SHIFTING

Condition 1.—where employee bears his own share of the levy, reducing expenditures by the net decrease in his disposable income, but *employer passes on his share to final purchasers* in the form of higher prices; self-employed act similarly.*

(millions of dollars)

	1966	1975	1985		1966	1975	1985
Employee's share							
Personal Income	−252	−376	− 664	Pers. income tax	− 33	− 49	− 86
				Personal Expend.	−156	−233	− 412
				Personal Saving	− 63	− 94	− 166
Self-Employed							
Personal Income	n.c.	n.c.	n.c.	Pers. income tax	n.c.	n.c.	n c.
				Personal Expend.	n.c.	n.c.	n.c.
				Personal Saving	− 7	− 14	− 28
Employer's share							
Business Net Income	n.c.	n.c.	n.c.	Corporate Income Tax	n.c.	n.c.	n.c.
				Business Saving	− 28	− 41	73
Benefit Payments							
Personal Income	—	+497	+1,853	Personal Expend.	—	+482	+1,797
				Personal Saving	—	+ 15	+ 56
Government Sector							
Receipts from Contributions	+568	+879	+1,587	Outlay	+ 16	+521	+1,898
loss of tax revenue —employees	− 33	− 49	− 86	Saving	+519	+309	− 397
	+535	+830	+1,501				

	1966	1975	1985
Consolidation			
Personal Saving	− 70	− 93	− 138
Business Saving	+ 28	− 41	− 73
Government Saving	+519	+309	− 397
National Saving	+421	+175	− 608

First round effects: price rise, accompanied by a cut in consumer spending in 1966. Consumer spending is increased in 1975 and 1985.

	1966	1975	1985
Thus, change in consumer spending	−156	+249	+1,385
Administrative Expenses	+ 16	+ 24	+ 45
Change in current dollar outlays	−140	+273	+1,430
increase in price of total output	281	448	822
National Saving	+421	+175	− 608

*Self-employed and employees will pass 89% of their gross contribution to consumer in the form of higher prices, since it is assumed that 11% of contributions will represent diversions from amounts already being paid to private pension plans.

n.c. = no change

NOTE: Substantial effects will follow, subsequent to the increase in prices, but these are not dealt with in this simplified model.

Condition 2 —where *employee succeeds in passing his portion of the additional levy on to the employer* in the form of a wage increase.* The employer does not pass on his additional costs through price increases.

(millions of dollars)

	1966	1975	1985		1966	1975	1985
Employee's share							
Personal Income	n.c.	n.c.	n.c.	Pers. income tax	n.c.	n.c.	n.c.
				Personal Expend	n.c.	n.c.	n.c.
				Personal Saving	− 63	− 94	− 166
Self-Employed†							
Personal Income	− 64	−127	− 259	Pers. income tax	− 10	− 20	− 41
				Personal Expend	− 47	− 93	− 190
				Personal Saving	− 7	− 14	− 28
Employer's share							
Business Net Income	−441	−658	−1,162	Corporate Income Tax	−120	−179	− 315
				Business Saving	−321	−479	− 847
Benefit Payments							
Personal Income	—	+497	+1,853	Personal Expend	—	+482	+1,797
				Personal Saving	—	+ 15	+ 56
Government Sector							
Receipts from Contributions	+568	+879	+1,587	Outlay	+ 16	+521	+1,898
loss of tax revenue —self-employed	−10	− 20	− 41	Saving	+422	+159	− 667
loss of tax revenue —employers	−120	−179	− 315				
	+438	+680	+1,231				

Consolidation	1966	1975	1985
Personal Saving	− 70	− 93	− 138
Business Saving	−321	−479	− 847
Government Saving	+422	+159	− 667
National Saving	+ 31	−413	−1,652

First round effects: in 1966, personal expenditure falls slightly and national saving increases. In 1975, personal expenditure rises slightly and national saving decreases. In 1985, personal expenditure is proportionately rather higher and national saving lower by about the same amount.

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† The assumption in this model with respect to self-employed is that there is no shifting and that reduction in income is wholly reflected in spending, apart from diversion from private savings to the Pension Plan.

* Note: It is assumed that employees will not pass on the entire $252 million to the employer, but only 75% of the total. This is because 25% of employees' CPP contributions represent sums which, it is assumed, have been diverted from private pension plans. The government revenue loss from corporate income tax allowances is assumed to be 25% of the employers' share plus 30% of the amount shifted forward by the employee.

n.c. = no change

Condition 3.—*where there is complete forward shifting and the employee, the self-employed, and the employer portion of the additional levy is passed on to final purchasers in the form of higher prices.**

(millions of dollars)

	1966	1975	1985		1966	1975	1985
Employee's share							
Personal Income	n.c.	n.c.	n.c.	Pers. income tax	n.c.	n.c.	n.c.
				Personal Expend.	n.c.	n.c.	n.c.
				Personal Saving	− 63	− 94	− 166
Self-Employed							
Personal Income	n.c.	n.c.	n.c.	Pers. income tax	n.c.	n.c.	n.c.
				Personal Expend.	n.c.	n.c.	n.c.
				Personal Saving	− 7	− 14	− 28
Employer's Share							
Business Net Income	n.c.	n.c.	n.c.	Corporate Income Tax	n.c.	n.c.	n.c.
				Business Saving	− 28	− 41	− 73
Benefit Payments							
Personal Income	—	+497	+1,853	Personal Expend.	—	+482	+1,797
				Personal Saving	—	+ 15	+ 56
Government Sector							
Receipts from Contributions	+568	+879	+1,587	Outlay	+ 16	+521	+1,898
				Saving	+552	+358	− 311

Consolidation	1966	1975	1985
Personal Saving	− 70	− 93	− 138
Business Saving	− 28	− 41	− 73
Government Savings	+552	+358	− 311
National Saving	+454	+224	− 522

First round effects: price rise accompanied by an increase in consumer spending in 1975 and 1985. No change in consumer spending in 1966.

	1966	1975	1985
Thus: Change in consumer spending	n.c.	+482	+1,797
Administrative Expenses	+ 16	+ 24	+ 45
Change in current dollar outlay	+ 16	+506	+1,842
Increase in price of total output	470	730	1,320
National Saving	+454	+224	− 522

*The employees are assumed to pass 75% of their total contributions forward, the other 25% being already accounted for in respect of the diversion from private pension plans. For the same reason, the employers and the self-employed are assumed to pass 89% of their contributions forward. The substantial effects which follow the increase in prices are not dealt with in this simplified model.

n.c. = no change

C—MAIN ASSUMPTION—BACKWARD SHIFTING—the employer shifts his share* of the additional cost back on the employee in the form of a reduction in wages (or in a lesser increase) i.e., the employee bears the cost of both portions of the additional conrtibutions. No price increases are assumed.

Condition 1.—where the *impact falls partly on consumer spending, partly on consumer saving* (50:50).

(millions of dollars)

	1966	1975	1985		1966	1975	1985
Employee's share							
Personal Income	−476	−711	−1,255	Pers. income tax	− 80	−120	− 210
				Personal Expend	−166	−249	− 440
				Personal Saving	−230	−342	− 60
Self-Employed							
Personal Income	− 64	−127	− 259	Pers. income tax	− 10	− 20	− 41
				Personal Expend	− 24	− 47	− 95
				Personal Saving	− 30	− 60	− 123
Employer's share							
Business Net Income	n.c.	n.c.	n.c.	Corporate Income Tax.	n.c.	n.c.	n.c.
				Business Saving	− 28	− 41	− 73
Benefit Payments							
Personal Income	−	+497	+1,853	Personal Expend	−	+482	+1,797
				Personal Saving	−	+ 15	+ 56
Government Sector							
Receipts from Contributions	+568	+879	+1,587	Outlay	+ 16	+521	+1,898
loss of tax revenue —employees	− 80	−120	− 210	Saving	+462	+218	− 562
loss of tax revenue —self-employed	− 10	− 20	− 41				
	+479	+739	+1,336				

Consolidation	1966	1975	1985
Personal Saving	−260	−387	− 672
Business Saving	− 28	− 41	− 73
Government Saving	+462	+218	− 562
National Saving	+174	−210	−1,307

First round effects: In 1966, consumer spending is cut back, and national saving rises. In 1975 consumer spending rises slightly and national saving falls slightly. In 1985, consumer spending is proportionately somewhat higher and national saving similarly reduced.

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* i.e. 89% of employer contributions

n.c. = no change

Condition 2.—where *the net additional impact falls entirely on consumer spending.*

(millions of dollars)

	1966	1975	1985		1966	1975	1985
Employee's share							
Personal Income	−476	−711	−1,255	Pers. income tax	− 80	−120	− 210
				Personal Expend.	−333	−497	− 879
				Personal Saving	− 63	− 94	− 166
Self-Employed							
Personal Income	− 64	−127	− 259	Pers. income tax	− 10	− 20	− 41
				Personal Expend.	− 47	− 93	− 190
				Personal Saving	− 7	− 14	− 28
Employer's share							
Business Net Income	n.c.	n.c.	n.c.	Corporate Income Tax	n.c.	n.c.	n.c.
				Business Saving	− 28	− 41	− 73
Benefit Payments							
Personal Income	—	+497	+1,853	Personal Expend.	—	+482	+1,797
				Personal Saving	—	+ 15	+ 56
Government Sector							
Receipts from Contributions	+568	+879	+1,587	Outlay	+ 16	+521	+1,898
loss of tax revenue —employees	− 80	−120	− 210	Saving	+462	+218	− 562
loss of tax revenue —self-employed	− 10	− 20	− 41				
	+478	+739	+1,336				

	1966	1975	1985
Consolidation			
Personal Saving	− 70	− 93	−138
Business Saving	− 28	− 41	− 73
Government Saving	+462	+218	−562
National Saving	+364	+ 84	−773

First round effects: In 1966, consumer spending is reduced, and national saving rises. In 1975, consumer spending is slightly reduced. In 1985, consumer spending is increased and national saving reduced.

NOTE: Government revenue reduction is equal to 13% of employee's contribution plus 21% of the amount shifted backward by the employer. The latter shifts 89% of his contribution backward.

n.c. = no change

Condition 3.—where *the net additional impact falls entirely on consumer saving.*

(millions of dollars)

	1966	1975	1985		1966	1975	1985
Employee's share							
Personal Income	−476	−711	−1,255	Pers. income tax	− 80	−120	− 210
				Personal Expend	n.c.	n.c.	n.c.
				Personal Saving	−396	−591	−1,045
Self-Employed							
Personal Income	− 64	−127	− 259	Pers. income tax	− 10	− 20	− 41
				Personal Expend	n.c.	n.c.	n.c.
				Personal Saving	− 54	−107	− 218
Employer's share							
Business Net Income	n.c.	n.c.	n.c.	Corporate Income Tax	n.c.	n.c.	n.c.
				Business Saving	− 28	− 41	− 73
Benefit Payments							
Personal Income	—	+497	+1,853	Personal Expend	—	+482	+1,797
				Personal Saving	—	+ 15	+ 56
Government Sector							
Receipts from Contributions	+568	+879	+1,587	Outlay	+ 16	+521	+1,898
loss of tax revenue —employees	− 80	−120	− 210	Saving	+462	+218	− 562
loss of tax revenue —self-employed	− 10	− 20	− 41				
	+478	+739	+1,336				

Consolidation	1966	1975	1985
Personal Saving	−450	−683	−1,207
Business Saving	− 28	− 41	− 73
Government Saving	+462	+218	− 562
National Saving	− 16	−506	−1,842

First round effects: In 1966, consumer spending remains unchanged but national saving falls fractionally. In 1975, consumer spending rises and national saving falls by about the same amount. In 1985, consumer spending rises to a rather greater degree and national saving falls by about the same amount.

n.c. = no change

Appendix "C"

TABLE 1

ANNUAL RATES OF INCREASE IN AVERAGE WEEKLY WAGES AND SALARIES, MAJOR INDUSTRIES, 1959-63 AND 1953-63

(compound rates)

Industry	1959–63 %	1953–63 %
Forestry	5.5	4.3
Mining	3.0	4.0
Manufacturing	3.3	3.8
Construction	4.2	4.0
Transportation, Storage and Communication	3.8	4.2
Public Utility	3.8	4.6
Trade	3.1	3.9
Finance, Insurance and Real Estate	3.4	4.3
Service	4.0	4.7
Industrial Composite	3.2	3.8

SOURCE: DBS, *Review of Employment and Payrolls.*

TABLE 2

ANNUAL RATES OF INCREASE IN AVERAGE WEEKLY WAGES AND SALARIES, ALL MANUFACTURING AND SELECTED MANUFACTURING IMPORT-COMPETING AND EXPORT INDUSTRIES, 1959-62 AND 1953-62

(compound rates)

Industry	1959–62 %	1953–62 %
All Manufacturing	3.1	3.8
Import-Competing(1)		
Iron Castings	3.0	3.6
Synthetic Textiles	2.8	3.6
Primary Iron and Steel	3.3	4.9
Rubber Goods incl. Footwear	3.0	3.9
Electrical Apparatus and Supplies	3.2	3.9
Machinery	3.2	3.8
Clothing	2.8	2.8
Cotton Goods	3.9	3.8
Woollen Goods	2.4	3.0
Motor Vehicles	5.7	4.7
Motor Vehicle Parts	3.9	4.0
Export(2)		
Distilled and Malt Liquors	4.6	5.1
Pulp and Paper	3.8	3.9
Non-Ferrous Smelting and Refining	3.0	4.1
Brass and Copper Products	4.0	4.0
Saw and Planing Mills	3.3	3.4

SOURCE: DBS, *Review of Employment and Payrolls* and Department of Labour.

(1) The 11 import-competing industries are those in which a high proportion of domestic production is in competition with imports from other countries. These industries export a relatively small proportion of their gross value of output.

(2) The five export industries export a large proportion of their value of output and supply a large part of the Canadian market.

Appendix "D"

TABLE 1

RATIOS OF NATIONAL SAVING TO GROSS NATIONAL PRODUCT, AND PERSONAL SAVING TO DISPOSABLE INCOME

1926–1963

(millions of dollars)

Year	Gross National Product	National Saving	National Saving as a Per Cent of G.N.P.	Personal Disposable Income	Personal Saving	Personal Saving as a Per Cent of Disposable Income
1926	5,152	1,122	21.8	3,961	419	10.6
1927	5,549	1,125	20.3	4,175	282	6.8
1928	6,046	1,172	19.4	4,495	181	4.0
1929	6,134	873	14.2	4,540	−81	−1.8
1930	5,728	640	11.2	4,267	−100	−2.3
1931	4,699	238	5.1	3,552	−221	−6.2
1932	3,827	49	1.3	2,951	−243	−8.2
1933	3,510	64	1.8	2,721	−263	−9.7
1934	3,984	299	7.5	3,070	−112	−3.6
1935	4,315	435	10.1	3,268	−70	−2.1
1936	4,653	560	12.0	3,452	−97	−2.8
1937	5,257	754	14.1	3,895	11	0.3
1938	5,278	715	13.5	3,953	56	1.4
1939	5,636	969	17.2	4,178	194	4.6
1940	6,743	1,139	16.9	4,775	287	6.0
1941(a)	8,328	1,590	19.1	5,555	452	8.1
1942	10,327	1,153	11.2	6,898	1,398	20.3
1943	11,088	1,103	9.9	7,344	1,536	20.9
1944	11,850	598	5.0	8,027	1,753	21.8
1945(b)	11,835	1,210	10.2	8,311	1,342	16.1
1946	11,850	2,023	17.1	8,923	892	10.0
1947	13,165	2,534	19.3	9,584	494	5.2
1948	15,120	3,238	21.4	11,079	994	9.0
1949	16,343	3,293	20.1	11,849	926	7.8
1950	18,006	3,636	20.2	12,688	662	5.2
1951	21,170	4,439	21.0	14,794	1,334	9.0
1952(c)	23,995	4,935	20.6	16,072	1,291	8.0
1953	25,020	4,996	20.0	16,904	1,312	7.8
1954	24,871	4,235	17.0	16,984	809	4.8
1955	27,132	4,951	18.3	18,239	850	4.7
1956	30,585	6,366	20.8	20,153	1,320	6.5
1957	31,909	6,115	19.2	21,274	1,202	5.7
1958	32,894	5,469	16.6	22,880	1,635	7.1
1959	34,915	5,834	16.7	23,948	1,357	5.7
1960	36,287	5,978	16.5	25,075	1,535	6.1
1961	37,391	5,681	15.2	25,980	1,529	5.9
1962	40,339	6,891	17.1	28,097	2,358	8.4
1963	43,007	7,701	17.9	29,861	2,631	8.8

(a) Introduction of Unemployment Insurance.
(b) Introduction of Family Allowances.
(c) Introduction of Old Age Security.

TABLE 2

EMPLOYER AND EMPLOYEE CONTRIBUTIONS TO UNEMPLOYMENT INSURANCE AS A PER CENT OF G.N.P., NATIONAL, AND PERSONAL SAVING 1941-1963

Year	Unemployment Insurance Contributions	Per Cent of G.N.P.	Per Cent of National Saving	Per Cent of Personal Saving
	(millions of dollars)			
1941	24	0.3	1.5	5.3
1942	55	0.5	4.8	3.9
1943	60	0.5	5.4	3.9
1944	65	0.5	10.9	3.7
1945	62	0.5	5.1	4.6
1946	64	0.5	3.2	7.2
1947	80	0.6	3.2	16.2
1948	97	0.6	3.0	9.8
1949	106	0.7	3.2	11.4
1950	118	0.7	3.2	17.8
1951	152	0.7	3.4	11.4
1952	154	0.6	3.1	11.9
1953	159	0.6	3.2	12.1
1954	158	0.6	3.7	19.5
1955	165	0.6	3.3	19.4
1956	184	0.6	2.9	13.9
1957	191	0.6	3.1	15.9
1958	185	0.6	3.4	11.3
1959	204	0.6	3.5	15.0
1960	278	0.8	4.6	18.1
1961	277	0.7	4.8	18.4
1962	285	0.7	4.1	12.2
1963	294	0.7	3.8	11.2

TABLE 3

FAMILY ALLOWANCE PAYMENTS AS A PER CENT OF G.N.P., NATIONAL SAVING, AND PERSONAL SAVING 1945-1963

Year	Family Allowance Payments	Per Cent of G.N.P.	Per Cent of National Saving	Per Cent of Personal Saving
	(millions of dollars)			
1945	114	1.0	9.4	8.5
1946	240	2.0	11.9	26.9
1947	261	2.0	10.3	52.8
1948	269	1.8	8.3	27.0
1949	291	1.8	8.8	31.4
1950	307	1.7	8.4	46.4
1951	318	1.5	7.2	23.8
1952	330	1.4	6.7	25.6
1953	346	1.4	6.9	26.4
1954	362	1.5	8.5	44.7
1955	378	1.4	7.6	44.5
1956	394	1.3	6.2	29.8
1957	423	1.3	6.9	35.2
1958	470	1.4	8.6	28.7
1959	487	1.4	8.3	35.9
1960	502	1.4	8.4	32.6
1961	517	1.4	9.0	34.3
1962	529	1.3	7.6	22.7
1963	537	1.2	7.0	20.4

TABLE 4

OLD AGE SECURITY CONTRIBUTIONS AS A PER CENT OF G.N.P., NATIONAL SAVING AND PERSONAL SAVING 1952-1963

Year	O.A.S. Contributions(1)	Per Cent of G.N.P.	Per Cent of National Saving	Per Cent of Personal Saving
	(millions of dollars)			
1952	224	0.9	4.5	17.3
1953	293	1.2	5.9	22.3
1954	290	1.2	6.8	35.8
1955	316	1.2	6.4	37.2
1956	372	1.2	5.8	28.2
1957	372	1.2	6.1	30.9
1958	375	1.1	6.9	23.0
1959	547	1.6	9.4	40.3
1960	603	1.7	10.1	39.3
1961	644	1.7	11.3	42.1
1962	691	1.7	10.0	29.3
1963	750	1.7	9.7	28.5

(1) Contributions to Old Age Security Fund as per Public Accounts. Figures are for fiscal years ending March 31 immediately following calendar year shown.

TABLE 5

EMPLOYER, EMPLOYEE, AND SELF-EMPLOYED CONTRIBUTIONS TO CANADA PENSION PLAN AND QUEBEC PENSION PLAN AS A PER CENT OF G.N.P. NATIONAL SAVING, AND PERSONAL SAVING 1966, 1975, AND 1985(1)

Year	Canada Pension Plan and Quebec Pension Plan Contributions	Per Cent of G.N.P. (Projected)	Per Cent of National Saving (Projected)	Per Cent of Personal Saving (Projected)
	(millions of dollars) estimated			
1966	568	1.1	5.7	22.7
1975	879	1.0	5.2	22.0
1985	1,587	1.0	5.3	21.2

(1) Actuarial data related to estimates in Appendix "A".

TABLE 6

PERSONAL SAVINGS AS A PERCENTAGE OF DISPOSABLE PERSONAL INCOME
1929-1963

Selected Countries

Year	United States	Sweden	United Kingdom	Australia[1]	New Zealand[2]
1929	4.5				
1930	3.9				
1931	2.9				
1932	negative				
1933	"				
1934	"				
1935	3.0				
1936	5.4				
1937	5.5				
1938	1.5				
1939	3.9				
1940	4.9				
1941	10.6				
1942	21.9				
1943	22.8				
1944	24.1				
1945	18.5				
1946	7.6	8.0	9.1	11.2	18.0
1947	2.8	4.6	2.2	17.3	20.1
1948	5.8	5.6	1.8	14.6	5.1
1949	4.5	5.9	2.7	15.6	16.5
1950	6.1	2.3	−1.3	22.4	17.6
1951	7.8	3.9	−1.2	13.6	3.8
1952	7.9	7.2	3.6	18.8	10.8
1953	7.9	6.5	3.9	14.6	8.1
1954	7.3	6.9	3.4	12.9	3.6
1955	6.4	9.8	5.1	13.3	4.6
1956	7.9	9.4	3.6	10.5	9.5
1957	7.7	10.0	3.7	4.5	9.5
1958	7.8	8.3	2.7	8.2	5.6
1959	7.0	7.8	3.7	8.0	14.9
1960	6.2	10.2	6.0	7.5	6.4
1961	7.5	10.6	7.5	7.2	6.4
1962	7.2	11.0	6.0	8.4	10.1
1963	6.8				

(1) Fiscal year beginning July 1st.
(2) Fiscal year starting April 1st.

SOURCE:

1. U.S. Survey of Current Business: Disposition of Personal Income.

2. U.N. Yearbook of National Accounts Statistics 1957 and 1963 Recepits and Expenditures of Households and Private Non-Profit Institutions.
Personal Disposable Income = Income minus (Direct Taxes plus Other Current Transfers to General Government).
Personal Savings = Income minus Expenditures.

Appendix "E"

NET NEW ISSUES OF DIRECT AND GUARANTEED BONDS BY PROVINCE 1959-1963.

Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Total
					$ Millions						
1959	8.5	6.9	16.5	0.7	116.8	233.8	70.2	38.9	75.2	0.5	568.0
1960	13.3	2.8	31.5	7.2	57.7	123.5	72.9	60.3	69.5	38.2	476.9
1961	17.6	1.1	24.9	43.7	203.4	152.7	78.2	57.8	57.0	297.6*	934.0
1962	12.2	1.3	8.6	26.1	308.9	136.7	56.3	48.4	46.9	47.8	693.2
1963	5.2	3.7	− 0.3	6.1	529.0**	74.5	80.7	39.9	76.2	92.7	807.7
Average for period	11.3	3.2	16.2	16.8	243.2	144.2	71.7	49.1	65.0	95.4	716.1

* Includes $104 million for payment to private utilities in respect of nationalization.

** Includes $270 million for payment to private utilities in respect of nationalization.

SOURCE: Bank of Canada.

TABLE 2

GROSS NEW ISSUES OF PROVINCIAL AND MUNICIPAL DIRECT AND GUARANTEED SECURITIES 1959-63

	1959	1960	1961	1962	1963
	(Millions of dollars)				
Newfoundland					
Provincial Direct	8.0	11.0	15.0	11.0	4.6
Guaranteed	1.0	2.7	2.2	1.6	1.1
Sub-total	9.0	13.7	17.2	12.6	5.7
Municipal	.9	.9	2.3	2.5	2.5(3)
Total	9.9	14.6	19.5	15.1	8.2
Prince Edward Island					
Provincial Direct	8.4	4.0	4.3	2.7	4.5
Guaranteed	.5	.2	1.3	1.0	1.3
Sub-total	8.9	4.2	5.6	3.7	5.8
Municipal	.6	.8	1.1	1.9	.9(3)
Total	9.5	5.0	6.7	5.6	6.7
Nova Scotia					
Provincial Direct	23.1	51.6	42.0	26.3	24.0
Guaranteed	—	—	—	—	—
Sub-total	23.1	51.6	42.0	26.3	24.0
Municipal	9.8	14.1	15.2	15.3	16.0(3)
Total	32.9	65.7	57.2	41.6	40.0
New Brunswick					
Provincial Direct	16.1	19.9	27.5	20.5	11.3
Guaranteed	.7	1.1	31.0	20.6	8.9
Sub-total	16.8	21.0	58.5	41.1	20.2
Municipal	7.0	10.0	6.5	7.9	9.3
Total	23.8	31.0	65.0	49.0	29.5
Quebec					
Provincial Direct	23.7	60.0	150.0	220.0	257.3
Guaranteed	165.3	92.4	100.8	181.2	319.0(1)
Sub-total	189.0	152.4	250.8	401.2	576.3
Municipal	214.4	256.0	235.1	253.5	274.6
Total	403.4	408.4	485.9	654.7	850.9
Ontario					
Provincial Direct	255.3	84.5	137.3	303.0	121.5
Guaranteed	53.0	117.0	100.0	55.0	120.0
Sub-total	308.3	201.5	237.3	358.0	241.5
Municipal	187.6	204.5	200.2	193.4	207.3
Total	495.9	406.0	437.5	551.4	448.8
Manitoba					
Provincial Direct	55.9	62.3	59.8	21.2	25.1
Guaranteed	26.8	35.1	51.5	100.6	120.2
Sub-total	82.7	97.4	111.3	121.8	145.3
Municipal	26.2	43.5	21.0	24.3	34.4
Total	108.9	140.9	132.3	146.1	179.7

TABLE 2 (Concluded)

GROSS NEW ISSUES OF PROVINCIAL AND MUNICIPAL DIRECT AND GUARANTEED SECURITIES 1959-63 (Concluded)

	1959	1960	1961	1962	1963
	(Millions of dollars)				
Saskatchewan					
Provincial Direct	50.5	81.8	71.7	57.7	57.4
Guaranteed	8.8	1.3	—	47.9	57.0
Sub-total	59.3	83.1	71.7	105.6	114.4
Municipal	24.1	22.8	21.1	22.4	23.4
Total	83.4	105.9	92.8	128.0	137.8
Alberta					
Provincial Direct	—	—	—	—	—
Guaranteed	76.6	70.9	68.5	62.2	111.6
Sub-total	76.6	70.9	68.5	62.2	111.6
Municipal	80.6	53.1	50.8	63.5	60.0(3)
Total	157.2	124.0	119.3	125.7	171.6
British Columbia					
Provincial Direct	—	—	—	—	—
Guaranteed	119.8	73.0	301.1(2)	165.3	151.2
Sub-total	119.8	73.0	301.1	165.3	151.2
Municipal	47.7	42.7	39.0	31.4	54.5
Total	167.5	115.7	340.1	196.7	205.7
GRAND TOTAL	1,492.4	1,417.2	1,756.3	1,913.9	2,078.9
Canada					
Provincial Direct	441.0	375.1	507.6	662.4	505.7
Guaranteed	452.5	393.7	656.4	635.4	890.3
Sub-total	893.5	768.8	1,164.0	1,297.8	1,396.0
Municipal	598.9	648.4	592.3	616.1	682.9
Total	1,492.4	1,417.2	1,756.3	1,913.9	2,078.9

NOTES (1) Includes $217 million for takeover of hydro-electric utilities.
(2) Includes $104 million for takeover of hydro-electric utilities.
(3) Estimated.

TABLE 3

NET NEW ISSUES OF PROVINCIAL AND MUNICIPAL DIRECT AND GUARANTEED SECURITIES 1959–63

(Millions of dollars)

	1959	1960	1961	1962	1963
Newfoundland					
Provincial Direct	8.0	11.0	15.0	11.0	4.6
Guaranteed	0.5	2.3	1.9	1.2	0.6
Sub-Total	8.5	13.3	16.9	12.2	5.2
Municipal	.4	.4	1.8	1.9	1.9
Total	8.9	13.7	18.7	14.1	7.1
Prince Edward Island					
Provincial Direct	6.4	3.0	1.0	0.3	2.5
Guaranteed	0.5	0.2	1.0	1.0	1.2
Sub-Total	6.9	3.2	2.0	1.3	3.7
Municipal	.3	.5	.7	1.6	.6
Total	7.2	3.7	2.7	2.9	4.3
Nova Scotia					
Provincial Direct	16.7	31.6	25.0	8.9	−0.3
Guaranteed	—	—	—	−0.3	—
Sub-Total	16.7	31.6	25.0	8.6	−0.3
Municipal	5.0	9.0	9.4	9.0	9.2
Total	21.7	40.6	34.4	17.6	8.9
New Brunswick					
Provincial Direct	0.3	6.5	18.6	6.3	−2.3
Guaranteed	0.3	0.7	30.6	19.8	8.4
Sub-Total	0.6	7.2	49.2	26.1	6.1
Municipal	−0.4	5.9	2.1	3.3	4.4
Total	5.6	13.1	51.3	29.4	10.5
Quebec					
Provincial Direct	−1.1	22.5	108.8	190.0	224.6
Guaranteed	117.9	35.2	94.5	118.9	304.4(1)
Sub-Total	116.8	57.7	203.3	308.9	529.0
Municipal	134.6	169.6	138.8	164.6	174.6
Total	251.4	227.3	342.1	473.5	703.6
Ontario					
Provincial Direct	193.1	39.5	77.7	111.8	31.2
Guaranteed	40.6	83.9	72.5	25.0	43.3
Sub-Total	233.7	123.4	150.2	136.8	74.5
Municipal	109.9	118.2	105.8	89.7	92.3
Total	343.6	241.6	256.0	226.5	166.8
Manitoba					
Provincial Direct	43.7	38.0	29.1	−15.8	13.2
Guaranteed	26.6	34.9	51.3	72.0	67.4
Sub-Total	70.3	72.9	80.4	56.3	80.7
Municipal	17.6	34.0	10.6	32.7	21.6
Total	87.9	106.9	91.0	89.0	102.3

TABLE 3 (Concluded)

NET NEW ISSUES OF PROVINCIAL AND MUNICIPAL DIRECT AND GUARANTEED SECURITIES 1959–63 (Concluded)

	1959	1960	1961	1962	1963
			(Millions of dollars)		
Saskatchewan					
Provincial Direct	34.4	59.5	58.5	35.2	35.8
Guaranteed	4.4	0.7	−0.8	13.1	4.2
Sub-Total	38.8	60.2	57.7	48.4	39.9
Municipal	18.9	16.7	14.4	14.6	14.7
Total	57.7	76.9	72.1	63.0	54.6
Alberta					
Provincial Direct	−1.4	−1.3	−1.4	−1.7	−1.7
Guaranteed	76.6	70.9	56.4	48.6	77.9
Sub-Total	75.2	69.6	55.0	46.9	76.2
Municipal	60.2	29.7	25.7	37.6	33.0
Total	135.4	99.3	80.7	84.5	109.2
British Columbia					
Provincial Direct	−82.7	−4.5	−0.9	−0.7	−0.2
Guaranteed	83.1	42.7	296.5(2)	48.5	92.9
Sub-Total	0.4	38.2	295.6	47.8	92.7
Municipal	34.9	28.6	23.4	14.5	36.0
Total	35.3	66.8	319.0	62.3	128.7
Canada					
Provincial Direct	217.4	202.2	331.4	345.3	307.4
Guaranteed	350.5	271.5	603.9	347.8	600.3
Sub-Total	567.9	473.7	935.3	693.1	907.7
Municipal	381.4	404.5	332.7	369.5	388.3
Total	949.3	878.2	1,268.0	1,062.6	1,296.0

NOTE: (1) Includes $217 million for takeover of hydro-electric utilities.
(2) Includes $104 million for takeover of hydro-electric utilities.
Net municipal issues for 1963 are based on estimates. Redemptions used to calculate net municipal issues include purchases for sinking fund purposes.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

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

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

FRIDAY, DECEMBER 11, 1964.

WITNESSES:

Dr. Joseph Willard, Deputy Minister of Welfare and Messrs. D. Thorson, Assistant Deputy Minister of Justice, Tom Kent, Policy Secretary, Prime Minister's Office, J. A. Blais, Director of Family Allowances and Old Age Security Division, Department of National Health and Welfare.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

MEMBERS OF THE COMMITTEE FOR THE SENATE

Honourable Senator Muriel McQ. Fergusson, *Chairman,*

and Honourable Senators:

Blois
Boucher
Croll
Denis
Flynn
Lang
Lefrançois
McCutcheon
Smith (*Queens-Shelburne*)
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*)
Francis
Gray
Gundlock
Howe (*Wellington-Huron*)
Knowles
Laverdière
Leboe
Lloyd
Macaluso
McCutcheon
Monteith
Moreau
Munro
Perron
Rhéaume
(Mrs.) Rideout
Scott

Maxime Guitard,
Clerk of the Special Joint Committee.

MINUTES OF PROCEEDINGS

FRIDAY, December 11, 1964
(15)

The Special Joint Committee of the Senate and of the House of Commons on Canada Pension Plan met at 9:43 o'clock a.m. this day. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Present:

Representing the Senate: Senators: Denis, Fergusson, Smith (*Queens-Shelburne*), Stambaugh (4).

Representing the House of Commons: Messrs. Basford, Cameron (*High Park*), Chatterton, Côté (*Longueuil*), Francis, Gray, Knowles, Lloyd, Macaluso, Monteith, Munro, Rhéaume, Rideout (Mrs.)—(13).

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare and Messrs. D. Thorson, Assistant Deputy Minister of Justice, Tom Kent, Policy Secretary, Prime Minister's Office, and J. A. Blais, Director of Family Allowances and Old Age Security Division, Department of National Health and Welfare.

The Committee continued its consideration of Bill C-136 clause-by-clause.

The Committee agreed unanimously to have the following documents published as appendices to this day's Minutes of Proceedings and Evidence, namely: "Canada Pension Plan Costs of Administration" (*See Appedix "R" in Issue No. 8*) and "The Economic Implications of the Canada Pension Plan" (*See Appendix "S" in Issue No. 8*).

At 11:00 a.m., having completed its clause-by-clause consideration of Bill C-136, the Committee adjourned until 3:30 o'clock p.m. on Monday, December 14, 1964.

Maxime Guitard,
Clerk of the Committee.

NOTE: The appendices "R" and "S" appeared in issue No. 8 for the convenience of the members of the Committee.

EVIDENCE

FRIDAY, December 11, 1964.

The CHAIRMAN (*Mr. Cameron*): Senator Fergusson and gentlemen, we have a quorum, and we shall commence our proceedings. Mr. Bryce told me last evening that the economic report will be available this afternoon. The clerk assures me that a motion will be in order that it be attached as an appendix to the proceedings of this meeting, and if that is agreeable, that is what will be done.

Agreed.

For those who are not here today, the report will be placed in their post boxes this afternoon, so I am informed; and for the members of the steering committee I intend to call a meeting in my office for Monday, at 2 p.m. You will be receiving notices, but I thought I would let you know about it in advance.

I think we are about to deal with clause 115.

Mr. GRAY: Mr. Chairman, before we start to deal with clause 115, may I discuss a further question about the part we left off at last night?

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

Mr. GRAY: Generally, I was wondering about investments. May I pose a general question, and may I have some further explanation why this particular method of dividing the funds between the provinces was selected?

Mr. TOM KENT (*Policy Secretary, Prime Minister's Office*): Well, I would not like, in the absence of the deputy minister of finance, to go into any sort of technical details about it. But the general principles are quite clear. Theoretically there are three possible ways of doing it. The approach of the bill is that the funds arising under a plan of this kind are not funds which in the view of the government would be used for federal purposes, but would be used for provincial purposes, which means pretty well for social capital.

I suppose in theory you could devise a method of distribution which would be according to the need for social capital; that is, to assess the fundamental purposes to be served.

social agenda

Some consideration was given to whether it would be possible to have a sort of needs formula analogous, say, to the Atlantic Provinces adjustment grant in fiscal relations. But to do this—if one were to do it on a very satisfactory basis—would be, one might think, probably a very difficult if not impossible task. And if you are not going to do it by a measurement of needs, then you must do it by some measurement of resources, based on where the funds come from.

If the allocation is going to be based upon where the funds come from,—that is, on contributions—then there are two possible subdivisions of the method. One is the method proposed in the bill, to do it simply according to contributions; the other method would be to do it according to the net experience in each province, in ratio to the difference in each province between the payments in and the payments out.

These two methods were looked at very carefully, of course. They make very little difference during the period when the plan is accumulating sizeable funds. As long as that is happening, then the difference in distribution on the gross or on the net basis would be very small. How much difference there would be, however, 20 years from now is very hard to estimate, as was pointed out last night, because it would depend upon all sorts of variables, as they would be then. It is fairly easy to see what they are now, but it would not be so easy to see what they would be then.

If it were done on the net rather than on the gross basis, and if as a result of decisions made by parliament 20 to 25 years from now, the plan were operating for any appreciable period more or less in balance—that is to say, with some very small net accumulation of funds, or a small net drawing down of funds, but pretty well in balance—then the difference between the net and the gross method in those circumstances, while it still would not be very large in absolute amount, might become rather critically important in terms of what was happening to individual provinces. The directions of what was happening would be different.

That is to say, if the fund was accumulating just a little in toto nationally, and if the distribution were on the basis proposed—the gross basis—then obviously each province is getting a little bit of that small accumulation of new funds. But if it were done on the basis, it would be possible, under those circumstances, that a small quantity of funds would still be handed over to some provinces when there was some small redemption of securities of other provinces having to take place. It seemed that that result, while it would really not be financially of all that importance, yet would be contrary to the spirit of a national plan.

This problem was discussed, of course, with the provinces, and there was some opinion in favour of the net basis. But after listening to the views expressed at the federal-provincial discussions, the federal government took the view that the basis proposed in the bill was the better one, and I think it would be fair to say that this represents also the consensus of views of the provinces.

Mr. CHATTERTON: Was there any particular province where the difference between the net and gross methods was appreciably different in any particular way?

Mr. KENT: It is not really possible to answer that question, because it would depend on the situation 15 to 20 years from now. The difference in the short run is certainly very small indeed. I would think something could be said in more detail about it. But, particularly as applied to a small province, I think it is really impossible to make a forecast of any significance for 20 years ahead.

The CHAIRMAN (*Mr. Cameron*): Are there any more supplementary questions? If not, let us proceed to clause 115.

On Clause 115—*"Included province" defined.*

Mr. THORSON (*Assistant Deputy Minister, Department of Justice*): This is the clause of the bill which was mentioned earlier, and which is designed to ensure continuing consultation and co-operation between the federal and provincial governments regarding any proposed changes in the plan in the future. It is designed to safeguard the legitimate interests of the provinces in this field of concurrent jurisdiction. Subclause (1) defines those provinces to which the right of consultation is extended, as being "included provinces".

Under the definition, all provinces are included provinces except the Yukon and the Northwest Territories. In addition, a province would be treated as an included province where that province operates its own comprehensive pension plan, and has entered into an agreement with the government of Canada under which employees in employment under federal jurisdiction in that province would be subject to the provisions of the provincial plan.

Mr. KNOWLES: Are you not leaving out the word "not" there? I am sorry. If the record is not right, it will be corrected.

Mr. THORSON: The province that has its own pension plan and that has entered into an agreement under subclause (4) of clause 115 would be regarded as an included province for the purposes of this clause.

The CHAIRMAN (*Mr. Cameron*): I think Mr. Knowles' question was whether it should read "has not entered into an agreement".

Mr. THORSON: Oh, if I said that, I meant that it must have entered into an agreement, and if it has entered into an agreement it would be regarded as being an included province.

Mr. KNOWLES: I think we know what you mean, anyhow.

Mr. THORSON: Subclause (2) requires that at least two years notice must be given before any major amendment—that is to say, an amendment which affects the general level of benefits provided for by the act, or the rates of contribution provided for by the act—could come into force. Such an amendment would only take effect at the beginning of the third year after the year in which parliament is given notice of an intention to introduce such an amendment to the plan.

In effect this means a notice period of at least 24 months and up to 36 months. Subclause (3) which follows from subclause (2) describes the kind of notice that is contemplated by subclause (2). It provides that the nature of the amendment being proposed must be made known in reasonably precise terms, and that the government of each included province must be notified by the minister of the proposed amendment.

Subclause (4) provides a second general rule, namely, that any amendment which is of the kind that might be classed as an amendment of substance, cannot go into force unless at least two-thirds of the included provinces having in the aggregate not less than two-thirds of the population of all the included provinces have consented to the amendment.

What I have described as an amendment of substance would include those matters set out in paragraphs (a) to (f) respectively in subclause (4). Perhaps I might go over them.

Paragraph (*a*) is the general level of benefits provided by the act.

Paragraph (*b*) is the classes of benefits provided by the act,

Paragraph (*c*) is the rates of contributions provided for by the act.

Paragraph (*d*) is the formulae for calculating the contributions and benefits payable under the act.

Paragraph (*e*) is the management or operation of the Canada pension plan account or the Canada pension plan investment fund.

And finally, paragraph (*f*) is the constitution of, or the duties of, the Canada pension plan advisory committee established under clause 117.

In each of these cases any amendment of the kind described would require the consent of the provinces according to the formula set out in this subclause. Finally, subclause (5) provides that in making the calculations required by subclause (4) the provincial population for any year is taken to be the population as estimated by the dominion statistician as of June 1, in that year.

Mr. KNOWLES: I recognize without question the desirability of continuing consultation in the operation of a plan like this, but I would like to ask Mr. Thorson in his capacity as a lawyer to explain how one parliament can tie another, or even one session of a parliament can tie another by a clause such as this. I am looking particularly at subclause (2) and subclause (4).

Subclause (2) says that a future parliament, or a future session of a parliament is limited as to what it can go into.

Subclause (4), however, says that a future parliament or a future session of a parliament cannot make a certain enactment unless it has the approval of certain provinces. But what is to stop a future session of parliament from amending this act by deleting clause 115? I ask all this in the light of my initial statement that I think continuing consultation is desirable, and I said something about this upon second reading in the house. I can see the desirability of there being agreement between the government and the governments of the provinces to introduce legislation of this kind, but I would like to have a lawyer's answer to the question I have posed.

Mr. THORSON: An agreement would not, I think, be effective as a means of providing the kind of assurance that this clause provides. The agreement could not of course bind any subsequent parliament, and in any event it could not deal with the case where an amendment was proposed by anyone other than the government.

Mr. KNOWLES: Do you know the chance that this amendment would have?

Mr. THORSON: It is nonetheless a point which must be taken into account having regard to the kind of assurance provided here.

Mr. KNOWLES: If you say an agreement cannot guarantee it, then how does this guarantee it?

Mr. THORSON: I concede, first of all, that a subsequent parliament could, having regard to considerations which might then be before it, by subsequent legislation revoke or repeal, or in fact override, the provisions contained in this bill, but I would point out that it would take such an overriding action in the future to displace the effect of these rules. These are, after, all, statutory rules, or they will be such when the bill is enacted, and until they are overridden by any subsequent legislation, they would stand.

Mr. KNOWLES: When you speak of overriding, would it not take only a majority vote of a future parliament to repeal or revoke this?

Mr. THORSON: Yes, that is the case. As you mentioned earlier, this statute cannot bind a subsequent parliament, but in another sense there are a number of statutes which do, in a way, bind subsequent parliaments. Perhaps I might give you an illustration. I am thinking of the Interpretation Act which sets out a number of rules of law which, unless expressly overridden or amended in the future by a subsequent parliament, establish a regime of law which governs the interpretation of statutes passed subsequently.

Another example might be the bill of rights where it is provided that certain rules are to apply unless the parliament of Canada expressly otherwise declares. What we are really saying here is that this is a rule of interpretation, which would apply short of being expressly overridden.

Mr. KNOWLES: I realize that the line between questioning and arguing is perhaps disappearing here. I would agree that there are things which a future parliament would not do. But there is nothing to prevent a parliament from amending the annuities act, and taking away some of the rights established by it in 1908, but parliament does not do that kind of thing. By the same token I do not think parliament would do it here, but it seems to me that when we are writing into this annuities statute what in effect are principles of the constitution, we should not get mixed up with the whole process of amending.

I can agree that this is desirable, and I agree that parliament will not do some of these awful things, but I find it hard to understand the constitutional law.

Mr. THORSON: There is only one comment that I would add. These two subclauses to which you have referred provide in each case a rule of law that would govern in the absence of being expressly overridden by a subsequent enactment. That is to say, it would be regarded as being a term of any subsequent legislation that the legislation would come into effect only in circumstances described here.

Mr. KNOWLES: There is nothing to stop the future parliament from saying "notwithstanding the provisions of clause 115, such and such is to be done"?

Mr. THORSON: No, there is nothing to stop it, as a matter of law.

Mr. MONTEITH: It does have to go through the formality of changing.

Mr. THORSON: That is right. If the future law said nothing, this clause would then have the effect described. Therefore, a subsequent parliament, if it is to make a change in the regime, would have to take some positive action to override the provisions enunciated here.

Mr. KNOWLES: I submit that has to be done in any case.

Mr. LLOYD: I suppose it is conceivable that judgments of authorities, provincial and federal, might reach a stage after you have had experience with this sort of thing at which it might very well dawn on all that the agreement is purely to protect some fundamental constitutional rights, and nothing more or less than that.

What I am trying to say—

Mr. RHÉAUME: Explain.

Mr. LLOYD: —is that it is pretty plain to me that this clause exists because there is uncertainty in the minds of the authorities concerned with enacting a pension plan that there may be something they do not see now which might contain something which they might lose. This piece of legislation is necessary to inspire confidence. It is a matter of "Well, let's get on with it jointly, and after we have had some experience with it we might find that a lot of our fears were completely unfounded."

Mr. KNOWLES: Are you a Mede or a Persian?

Mr. LLOYD: As far as I am concerned, Mr. Chairman, I am fully satisfied that the claims to constitutional rights have compelled legal draftsmanship that I think subsequent events will find unfounded.

Mr. CHATTERTON: Did I understand Mr. Thorson to say that agreements between provinces and the federal government can be annulled by future parliaments?

Mr. THORSON: This clause is a rule that would be enunciated by parliament, in enacting this law. Leaving aside the question of whether it might be possible for a future parliament, for reasons other than legal reasons, to annul this rule, as a legal matter since this is a rule being enunciated by parliament, it is conceivable that a subsequent parliament could annul the rule.

Mr. CHATTERTON: There may be other omissions, but one that occurs to me immediately in subclause (4), is the appeal procedure. Is there any reason for that not being included?

Mr. THORSON: We are not trying to include all the provisions of the plan. We are certainly not trying to include what I might describe as administrative features that have been built into the plan. We are here only concerned with what I described earlier, I think, as amendments of substance; that is to say, amendments that go to the very root of what a beneficiary is entitled to receive and what a contributor must pay. It is that kind of amendment that is the concern of this clause.

Dr. WILLARD: May I add a further comment to that?

This proposed legislation is unique in a number of ways. First of all, section 94(a) of the British North America Act provides for concurrent jurisdiction, and it does indicate that federal action in the pension field should not interfere with the operation of a provincial plan, present or future. This program has been developed having regard to this fact and the need for consultation with the provinces.

Having carried out this consultation in an effort to develop a national portable plan of pensions, and having regard to this constitutional setting, it is natural that when future amendments are to be made to the plan there should be consultation with the provinces. This provision is one way in which future consultation can be assured.

The second point is that it is unique that a federal act or a federal piece of legislation will generate funds which will be invested, as it were, through the provinces. The fact that provincial funds will become committed to a federal pension fund in this way is extremely important to the provinces. If the federal government took action to lower the level of contributions or to increase the level of benefits, it could have a very serious effect upon the financial position of the provinces. Therefore, this kind of safeguard was felt to be important.

Mr. CHATTERTON: The participating province cannot change its legislation except in accordance with an agreement subsequently made?

Dr. WILLARD: There are a number of reasons why it would be difficult for a province with comparable legislation, out of hand, to make radical changes. The two schemes are locked together and integrated.

Mr. KENT: May I supplement that?

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

Mr. KENT: You will remember from a previous clause that the terms under which a province becomes a non-participating province, in the sense of having its own legislation, require a parallel notice period of at least two years.

Mr. CHATTERTON: Does clause 115 apply to the old age security act?

Mr. THORSON: No, it does not. It applies only to the terms of the Canada pension plan.

Mr. CHATTERTON: Part IV is not a part of this act, then?

Mr. THORSON: No, the only function of Part IV is to make the necessary changes to the Canada pension plan.

The CHAIRMAN (*Mr. Cameron*): Are there any further comments?

Mr. KNOWLES: I will leave my further comments until the next stage.

On Clause 116—*Report to be made by Chief Actuary every 5 years.*

Mr. THORSON: Subclause (1) of clause 116 provides for an actuarial examination to be made at least once every five years concerning the operation of the act and the state of the Canada pension plan account. In the actuary's report the actuary is under an obligation to include a statement setting out estimated revenues of the account for each of the ten years immediately following the date of his examination, and also estimated payments of benefits and costs of administration, in each of those ten years.

A second statement would be required setting out for each fifth year of a period of not less than 30 years—and it could be more than 30 years—an estimate of the percentage of total contributory earnings that would be required to provide for all outpayments under the plan on the assumption that there was no balance in the pension plan account at the commencement of the year. That is to say, he is being asked to provide a statement of the cost of providing benefits in each such year, disregarding any accumulated surplus there may be in the account.

Subclause (2) further provides that in addition to any report under subclause (1) the chief actuary must, whenever any bill is produced in or presented to the House of Commons to amend the act, prepare an immediate report setting out the extent to which the bill would, if enacted by parliament, affect any of the estimates contained in the most recent actuarial report prepared by him under subclause (1).

The function of subclause (3) is to ensure that upon completion of any report of the actuary, whether made under subclause (1) or under subclause (2), the report is to be laid before parliament at the earliest possible moment, and the clause further provides that if parliament is not then sitting it is to be made public by publication in the Canada *Gazette*.

The CHAIRMAN (*Mr. Cameron*). Are there any comments on this clause?

Mr. BASFORD: I am wondering whether by the wording of subclause (2) we should assume that the Senate is soon going to be abolished!

Mr. THORSON: No, I do not think subclause (2) assumes that. It refers to a bill being introduced in or presented to the House of Commons. That has in mind a bill that originated either in the Senate or in the House of Commons.

The CHAIRMAN (*Mr. Cameron*): I notice the chief actuary is here. Do you wish him to make any comment?

Dr. WILLARD: Mr. Chairman, while the chief actuary is here, he will be giving his evidence on the actuarial report at a later stage. If there is any question on this clause I am sure it can be raised then.

The CHAIRMAN (*Mr. Cameron*): Are there any other comments on clause 116?

On Clause 117—*Canada Pension Plan Advisory Committee.*

Mr. THORSON: Clause 117 provides for the establishment of an advisory committee consisting of not more than 16 members representative of employees, employers, self-employed persons and the general public. The members of the advisory committee would be appointed by the governor in council.

Mr. CHATTERTON: What is the term of those appointments?

Mr. THORSON: There is no fixed term provided.

Mr. CHATTERTON: May I ask why not? It is fairly common to include in a bill the term of appointment of such bodies.

Mr. THORSON: Not necessarily.

Hon. Mr. SMITH: I would like to ask what is the reason for including the phrase "the public". It seems to me that employers, employees and self-employed people comprise the public. What is the purpose of that?

Dr. WILLARD: Mr. Chairman, the term "the public" was inserted having in mind somebody who is generally representative, and not representative of, say, an employers' body or an employees' body. It might be somebody who is not representing an organization which in turn represents organized employees, employers or self-employed persons.

Mr. THORSON: Subclause (2) deals with the remuneration and expenses of members.

Subclause (3) provides that the committee is to meet at least once a year in Ottawa and at such other times and places as it deems necessary in order to carry out its functions under the act.

Subclause (4) deals with the duties of the committee. It provides that it is the duty of the committee to review from time to time, as it deems appropriate or advisable, the operation of the act, the state of the investment fund and the adequacy of coverage and benefits under the act.

The committee is under a further duty to report to the minister the results of any such review.

Mr. RHÉAUME: There is no indication here of several things, and you can probably clear the matter up for me. It does not provide whether there shall be a chairman full time; it does not provide whether the committee shall have any staff or not. I am just wondering what is envisaged here. Is it expected that the committee will have any full time staff?

Dr. WILLARD: Mr. Chairman, it was not thought that it would be a full time body or that there would be a full time chairman. It would be perhaps comparable to the unemployment insurance advisory committee, although I think at one stage they did have a chairman who spent his full time in that capacity. The staffing would normally be provided from the Department of National Health and Welfare or the other departments concerned. For instance, if the advisory committee wanted certain reports prepared by the chief actuary, such reports would be prepared by the chief actuary for it. The secretariat for the committee would be provided by the Department of National Health and Welfare but special studies requested would be provided by the different departments concerned. The advisory committee might, for example, want some studies on the contributions under the plan, and in that case the Department of National Revenue would be expected to prepare the necessary studies for them.

Mr. RHÉAUME: Who would call the committee together? The clause says that the committee shall do this and do that. Presumably it would be the minister who would call the committee together. Is that what is anticipated? Is it anticipated that he will say it is time for the committee to gather?

Dr. WILLARD: In the first instance the committee will be established by an order in council, and that order in council would name the members. The order might very well set out some of the more detailed points. The minister would call the first meeting and presumably either the committee would elect its chairman or the government, in the order in council, would name the chairman. From there on, the chairman would take the initiative for the future meetings.

The CHAIRMAN (*Mr. Cameron*): Are there any further comments?

Mr. KNOWLES: It seems to me there was some sense in the question that was raised, I think by Mr. Chatterton, in connection with a time limit on these appointments. This seems to be a rather vague arrangement.

Dr. WILLARD: Mr. Chairman, the length of appointment could have been provided, but on the other hand it would be hoped that the members who are appointed would carry on for a number of years particularly since this is quite a specialized field. I am sure, having in mind the scope and complications of the legislation you would not expect those appointed to have a short term of office.

Mr. KNOWLES: But, it works both ways. Without any time limit people appointed could stay there until they go on to pension,—

Mr. THORSON: Yes, and after.

Mr. KNOWLES: —or until they have received the death benefit; or the governor in council could change them every time there is a change in government. Would it not be better to have a five or 10 year period subject to reappointment?

Mr. THORSON: Precedent has been to some degree a guide in this matter. I recall your attention, Mr. Knowles, to the fact that under the Public Service Superannuation Act, for example, there is provision made for an advisory committee, and in that act no specific terms of appointment are fixed by the legislation. The practice has been to make appointments and to review them only when it is necessary to consider changes in the committee.

Mr. FRANCIS: I would like to ask Mr. Thorson if it has not been the general practice under that legislation to consult informally with the staff organizations, and that the persons named to these advisory boards are named with the concurrence of such staff associations. In this respect it has been a happy arrangement. I am unable to draw that kind of parallel in this situation because, in my opinion, it is not comparable to the other associations.

Dr. WILLARD: Well, there is some comparability because government would consult with organized labour and the organizations in the business community to obtain a number of suggestions from these organizations. I am sure that these organizations would not expect to have whoever was appointed from the panel of names submitted to be elected every year, or anything of that nature. If you are going to have members who are representative of employees or representative of employers it would seem to me you would have to work with these organizations in order to obtain their suggestions, just as occurs under the superannuation legislation.

Mr. KNOWLES: The unemployment insurance advisory committee already has been mentioned. Incidentally, there is nothing in this clause which says that there be any consultation with any bodies in respect of the proposal of names. How are we going to be sure that employees or employers will be represented by persons of their choice? I hope I am not boasting when I indicate to the committee that my name was suggested as a member of one of these advisory committees, and I even attended a meeting here. But, the government of that day refused to pass the order in council, so I had to leave.

Mr. CHATTERTON: You were on the wrong side.

Mr. KNOWLES: Well, I do not want to make Mr. Monteith blush.

Mr. MONTEITH: Do not worry, Mr. Knowles; I am not blushing a bit.

Mr. RHÉAUME: It would not happen today.

Mr. KNOWLES: It could not happen today because I am a member of parliament. The Canadian Labour Congress proposed my name as a member of the unemployment insurance advisory committee but, as I said, the governor in council did not concur. What guarantee have we here that these so-called representatives of employees, employers, self-employed persons and the general public will be other than the choice of the government of the day?

Mr. LLOYD: It is "representative of". I do not think it is intended that a right be given to any body to name these members.

Mr. KNOWLES: Then it is meaningless.

Mr. LLOYD: I think the proposal is to find 16 people who could be helpful in a purely advisory capacity, and that is all.

Mr. KNOWLES: May I ask Dr. Willard what the provisions are for naming members of the dominion council of health and the corresponding dominion council of welfare. Are there not provisions in the act for consultation in respect of these appointments?

Dr. WILLARD: No, there are not provisions for consultation.

Mr. KNOWLES: There are in the Unemployment Insurance Act with respect to the unemployment insurance commission.

Dr. WILLARD: Yes.

Mr. RHÉAUME: Mr. Chairman, I think we might be unduly concerned here. There is a better precedent; if the government should change you merely change that provision, as the did in respect of the Atlantic development board, make a 33 man committee, and the government could have 17 of its own. I think that is a good precedent to follow.

The CHAIRMAN (*Mr. Cameron*): Perhaps at an appropriate time we could give this matter further consideration.

Mr. CHATTERTON: Was consideration given to specifying representation by the provinces since they are directly involved?

Dr. WILLARD: The clause we had discussed just prior to this provided for certain protections and assurance for consultation with the provinces. In fact, there will have to be very considerable amount of consultation with them on a number of matters; for example, the Department of Finance will be in monthly consultation with them concerning investment matters. Thus, it was considered that there was already provision for this kind of consultation with the provinces.

Mr. THORSON: Subclause (5) provides for an annual report to be made by the committee to the minister and requires the minister to include a copy of the annual report of the committee in the minister's own annual report to parliament under clause 118.

On clause 118—*Annual report to be made by minister.*

Mr. THORSON: Clause 118 provides that an annual report be made by the minister to parliament, in which he must include a statement showing amounts credited to or charged to the pension account and the pension plan investment fund during the preceeding year by appropriate classifications. Also, he must show the number of contributors and the number of persons to whom benefits were payable during the year, together with such other information as he deems appropriate.

The CHAIRMAN (*Mr. Cameron*): Are there any comments on this clause?

Dr. WILLARD: Mr. Chairman, before we pass from the administrative part of the Bill I have a document to present on the cost of administration. I promised I would make these data available when we dealt with this part of the bill. This document sets out the estimated administrative expenditures by department in 1966 and the estimated administrative expenditures for all departments for the ten year period, 1966-1975. It also includes the estimate of the actuary. Perhaps you would like to append this document to today's evidence.

Mr. FRANCIS: I so move.

Mr. KNOWLES: I second the motion.

Motion agreed to.

Dr. WILLARD: In addition, Mr. Rhéaume asked a question about estimated staff requirements. These are rough estimates but I think they will serve as a fairly satisfactory guide.

For the first year of operation in 1966 the estimated additions to staff would be as follows: Department of National Health and Welfare, 240; Department of National Revenue, income tax division, 1,010; Unemployment Insurance Commission, 62; comptroller of the treasury, 25, making a total of 1,337. Ten years hence in 1975, we estimate the staff additions will amount to these numbers.

Mr. MONTEITH: Before you proceed to give those figures, this is the total addition and not over and above the figure you already have given?

Dr. WILLARD: No. This would not be over and above what I have given. This is the total figure. The figures are as follows: Department of National Health and Welfare, 1,540; Department of National Revenue, 1,209; Unemployment Insurance Commission, 72; comptroller of the treasury, 135, making a total of 2,956.

Thank you, Mr. Chairman.

Mr. Rhéaume: Before we leave that subject, it seemed to me that the estimate for the administrative costs of old age security which you filed earlier was .2 per cent of the benefits being paid.

Dr. Willard: Perhaps when we come to part IV which deals with old age security Mr. Blais, the Director of Old Age Security, who will be at the officials' table could deal with this question at that time.

The Chairman (*Mr. Cameron*): We will now pass to part IV, amendments to Old Age Security Act.

On clause 119—

Mr. Thorson: Mr. Chairman, if I may first make a correction to a statement I made a moment ago indicating under the superannuation act no fixed term was provided for members of the advisory committee. Mr. Clarke now informs me that the legislation does, in fact, provide that the term is to be for a period not exceeding three years. I am sorry I misled the committee in that respect.

Dr. Willard: Mr. Chairman, I have another point I would like to raise to clarify my answer to Mr. Knowles about the dominion council of welfare and the dominion council of health. The deputy ministers of the provinces and the federal deputy minister are designated in the legislation but, in addition, there are the other members and they are not designated or named in terms of the organizations they might represent.

Mr. Francis: I would like to ask Dr. Willard in that respect if the other persons named are not appointed usually for specific terms?

Dr. Willard: Do you mean the outside members?

Mr. Francis: Yes.

Dr. Willard: I will check on that, Dr. Francis, and let you know.

Mr. Monteith: Did I understand Mr. Thorson to say that four of these 16 members are to be appointed for a three year term?

Mr. Thorson: No. No term is specified in this legislation for members of the advisory committee. I was referring to the advisory committee as established under the Public Service Superannuation Act.

Mr. Chairman, we are now coming to the fourth and final part of the bill, dealing with amendments to the Old Age Security Act.

Clause 119 is a purely consequential clause. It follows from the amendment to section 3 of the act, which is contained in the next following clause.

On clause 120—*Payment of pension.*

Mr. Thorson: Clause 120 amends section 3 (1) and (2) of the Old Age Security Act, to make provision for the payment of the age adjusted pension which would be paid in the place of the flat rate pension of $75 a month. The age adjusted pension, as has been mentioned, would be available at the option of an applicant who had reached 65 years of age.

Mr. Knowles: Mr. Chairman, this clause 120 carries forward in clause 3 (1) (*d*) a provision that already is in the Old Age Security Act, and it carries it forward without any change.

I am referring to the requirement that any person applying for old age security must not only meet the 10 year present requirement but must have his last full year in Canada before going on the pension.

As you know, this subject has been discussed at length quite a few times, and when the minister was before the committee at one of our earlier sessions she alluded to it and said, if I remember her words correctly, that she would welcome any suggestions the committee might have to make in this regard.

I think I do understand and recognize the reason for this requirement but, Mr. Chairman, it does seem to me it creates some rather unfortunate anomalies. I am sure that my experience as an M.P. is paralleled by the experience of other members of parliament; we hear from people who have spent 40 years in the country, people from the United Kingdom in the first place and they return there, or from people who were born in the country and spent most of their lives here but for reasons of health or otherwise they have felt it necessary to go somewhere else. As I say, they may have 40 or 50 years of residence in the country but because they do not have that one final year they are not able to qualify for that pension. I have suggested on many occasions that this indeed is a very great hardship. On the other hand, people who have been in the country for only 10 years and stay here do get the pension.

I know that when one tries to resolve one anomaly one creates another, but I am wondering if the department has been able to give some thought to changing this provision in order to meet the kind of anomalies I have posed, even if a requirement for a medical certificate is set down or something of that nature. I am sure the problem is on the mind of the deputy minister.

line drawing

Dr. WILLARD: I think, Mr. Chairman, that Mr. Knowles has summed up the matter very well. We do face a technical difficulty in some of the cases he has mentioned. One can quote particular situations that appear to be anomalous; on the other hand, when you try to adjust the legislation to take care of some of these you do open up the provision and make it possible for others to qualify which if you knew them in advance you might say it was never intended that it should be so favourable to this case or that case.

I should mention again that in respect to this question of residence the legislation has been altered on a number of occasions since 1951. In 1952, when the legislation first came into operation, it provided for a 20 year residence requirement. Then a few years ago the provision for paying outside the country was introduced. This enabled people to remain outside the country permanently and to receive the benefit if they had been resident in Canada 25 years after their 21st birthday. This did have the result of removing a great many of the anomalies and difficulties that had risen in the kinds of cases you have mentioned, Mr. Knowles. The next change to occur under this proposed legislation would result from the lowering of the age from 70 to 65. The problem will be reduced because the one year clause which catches some of these cases now will be lowered, as it were, from age 69 to age 64. Since age 70 is a relatively high age in terms of normal retirement for many people, this change will remove quite a few anomalies, all those in the 65-69 age group. If you have some suggestions with regard to a way in which this might be improved further, as the minister has suggested, the department would be quite interested in hearing them. We have given the matter some study. There are various possible ways of attempting to remove the anomalies. Of course, some of these create other anomalies, as you suggest.

Mr. KNOWLES: May I point out that you already have two different arrangements in the act with regard to residence. You have the 10-year requirement and the 25-year requirement. It takes only 10 years to get the pension if you want to stay here the rest of the time, but if you want to go away you have to have the 25 years subsequent to age 21. Perhaps the number of years can be lengthened, or maybe the residency of being in Canada should be established. It might be that a person should have 30 years residence and the last residence not more than five years before. I do not suggest these as iron clad formulae, but I do suggest the problem is there.

I think when you get into the combination of the flat rate pension and the Canada pension plan pension, the combination of husband and wife, and the possibilities of illness, and so on, the actuaries will have lots of fun with this, because you may have quite difficult problems where a man or wife might need or want to go to some other country and can get their Canada pension plan, but only one of their old age security pensions, because of this clause.

Mr. CHATTERTON: I am hoping we can get through by 11 o'clock.

Mr. KNOWLES: I am willing to rest this case until we come around to it again. For Mr. Chatterton's benefit, I can tell him I have a notice here of a pretty important meeting I must attend. It is almost a put-up job. Mr. McIlraith has called the leaders of the house parties to a meeting for 10.45 a.m.

The one point I did want to raise—and perhaps Mr. Monteith will take it over for me—is I think what is being done in clause 122—making it possible to date back the pension up to a year for those on old age security at age 70—should be made to apply to those who choose the pension at a lower age of 66 or 67, and then discover they are older than they thought they were, because the difference can be $4.80 a month for the rest of their life. When I raised this matter previously I think you admitted it was something to be looked into.

Mr. THORSON: If they were older than they thought they were, they automatically would be entitled to the higher amount.

Dr. WILLARD: It is a question of fact what is the age of the person. If later on it is established that the person's age is different, the newly established age definitely will be the age which will determine what his benefit should be.

Mr. MONTEITH: May I ask whether any consideration was given to making the two years retroactive?

Dr. WILLARD: Consideration was given. The pertinent statistics were examined. I do not know whether or not Mr. Blais has these data with him. The feeling was this amendment would take care of the great bulk of cases where anomalies arise.

Mr. J. A. BLAIS (*Director, Family Allowances and Old Age Security Division, Department of National Health and Welfare*): Mr. Chairman, our experience over the years has shown that in the case of the majority of applicants who would lose out because of delayed application beyond age 70, it usually runs for one, two, three or four months. In very rare circumstances do they extend beyond 12 months.

Dr. WILLARD: Mr. Blais, would you have the answer to Mr. Rhéaume's question with respect to administrative cost.

Mr. BLAIS: I should explain, perhaps, that the costs of administration for the division of old age security also include those for family allowances and now youth allowances as well as family assistance to immigrant children in the first year of residence in Canada.

In the fiscal year 1963-64, the total cost amounted to $7.6 million. By departments it is roughly $3 million for the Department of National Health and Welfare, $4.3 million for the comptroller of the treasury, and roughly $300,000 for the Department of Public Works. It is difficult to break down the costs relating to old age security pensioners only. However, I have statistics in respect of the number of accounts which have any bearing. At the moment we have 2.6 million accounts under the family allowances program and slightly under one million pensioners under the old age security program. Perhaps the number of cheques issued in a given year might have some significance. In the same fiscal year we issued 32,078,000 cheques for family allowance beneficiaries and 11.4 million old age security pension cheques, for a total of 43.5 million.

Costs

Mr. RHÉAUME: Do I understand that it worked out to .2 per cent?

Mr. BLAIS: I beg your pardon?

Mr. RHÉAUME: My understanding is that the administrative cost of old age security and family allowances came to .2 per cent of the benefits paid, approximately.

Mr. BLAIS: If we relate the cost of administration to the total amount of money expended in the year, that is correct. At the moment it runs roughly at $1.4 billion in benefit payments and $7 million in administrative expenses, and that would be about .2 per cent.

Mr. RHÉAUME: The estimate of the Canada pension plan only was .1 per cent.

Dr. WILLARD: Of contributory earnings; one tenth of one per cent of contributory earnings.

Mr. CHATTERTON: Do you have that in terms of payments?

Dr. WILLARD: It is in the actuarial report and it is in the document I have tabled.

Mr. E. CLARKE (*Chief Actuary, Department of Insurance*): One tenth of one per cent of contributory earnings which is equivalent to 2.8 per cent of contributions.

Mr. CHATTERTON: The figures we just heard are in terms of payments. Have you the equivalent for payments under the Canada pension plan?

The CHAIRMAN (*Mr. Cameron*): Are we leaving this in a connection satisfactory to you, Mr. Chatterton and Mr. Rhéaume?

Mr. THORSON: The new subsection 3A, set out in clause 121, defines what is meant by the basic amount of the monthly flat rate pension and, as the explanatory note states, the basic amount has not been changed by this bill. It also defines the basic amount of the new age adjusted pension which is provided by the earlier clause. The basic amount of the age adjusted pension is determined by reference to the schedule set out in clause 124.

Mr. CHATTERTON: Before you leave this new section 3A, why is there the inclusion of "has applied" there? That was not the case before.

Mr. THORSON: It is now, of course, optional when the pensioner chooses to take his age adjusted pension. Therefore, the fact of an application is relevant to the determination of the amount.

Mr. RHÉAUME: Before you leave new subclause 3A again I would like to find out whether or not my thinking on this is right. Have you estimated the number of people who in fact would choose to draw the flat rate pension at these earlier age levels other than 70? When this provision was being put in there must have been some calculation done with regard to how many people in fact would make use of it.

Dr. WILLARD: Yes.

Mr. RHÉAUME: I do not wish to argue, but my fear is that the people who need it most—the poorest people in the country—will draw it as quickly as possible and will not wait until age 70 to get the $75 a month. If they are in desperate shape, they will settle for $51 now rather than $75 later. I would appreciate it if I could have some figures on this.

Dr. WILLARD: We will be glad to make the estimate available.

Mr. THORSON: The new subclause 3B being added to the Old Age Security Act deals with the month and the year, in relation to the attained age of the applicant for the new age adjusted pension, when the age adjusted pension will commence to be paid. Again there is a scaling in technique adopted here; that is to say, it moves year by year.

Subclause 3C, which also is new, provides for the annual adjustment, in line with increases, if any, in the pension index referred to in clause 20 of the Canada pension plan bill, of all pensions that are payable under the Old Age Security Act for months following 1967.

The CHAIRMAN (*Mr. Cameron*): Are there any comments in respect of clause 121? If not, we will move on to clause 122.

On Clause 122—*Exception where applicant over 70 years when application received.*

Mr. LLOYD: We have dealt with that.

The CHAIRMAN (*Mr. Cameron*): Clause 123. On Clause 123.

Mr. THORSON: Clause 123 is consequential upon the provision of the new flat rate pension or age adjusted pension at the option of an applicant. This amendment would authorize the making of an application for a pension by someone else on behalf of any person who is under an infirmity. Similarly it would authorize the payment to be made to another person on behalf of the pensioner.

On Clause 124.

Clause 124 sets out the schedule showing the amount of the monthly age-adjusted pension available according to the attained age of applicants.

Mr. CHATTERTON: Previously you said that part IV is not a part of this act; in other words, clause 115 does not apply to part IV.

Mr. THORSON: On any statutory revision part IV would not be shown as part of the Canada pension plan. It would be absorbed into the Old Age Security Act which would be shown separately.

Mr. CHATTERTON: The final statute would not include this part IV.

Mr. THORSON: No.

Mr. RHÉAUME: Would the person who chose to take the $51 now at age 65, if he were in desperate financial circumstances, also be eligible for old age assistance?

Dr. WILLARD: We had quite an extended discussion on this point at a previous meeting. The question of assistance to the group 65 and over is a matter which we have been discussing with the provinces and these discussions have related to the much broader question of public assistance generally. We have been working on a new approach, as it were, to public assistance in Canada. It is hoped that when those discussions are concluded, the parts of those discussions which relate to this matter would result in a satisfactory provision being made.

The situation in the case of the 65-69 age group is that the extra $51, for many people, will be sufficient together with their other resources to keep them off assistance. In the case of some others, they may need some supplementation. If they start to get supplementation over and above the $51 benefit, then that supplementation would have to be continued beyond age 70. From the provincial point of view there is not much to be gained in encouraging needy persons to take the age reduced benefit, because the rates of the age reduced benefit are set on the basis of average life expectancy. Thus, if the person is needy and on assistance, it would not make much difference to the provinces whether or not they are supplementing this amount. On the other hand, as you get the earnings related part of the combined benefit coming in over and above the $51, gradually the old age assistance roles will decline.

The CHAIRMAN (*Mr. Cameron*): Are there any further questions in respect of clause 124?

The next clause is clause 125.

Mr. MONTIETH: Our next business is the actuarial report on Monday.

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

Thank you very much, gentlemen, and Senator Fergusson.

Mr. BASFORD: At the moment we do not have a meeting scheduled.

The CHAIRMAN (*Mr. Cameron*): I assume there will be a meeting at 3.30 p.m. on Monday and another at eight o'clock on Monday; at any rate, this is what is in the Chairman's mind.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

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

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

MONDAY, DECEMBER 14, 1964

WITNESSES:

Dr. Joseph Willard, Deputy Minister of Welfare, and Messrs. Tom Kent, Policy Secretary, Prime Minister's Office, E. E. Clarke, Chief Actuary, Department of Insurance, T. Hall, Z. Jarkiewicz, P. Treuil, Actuaries, Department of Insurance, and J. E. E. Osborne, Technical Advisor to this Committee.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

MEMBERS OF THE COMMITTEE FOR THE SENATE

Honourable Senator Muriel McQ. Fergusson, *Chairman*,

and Honourable Senators:

Blois
Boucher
Croll
Denis
Flynn
Lang
Lefrançois
McCutcheon
Smith (*Queens-Shelburne*)
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*)
Francis
Gray
Gundlock
Howe (*Wellington-Huron*)
Knowles
Laverdière
Leboe
Lloyd
Macaluso
McCutcheon
Monteith
Moreau
Munro
Perron
Rhéaume
(Mrs.) Rideout
Scott

Maxime Guitard,
Clerk of the Special Joint Committee.

MINUTES OF PROCEEDINGS

MONDAY, December 14, 1964

(16)

The Special Joint Committee of the Senate and of the House of Commons on Canada Pension Plan met at 8:15 o'clock this evening. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Senators Boucher, Denis, Fergusson, Smith (*Queens-Shelburne*), Stambaugh (5).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cashin, Côté (*Longueuil*), Francis, Gray, Knowles, Laverdière, Leboe, Lloyd, Moreau, Munro (14).

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare, and Messrs. Tom Kent, Policy Secretary, *Prime Minister's Office,* E. E. Clarke, Chief Actuary, T. Hall, Z. Jarkiewicz, P. Treuil, Actuaries, Department of Insurance, and J. E. E. Osborne, Technical Adviser to this Committee.

The Committee began its consideration of the Actuarial Report, dated November 6, 1964.

Then the Committee agreed that the document intituled "Average Ages of Populations Based on 1961 Census" appear as an appendix to this day's Minutes of Proceedings and Evidence. (*See appendix "T"*).

SUBCOMMITTEE ON AGENDA AND PROCEDURE

FOURTH REPORT

MONDAY, December 14, 1964.

The Subcommittee on Agenda and Procedure of the Special Joint Committee on Canada Pension Plan met at 2:05 o'clock p.m. this day. The Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Present:

From the Senate: Senators Croll and McCutcheon—2.

From the House of Commons: Messrs. Cameron (*High Park*), Chatterton, Côté (*Longueuil*), Francis, Knowles, Monteith, Munro—7.

Your Committee agreed to the following decisions and recommends:

1. That the Committee sit at 8:00 p.m. on Monday, December 14, 1964 and at 10:00 a.m., 3:30 p.m. and 8:00 p.m. on Tuesday, December 15, 1964 at 3:30 p.m. on Wednesday, December 16 and at 10:00 a.m., 3:30 p.m. and 8:00 p.m. on Thursday, December 17, 1964. The question of sitting on Friday is to be decided during one of the sittings to be held on Thursday, December 17, 1964.

2. Your Committee is aiming at the consideration of three items, namely:
   - (*a*) The Actuarial Report
   - (*b*) The Economic Report
   - (*c*) The Integration.

At 2:30 o'clock p.m. the Subcommittee on Agenda and Procedure adjourned to the call of the Chair.

(Signed) A. J. P. Cameron,
Joint Chairman.

On motion of Mr. Munro, seconded by Mr. Knowles,

Resolved,—That the Fourth Report of the Subcommittee on Agenda and Procedure be adopted as read.

On motion of Mr. Munro, seconded by Mr. Knowles,

Resolved,—That the Actuarial Report and the schedules thereto appear as an appendix to this evening's Minutes of Proceedings and Evidence. (*See appendix "U"*).

And the examination of the witnesses being concluded, they withdrew and at 10:08 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m. on Tuesday, December 15, 1964.

Maxime Guitard,
Clerk of the Committee.

Clarke explains
here how he
came up
with #3

EVIDENCE

MONDAY, December 14, 1964

The CHAIRMAN (*Mr. Cameron*): Gentlemen, we have a quorum. I call the meeting to order.

Dr. Willard has the answers to questions that were asked at one of our previous meetings, and I will ask him to deal with those first.

Dr. J. W. WILLARD (*Deputy Minister, Department of National Health and Welfare*): Dr. Francis asked a question concerning the advisory committees with reference, particularly, to the dominion council of health.

The dominion council of health is established under section 7 of the Department of National Health and Welfare Act. It designates certain officials by position, that is, the deputy ministers of health of each of the provinces and the federal deputy minister, and in addition provides for such other persons, not to exceed five, such as may be appointed by the governor in council, to hold office for three years. In looking at the latest order in council I see the appointment was for three years.

The unemployment advisory committee seemed to be the one closest to the committee we had in mind in the case of section 117 of the Bill. The unemployment insurance advisory committee is constituted under section 19 of the Unemployment Insurance Act, which provides for the appointment of members by the Governor in Council. Initially, they were appointed to hold office for a fixed period of five years. A few years ago it was reduced to two years, and I am advised that the present committee is appointed for one year.

The National Employment Committee is constituted under section 21 of the Unemployment Insurance Act. No reference is made in the section to tenure of office, but I understand the Unemployment Insurance Commission fixes two years for members and three years normally for the chairman.

I also have a document which was requested by Mr. Côté. He requested information with regard to the average ages of populations by province. This table could be appended to your proceedings, if you wish.

The CHAIRMAN (*Mr. Cameron*): Is it agreed that this be appended to the proceedings of the day?

Agreed.

Dr. WILLARD: We were asked how many appeals the Unemployment Insurance Commission received concerning section 27, subsection (1) of the Unemployment Insurance Act, which excepts from insured employment the employment of a person by his spouse.

Since the inception of this program, there have been 15 such cases, referring to an interpretation of this section of the act, involving in most cases the question of whether or not the wife was, in fact, an employee of the husband. One of these appeals related to the question whether or not a common law wife came within this provision. Of the 15 cases considered by the commission four were referred to the umpire acting in his capacity as the final authority on such matters.

It should also be noted that such appeals are outside the jurisdiction of the referees concerned with the appeals relating to the payment of unemployment insurance benefit. Appeals where a question of coverage is involved are decided only by the Commission and the umpire.

The CHAIRMAN (*Mr. Cameron*): That is the complete answer to the question, so it is now in the minutes.

I will ask the clerk to give you the report of the steering committee. (*see Minutes of Proceedings*).

The CHAIRMAN (*Mr. Cameron*): May I have a motion to approve the minutes of the steering committee?

Mr. MUNRO: I so move.

Mr. KNOWLES: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It is moved by Mr. Munro and seconded by Mr. Knowles that the report of the steering committee be approved.

Will all those in favour of the report of the steering committee please indicate. Opposed?

Motion agreed to.

Mr. MUNRO: Mr. Chairman, has there been any motion to add the economic report—wihch I believe was put in all members' boxes on Friday—to the minutes?

The CHAIRMAN (*Mr. Cameron*): It was included.

Mr. TOM KENT (*Co-Ordinator of Programming, Prime Minister's Office*): It is in the printed proceedings on page 404. It is an appendix.

Mr. MUNRO: I have one other question.

It was moved that the actuarial report should be added to the minutes. That is so, is it not?

Mr. KNOWLES: No, that was to be done tonight.

The CHAIRMAN (*Mr. Cameron*): I would entertain a motion.

Mr. MUNRO: I so move.

Mr. KNOWLES: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It is moved and seconded that the actuarial report be attached to today's proceedings as an appendix.

What about the schedules?

Mr. KNOWLES: I think they should be appended also.

The CHAIRMAN (*Mr. Cameron*): I agree with you, Mr. Knowles.

Is it agreed that the actuarial report and the appendices be attached to today's proceedings? All those in favour please indicate. Opposed?

Motion agreed to.

Gentlemen, we have with us tonight a very modest man. I asked him to give me a little biographic information so I could introduce him to the meeting properly. This is what he gave me.

I am speaking now of Mr. E. E. Clarke, Chief Actuary of the Department of Insurance of the federal government. He entered actuarial work on joining the Department of Insurance in 1948 after graduation from Queen's University with a degree in mathematics and economics. He became a Fellow of the Society of Actuaries (of North America) in 1951, and he was appointed Chief Actuary in 1956. You can see he is a very modest man because he has made such a very short report on what has been a very distinguished career.

Mr. Clarke mentioned to me that one of the reasons he was a little delayed in graduating from Queen's was that he was on active service during world war II.

I have much pleasure in introducing to you Mr. E. E. Clarke, chief actuary.

Mr. **Basford**: I take it this is the man of whom Mr. William S. Mercer, consulting actuary, spoke last June.

Mr. E. E. **Clarke** (*Chief Actuary, Actuarial Branch, Department of Insurance*): Mr. Mercer himself is dead. I do not know whether or not he spoke of me.

Mr. Chairman, Senator Fergusson, gentlemen, I should first like to make a few remarks relating to the question Mr. Knowles asked on December 1, namely, what is the actuarial or insurance value of protection awarded to a 40 year old person under the Canada Pension Plan.

This question is seemingly very simple but it is probably about as difficult a question, from an actuarial standpoint, as could be raised. The answer depends on a great many different factors, such as the point in time at which the value is calculated, the worker's sex, the level and pattern of the worker's earnings from age 40 to the age at which the benefit falls in, the worker's employment pattern, whether or not a male worker has a wife and the age of the wife, whether or not he has children, the number of children and their ages, the state of health of the worker, and so on. If, for example, there should be 100,000 workers aged 40 covered by the plan at a point in time, there would probably be at least 100,000 different answers.

The way we propose to answer the question is to take sample cases for each of the different types of benefit and make estimates of the values of the benefits for each such case. Unfortunately, even this is a lengthy procedure because none of the work we have done in preparation of the actuarial estimates has been geared to the production of individual values. Instead, for almost all benefit areas, total benefits for specific years were determined by developing average benefit factors for application to total population groups for such years.

how #s were crunched

I would think it would be some time in January before we can have a proper answer for Mr. Knowles.

Mr. **Knowles**: Thank you.

Mr. **Clarke**: I should next like to provide some information concerning Mr. Monteith's question of December 7th, namely, "have you any estimate of those who will probably retire at age 65 and those who might carry on beyond that time."

For the actuarial estimates, on the basis of studies of Canadian labour force statistics, we assumed that the proportions of men aged 65, 66, 67, 68 and 69 who will be regularly employed will be 49%, 46%, 43%, 40% and 37%, respectively, and that the corresponding female proportions will be 13%, 11%, 9%, 8% and 7%, respectively. We further assumed that no person will elect to take a pension as long as he or she remains in regular employment. Thus, it was implicitly assumed for the actuarial estimates that all persons who are not in regular employment at ages 65 to 69 and who have contributed under the Canada Pension Plan at any time during their working lifetimes will be in receipt of an age retirement pension.

On December 11th, Mr. Rhéaume asked a question concerning numbers of persons who may take reduced Old Age Security pensions at ages 65 to 69. In this area, as in any other area where experience depends on voluntary action by the individual, it is impossible to predict with any confidence what will actually happen until some years of experience are at hand. However, it would seem not unreasonable to assume that all persons aged 65 to 69 who are not in regular employment at those ages and who satisfy the residence requirements of the Old Age Security Act will elect to take a reduced OAS pension at the earliest possible time. On the basis of this assumption, the proportions of persons in receipt of pensions at ages 65 to 69 in any year after 1969 might be close to the complements of the assumed percentages of persons in regular employment that were noted in the answer given to Mr. Monteith's question. In other words, the percentages of males who might be in receipt of Old Age Security pensions, after an initial period during which reduced pensions are not available to all persons in the age group 65 to 69, are 51 per cent for age 65, 54 per cent for age 66, 57 per cent for age 67, 60 per cent for age 68 and 63 per cent for age 69.

Mr. Chairman, I have prepared a fairly brief description of the background and composition of the actuarial estimates and the actuarial report, which I should like to read. I think it would be most helpful if the members of the Committee were to ask any questions concerning the actuarial estimates that may come to their minds as I go through the report section by section, and leave any general questions of an actuarial nature until we have finished with the report. By proceeding in this way some of the questions that might otherwise be raised may be answered during our coverage of the report.

The CHAIRMAN (*Mr. Cameron*): Is that agreed?

Some hon. MEMBERS: Agreed.

Mr. AIKEN: Mr. Chairman, I wonder if I could ask Mr. Clarke a preliminary question. I think most of us are used to rounding off figures to the nearest nickel. I see on page 3 of this report it is rounded off to the nearest one half billion. This seems to have sort of overwhelmed the reporter because at page 405 in the report it is to the nearest one half million. I assume that the mimeographed copy is correct and that the printed copy is in error.

The CHAIRMAN (*Mr. Cameron*): That is the economic report, Mr. Aiken. However, it may also appear in the actuarial report as well.

Mr. LLOYD: It is exactly the same projection.

Mr. CLARKE: I do not know of any table I have rounded off to the nearest one half billion. There is one table in the long range estimates relating to fund projections that is rounded off to the nearest one tenth of a billion.

Mr. LLOYD: Mr. Chairman, Mr. Aiken has pointed out that on page 3 of the economic implications of the Canada pension plan the—

The CHAIRMAN (*Mr. Cameron*): But that is not the actuarial report.

Mr. LLOYD: —figures have been rounded off to the nearest one half billion; then on page 405, as Mr. Aiken has pointed out, we have the same schedule, entitled "Projection of some Major Economic Aggregates (billions)". Then it goes on down and gives the same figure in the footnote in the printed report, but it says the figures are rounded off to the nearest one half million.

The CHAIRMAN (*Mr. Cameron*): Where is that in the actuarial report? We have two reports here.

Mr. MUNRO: Mr. Chairman, this has nothing to do with Mr. Clarke.

Mr. LLOYD: Both Mr. Aiken and myself are only too happy to give you time to reflect upon the enormity of our observation. It is a very minor typographical error.

The CHAIRMAN: Well, we will reflect upon it.

Mr. CASHIN: You do not think big, Jack; that is your trouble.

Mr. LLOYD: I know it is a little difficult for some to grasp the difference between rounding off to the nearest half million and rounding off to the nearest half billion.

Mr. CLARKE: Mr. Chairman, has this anything to do with the actuarial report?

The CHAIRMAN (*Mr. Cameron*): I do not think so.

Mr. BASFORD: The senior member from Halifax simply wanted his name on the record.

Mr. LLOYD: In the spirit of this season of the year I will accept most graciously your discerning observation, Mr. Basford.

Mr. KNOWLES: Since the question has been raised erroneously, Mr. Kent, can you tell us who is right?

Mr. KENT: It is billion.

The CHAIRMAN (*Mr. Cameron*): Mr. Clarke, will you proceed after this interesting interlude.

Mr. CLARKE: I should first like to mention that the actuarial estimates were developed and the actuarial report was prepared by four actuaries on the staff of the Department of Insurance, namely, Mr. T. Hall, a Fellow of the Faculty of Actuaries in Scotland, Mr. Z. Jarkiewicz, a Fellow of the Institute of Actuaries of Great Britain, Mr. P. Treuil, a Fellow of the Society of Actuaries (of North America), and myself. All of the calculations were made by the Actuarial Branch of the Department of Insurance.

As you know, the actuarial estimates are necessarily based on a great many assumptions as to possible future experience in several different areas. The final decision on all of the assumptions used for the estimates was my own. Most of the assumptions were based mainly on statistics prepared by the dominion bureau of statistics, some in published form and some prepared at our request. However, besides the material provided by D.B.S., we obtained material from and talked with the officials of several government departments concerning past and possible future experience in the areas with which they work. For instance, we discussed the composition of the agricultural labour force and net income of farmers with the Department of Agriculture, we discussed the composition of the fishing industry with the Department of Fisheries, we discussed immigration and emigration with the Department of Citizenship and Immigration and with the section of D.B.S. that deals with immigration statistics, we discussed rates of unemployment with the economic council, we discussed possible rates of increase in average earnings with the Department of Finance, and so on. For areas where there seemed to be few pertinent Canadian statistics available we relied mainly on experience that has developed under the old-age, survivors' and disability insurance system of the United States and somewhat less on experience that has developed under the National Insurance Acts of Great Britain. We had utmost cooperation from Mr. Myers, the chief actuary of the social security administration of the United States and from Mr. Tetley, the government actuary of Great Britain and their staffs.

The actuarial report that you have before you was designed to be self-sufficient, that is, to be readable without it being necessary to refer to bill C-136 or to other descriptions of the terms of the plan. The body of the report outlines the terms of the proposed Canada pension plan that affect the estimates and the estimates themselves are presented in a number of tables. This part of the report contains relatively little technical information, the main assumptions being stated without elucidation. The remainder of the report consists of six appendices in which are described the various technical assumptions, the information on which the assumptions were based and the methods of calculation used.

In the first section of the report is noted the main classes of estimates made, namely, short-range estimates for each year of the period from 1966 to 1975 and long-range estimates for each quinquennial year from 1980 to 2050. It is noted that the long-range estimates were developed in accordance with what are termed "high cost" and "low cost" assumptions which were designed to provide outside limits to the costs involved. Also, in this first section is given a brief summary of the way that the remainder of the report and the appendices is organized.

In section II, commencing on page 2, is provided our interpretation of the coverage, benefit and contribution provisions of bill C-136, that is, the provisions that affect the actuarial estimates.

In the first subsection of section II is described in very general terms the group of persons whom it is proposed will participate in the Canada pension plan.

In the second subsection are given definitions for four terms relating to earnings that are used frequently in the remainder of the report—the terms being chosen to be as self-explanatory as possible. The first such term is contributory earnings upper limit which is identical in meaning to the term used in bill C-136 as year's maximum contributory earnings. The second term is contributory earnings lower limit which is identical in meaning to the term used in bill C-136 as year's basic exemption. The third term is contributory earnings which is the earnings of a contributor on which contributions are based. The fourth term is pensionable earnings which is the earnings of a contributor on which the earnings-related benefits of himself and his survivors are based.

In the third subsection is discussed the automatic adjustment features inherent in the plan and the main elements subject to automatic adjustment are specified. Also in this subsection is described how the pension index and the earnings index are determined.

In the fourth subsection is described briefly how the "earnings test" operates.

Mr. Chairman, I think that these gentlemen must have understood the terms of the Plan very well when you previously went through the Bill.

The CHAIRMAN (*Mr. Cameron*): Well, they have a good basic knowledge of it.

Mr. KNOWLES: Mr. Chairman, since Mr. Clarke has invited a question, I am sure the record will show that this question has been asked and answered. But, there is one point upon which I would like clarification. I am referring to the $800 figure for self-employed. Does that change in respect of the $5,000 figure?

Mr. CLARKE: Yes, it changes in the same manner.

Mr. KNOWLES: Was it a percentage?

Mr. CLARKE: Yes. It is kept at one and one third times the years Basic Exemption.

Mr. KNOWLES: I remember it now.

Mr. CLARKE: In the fifth subsection, age retirement pensions are discussed in general terms and the calculation of the initial amount of an age retirement pension is described by means of a formula that cuts across the detailed provisions given in Bill C-136. After the description, four examples are given to illustrate how the formula operates.

In the sixth subsection, on page 7, disability pensions are described, the eligibility requirements are set down and the formula for determining the initial amount of pension is explained. Three examples are given to illustrate the method of determining the initial amount of a disability pension.

In the seventh subsection, on page 9, survivors' pensions are described. This description covers pensions to widows, to dependent disabled widowers and to orphans. In an attempt to make widows' pensions as understandable as possible, the description of widows' pensions has been related to several different classes of widows, namely, widows aged between 45 and 65 at widowhood, widows aged less than 45 at widowhood without dependent children and not disabled, widows aged less than 45 at widowhood with dependent children, disabled widows and widows aged 65 or over. Pensions to each of these classes of widows are discussed and the way in which the amounts of pension are determined is described. Disabled widowers' pensions and orphans' pensions are treated separately.

Mr. AIKEN: Could I ask Mr. Clarke in respect of the disabled widowers' pensions what numbers are anticipated in such a category?

Mr. CLARKE: I have no idea, Mr. Aiken. I do not know of any statistics that might give us an idea.

Mr. AIKEN: There is no similar type of legislation which compares to that.

Mr. CLARKE: I do not think so. From time to time a suggestion has been put forward that this type of benefit be added to the Public Service Superannuation plan, but it has not been added up to this date.

Mr. AIKEN: It is a new provision in this act for disabled widowers.

Mr. CLARKE: It is a new provision, I think, for Canada, but it is included in other national pension programmes, for instance, in the United States programme.

Mr. AIKEN: Thank you.

Mr. CLARKE: In the eighth subsection is described how the amount of death benefit is determined. This is on page 13.

In the ninth subsection are mentioned groups of workers who are not eligible to contribute under the plan, and the initial rate of contribution as respects earnings on which contributions are required is specified.

Section III of the report deals with the short range estimates, that is, the estimates for each year of the period from 1966 to 1975. In the first subsection of section III the principal assumptions underlying these estimates are listed without comment. I think it would be helpful to read through these assumptions in their entirety. This is on page 14 of the report.

(*a*) The effective dates of the Plan will be

(i) for contributions — January, 1966
(ii) for payment of age retirement pensions — January, 1967
(iii) for payment of survivors' benefits (including disabled survivors' pensions) — February, 1968
(iv) for payment of disability pensions — May, 1970

(*b*) Age retirement pensions will become available to contributors aged 68 or over in 1967, aged 67 or over in 1968, aged 66 or over in 1969 and aged 65 or over in 1970 and after.

(*c*) Age retirement pensions, lump-sum death benefits and pensions to survivors and disabled persons will be paid in accordance with the assumptions described in Appendices 4, 5 and 6 to this report.

Mr. FRANCIS: May I ask a question? Are the numbers of Beneficiaries spelled out in these appendices?

Mr. CLARKE: No, they are not. Actually, we did not develop our actuarial estimates, or practically none of them, on the basis of beneficiary populations. We developed average benefit factors that could be applied to total population groups to give the financial figures. We are now working back to develop populations of beneficiaries that would correspond fairly closely to the financial figures we have produced. In some areas this is impossible for instance, for females who will become entitled to age retirement benefits. During the current period about 30 per cent of females in the working age groups participate in the labour force but you can see that, by the time the plan is mature, far more than 30 per cent of the females who reach age 65 or retirement age will be eligible for age retirement pensions. However, it is almost impossible to guess what the numbers, or even the percentages, will be. According to experience in the United States at the current time it is estimated that about 70 per cent of females reaching retirement ages will be eligible for age retirement benefits. For the Canadian plan, when it is mature, we can guess that somewhere between 70 per cent and 100 per cent of females will retire on age retirement pensions but it is impossible to predict actual numbers or percentages. In most other areas we will be able to develop reasonable beneficiary populations. This is one of the things we are doing now. They are not included in the actual report.

(*d*) Average earnings will increase at an average rate of

(i) 3 per cent per annum, or

(ii) 4 per cent per annum.

Mr. AIKEN: Would you explain the reason?

Mr. CLARKE: May I read (*e*) and then I might explain the two together.

(*e*) The consumer price index and, consequently, the elements dependent for adjustment on that index, will increase at an average rate of 1½ per cent per annum.

Mr. FRANCIS: Would Mr. Clarke say that (*d*) would be a reasonable approach to some estimate of productivity and (*e*) would be an estimate of price change; is this it generally?

Mr. CLARKE: Paragraph (*d*) also includes price changes. These are the actual rates of increase in average earnings which include both price increases productivity increases, and other factors as well.

Mr. FRANCIS: In the absence of a more clearcut index of productivity, it seems to me this is the simplest way you can make some adjustment.

Mr. CLARKE: I think as a rough guess of productivity you might subtract the price increase from the increase in average earnings. It might give you a rough indication of what we assume will be the degree of productivity increase.

Mr. KNOWLES: With regard to both of these assumptions, where you use percentages, you are speaking in terms of the percentage increase in each year with regard to the last; you are not talking about points in the consumer price index?

Mr. CLARKE: No. It is a percentage increase from the index of the preceding year.

Mr. KNOWLES: So a 1½ per cent increase in the consumer price index might be about two points?

Mr. CLARKE: It would be something less than 1½ per cent if the consumer price index was above 100. If the consumer price were exactly 100 in one year, with the 1½ per cent increase it would be 1.015 the following year.

The CHAIRMAN (*Mr. Cameron*): Was your question answered, Mr. Aiken?

Mr. CLARKE: I am coming back to it. Mr. Knowles, I was wrong in my statement. You were right that a 1½ per cent increase in the index might be more than 1½ points.

Mr. KNOWLES: At any rate, in respect of the formula and the adjustments they too are in terms of percentages.

Mr. CLARKE: Yes. It is not an addition; it is a percentage increase.

To come back to Mr. Aiken's question, may we turn to page 53 of the report. On pages 53 and 54, I have given some background in respect of the choice of these assumptions. On page 53, in the schedule at the bottom of the page are shown, for each 12 month period from 1948 to 1963, the average consumer price index for Canada and the average dominion bureau of statistics "average weekly wages and salary" statistic for the industrial composite classification (for all of Canada), together with the rate of change in those statistics from year to year.

Mr. AIKEN: These figures which you have included in (*d*) and (*e*) are based on these averages right back to 1948?

Mr. CLARKE: May I go on?

Mr. AIKEN: Yes.

Mr. CLARKE: In the first paragraph at the top of page 54 it is noted that for periods of 15 years, 10 years and five years ended in 1963, the average annual rates of increase in the consumer price index were 2.1 per cent, 1.4 per cent and 1.2 per cent, respectively, and the average annual rates of increase in average weekly wages and salaries were 5.0 per cent, 3.8 per cent and 3.4 per cent, respectively. Perhaps this is the information you were seeking, Mr. Francis.

Mr. FRANCIS: I was just inviting some discussion on this point.

Mr. CLARKE: Thus, over those periods, the differences in the average annual rates of increase in average weekly wages and salaries and the consumer price index were 2.9 per cent, 2.4 per cent and 2.2 per cent, respectively.

In the second paragraph it is noted that for the short range estimates and for the long range low cost estimates, it was assumed that the consumer price index would increase at an average annual rate of 1½ per cent from 1967 throughout the whole period covered by the estimates. That 1½ per cent rate of increase assumption was based mainly on the average rate of increase that occurred over the 10 year period ended in 1963, a period which excludes the fairly substantial increases in the early 1950s.

Mr. MOREAU: Was this period of 1949 and 1950 the period in which the price controls came off? I am wondering about this sudden jump in 1951?

Mr. KNOWLES: The Korean war.

Mr. KENT: Controls came off in 1947-48, but the delayed effect of the price increases carried through for a year or two afterwards.

Mr. CLARKE: Plus the effect of the Korean war.

Mr. MOREAU: There would be a lag between the time the controls came off and 1951, perhaps.

Mr. CLARKE: There may be some disagreement in respect of the use of the 1½ per cent assumption with regard to increase in prices. However, as you can see, for purposes of estimates for the Canada pension plan, the higher the rate of increase in the consumer price index, the higher the cost of the plan for the actuarial estimates we attempted always to use assumptions that would not understate the costs. Besides the fact that this rate was close to the rate for the 10 year period ended in 1963, a 1½ per cent increase rate seemed to be a rate that would probably not understate the cost.

For the long range high cost estimates, the corresponding assumption was that the consumer price index would increase at an average annual rate of one and one-half per cent from 1967 to 1975 and two per cent thereafter. The reason for using two per cent for the high cost estimates was to conform to our objective of making the high cost estimates an upper limit of cost. The effective maximum rate of increase in the consumer price index for purposes of the Canada pension plan is two per cent, and thus the rate of two per cent used for the estimates would produce maximum costs.

Then, if it should be considered that the average annual increases in average earnings arising from increased productivity will range from two per cent to two and one half per cent in future years, it would be appropriate to assume, for the purposes of the estimates, that total average annual increases in average earnings will be of the order of four per cent. You can obtain that four per cent by adding two and one half per cent to one and one half per cent or by adding two per cent to two per cent. Of course, by other additions you can get three and one half per cent or four and one half per cent but four per cent may be considered to be a mean value.

In the parentheses we have noted that the validity of estimated required contribution rates depends far less on the separate assumptions as respects increases in prices and increases in average earnings than on the relationship between the two.

There may be a question as to why we used the two assumptions with respect to increases in average earnings and, particularly, why we used the assumption of an average rate of increase of three per cent. If you will look at the last column of the schedule on page 53 you will see that in three of the last four years ended in 1963, the rate of increase in average weekly wages and salaries was only slightly above three per cent. It therefore seemed reasonable to use three per cent as the lowest rate of increase for our estimates. A very important reason for using the two rates of increase was that if certain economists or other persons should feel that an applicable rate of increase would be between two per cent and four per cent or even would be below three per cent or above four per cent, the financial effects could be obtained almost exactly by interpolation or extrapolation from the two sets of estimates given in the report. Does that answer your question, Mr. Aiken?

Mr. AIKEN: Yes, thank you.

Mr. CLARKE: Turning back to page 14 we find the next principal assumption derives directly from assumption (*e*).

Assumption (*f*) is that the contributory earnings upper and lower limits will be $5,000 and $600 respectively, for 1966 and 1967, and will increase thereafter to 1975 at a rate of one and one half per cent per annum.

Assumption (*g*) is that populations, rates of participation in employment covered by the plan and average earnings will be as described in appendices one, two and three to this report.

Assumption (*h*) is that expenses of administration will be one tenth of one per cent of contributory earnings, which is the equivalent of 2.8 per cent of contributions. This assumption was based on the level premium cost of expenses of administration estimated by the United States actuaries in 1960 in respect of the old age and survivors part of the O.A.S.D.I. program. Actually, expenses for administration produced by this formula for the early years of the Plan are higher than such expenses estimated by persons who will be involved in the administration of the Canada pension plan but, by 1975, the difference is fairly small.

Assumption (*i*) is that, for contribution rate purposes, contributions will be paid both on salary and wages and on self-employed earnings at the time such earnings are received by the contributor.

Assumption (*j*) is that, for the fund projections, contributions will be paid on salary and wages at the time such earnings are received and on self-employed earnings in five equal instalments—one at the end of each of March, June, September and December of the year in which such earnings are received, and one at the end of March of the following year.

This assumption is included to give some effect to the provisions of section 34 of Bill No. C-136.

Mr. KNOWLES: There is really nothing to argue about with respect to paragraphs (*i*) and (*j*)?

Mr. CLARKE: That is right. They are simply included for further information.

In subsection (2) are presented tables of financial estimates for the years

1966 to 1975. The estimates given in tables 1 to 4 are based on an annual rate of increase in average earnings of three per cent.

From table 1 it may be seen that it is estimated that contributions equivalent to one per cent of contributory earnings will be $121.6 million in 1966, and will increase to $176.2 million in 1975. The estimated total contributions would be 3.6 times the figures listed in the last column of table one.

With respect to the breakdown as shown in table 1, total contributory earnings for each of the years were estimated for males and females separately. Then, salary and wages for males were assumed to constitute 80 per cent of total contributory earnings, and self-employed earnings the other 20 per cent except that self-employed earnings were reduced to take account of expected lower than average participation among self-employed farmers in the early years of operation of the plan. For females, salary and wages were assumed to constitute 95 per cent of total contributory earnings and self-employed earnings to constitute the other five percent with no reduction in self-employed earnings corresponding to that described for males.

Mr. AIKEN: May I ask why it was taken—just for the purposes of that table—at one per cent rather than at 3.6, which might have been easier for us to understand?

Mr. CLARKE: Yes, Mr. Aiken. The percentage contribution rates shown in table 3 are actually the total figures shown in table 2 divided by the total figures shown in table 1, that is, to obtain the required contribution rates, total benefits are divided by contributions equivalent to one per cent of contributory earnings. In table 4 are listed contributions approximately equal to 3.6 percent of contributory earnings.

Mr. AIKEN: Thank you.

Mr. CLARKE: In table 2 are shown estimated amounts of benefits and expenses of administration. The totals range from $12.2 million in 1966, in which year no benefits of any kind are payable, to $388.4 million in 1975. You will notice the substantial jump from 1970 to 1971 arising from the fact that 1971 will be the first year in which substantial disability pensions will be payable.

The CHAIRMAN (*Mr. Cameron*): May I interrupt. I have heard that there is a vote coming up in the Senate. We shall need at least one Senator here to make a quorum.

Hon. Mr. SMITH: I am neutral, so I shall stay.

The CHAIRMAN (*Mr. Cameron*): Very well. We shall excuse the other Senators if they wish to participate in the vote. Please carry on, Mr. Clarke.

Mr. CLARKE: The breakdown within the table is by class of benefit and the amounts are shown for males and females separately except for survivors pensions, for which amounts are shown for widows and orphans separately.

In table 3 are shown percentage of contributory earnings that would be required to provide benefiits and expenses of administration if there were no fund available and therefore no interest available to pay a part of the benefits.

Because of the relatively low benefit payments in the first 10 years of the plan, the contribution rate of 3.6 per cent of contributory earnings provides far more income than is necessary to provide benefits and expenses of administration, and thus a substantial fund will be built up.

In table 4 are shown the fund projections. In the last two columns are shown the estimated amounts in the fund at the end of each year from 1966 to 1975, first if no interest were credited to the fund, and second if the fund were to accumulate at a rate of five per cent per annum. Thus, if experience were to develop in accordance with the assumptions previously discussed, the amount in the fund at the end of 1975 would be about $5 billion.

Tables 5 to 8 are identical to tables 1 to 4 except that they were derived in accordance with the assumption that the annual rate of increase in average earnings would be 4 per cent. The figures in these tables are not much different from the figures in the corresponding tables 1 to 4 mainly because, for the short term, the contributory earnings upper limit is tied to increases in the pension index which cannot increase at a rate greater than 2 per cent per year and which were assumed to increase by one and one half per cent per year.

Section IV on page 19 deals with the long range estimates which were made for quinquennial years beginning in 1980 and ending in 2050.

In subsection (1) are listed without comment the principal assumptions on which the estimates were based. I will read the assumptions as they are listed, in case there should be any questions which were not asked during the discussion of the short range assumptions.

(*a*) Age retirement pensions, lump-sum death benefits and pensions to survivors and disabled persons will be paid in accordance with the assumptions described in appendices 4, 5 and 6 to this report.

(*b*) Average earnings will increase at an average rate of (i) 3 per cent per annum, or (ii) 4 per cent per annum.

(*c*) For the "low cost" estimates, the consumer price index and, consequently, the elements dependent for adjustment on that index, will increase at an average rate of 1½ per cent per annum.

(*d*) For the "high cost" estimates, the consumer price index and, consequently, the elements dependent for adjustment on that index, will increase at an average rate of 1½ per cent per annum until 1975 and 2 per cent per annum thereafter.

(*e*) The contributory earnings upper and lower limits will be $5,000 and $600, respectively, for 1966 and 1967, will increase thereafter to 1975 at a rate of 1½ per cent per annum and will increase after 1975 at a rate of (i) 3 per cent per annum, or (ii) 4 per cent per annum.

(*f*) Populations, rates of participation in employment covered..."

Mr. KNOWLES: Did you not explain that last item before?

Mr. CLARKE: I think I did, Mr. Knowles. I think I explained it in answer to Mr. Aiken's question.

(*f*) Populations, rates of participation in employment covered by the plan and average earnings will be as described in appendices 1, 2 and 3 to this report.

(*g*) The rate of contribution on self-employed earnings will be equal to the combined worker-employer rate on salary and wages.

(*h*) Expenses of administration will be 0.1 per cent of contributory earnings.

(*i*) For the fund projections, interest will be earned on the balance of the account from time to time at a rate of 5 per cent per annum from the effective date of the plan to the end of 1975 and at a rate of 4 per cent per annum thereafter.

Mr. AIKEN: Mr. Chairman, may I ask Mr. Clarke how he comes to the long range cost of living estimates in view of the fact that the figures we have before us go back just to 1958?

Have you gone back a considerable number of years to take into account any of the economic factors of rise and fall in the economy, or is this based on the assumption that there will be a gradual increase as there has been in the last 15 to 20 years?

Mr. CLARKE: We have studied the increase in prices or the change in prices right back to the beginning of the century. Nevertheless, in determining or in making the choice of assumptions with respect to increases in prices or in the consumer price index, we judged that for the high cost estimates it would be better to assume the highest effective rate of increase that would be possible under the Canada pension plan. Also, we considered that it would not be appropriate, even if it were reasonable, to assume an increase rate lower than 1½ per cent, that is, the rate we had assumed applicable for the short range estimates. As I mentioned earlier, the higher the rate of increase in the consumer price index the higher will be the cost of the plan. The assumptions used for the estimates were chosen so that, if possible, the costs would not be understated.

Mr. AIKEN: If there were a levelling off in the economy—that is to say, not a downward trend but a levelling off—what effect would there be on the fund itself? Would it cause any difficulties?

Mr. CLARKE: If the rate of increase in the average earnings were to follow our assumptions and the increase in prices were to average no more than 1½ per cent per annum, the fund based on the high cost estimates would increase more rapidly than that shown in table 12 and the pay as you go contribution rates would necessarily be lower.

Mr. AIKEN: I am thinking, for example, of the situation in which the contributions might have entitled one to a fairly large pension and yet the current contributions may drop off. What is the consequence of this? Would the fund then be in financial difficulties?

Mr. CLARKE: Do you mean if average earnings were to decrease?

Mr. AIKEN: Yes. I am assuming that there has been a constant increase for a considerable number of years in both the wages and the cost of living and, therefore, that large amounts of pension become payable. However, the wages level off so the receipts of contributions become lower. Would there be any difficulty in the fund in such a situation?

Mr. CLARKE: There would be an effect upon the fund.

Mr. AIKEN: How long would it take for such an effect to become noticeable?

Mr. CLARKE: I imagine it would become noticeable immediately the decrease became evident. When it would have a deleterious effect upon the fund would depend upon the extent of the change, that is, to what extent average earnings levelled off and where the fund stood at that time. If there was a very small fund at such time, the fund might soon be exhausted. However, the level at which the fund will be kept will depend upon the action of future governments.

Mr. AIKEN: This is what I am getting at. A short range levelling off would not affect the fund, would it?

Mr. CLARKE: No.

Mr. AIKEN: It would take a fairly long period of time, would it?

Mr. CLARKE: One could see it far enough ahead to make provision for it.

Mr. MOREAU: The earnings index would begin to fall. I think this is the point Mr. Aiken is making. However, perhaps I am anticipating something.

If the earnings index were to begin to fall, and if people had paid on a higher level of earnings, in their early years, their pension would be based upon the earnings index at the time of retirement. Therefore, there is a protection in the fund, as I understand it.

Mr. CLARKE: That would be a partial offset to the decrease in contributions.

Mr. AIKEN: This, presumably, would take ten years to show any effect.

Mr. CLARKE: This could not take effect suddenly. No drastic effect would occur in the same year.

Mr. MOREAU: Another safety factor is in the assumption that if the price index were to rise by more than 2 per cent a year the liability of the fund would be limited to 2 per cent per year, and that is another safety check.

Mr. CLARKE: Yes, there is a check there as far as increases in price are concerned.

Mr. KNOWLES: Mr. Clarke, may I ask one other question in regard to the two sets of figures, namely, price changes and earnings changes?

Has there been any great or prolonged disparity in the direction of those changes during the years studied? You say you have studied these since the beginning of the century. Does one not tend to go in the same direction as the other?

Mr. CLARKE: Ordinarily, yes, if I remember correctly. I have not the figures with me but we do have them far back. I think perhaps Mr. Osborne could answer this.

Mr. J. E. OSBORNE (*Director, Research and Statistics Division, Department of National Health and Welfare*): May I speak?

I think the figures we gave went back to 1939 for the industrial composites, and from there on there was a steady increase.

Mr. KNOWLES: That is the table appearing at page 151.

Mr. OSBORNE: Yes.

Mr. KNOWLES: Mr. Clarke mentioned the beginning of the century and I was wondering whether longer experience would vary the answer at all?

Mr. CLARKE: I would think not. I cannot picture the figures now but as I remember them, prices and wages and salaries ordinarily keep about the same relationship. I can check back on that, if you wish.

Mr. KNOWLES: But over a period of, say, three or four years there would not be too much tendency to change.

Mr. CLARKE: No. You can see from the table I mentioned on page 53 that there have been periods where the increase in wages and salaries has been fairly low and that ordinarily in those periods the increase in prices has been fairly low as well. On the other hand, when there have been substantial increases in one index there have been substantial increases in the other. The difference between the two indices narrows and widens, but the indices ordinarily progress in the same way so that they are either fairly low together or fairly high together.

Mr. BASFORD: The only time you have any divergence is if you have a sudden drop in the consumer price index because wage levels usually lag one year behind. It would happen very infrequently that you have a turn down because of the cost of living index.

The CHAIRMAN (*Mr. Cameron*): Have you received your answer, Mr. Knowles?

Mr. KNOWLES: Yes.

Mr. CLARKE: In subsection (2) of section IV are shown tables of percentages of contributory earnings estimated to be required to provide for benefits and expenses of administration and fund projections made in accordance with the assumptions that have been read. I should like to read the description of the tables given on page 19 of the report.

In tables 9 and 10 are shown, for quinquennial years from 1980 to 2050, the estimated rates of contribution that would be required to provide benefits on a strictly pay as you go basis, that is, in accordance with the assumption that there would be no fund available and therefore no interest income available to meet a part of the cost of benefits payable. The estimates in table 9 are based on the assumption that average earnings will increase at an average rate of 3 per cent per annum and those in table 10 on the assumption that such rate of increase will be 4 per cent per annum.

In table 11 below are shown what are termed intermediate cost estimates, being percentages determined simply by dividing the sum of the estimated high cost and low cost benefits and expenses of administration for quinquennial years by the sum of the estimated high cost and low cost contributory earnings for the corresponding years.

In table 12 is shown how the fund would develop in accordance with the different sets of estimates.

Mr. Munro: But, tables 9 and 10 are on a pay as you go basis.

Mr. Clarke: On exact pay as you go basis, yes. In table 9 it is shown that in accordance with an annual rate of increase in average earnings of 3 per cent, a pay as you go contribution rate on the high cost basis would increase almost continuously from 3.73 per cent in 1980 to 9.76 per cent in 2050. On the low cost basis the required contribution rate would increase from 3.5 per cent in 1980 to a little over 5 per cent in 1995, and then would generally decrease to reach a plateau of about 4.7 per cent for the later years covered by the estimates.

Mr. Knowles: I would like to ask a question now, the answer to which I probably should know. Why does it continue to go up under the high cost estimate and yet move into this plateau under the low cost estimate?

Mr. Clarke: If you will look at the last paragraph of the report on page 23, Mr. Knowles, you will see that we say there:

> It will be noted from tables 9 and 10 above that the "high cost" percentages of contributory earnings estimated to be required to provide for benefits and expenses of administration show an almost unbroken upward trend over the whole period covered by the estimates.

That is your point, Mr. Knowles.

I will continue:

> The main reason for this trend is that, for the populations projected in accordance with the low fertility-low immigration (high cost) assumptions, the proportion of the "dependent" to the "productive" population increases almost continuously over the period.

That is the reason for the continual increasing cost. This ratio will have almost reached its limit under the high cost population assumptions at the time that our estimates cease and, correspondingly, the costs will have almost reached their limit at that time. They may go up a little more but not too much more in accordance with our mortality, fertility, and immigration assumptions.

Mr. Knowles: The ratio of the "dependent" to the "productive" population will have reached its limit.

Mr. Clarke: Yes, at about that time and, in accordance with our assumptions, the costs will therefore have just about reached their limit also.

Mr. Moreau: You have not made any projections when that plateau would be reached, another 10 years or so?

Mr. Clarke: About another 15 or 20 years, according to rough tests we made. We did not carry our projections beyond 2050 but we did make rough tests.

Mr. Francis: The assumptions that have to be made are difficult to predict?

Mr. Clarke: Yes.

Mr. Francis: And, perhaps I should suggest we should not look too far ahead.

Mr. CLARKE: Besides that, we were not actually attempting to predict populations; we were attempting to set outside limits to the costs. We made assumptions as to population increases which, as far as we could tell, would provide outside limits. The projected populations were not actually forecasts of what the populations will be.

Mr. KNOWLES: One thing you have done for us is to let us know what we are going to be saying in the next century, not twenty-fifty but 2050.

Mr. MOREAU: We have a built-in incentive for immigration.

Mr. CLARKE: I would say the year 2050; normally I cannot say twenty-fifty.

The estimates in table 10 are based on the assumption that average earnings will increase at 4 per cent. The percentages in table 10 are naturally somewhat lower than those shown in table 9 because of the higher assumed rate of increase in average earnings.

In table 11 the intermediate cost estimates may be seen to range from 3½ per cent in 1980 to between 5¼ per cent and 6 per cent in the year 2050. I would think that these intermediate cost estimates are probably the best basis for considering the costs. Although they are meaningless in themselves, they are sort of a mean between the high cost and low cost estimates, that is, the estimates that were designed to be outside limits.

In table 12 the fund projections were carried forward until the quinquennial year in which the funds would be entirely exhausted under all three classes of estimates.

Mr. KNOWLES: That is on the assumption that no change has been made in the 3.6 rate in the meantime.

Mr. CLARKE: Yes, and in accordance with all the other assumptions.

Mr. FRANCIS: Including productivity and all the rest of it.

Mr. CLARKE: Mr. Chairman, I have finished with my description of the report.

The CHAIRMAN (*Mr. Cameron*): Now we are on the question period.

Mr. GRAY: I have two general questions arising out of Mr. Clarke's introduction by you, Mr. Chairman, and also with reference to the others who helped him make up this report. In the introductory remarks, a number of professional societies were named. Am I correct in saying that these are the professional societies, membership in one or more of which is required in respect of anybody who wishes to be recognized as a professional actuary.

Mr. CLARKE: I think there is a bill before the Senate at the present time to form an institute of actuaries for Canada. The qualifications for membership in that institute can be lower than fellowship in one of the three principal actuarial organizations. Fellowship in one of those bodies is the highest qualification which can be obtained by a member of the actuarial profession. The institute, the faculty, and the society of actuaries are the three acknowledged organizations for life insurance actuaries.

Mr. GRAY: For somebody who wishes to be recognized as a professional actuary, it would be well for him to have a fellowship in those societies.

Mr. MOREAU: The term actuary is not accepted as a protected term.

Mr. CLARKE: Not as yet.

Mr. GRAY: It is from the membership in these societies which you mention that insurance companies call their people whom they refer to as actuaries.

Mr. CLARKE: Almost all of them.

Hon. Mr. SMITH (*Queens-Shelburne*): I might mention to Mr. Clarke that the bill to which he referred now has passed the Senate.

Mr. Moreau: Would this bill make the term a protected title?

Hon. Mr. Smith (*Queens-Shelburne*): No.

Mr. Clarke: It would give some protection, or we hope that this is a start towards some protection to the profession of actuary, although it will be necessary to proceed beyond this to accreditation by the provinces or something of that nature.

Mr. Basford: While there are all types of groups which claim professional status, there is only one that is learned, and that is the legal profession.

An hon. Member: You could not tell it by listening to some of the lawyers here.

Mr. Moreau: Mr. Clarke, has any projection been made in respect of the general debt state in 1980 or the year 2000, and so on, and ten years from now if the rate was raised slightly, say to 4 per cent.

Mr. Clarke: We have made estimates of that type.

Mr. Moreau: Would you have any projection or any rough ball park figures? I do not want any precise material on this, but from looking at the report it seemed that, say in 1975, if the rate went to 4 per cent, there would be quite a substantial change in the later years.

Mr. Clarke: That probably would be so. Many of our assumptions are made in areas that are almost completely obscure. It is difficult to say how accurate our estimates will be. The general level probably will be fairly close. If the contribution rate were to stay at 3.6 per cent, the time of exhaustion of the fund probably would be fairly close to those indicated in the report but experience that will evolve in some areas may possibly be quite different from what we have assumed. Even though we were to make projections now in respect of changes in the contribution rate—and we have done so on the basis of different assumptions—we cannot be entirely sure that changes estimated to be necessary in accordance with our assumptions actually will be necessary at those specific times.

Mr. Francis: For example, a change in interest rate yield would make a substantial difference to the fund; an increase in yield of interest.

Mr. Clarke: It would have some effect. We did make projections on different interest rates. The key years were moved forward or backward by maybe two or three years, depending on the interest rate assumptions we made, but the effect was relatively small.

Mr. Aiken: I would like to ask Mr. Clarke a question. A few minutes ago I asked a question about the disabled widowers and this leads me into a somewhat larger question. Is there any private pension plan in any way related to this one from which any estimates can be drawn; in other words, in general terms is there any comparative plan such as the Canada pension plan which will pay the benefits which are being paid under this plan.

Mr. Clarke: I do not know of any private plan. These benefits are fairly comparable to those paid under the O.A.S.D.I. system in the United States, except they do not include benefits to dependent children and dependent wives; otherwise the benefits are fairly comparable in nature, although they may be different in size.

Mr. Aiken: Well, this may be a very broad question, but this plan, as you have explained it here, is one which you believe to be actuarily sound. Maybe it is a basic question, but I have heard the suggestion that the benefits under this plan are rather greater than the contributions would justify.

Mr. Clarke: Well, if you are thinking of contributions based on the initial rate of contribution, according to our estimates given in the report, eventually those contributions will not provide for the benefits that are provided for in Bill No. C-136; in other words, it is likely that the contribution rate will have to be raised some time later on in the century.

Mr. AIKEN: Right around the same line, you are really counting on an increase in population to carry this plan after it gets started. Is that a fair assumption? You are thinking of a constant increase so that there will be continually increasing contributions.

Mr. CLARKE: Well, if there will be continually increasing contributions arising from increases in population, there will also be continually increasing benefits. This is not a basically necessary assumption for the estimates. However, we have predicted population increases, and I am quite sure that they will happen.

Mr. AIKEN: I think you said that you did not calculate any particular population increase, but that you merely based this on a percentage of increase.

Mr. CLARKE: Oh, no. As far as populations are concerned, we did project populations all the way through the years to the year 2050 on the basis of two different sets of assumptions as respects fertility and immigration.

Mr. AIKEN: Where are they to be found?

Mr. CLARKE: They are to be found in Appendix 1. The description of the population projections starts on page 24. There is a whole series of population tables given in Appendix 1 for all Canada and for Quebec.

Mr. AIKEN: There certainly is!

Mr. MOREAU: 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.D.I. plan? Do you think it would be five or six per cent?

Mr. CLARKE: No, I have no figures.

Mr. MOREAU: I have heard estimates varying from five and six per cent, and in that range. I think a lot of the questions which Mr. Aiken raises, and that people have been asking are comparing benefits under the Canada pension plan with the United States plan, and the rate of contributions. When they put the benefits in them, they included the O.A.S.D.I., and they have included the new financing of the O.A.S.D.I. in the contribution rate. So when we talk about nine per cent being the United States rate of contribution, and their level of benefits which are just not quite equal to our combined O.A.S.D.I. and the Canada pension plan, I think we are getting very misleading figures. I was hoping that you could give us a precise sort of percentage contribution which would have to be made on a comparable basis to financing the O.A.S.D.I. plan.

Mr. CLARKE: Perhaps when Mr. Bryce is discussing the economic report, you might ask the Department of Finance to provide this type of figure for you.

Mr. Chairman, there is a very relevant question which has been asked many times and in many different places over the past year or so, namely, why have the rates of contribution under the O.A.S.D.I. system in the United States risen to such a high level in comparison with the rates estimated to be required under the Canada pension plan. If I might, I should like to make some remarks in that regard.

The CHAIRMAN (*Mr. Cameron*): I think it would be very useful.

Mr. CLARKE: I think, Mr. Moreau, that perhaps this is the question you were raising.

There are several reasons why the contribution rates under the O.A.S.D.I. system are higher than the estimated long range pay as you go contribution rates shown in the actuarial report on the Canada pension plan.

One reason is that age retirement benefits and supplementary benefits under the O.A.S.D.I. system are a considerably higher percentage of average pensionable earnings than under the terms of the Canada pension plan. For instance, under the O.A.S.D.I. system the age retirement pension varies from 31 per cent to 80 per cent of average monthly wage, whereas under the Canada pension plan the corresponding percentage is 25 per cent.

A second reason is that the O.A.S.D.I. system includes a minimum age retirement benefit of $40 per month, whereas no such minimum is provided under the Canada pension plan.

A third reason is that the benefits provided under the Canada pension plan do not include benefits for dependent wives and dependent children. In Canada, family allowances in respect of dependent children and old age security payments to dependent wives are not financed under the Canada pension plan.

A fourth reason is that, for the development of the O.A.S.D.I. long range estimates, a constant earnings approach was used which, in effect, assumes that any additional contributions arising from increases in average earnings are totally used up by corresponding increases in benefits. For the current long range estimates for the Canada pension plan it was assumed that additional contributions would arise as a result of annual increases of 3 per cent or 4 per cent in average earnings, whereas benefits in payment from time to time would increase at a rate of one and one half per cent for the low cost estimates and 2 per cent for the high cost estimates so that not all contributions arising from increases in average earnings would be used up by offsetting increases in benefits.

The fifth reason is that the fertility assumption underlying the population projections made for purposes of the O.A.S.D.I. estimates produce a considerably higher long range cost than the corresponding assumptions made for the current Canada pension plan estimates.

I should like to refer you to page 29 of the report, where it says:

> In the published description of the 1957 United States population projections, it was stated—

These projections were made by the United States actuaries for the purposes of O.A.S.D.I. estimates and they said that the previous estimates of future fertility had generally been too low. This has been the case in Canada too. Almost all the previous population projections we have studied have been too low because it seems that no one has been able to believe that fertility rates could possibly continue at the levels of the past considerable number of years.

To go on, the United States actuaries say it seems clear that a decrease must eventually occur since the U.S. population cannot go on increasing indefinitely. They say that if present fertility rates go on increasing to 2000 the present population will be over a billion and that the important question is when a decline will come about and how rapid it will be.

The United States actuaries assume the fertility rates will decrease quite quickly and to a very low figure. For instance, for the long range high cost estimates the United States actuaries assume that fertility rates will decrease from the current levels to rates that will produce a gross reproduction rate of one for the year 2000 and after. A gross reproduction of one means, generally, that for every female surviving to the child-bearing ages, one female child will be born alive. The effect of this assumption means that the United States population, in the absence of substantial net immigration, would begin to decrease not long after the year 2000.

The assumption for the corresponding Canada pension plan estimates was that fertility rates would decrease from the current level to fertility rates that would produce a net reproduction rate of one for the period 2000 and after.

A net reproduction rate of one means, generally, that every female born alive will, on the average, bear one female child. The effect of this assumption is that the Canadian population would not decrease but would continue to increase to some degree as a result of net immigration.

Similarly, our fertility assumptions for the low cost estimates were substantially higher than the corresponding United States assumptions. The result is that our cost estimates are relatively lower than the corresponding United States estimates by reason of the fertility assumptions used. Fertility is a very important factor where long range costs are concerned.

A sixth reason is that the net immigration assumptions used for the O.A.S.D.I. estimates are relatively lower than the corresponding assumptions for the Canada pension plan estimates.

Again, this is natural. It is reasonable to assume that the rate of immigration for Canada will be higher than that for a more mature country such as the United States.

Mr. MOREAU: Would it be fair to say, then, in regard to the rather glib criticisms of the higher benefits as compared with the United States plan contribution rates, that the plans in effect have no real comparability and the analogies are difficult to draw? You have given us seven reasons, I think.

Mr. CLARKE: I can say that a lot of the criticisms that have been made on this score have not been too well thought out.

Mr. KNOWLES: In that connection, if some of those who make representations to us in January bring along their actuaries—

Hon. Mr. SMITH (*Queens-Shelburne*): Get them up in the ring.

Mr. FRANCIS: I presume they would be requested to provide as much detail as—

Mr. KNOWLES: I do not mind the interjections, but I had not quite finished my question.

In particular, if they produce the kind of figures that we have read about in the press, by which they have tried to put together the tax rates for old age security and these rates, and have generally mixed apples and oranges and come out with bananas, will we have Mr. Clarke back as an adviser or consultant or something to help us to understand the whole thing?

The CHAIRMAN (*Mr. Cameron*): I think Mr. Clarke and his associates will be here. Is that not correct, Dr. Willard? I think they should be here.

Dr. WILLARD: Mr. Chairman, I thought the method of procedure was for you to hear the briefs from outside organizations and other individuals, and that then there would be a period when government officials might be called back for you to ask further questions which might arise in the course of the earlier discussions with these organizations and individuals.

Mr. KNOWLES: It struck me that a time when we might want to ask more questions than we have asked tonight would be when we have the other actuaries' figures or statements before us.

The CHAIRMAN (*Mr. Cameron*): We can discuss it in the steering committee. We can discuss the procedure.

Mr. MOREAU: The course suggested by Dr. Willard seems reasonable to me. There are certainly many questions that do not occur to us now that might be raised in the course of the testimony which we will hear from other witnesses.

The CHAIRMAN (*Mr. Cameron*): Well, it is now a little past 10 o'clock. Are there any further questions before we adjourn?

Mr. MUNRO: Mr. Chairman, is it then the understanding we will hear from Mr. Bryce tomorrow?

The CHAIRMAN (*Mr. Cameron*): Well, I would think so. I was going to ask Dr. Willard about this. Mr. Bryce is not here at the present time. He was here earlier this evening.

Dr. WILLARD: I understand that Mr. Bryce is ready whenever the committee is ready to proceed to the next stage.

Mr. CASHIN: Mr. Chairman, I have one last query of the chief actuary before he leaves us.

Mr. Clarke, in compiling these figures did you bear in mind the consequences of fish on the birth rate? I am prompted to put that question because, as we all know, Newfoundland has the third highest birth rate in the world. Our fishing industry is expanding and, presumably, Canadians will eat more fish. Has this been taken into account, Mr. Clarke? It may be that other actuaries who appear before us may have gone into this field.

Mr. CLARKE: I should be glad to investigate that for you, Mr. Cashin.

Mr. CASHIN: The suggestion has been made that if they increase fishing perhaps the birth rate will go down, so—

Mr. KNOWLES: Mr. Chairman, I move we adjourn.

The CHAIRMAN (*Mr. Cameron*): We meet tomorrow morning at 10 o'clock; tomorrow afternoon at 3.30, which means 3.30 or after orders of the day, I presume, whichever comes later; and again at 8 o'clock at night.

Mr. Bryce will be here. I do not know whether it is your wish to have Mr. Clarke back tomorrow morning. We undertook to call him back if anyone wanted to put any questions to him.

Mr. AIKEN: Mr. Chairman, if it would not be inconvenient for Mr. Clarke to come back I might think of some bright questions overnight, or there may be others who would wish to ask questions.

The CHAIRMAN (*Mr. Cameron*): Then, Mr. Clarke, tomorrow morning.

I would appreciate if the members of the committee would be here as close to 10 o'clock in the morning as possible. I know members may have a long night and an early morning, but I would like to get away to a good start, if possible.

Mr. BASFORD: Mr. Chairman, we will be here at 10 o'clock in the morning waving a flag.

Appendix T

Average Ages of Populations Based on 1961 Census

Area	*Males*	*Females*	*Total*
Canada	29.34	29.79	29.56
Canada excluding Quebec	30.05	30.42	30.23
Newfoundland	25.93	25.54	25.74
Prince Edward Island	30.15	30.42	30.28
Nova Scotia	29.33	29.93	29.63
New Brunswick	28.01	28.49	28.25
Quebec	27.56	28.26	27.91
Ontario	30.16	31.13	30.65
Manitoba	30.77	30.88	30.82
Saskatchewan	30.83	29.90	30.38
Alberta	29.05	28.23	28.65
British Columbia	31.92	31.94	31.93

Appendix U

CANADA PENSION PLAN

Actuarial Report, November 6, 1964

I. General

The financial estimates described in the Actuarial Report on the Canada Pension Plan dated August 30, 1963, were based on the proposals as respects coverage, benefits and contributions that were described by the Minister of National Health and Welfare to the House of Commons on July 18, 1963. Since that time, many changes in those initial proposals have been made. In order that ready reference to the structure and manner of operation of the Plan, as now proposed, and to the financial estimates based thereon will be available in one place, all of the relevant portions of the Actuarial Report dated August 30, 1963, and of subsequent actuarial studies have been incorporated in this report. The estimates presented in this report are in respect of all of Canada except the province of Quebec, where a plan identical to the Canada Pension Plan, or nearly so, will be administered by that province.

Two main sets of financial estimates, namely, "short-range" estimates and "long-range" estimates were made.

The short-range estimates cover a ten-year period from the effective date of the Plan. Even for this relatively short period, some assumptions required for the estimates relate to areas that are not readily predictable until experience develops under the Plan. For all major areas where probable future experience was obscure, an attempt was made to use assumptions that would not underestimate the cost.

The long-range estimates were developed mainly as percentages of contributory earnings required to provide benefits and expenses of administration for quinquennial years commencing in 1980 and ending in 2050. For the long term, since many elements entering the calculations cannot be predicted with any degree of confidence, two sets of estimates, namely, "high cost" estimates and "low cost" estimates, were produced.

The body of this report includes three further sections. In the first following section is given a résumé of the general aspects of coverage, benefits and contributions under the Plan. In the second following section, the principal assumptions underlying the short-range estimates are outlined and several tables are included in which are presented statistics relating to contributions, benefits, percentage costs and financing developments in accordance with the stated assumptions. In the final section, the principal assumptions underlying the long-range estimates are outlined and costs are presented as percentages of contributory earnings.

In six appendices are described the details of the principal assumptions, their rationale and the statistical developments based on them. Specifically, in Appendix 1 is described the development of population projections, in Appendix 2 the development of rates of participation in covered employment, in Appendix 3 the development of average earnings, in Appendix 4 the development of contributions and age retirement benefits, in Appendix 5 the development of death and survivors' benefits, and in Appendix 6 the development of disability benefits.

II. MAIN ASPECTS OF THE CANADA PENSION PLAN

1. *Coverage*

In general, the Canada Pension Plan will pertain to virtually all paid workers (both wage-earners and self-employed persons), between the ages of 18 and 70, in Canada except workers in the province of Quebec. The two main exceptions are workers with annual earnings less than certain specified minimum amounts and members of the armed services.

2. *Definition of Terms Relating to Earnings*

Four terms relating to the earnings of contributors that are used frequently in the remainder of this report are defined and described below. It should be emphasized that these terms are applicable only for purposes of this report. They were chosen to be as self-explanatory as possible.

Contributory Earnings Upper Limit

"Contributory earnings upper limit" for any year means the maximum earnings on which contributions can be made in that year.

For 1966 and 1967, the contributory earnings upper limit will be $5,000. For the period 1968 to 1975, such limit will be adjusted upward in steps of integral hundreds of dollars in accordance with increases, if any, in a "Pension Index" based on the Consumer Price Index for Canada. After 1975, such limit will be adjusted upward or downward in steps of integral hundreds of dollars in accordance with changes in an "Earnings Index" based on annual average earnings determined from earnings data recorded for persons with employee status by the Department of National Revenue.

Contributory Earnings Lower Limit

"Contributory earnings lower limit" for any year means the amount of annual earnings below which earnings are not subject to contributions under the Plan in that year.

A worker with salary and wages in any year greater than the contributory earnings lower limit is required to contribute under the Plan on all earnings between that limit and the contributory earnings upper limit.

A worker with salary and wages lower than the contributory earnings lower limit is required to contribute under the Plan provided that the total of his self-employed earnings and salary and wages are about one-third (or more) greater than the contributory earnings lower limit. For example, for 1966, when the contributory earnings lower limit will be $600 and the contributory earnings upper limit will be $5,000, a worker with salary and wages below $600 will be required to contribute on earnings between $600 and $5,000 provided that his total earnings are $800 or more; if such a worker has total earnings of less than $800 he will not be eligible to contribute under the Plan.

The contributory earnings lower limit is subject to automatic adjustment in future years in the same way as that described above for the contributory earnings upper limit.

Contributory Earnings

"Contributory earnings" for any year means the earnings of a contributor falling between the contributory earnings lower limit and the contributory earnings upper limit for that year. (These are the earnings on which contributions are based.)

Pensionable Earnings

"Pensionable earnings" for any year means all earnings of a contributor up to the contributory earnings upper limit provided that required contributions have been made in that year. (These are the earnings on which earnings-related benefits are based.)

3. *Automatic Adjustment Features*

Several elements of the Plan are subject to automatic adjustment in accordance with changes in a specified index. These elements include

(*a*) the contributory earnings upper limit and, dependent thereon, the upper limit on the amount of death benefit,

(*b*) the contributory earnings lower limit and, dependent thereon, the minimum amount of total earnings necessary for a worker with salary and wages below the contributory earnings lower limit to contribute under the Plan,

(*c*) the flat-amount component of a disability pension,

(*d*) the flat-amount component of a widow's (or a disabled widower's) pension,

(*e*) the flat-amount orphan's pension, and

(*f*) all pensions in payment.

Annual adjustment of all elements subject to automatic adjustment except, after 1975, the contributory earnings limits will depend on changes in a Pension Index constructed as described in the next following paragraph. Annual adjustment of the contributory earnings limits after 1975 will depend on changes in an Earnings Index constructed as described in the second following paragraph.

For 1967, the Pension Index will be computed as the average of the Consumer Price Indexes for Canada for the twelve months ending with June, 1966. For 1968 and each following year, the Pension Index will be computed as the average of the Consumer Price Indexes for the twelve months ending with June of the preceding year or 1.02 times the Pension Index for the preceding year, whichever is the lesser, except that the Pension Index for the preceding year is retained for the current year if the calculated change is less than an increase of 1%. (It will be noted from the foregoing description that, for the Pension Index and, consequently, for all elements that depend for adjustment on that index, there can never be any downward adjustment nor can there be any annual upward adjustment of less than 1% or more than 2%.)

The Earnings Index will be computed as the average of average annual earnings, determined by the Department of National Revenue, for the eight consecutive years ending with the year two years prior to the year for which the contributory earnings limits will apply divided by the corresponding average for the first eight years of operation of the Plan.

4. *Earnings Test*

Any age retirement pension that commences at an age less than 70 will be subject to the operation of an earnings test until age 70 is reached. The earnings test is such that the annual age retirement pension of a contributor will be reduced by $1 for each $2 of earnings in excess of approximately 18% of the contributory earnings upper limit and will be reduced further by $1 for each $2 of earnings in excess of approximately 30% of that limit.

5. *Age Retirement Pensions*

A contributor may become entitled to an age retirement pension at any age 65 to 70, subject to a minimum age requirement within this range in the very early years of operation of the Plan. (A contributor in receipt of a disability pension on attainment of age 65 becomes entitled immediately to an age retirement pension.) After such a pension becomes payable or, in any event, after age 70, a contributor is not eligible to contribute under the Plan. Thus, except for the operation of the "earnings test" and adjustment of the amount of pension in payment in accordance with changes in the Pension Index, the amount of pension is fixed at the time the pension first becomes payable.

In general, the initial amount of age retirement pension payable to a contributor will be based on the whole history of his pensionable earnings from the effective date of the Plan or from age 18, if that age is attained after the effective date, until the year in which his pension commences. However, in determining the amount of pension, a contributor's pensionable earnings for each year will be adjusted in the ratio that the average of the contributory earnings upper limits for the three years ending with the year in which pension commences bears to the contributory earnings upper limit for the year in which contributions were made. Subject to the operation of the earnings test, "full" pensions will be available in 1976 and after.

Age retirement pensions in payment will be subject to automatic adjustment in accordance with changes in the Pension Index.

A convenient formula for determining the initial amount of age retirement pension is as follows:

Formula for Age Retirement Pension

Initial Amount of Annual Pension

25% of the average of the contributory earnings upper limits for the three years ending with the year in which pension commences multiplied by the "average earnings ratio".

Average Earnings Ratio

(*a*) Within the first ten years from the effective date of the Plan, the total of recorded "annual earnings ratios" divided by ten minus the number of years, if any, during which a disability pension was payable.

(*b*) After at least ten years have elapsed from the effective date of the Plan, the average of a number of the highest recorded "annual earnings ratios", such number being,

  (i) if the number of years in the "primary contribution period" is less than ten, the greater of ten minus the number of years, if any, during which a disability pension was payable or the number of years in the primary contribution period,

  (ii) if the number of years in the "primary contribution period" is ten or more, the greater of ten or 90% of the number of years in the "primary contribution period".

Annual Earnings Ratio

The ratio of pensionable earnings in a calendar year to the contributory earnings upper limit for that year. (It should be noted that if no contributions are made during a calendar year, the "annual earnings ratio" recorded for that year is zero.)

Primary Contribution Period

The number of years from the effective date of the Plan or from age 18, if that age is attained after the effective date, to age 65 less the number of years, if any, during which a disability pension was payable.

Examination of the above formula will make it clear that, in addition to the exclusion from the benefit calculations of the whole period during which a disability pension is payable, certain lowest recorded annual earnings ratios may, under usual circumstances after the Plan has been in operation for 10 years, be excluded from the benefit calculations by reason of contributions made after age 65 and by reason of a 10% "drop-out" provision.

The following four examples are given to illustrate the operation of the benefit formula. For all examples, it is assumed that the effective date of the Plan is January 1, 1966, and that the contributory earnings upper limit is $5,000 for 1966 and 1967 and increases by $100 for each year thereafter.

(*a*) Suppose that a worker aged exactly 60 at the effective date has annual pensionable earnings of $5,000 for each of the first five years and that he elects to have his pension commence immediately thereafter, that is, at age 65.

Initial amount of annual pension

=Average earnings ratio × average of the contributory earnings limits for the three years ending with the year in which pension commences × 25%,

$$= \frac{1}{10} \left(2 \times \frac{5,000}{5,000} + \frac{5,000}{5,100} + \frac{5,000}{5,200} + \frac{5,000}{5,300}\right) \times \frac{1}{3} (5,200 + 5,300 + 5,400) \times 0.25$$

$$= 0.4885 \times 5,300 \times 0.25$$

$$= \$647$$

(*b*) Suppose that a worker aged exactly 60 at the effective date has annual pensionable earnings of $5,000 for each of the first ten years and that he elects to have his pension commence at page 70.

Initial amount of annual pension

$$= \frac{1}{10} \left(2 \times \frac{5,000}{5,000} + \frac{5,000}{5,100} + \frac{5,000}{5,200} + \frac{5,000}{5,300} + \frac{5,000}{5,400} + \frac{5,000}{5,500} + \frac{5,000}{5,600} + \frac{5,000}{5,700} + \frac{5,000}{5,800}\right)$$

$$\times \frac{1}{3} (5,700 + 5,800 + 5,900) \times 0.25$$

$$= 0.9353 \times 5,800 \times 0.25$$

$$= \$1,356$$

(c) Suppose that a worker aged exactly 45 at the effective date has earnings of $3,000 in 1966, that his earnings increase by $200 for each year after 1966 up to and including the year in which he attains age 69, and that he elects to have his pension commence at age 70. The pertinent details relating to the calculation of his pension are shown in the schedule below. (It will be noted that, for each year after 1984, the amount of the worker's pensionable earnings is the same as the contributory earnings upper limit for the year even though the amount of his actual earnings becomes increasingly greater than the applicable contributory earnings upper limit.)

Year	Contributory Earnings Upper Limit	Age of Worker	Pensionable Earnings	Annual Earnings Ratio
	$		$	
1966	5,000	45	3,000	0.6000
1967	5,000	46	3,200	0.6400
1968	5,100	47	3,400	0.6667
1969	5,200	48	3,600	0.6923
1970	5,300	49	3,800	0.7170
1971	5,400	50	4,000	0.7407
1972	5,500	51	4,200	0.7636
1973	5,600	52	4,400	0.7857
1974	5,700	53	4,600	0.8070
1975	5,800	54	4,800	0.8276
1976	5,900	55	5,000	0.8475
1977	6,000	56	5,200	0.8667
1978	6,100	57	5,400	0.8852
1979	6,200	58	5,600	0.9032
1980	6,300	59	5,800	0.9206
1981	6,400	60	6,000	0.9375
1982	6,500	61	6,200	0.9538
1983	6,600	62	6,400	0.9697
1984	6,700	63	6,600	0.9851
1985	6,800	64	6,800	1.0000
1986	6,900	65	6,900	1.0000
1987	7,000	66	7,000	1.0000
1988	7,100	67	7,100	1.0000
1989	7,200	68	7,200	1.0000
1990	7,300	69	7,300	1.0000
1991	7,400	70		

For this worker, the number of "highest" annual earnings ratios to be taken into account in calculating the average earnings ratio is 18 (that is, 90% of the number of years from age 45 to age 65).

Average earnings ratio

$$= \frac{16.6896}{18}$$

$$= 0.9272$$

Initial amount of annual pensions

$$= 0.9272 \times \frac{1}{3} (7{,}200 + 7{,}300 + 7{,}400) \times 0.25$$

$$= \$1{,}692$$

(*d*) Suppose that an immigrant who arrives in Canada in 1975 and commences work on January 1, 1976, is of exactly the same age and has exactly the same earnings history for the period from 1976 to 1986, inclusive, as the worker described in (c) above, and that he elects to have his pension commence at age 66.

For this worker, the number of "highest" annual earnings ratios to be taken into account in calculating the average earnings ratio is also 18 but seven of these annual earnings ratios must be zero since there is a record of pensionable earnings for only 11 years.

Average earnings ratio

$$= \frac{10.2693}{18}$$

$$= 0.5705$$

Initial amount of annual pension

$$= 0.5705 \times \frac{1}{3} (6{,}800 + 6{,}900 + 7{,}000) \times 0.25$$
$$= \$984$$

6. *Disability Pensions*

A contributor aged less than 65, who becomes disabled within the meaning of the disability provisions of the Plan, will be entitled to a disability pension provided that contributions have been made in

(*a*) five calendar years, and

(*b*) the lesser of ten calendar years or one-third of the number of calendar years in which contributions could have been made, and

(*c*) five of the last ten or less calendar years in which contributions could have been made.

By the expression "calendar years in which contributions could have been made" is meant all calendar years from the effective date of the Plan or from age 18, if that age is attained after the effective date, to the date of commencement of the disability pension, except for any calendar years during the whole of which a disability pension was previously payable.

Disability pensions will commence in the fourth month after the month of disablement and will be payable until age 65 or until death or recovery from disability at an earlier age. Unlike age retirement pensions, disability pensions will not be reduced by reason of their commencement within the first ten years of operation of the Plan.

Disability pensions in payment will be subject to automatic adjustment in accordance with changes in the Pension Index.

The amount of pension initially payable is composed of two parts, namely, a flat-amount part depending only on the year in which the disability pension commences, and an earnings-related part depending on the pensionable earnings record of the contributor to the date of commencement of the disability pension. The flat-amount part will be determined as $25 per month adjusted in accordance with changes in the Pension Index from 1967 to the year in which the disability pension commences. The earnings-related part will be equal to 75% of an earnings-related pension calculated in the manner described for age retirement pensions in subsection 5 above except that the contributor's primary contribution period ends at the date of commencement of the disability pension and that, both during and after the ten-year transitional period from the effective date of the Plan, the number of years to be taken into account in determining the "average earnings ratio" is

(*a*) if the number of years in the primary contribution period is less than ten, the number of years in the primary contribution period, or

(*b*) if the number of years in the primary contribution period is ten or more, the greater of ten or 90% of the number of years in the primary contribution period.

The following three examples are given to illustrate the determination of the initial amount of a disability pension. For all examples, it is assumed that the effective date of the Plan is January 1, 1966, that the contributory earnings upper limit is $5,000 for 1966 and 1967 and increases by $100 for each year thereafter, and that the flat-amount component of the disability pension is $25 per month in 1967 and increases by 50¢ for each year thereafter.

(*a*) Suppose that a worker aged exactly 55 at the effective date has annual pensionable earnings of $5,000 for each year 1966 to 1972, inclusive, and that a disability pension becomes payable to him in January, 1973.

Initial amount of annual pension

$$= 28.00 \times 12 + 0.75 \left[\frac{1}{7} \left(2 \times \frac{5,000}{5,000} + \frac{5,000}{5,100} + \frac{5,000}{5,200} + \frac{5,000}{5,300} + \frac{5,000}{5,400} + \frac{5,000}{5,500} \right) \times \frac{1}{3} (5,400 + 5,500 + 5,600) \times 0.25 \right]$$

$$= 336 + 990$$

$$= \$1,326$$

(b) Suppose that a worker aged exactly 45 at the effective date has the same history of earnings from 1966 to 1980, inclusive, and, consequently, the same annual earnings ratios for those years, as the worker described in example (c) of subsection 5 above and that a disability pension becomes payable to him in January, 1981.

For this worker, the number of "highest" annual earnings ratios to be taken into account in calculating the average earnings ratio for the earnings-related part of his pension is 13½ (that is, 90% of the number of years from age 45 to 60).

Average earnings ratio

$$= \frac{10.7438}{13.5}$$

$$= 0.7958$$

Initial amount of annual pension

$$= 32.00 \times 12 + 0.75 \left[0.7958 \times \frac{1}{3} (6,200 + 6,300 + 6,400) \times 0.25 \right]$$

$$= 384 + 940$$

$$= \$1,324$$

(c) Suppose that a worker aged exactly 18 on January 1, 1976, has annual pensionable earnings of $3,000 for each year 1976 to 1980, inclusive, and that a disability pension becomes payable to him in January, 1981.

Initial amount of annual pension

$$= 32.00 \times 12 + 0.75 \left[\frac{1}{5} \left(\frac{3,000}{5,900} + \frac{3,000}{6,000} + \frac{3,000}{6,100} + \frac{3,000}{6,200} + \frac{3,000}{6,300} \right) \times \frac{1}{3} (6,200 + 6,300 + 6,400) \times 0.25 \right]$$

$$= 384 + 581$$

$$= \$965$$

7. *Survivors' Pensions*

(*a*) *General*

A widow, a "dependent" disabled widower or an orphan may become entitled to a survivor's pension. For entitlement to such a pension, the deceased contributor must have made contributions in

(i) at least three calendar years, and

(ii) the lesser of ten calendar years or one-third of the number of calendar years in which contributions could have been made.

By the expression "calendar years in which contributions could have been made" is meant all calendar years from the effective date of the Plan or from age 18, if that age is attained after the effective date, to the date of death if death occurs before age 65 or, otherwise, to the later of attainment of age 65 or cessation of contributions, except for any calendar years during the whole of which a disability pension was payable.

A widow aged less than 65 may become entitled to a widow's pension by reason of having dependent children, being disabled or simply being over age 35 at widowhood. However, a widow who becomes entitled to a widow's pension for more than one reason will receive only one widow's pension—the amount of pension being the largest to which she is entitled for any one of such reasons.

A widow (or a disabled widower) may become entitled to both a survivor's pension and either a disability pension or an age retirement pension. However, the total annual amount of the two pensions cannot initially exceed an amount equal to 25% of the average of the contributory earnings upper limits for the three years ending with the year in which the later of the two pensions commences (that is, except in the early years of operation of the Plan, an amount equal to the maximum age retirement pension applicable for that year).

A widow's (or a disabled widower's) pension will be suspended during any period of remarriage.

As for disability pensions, survivors' pensions will not be reduced by reason of their commencement within the first ten years of operation of the Plan.

Survivors' pensions in payment will be subject to automatic adjustment in accordance with changes in the Pension Index.

(b) Widows' Pensions

(i) *Definition of "widow with dependent children"*

A "widow with dependent children" means a widow who wholly or substantially maintains an unmarried child of the deceased contributor where the child

A. is under age 18,

B. is aged 18 or over but under age 25 and has been attending school substantially without interruption since attainment of age 18 or the time of the contributor's death, whichever occurred later, or,

C. is aged 18 or over and is disabled, having been disabled without interruption since attainment of age 18 or the time of the contributor's death, whichever occurred later.

(ii) *Widows aged between 45 and 65 at widowhood*

A widow aged between 45 and 65 at the death of her "contributor" husband is entitled to a widow's pension, whether or not she has dependent children or is disabled.

The amount of pension initially payable is composed of two parts, namely, a flat-amount part depending only on the year of death of the contributor and an earnings-related part depending on the pensionable earnings record of the deceased contributor to the date of his death. The flat-amount part will be determined as $25 per month adjusted in accordance with changes in the Pension Index from 1967 to the year in which the death of the contributor occurs. The earnings-related part will be equal to 37½% of an earnings-related pension based on the contributor's pensionable earnings record, calculated as at the date of the contributor's death or commencement of his age retirement pension, whichever is the earlier, except that, in the latter case, the calculated pension will be adjusted in accordance with changes in the Pension Index from the year in which the age retirement pension became payable to the contributor to the year of his death. In general, the amount of the contributor's earnings-related pension will be calculated in the manner described for age retirement pensions in subsection 5 above except that the primary contribution period ends at the date of death or at age 65, whichever is the earlier, and that, both during and after the ten-year transitional period from the effective date of the Plan, the number of years to be taken into account in determining the "average earnings ratio" is,

A. if the number of years in the primary contribution period is less than ten, the number of years in the primary contribution period, or

B. if the number of years in the primary contribution period is ten or more, the greater of ten or 90% of the number of years in the primary contribution period.

(iii) *Widows aged less than 45 at widowhood, without dependent children and not disabled*

A widow aged 35 or less at the death of her "contributor" husband, without dependent children and not disabled, is not entitled to a widow's pension.

A widow aged more than 35 but less than 45 at the death of her "contributor" husband, without dependent children and not disabled, is entitled to an amount of pension, calculated as described in (ii) above, reduced by 1/120th of such amount for each month that her age, at the date of death of the contributor, is less than 45.

(iv) *Widows aged less than 45 at widowhood, with dependent children*

A widow aged less than 45 at the death of her "contributor" husband, with dependent children, is entitled to a widow's pension calculated as described in (ii) above.

If a widow in receipt of a widow's pension is aged less than 45 and not disabled at the time her last dependent child ceases to be a dependent child, the amount of her pension is discontinued or reduced in the manner described in (iii) above in accordance with her age at the time her last dependent child ceases to be a dependent child except that, for the purpose of determining such age, a non-disabled child attending school after age 18 is deemed not to be a dependent child.

(v) *Disabled widows*

A widow aged less than 65 is entitled to a disabled widow's pension if she either is disabled at the date of death of the contributor or becomes disabled at a later date.

The disabled widow's pension is payable from the month following the month in which the contributor died or from the month following the month in which the widow is disabled, whichever is the later. The initial amount of pension is calculated as described in (ii) above, except that, in the case where the widow becomes disabled subsequent to the death of the contributor, the pension so calculated is adjusted in accordance with changes in the Pension Index from the year in which the contributor died to the year in which disability occurred. The calculated initial amount of pension is subject to the limitation on the maximum initial amount payable in respect of dual pensions, as explained in (*a*) above.

(vi) *Widows aged 65 or over*

At age 65, or upon widowhood at a later age, a widow who is not then in receipt of an age retirement pension or to whom such a pension does not become immediately payable, is entitled to an amount of pension equal to 60% of an earnings-related pension* based on the pensionable earnings record of her "contributor" husband.

At the time that a widow becomes entitled to both a widow's pension and an age retirement pension or to either one if she is then in receipt of the other, the total amount of pension will be equal to the greater of

A. 60% of the widow's own age retirement pension plus 60% of an earnings-related pension* based on the pensionable earnings record of her "contributor" husband, or

B. 100% of the widow's own age retirement pension plus 37½% of an earnings-related pension* based on the pensionable earnings record of her "contributor" husband,

subject to the limitation on the maximum initial amount payable in respect of dual pensions, as explained in (*a*) above.

(*c*) Disabled Widowers' Pensions

A widower of any age who was wholly or substantially maintained by his "contributor" wife before her death is entitled to a disabled widower's pension if he is disabled at the time of death of the contributor.

The initial amount of pension payable to a disabled widower aged less than 65 will be determined in the manner described for widows' pensions in (*b*) (ii) above. The initial amount of pension payable to a disabled widower at age 65 or after will be determined in the manner described for widows' pensions in (*b*) (vi) above.

(*d*) Orphans' Pensions

For purposes of orphans' pensions, an "orphan" means an unmarried child of a deceased male contributor or of a deceased female contributor who wholly or substantially maintained the child immediately before her death where the child

(i) is under age 18, or

(ii) is aged 18 or over but under age 25 and has been attending school substantially without interruption since attainment of age 18 or the time of the contributor's death, whichever occurred later.

The initial amount of pension payable in respect of each orphan will be $25 per month adjusted in accordance with changes in the Pension Index from 1967 to the year of death of the contributor.

The total initial amount of orphans' pensions payable in respect of one family cannot exceed 25% of the average of the contributory earnings upper limits for the three years ending with the year of death of the contributor.

8. *Death Benefits*

A lump-sum benefit will be paid to the estate of a deceased contributor who had made contributions in at least the minimum number of calendar years required for entitlement to a survivor's pension.

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*An earnings-related pension, calculated as described in (ii) above, adjusted, where applicable, in accordance with changes in the Pension Index from the year in which the contributor died to the year in which the widow attains age 65 or the year in which an age retirement pension becomes payable to her while she is in receipt of a widow's pension.

The amount of benefit will be equal to,

(*a*) in respect of a contributor to whom an age retirement pension was not payable at the time of death, one-half of the annual amount of an earnings-related pension calculated in the manner described for age retirement pensions in subsection 5 above except that the deceased contributor's primary contribution period ends at the date of death or at age 65, whichever is the earlier, and that there is no reduction by reason of death occurring within the first ten years from the effective date of the Plan, or

(*b*) in respect of a contributor to whom an age retirement pension was payable at the time of death, one-half of the annual amount of pension payable in the year of death, adjusted to exclude any reduction that may have arisen by reason of commencement of pension within the first ten years from the effective date of the Plan,

subject to the limitation that the amount of benefit cannot exceed ten per cent of the contributory earnings upper limit applicable in the year of the contributor's death.

9. *Contributions*

No worker who is under age 18 or over age 70, who has earnings less than the minimums required for contribution purposes or who is in any specifically excluded class of workers is eligible to contribute under the Plan. Also, no contributor to whom an age retirement pension or a disability pension is payable is eligible to contribute.

For workers eligible to contribute under the Plan, contributions in any year will be required in respect of all earnings between the contributory earnings lower and upper limits for that year.

The initial rate of contribution as respects earnings subject to contributions will be 1.8% of salary and wages for each of workers and their employers and 3.6% of self-employed earnings.

III. Short-Range Estimates (1966 to 1975)

1. *Principal Assumptions*

(*a*) The effective dates of the Plan will be

(i) for contributions	—January, 1966
(ii) for payment of age retirement pensions	—January, 1967
(iii) for payment of survivors' benefits (including disabled survivors' pensions)	—February, 1968
(iv) for payment of disability pensions	—May, 1970

(*b*) Age retirement pensions will become available to contributors aged 68 or over in 1967, aged 67 or over in 1968, aged 66 or over in 1969 and aged 65 or over in 1970 and after.

(*c*) Age retirement pensions, lump-sum death benefits and pensions to survivors and disabled persons will be paid in accordance with the assumptions described in Appendices 4, 5 and 6 to this report.

(*d*) Average earnings will increase at an average rate of
  (i) 3% per annum, or
  (ii) 4% per annum.

(*e*) The Consumer Price Index and, consequently, the elements dependent for adjustment on that index, will increase at an average rate of 1½% per annum.

(*f*) The contributory earnings upper and lower limits will be $5,000 and $600, respectively, for 1966 and 1967, and will increase thereafter to 1975 at a rate of 1½% per annum.

(*g*) Populations, rates of participation in employment covered by the Plan and average earnings will be as described in Appendices 1, 2 and 3 to this report.

(*h*) Expenses of administration will be 0.1% of contributory earnings.

(*i*) For contribution rate purposes, contributions will be paid both on salary and wages and on self-employed earnings at the time such earnings are received by the contributor.

(*j*) For the fund projections, contributions will be paid on salary and wages at the time such earnings are received and on self-employed earnings in five equal instalments—one at the end of each of March, June, September and December of the year in which such earnings are received and one at the end of March of the following year.

2. *Tables of Financial Estimates*

(*a*) The estimates shown in Tables 1 to 4 below are based on the assumption that average earnings will increase at an average rate of 3 per cent per annum.

TABLE 1

CONTRIBUTIONS EQUIVALENT TO 1% OF CONTRIBUTORY EARNINGS—BASED ON 3% ANNUAL RATE OF INCREASE IN EARNINGS

(in millions)

	From Salary and Wages			From Self-employed Earnings			
Calendar Year	Male	Female	Total	Male	Female	Total	Grand Total
	$	$	$	$	$	$	$
1966	79.5	25.4	104.9	15.4	1.3	16.7	121.6
1967	82.5	26.7	109.2	16.5	1.4	17.9	127.1
1968	85.7	28.0	113.7	17.7	1.5	19.2	132.9
1969	88.9	29.4	118.3	18.9	1.5	20.4	138.7
1970	92.3	30.9	123.2	19.6	1.6	21.2	144.4
1971	95.8	32.3	128.1	20.4	1.7	22.1	150.2
1972	99.6	33.9	133.5	21.2	1.8	23.0	156.5
1973	103.4	35.5	138.9	22.0	1.9	23.9	162.8
1974	107.6	37.1	144.7	22.9	2.0	24.9	169.6
1975	111.7	38.8	150.5	23.7	2.0	25.7	176.2

TABLE 2

BENEFITS AND EXPENSES OF ADMINISTRATION—BASED ON 3% ANNUAL RATE OF INCREASE IN EARNINGS

(in millions)

	Age Retirement Pensions		Disability Pensions		Survivors' Pensions		Death Benefits			
Calendar Year	Male	Female	Male	Female	Widows	Orphans	Male	Female	Expenses of Administration	Total
	$	$	$	$	$	$	$	$	$	$
1966	—	—	—	—	—	—	—	—	12.2	12.2
1967	1.3	0.2	—	—	—	—	—	—	12.7	14.2
1968	4.1	0.8	—	—	5.1	3.1	9.8	1.4	13.3	37.6
1969	11.7	2.4	—	—	10.7	9.0	10.8	1.5	13.9	60.0
1970	25.2	5.0	5.8	1.5	18.3	14.5	11.7	1.6	14.4	98.0
1971	38.6	7.8	33.2	8.6	28.1	19.7	12.7	1.8	15.0	165.5
1972	55.8	11.5	37.3	9.6	40.1	24.5	13.8	1.9	15.7	210.2
1973	76.9	16.5	41.5	10.7	54.0	29.0	14.8	2.1	16.3	261.8
1974	102.5	22.6	45.7	11.8	70.2	33.2	16.0	2.3	17.0	321.3
1975	132.6	30.1	49.9	12.9	88.5	37.1	17.2	2.5	17.6	388.4

TABLE 3

PERCENTAGES OF CONTRIBUTORY EARNINGS REQUIRED TO PROVIDE BENEFITS AND EXPENSES OF ADMINISTRATION—BASED ON 3% ANNUAL RATE OF INCREASE IN EARNINGS

Calendar Year	Percentage of Contributory Earnings
	%
1966	0.10
1967	0.11
1968	0.28
1969	0.43
1970	0.68
1971	1.10
1972	1.34
1973	1.61
1974	1.89
1975	2.20

TABLE 4

FUND PROJECTIONS—BASED ON 3% ANNUAL RATE OF INCREASE IN EARNINGS

(in millions)

Calendar Year	Contributions (3.6% of contributory earnings)	Benefits and Expenses of Administration	Fund at End of Year	
			Without interest	With interest at 5% per annum
	$	$	$	$
1966	425.7	12.2	413.5	423.4
1967	456.7	14.2	856.0	897.9
1968	477.5	37.6	1.295.9	1,393.4
1969	498.5	60.0	1,734.4	1,912.2
1970	519.3	98.0	2.155.7	2,439.2
1971	540.1	165.5	2,530.3	2,944.9
1972	562.8	210.2	2,882.9	3,453.1
1973	585.4	261.8	3,206.5	3,957.2
1974	609.8	321.3	3,495.0	4,450.4
1975	633.7	388.4	3,740.3	4,924.1

(*b*) The estimates shown in Tables 5 to 8 below are based on the assumption that average earnings will increase at an average rate of 4 per cent per annum.

TABLE 5

CONTRIBUTIONS EQUIVALENT TO 1% OF CONTRIBUTORY EARNINGS—BASED ON 4% ANNUAL RATE OF INCREASE IN EARNINGS

(in millions)

Calendar Year	From Salary and Wages			From Self-employed Earnings			Grand Total
	Male	Female	Total	Male	Female	Total	
	$	$	$	$	$	$	$
1966	79.5	25.4	104.9	15.4	1.3	16.7	121.6
1967	82.8	26.9	109.7	16.6	1.4	18.0	127.7
1968	86.3	28.4	114.7	17.8	1.5	19.3	134.0
1969	89.9	30.0	119.9	19.1	1.5	20.6	140.5
1970	93.6	31.7	125.3	19.9	1.6	21.5	146.8
1971	97.5	33.4	130.9	20.8	1.8	22.6	153.5
1972	101.7	35.3	137.0	21.6	1.9	23.5	160.5
1973	106.0	37.2	143.2	22.6	2.0	24.6	167.8
1974	110.6	39.1	149.7	23.5	2.1	25.6	175.3
1975	115.3	41.1	156.4	24.5	2.1	26.6	183.0

TABLE 6

BENEFITS AND EXPENSES OF ADMINISTRATION—BASED ON 4% ANNUAL RATE OF INCREASE IN EARNINGS

(in millions)

Calendar Year	Age Retirement Pensions		Disability Pensions		Survivors' Pensions		Death Benefits		Expenses of Administration	Total
	Male	Female	Male	Female	Widows	Orphans	Male	Female		
	$	$	$	$	$	$	$	$	$	$
1966	—	—	—	—	—	—	—	—	12.2	12.2
1967	1.3	0.2	—	—	—	—	—	—	12.8	14.3
1968	4.1	0.8	—	—	5.1	3.1	9.8	1.4	13.4	37.7
1969	11.7	2.4	—	—	10.7	9.0	10.8	1.5	14.1	60.2
1970	25.3	5.0	5.8	1.5	18.3	14.5	11.7	1.6	14.7	98.4
1971	38.7	7.9	33.3	8.6	28.2	19.7	12.7	1.8	15.4	166.3
1972	56.0	11.6	37.4	9.7	40.2	24.5	13.8	1.9	16.1	211.2
1973	77.2	16.7	41.6	10.9	54.2	29.0	14.9	2.1	16.8	263.4
1974	102.9	22.9	45.8	11.9	70.5	33.2	16.1	2.3	17.5	323.1
1975	133.3	30.5	50.1	13.0	88.9	37.1	17.3	2.5	18.3	391.0

TABLE 7

PERCENTAGES OF CONTRIBUTORY EARNINGS REQUIRED TO PROVIDE BENEFITS AND EXPENSES OF ADMINISTRATION—BASED ON 4% ANNUAL RATE OF INCREASE IN EARNINGS

Calendar Year	Percentage of Contributory Earnings
	%
1966	0.10
1967	0.11
1968	0.28
1969	0.43
1970	0.67
1971	1.08
1972	1.32
1973	1.57
1974	1.84
1975	2.14

TABLE 8

FUND PROJECTIONS—BASED ON 4% ANNUAL RATE OF INCREASE IN EARNINGS

(in millions)

Calendar Year	Contributions (3.6% of contributory earnings)	Benefits and Expenses of Administration	Fund at End of Year	
			Without interest	With interest at 5% per annum
	$	$	$	$
1966	425.7	12.2	413.5	423.4
1967	458.7	14.3	857.9	899.8
1968	481.5	37.7	1,301.7	1,399.4
1969	504.8	60.2	1,746.3	1,924.8
1970	527.8	98.4	2,175.7	2,460.8
1971	551.8	166.3	2,561.2	2,978.6
1972	577.2	211.2	2,927.2	3,502.4
1973	603.2	263.4	3,267.0	4,025.4
1974	630.3	323.1	3,574.2	4,541.3
1975	658.0	391.0	3,841.2	5,041.7

IV. *Long Range Estimates*

1. *Principal Assumptions*

(*a*) Age retirement pensions, lump-sum death benefits and pensions to survivors and disabled persons will be paid in accordance with the assumptions described in Appendices 4, 5 and 6 to this report.

(*b*) Average earnings will increase at an average rate of (i) 3% per annum, or (ii) 4% per annum.

(*c*) For the "low cost" estimates, the Consumer Price Index and, consequently, the elements dependent for adjustment on that index, will increase at an average rate of 1½% per annum.

(*d*) For the "high cost" estimates, the Consumer Price Index and, consequently, the elements dependent for adjustment on that index, will increase at an average rate of 1½% per annum until 1975 and 2% per annum thereafter.

(*e*) The contributory earnings upper and lower limits will be $5,000 and $600, respectively, for 1966 and 1967, will increase thereafter to 1975 at a rate of 1½% per annum and will increase after 1975 at a rate of (i) 3% per annum, or (ii) 4% per annum.

(*f*) Populations, rates of participation in employment covered by the Plan and average earnings will be described in Appendices 1, 2 and 3 to this report.

(*g*) The rate of contribution on self-employed earnings will be equal to the combined worker-employer rate on salary and wages.

(*h*) Expenses of administration will be 0.1% of contributory earnings.

(*i*) For the fund projections, interest will be earned on the balance of the Account from time to time at a rate of 5% per annum from the effective date of the Plan to the end of 1975 and at a rate of 4% per annum thereafter.

2. *Required Contribution Rates and Fund Projections*

In Tables 9 and 10 below are shown, for quinquennial years from 1980 to 2050, the estimated rates of contribution that would be required to provide benefits on a strictly "pay-as-you-go" basis, that is, in accordance with the assumption that there would be no fund available and therefore no interest income available to meet a part of the cost of benefits payable. The estimates in Table 9 are based on the assumption that average earnings will increase at an average rate of 3% per annum and those in Table 10 on the assumption that such rate of increase will be 4% per annum.

In Table 11 below are shown what are termed "intermediate cost" estimates, being percentages determined simply by dividing the sum of the estimated "high cost" and "low cost" benefits and expenses of administration for quinquennial years by the sum of the estimated "high cost" and "low cost' contributory earnings for the corresponding years.

In Table 12 below is shown how the fund would develop in accordance with the different sets of estimates.

TABLE 9

PERCENTAGES OF CONTRIBUTORY EARNINGS REQUIRED TO PROVIDE BENEFITS AND EXPENSES OF ADMINISTRATION—BASED ON 3% ANNUAL RATE OF INCREASE IN EARNINGS

Calendar Year	Age Retirement Pensions	Disability Pensions	Survivors' Pensions			Death Benefits	Expenses of Administration	Total
			Widows	Orphans	Total			
	%	%	%	%	%	%	%	%
High Cost								
1980.......	2.00	0.45	0.81	0.24	1.05	0.13	0.10	3.73
1985.......	2.76	0.47	1.07	0.23	1.30	0.15	"	4.78
1990.......	3.34	0.46	1.27	0.21	1.48	0.16	"	5.55
1995.......	3.67	0.44	1.38	0.18	1.56	0.18	"	5.95
2000.......	3.70	0.44	1.45	0.15	1.60	0.18	"	6.02
2005.......	3.53	0.46	1.48	0.13	1.61	0.18	"	5.88
2010.......	3.42	0.49	1.52	0.11	1.63	0.15	"	5.83
2015.......	3.66	0.51	1.57	0.09	1.66	0.19	"	6.12
2020.......	4.16	0.52	1.66	0.09	1.75	0.20	"	6.73
2025.......	4.70	0.52	1.77	0.08	1.85	0.22	"	7.39
2030.......	5.11	0.53	1.90	0.08	1.98	0.24	"	7.96
2035.......	5.40	0.54	2.02	0.07	2.09	0.26	"	8.39
2040.......	5.69	0.55	2.15	0.07	2.22	0.27	"	8.83
2045.......	6.05	0.54	2.26	0.07	2.33	0.28	"	9.30
2050.......	6.40	0.53	2.37	0.06	2.43	0.30	"	9.67
Low Cost								
1980.......	1.84	0.44	0.74	0.25	0.99	0.13	0.10	3.50
1985.......	2.42	0.44	0.91	0.25	1.16	0.14	"	4.26
1990.......	2.85	0.44	1.04	0.23	1.27	0.15	"	4.81
1995.......	3.10	0.42	1.11	0.20	1.31	0.15	"	5.08
2000.......	3.06	0.41	1.12	0.18	1.30	0.15	"	5.02
2005.......	2.88	0.41	1.09	0.16	1.25	0.15	"	4.79
2010.......	2.73	0.42	1.05	0.14	1.19	0.14	"	4.58
2015.......	2.79	0.41	1.04	0.13	1.17	0.14	"	4.61
2020.......	2.93	0.40	1.03	0.12	1.15	0.14	"	4.72
2025.......	3.02	0.39	1.01	0.11	1.12	0.15	"	4.78
2030.......	3.02	0.39	1.00	0.10	1.10	0.15	"	4.76
2035.......	2.99	0.38	0.99	0.10	1.09	0.15	"	4.71
2040.......	2.99	0.38	0.99	0.09	1.08	1.15	"	4.70
2045.......	3.01	0.38	0.98	0.08	1.06	1.05	"	4.70
2050.......	3.03	0.37	0.98	0.08	1.06	0.15	"	4.71

TABLE 10

PERCENTAGES OF CONTRIBUTORY EARNINGS REQUIRED TO PROVIDE BENEFITS AND EXPENSES OF ADMINISTRATION—BASED ON 4% ANNUAL RATE OF INCREASE IN EARNINGS

Calendar Year	Age Retirement Pensions	Disability Pensions	Survivors' Pensions			Death Benefits	Expenses of Administration	Total
			Widows	Orphans	Total			
	%	%	%	%	%	%	%	%
High Cost								
1980	1.88	0.43	0.75	0.22	0.97	0.13	0.10	3.51
1985	2.56	0.44	0.96	0.21	1.17	0.14	"	4.41
1990	3.08	0.43	1.11	0.18	1.29	0.16	"	5.06
1995	3.36	0.41	1.19	0.14	1.33	0.16	"	5.36
2000	3.37	0.40	1.23	0.12	1.35	0.16	"	5.38
2005	3.21	0.42	1.24	0.09	1.33	0.16	"	5.22
2010	3.11	0.45	1.26	0.07	1.33	0.17	"	5.16
2015	3.36	0.46	1.29	0.06	1.35	0.17	"	5.44
2020	3.84	0.46	1.36	0.06	1.42	0.19	"	6.01
2025	4.35	0.46	1.45	0.05	1.50	0.20	"	6.61
2030	4.72	0.47	1.56	0.04	1.60	0.22	"	7.11
2035	4.97	0.48	1.66	0.04	1.70	0.23	"	7.48
2040	5.23	0.48	1.76	0.04	1.80	0.25	"	7.86
2045	5.56	0.48	1.85	0.03	1.88	0.26	"	8.28
2050	5.87	0.47	1.94	0.03	1.97	0.27	"	8.68
Low Cost								
1980	1.74	0.42	0.69	0.23	0.92	0.12	0.10	3.30
1985	2.25	0.42	0.82	0.22	1.04	0.13	"	3.94
1990	2.63	0.41	0.91	0.19	1.10	0.14	"	4.38
1995	2.85	0.39	0.95	0.16	1.11	0.14	"	4.59
2000	2.80	0.37	0.95	1.14	1.09	0.14	"	4.50
2005	2.63	0.38	0.92	0.11	1.03	0.13	"	4.27
2010	2.50	0.38	0.87	0.10	0.97	0.13	"	4.08
2015	2.56	0.37	0.86	0.09	0.95	0.13	"	4.11
2020	2.71	0.36	0.85	0.07	0.92	0.13	"	4.22
2025	2.79	0.35	0.83	0.07	0.90	0.14	"	4.28
2030	2.79	0.35	0.83	0.06	0.89	0.14	"	4.27
2035	2.75	0.35	0.83	0.05	0.88	0.14	"	4.22
2040	2.75	0.34	0.82	0.05	0.87	0.14	"	4.20
2045	2.78	0.34	0.81	0.04	0.85	0.14	"	4.21
2050	2.80	0.34	0.81	0.04	0.85	0.14	"	4.23

TABLE 11

"INTERMEDIATE COST" ESTIMATES—REQUIRED PERCENTAGES OF CONTRIBUTORY EARNINGS

Calendar Year	Rate of Increase in Average Earnings 3% per annum	 4% per annum
	%	%
1980	3.61	3.40
1985	4.50	4.16
1990	5.15	4.69
1995	5.47	4.94
2000	5.46	4.88
2005	5.25	4.67
2010	5.10	4.53
2015	5.21	4.64
2020	5.48	4.90
2025	5.71	5.11
2030	5.83	5.21
2035	5.86	5.23
2040	5.89	5.26
2045	5.93	5.29
2050	5.95	5.31

TABLE 12

FUND PROJECTIONS

(in billions)

	Rate of Increase in Average Earnings					
	3% per annum			4% per annum		
End of Calendar Year	High Cost	Low Cost	Intermediate Cost	High Cost	Low Cost	Intermediate Cost
	$	$	$	$	$	$
1975	4.9	4.9	4.9	5.0	5.0	5.0
1980	6.5	6.7	6.6	6.8	7.1	7.0
1985	6.7	7.5	7.1	7.5	8.4	8.0
1990	5.0	6.9	5.9	6.4	8.6	7.5
1995	0.8	4.4	2.6	2.9	7.1	5.0
2000	−6.2	−0.1	−3.2	−3.4	4.1	0.3
2005				−12.9	−0.2	−6.5

It will be noted from Tables 9 and 10 above that the "high cost" percentages of contributory earnings estimated to be required to provide for benefits and expenses of administration show an almost unbroken upward trend over the whole period covered by the estimates. The main reason for this trend is that, for the populations projected in accordance with the low fertility—low immigration (high cost) assumptions, the proportion of the "dependent" to the "productive" population increases almost continuously over the period. Since this proportion will have almost reached its limit by 2050, it follows that the "high cost" percentages will have almost reached their limit at the same time.

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Ottawa, Canada
November 6, 1964

Schedule I

Appendix 1

Population Projections

1. *General*

Population projections were carried out for all of Canada and for the province of Quebec separately and the populations required for the financial estimates for Canada excluding Quebec were obtained simply by subtracting from the projected populations for all of Canada the corresponding projected populations for Quebec. So that as much information as possible would be available to interested persons, pertinent assumptions are described and resulting populations are tabulated hereinafter for all of Canada and for Quebec separately.

The three factors affecting population are mortality, fertility and net migration. Because of the wide variation possible in future fertility rates and in numbers of "net" immigrants, it was decided to make "low" and "high" assumptions in respect of each of these factors and, starting with the 1961 Census populations, to develop two series of populations, one based on low fertility—low immigration assumptions and the other on high fertility—high immigration assumptions. For purposes of the long-range estimates, populations were developed for each quinquennial year from 1965 to 2050. (It may be noted here that the projected populations based on low fertility—low immigration assumptions yield "high cost" estimates and those based on high fertility—high immigration assumptions yield "low cost" estimates.)

For the short range, populations for each year 1965 to 1975 were developed by interpolation methods from the long-range low fertility—low immigration populations for 1961, 1965, 1970 and 1975. (Fertitlity, of course, has no effect on short-range costs.)

It is important to keep in mind that the population projections were made in conformance with the objective of producing cost estimates that, for the long term, are upper and lower limits. Thus, the projected populations are not attempted forecasts of what the actual populations will be in future years. It is, however, reasonable to assume that actual future populations will lie somewhere between the low and high projected populations.

In the following sections are described the basic assumptions made, rates and other factors developed in accordance with those assumptions, the general methods used for the projections and the resulting populations.

2. *Mortality*

Many different approaches have been used in the prediction of future population mortality experience.

The Division of the Actuary of the Social Security Administration of the United States Department of Health, Education, and Welfare, recently used a novel approach in the development of projected mortality rates for use in projections of the U.S. population for the purposes of the Old-Age, Survivors, and Disability Insurance program. Very briefly and very generally, groups of medical and health statisticians examined each of the main causes of death individually and predicted, for each sex and age group, how the probability of death from each such cause would change between now and the year 2000. From these ratios were estimated the changes resulting from all causes, and mortality rates and survivorship factors for the year 2000 were determined by applying these combined ratios to current factors. It was assumed that mortality would remain constant after the year 2000.

The Government Actuary's Department of Great Britain, for the Second Quinquennial Review of The National Insurance Acts, predicted future mortality rates for use in projections of the British population. For these forecasts, it was assumed that at ages under 45, 1953–57 mortality rates would decrease by about one-half over a 25-year period, and for ages over 45 the rates of decline would become progressively smaller with increasing age. For all ages, it was assumed that mortality would remain constant after 1983.

The method initially established for the development of future mortality rates applicable for the population of all of Canada was based on the general assumption that mortality would continue to improve for each age in the future at the rate that applied over the period from 1931 to 1956. However, rates produced in accordance with this method were not generally reasonable for the younger ones where mortality as a result of communicable diseases is now very low and mortality as a result of accidents is unlikely to improve a great deal in the future. As a result, the level of the rates initially developed for the younger ages for application in the year 2000 and after were adjusted upwards, keeping in mind the general levels of the rates forecast by the U.S. and British actuaries for the population projections mentioned above. Minor adjustments were made for some of the higher age groups.

In Schedule 1 below is given, for specimen ages, a comparison of the mortality rates developed for the current population projections for all of Canada as applicable for the year 2000 and after with the average of the low and high rates predicted as applicable for the U.S. population for the year 2000 and after and with the rates predicted as applicable for the British population for the year 1983 and after. (*Note*: The U.S. and British rates are not exact—they were read from graphs drawn through or near specimen rates that were immediately available in published reports.)

In Schedule 2 below is given, for specimen ages, a comparison of mortality rates from the Canadian Life Tables 1930–32, 1940–42, 1950–52 and 1960–62 with the rates forecast for the year 2000 and after.

In Schedule 3 below is given, for specimen ages, a comparison of mortality rates from the Canadian Life Tables 1950–52 and 1960–62 with mortality rates from the corresponding Quebec Life Tables.

SCHEDULE 1

PROJECTED POPULATION MORTALITY RATES

(per 1,000 persons)

	United States (average of high and low rates for year 2000 and after)		Great Britain (rates for year 1983 and after)		Canada (rates for year 2000 and after)	
Age	Male	Female	Male	Female	Male	Female
0	15.44	12.06	13.10	10.20	13.00	10.00
1	1.15	.95	.61	.50	1.00	.81
2	.92	.75	.50	.43	.88	.68
3	.75	.60	.41	.37	.77	.57
4	.62	.48	.34	.31	.67	.48
5	.52	.39	.28	.27	.59	.41
7	.38	.27	.20	.20	.46	.31
10	.32	.21	.17	.14	.34	.23
12	.38	.24	.21	.13	.31	.21
15	.74	.35	.31	.15	.31	.21
17	1.21	.43	.38	.18	.35	.23
20	1.49	.52	.45	.24	.45	.29
25	1.44	.61	.49	.34	.71	.46
30	1.37	.73	.55	.44	1.08	.71
35	1.58	1.02	.75	.59	1.57	1.05
40	2.67	1.62	1.26	.92	2.22	1.51
45	4.65	2.53	2.43	1.61	3.19	2.17
50	7.12	3.78	5.35	2.93	5.18	3.15
55	11.27	5.45	10.50	4.67	9.14	4.61
60	16.90	8.20	17.80	7.50	15.52	7.22
65	24.10	12.50	28.70	13.80	24.76	12.65
70	35.50	21.40	45.30	25.30	38.39	22.81
75	56.10	40.20	73.80	46.30	60.14	40.33
80	90.40	71.60	119.50	83.00	96.56	68.60
85	141.80	118.50	190.50	151.70	151.41	110.73
90	209.80	183.00	288.80	265.00	226.12	168.42

SCHEDULE 2

CANADIAN POPULATION MORTALITY RATES (PER 1,000 PERSONS)

	Males					Females				
Age	1931	1941	1951	1961	2000 and after	1931	1941	1951	1961	2000 and after
0	86.95	62.50	43.25	30.58	13.00	69.31	49.31	34.23	23.87	10.00
1	11.87	7.21	3.41	1.85	1.00	10.80	6.34	2.99	1.64	.81
2	5.96	3.98	1.80	1.14	.88	4.96	3.26	1.54	.96	.68
3	4.11	2.94	1.59	.99	.77	3.74	2.62	1.14	.71	.57
4	3.16	2.34	1.18	.83	.67	2.90	1.94	.92	.61	.48
5	2.62	1.98	1.01	.73	.59	2.32	1.57	.79	.53	.41
10	1.60	1.22	.77	.50	.34	1.40	.90	.52	.29	.23
15	2.07	1.63	1.12	.89	.31	1.95	1.22	.67	.40	.21
20	3.08	2.41	1.72	1.53	.45	2.95	1.80	.91	.55	.29
25	3.40	2.57	1.82	1.57	.71	3.67	2.31	1.06	.64	.46
30	3.41	2.60	1.89	1.50	1.08	3.98	2.60	1.29	.79	.71
35	3.98	3.17	2.27	1.93	1.57	4.48	3.14	1.77	1.15	1.05
40	4.94	4.28	3.28	2.82	2.22	5.12	3.86	2.57	1.74	1.51
45	6.30	5.98	5.24	4.65	3.19	6.15	5.04	3.87	2.77	2.17
50	9.03	8.95	8.53	7.72	5.18	8.04	7.01	5.60	4.36	3.15
55	13.29	13.46	13.48	12.65	9.14	11.62	10.42	8.34	6.75	4.61
60	19.38	20.29	20.71	19.99	15.52	17.14	15.28	13.08	10.64	7.22
65	29.75	30.90	30.04	29.72	24.76	26.03	24.26	20.40	17.18	12.65
70	46.34	47.59	44.35	44.67	38.39	40.57	38.12	33.08	27.74	22.81
75	74.03	75.47	69.38	67.06	60.14	67.35	63.58	55.67	46.64	40.33
80	115.27	117.38	108.46	100.91	96.56	107.69	101.96	92.22	79.41	68.60
85	171.67	174.04	163.53	152.31	151.41	160.86	157.76	146.37	131.18	110.73
90	247.11	250.42	236.67	227.12	226.12	228.60	233.91	221.83	207.08	168.42
95	344.54	351.67	329.97	331.23	323.79	312.27	328.52	322.29	312.26	242.13

SCHEDULE 3

COMPARISON OF MORTALITY RATES FOR QUEBEC AND FOR ALL OF CANADA

(per 1,000 persons)

	Life Tables, 1950–52			Life Tables, 1960–62		
Age	Quebec	Canada	Ratio of Quebec Rates to Canada Rates	Quebee	Canada	Ratio of Quebec Rates to Canada Rates
			%			%
Males						
0	55.38	43.25	128.0	34.90	30.58	114.1
1	4.32	3.41	126.7	2.11	1.85	114.1
2	1.97	1.80	109.4	1.31	1.14	114.9
3	1.88	1.59	118.2	1.23	.99	124.2
4	1.38	1.18	116.9	1.06	.83	127.7
5	1.15	1.01	113.9	.93	.73	127.4
10	.85	.77	110.4	.59	.50	118.0
20	1.74	1.72	101.2	1.50	1.53	98.0
30	2.09	1.89	110.6	1.50	1.50	100.0
40	3.59	3.28	109.5	3.15	2.82	111.7
50	9.61	8.53	112.7	8.29	7.72	107.4
60	22.83	20.71	110.2	21.56	19.99	107.9
70	48.37	44.35	109.1	47.06	44.67	105.4
80	113.80	108.46	104.9	104.95	100.91	104.0
90	246.21	236.67	104.0	244.10	227.12	107.5
Females						
0	43.84	34.23	128.1	27.19	23.87	113.9
1	3.79	2.99	126.8	1.86	1.64	113.4
2	1.71	1.54	111.0	1.10	.96	114.6
3	1.23	1.14	107.9	.85	.71	119.7
4	1.05	.92	114.1	.77	.61	126.2
5	.93	.79	117.7	.67	.53	126.4
10	.55	.52	105.8	.34	.29	117.2
20	1.01	.91	111.0	.55	.55	100.0
30	1.65	1.29	127.9	.82	.79	103.8
40	3.12	2.57	121.4	1.93	1.74	110.9
50	6.39	5.60	114.1	4.63	4.36	106.2
60	15.25	13.08	116.6	12.27	10.64	115.3
70	38.09	33.08	115.1	31.60	27.74	113.9
80	98.58	92.22	106.9	86.85	79.41	109.4
90	257.83	221.83	116.2	234.59	207.08	113.3

Although current mortality in Quebec is somewhat higher than that in all of Canada, the difference in the levels of mortality has been decreasing over past years, as generally indicated in Schedule 3 above. It was consequently decided that the ultimate rates assumed to be applicable for the Canadian population for the year 2000 and after could also be taken as applicable for the corresponding Quebec population.

In application of the mortality rates in the population projections for both all of Canada and Quebec, five-year survivorship ratios for five-year age groups were computed on the basis of the mortality rates of the 1950-52 and 1955-57 Life Tables and the projected mortality rates for the year 2000 and after, and survivorship ratios for each intermediate five-year period were obtained by interpolation. The survivorship ratios so developed were applied to successive quinquennial populations.

3. *Fertility*

The underlying statistics referred to in this section were drawn mainly from the "Vital Statistics" publications of the Dominion Bureau of Statistics. (The latest issue available at the time the population projections were made was the issue for the year 1960.)

Forecasts of future fertility are even less predictable than forecasts of future mortality. For all of Canada, the birth rate, that is, the number of live births per 1,000 of total population, has varied widely over the years. After World War I, it was very high (29.3 for 1921) but decreased through the following sixteen years to a low of 20.1 for 1937. After 1937, it increased gradually to 24.3 for 1945. From 1946 to 1959, it was never below 27. For the years 1960, 1961, 1962 and 1963 it was 26.8, 26.1, 25.3 and 24.6, respectively.

Canadian birth rates are currently considerably higher than those for almost all other developed countries. Compared to a Canadian birth rate of 26.8, the 1960 birth rates for a few selected countries were:

United States	23.9
England and Wales	17.1
Ireland	21.4
Scotland	19.4
Australia	22.4
New Zealand	26.5
France	17.9
German Federal Republic	17.7
Italy	18.5
USSR (1959)	25.0

In the published description of the 1957 U.S. population projections, it was stated

> Previous estimates of future fertility have generally been too low... It seems clear that a decrease must eventually occur, since the population cannot go on increasing indefinitely. If present fertility rates continued to the year 2050, the total United States population would be over a billion. The important question is when a decline will begin and how rapid it will be.

The low fertility assumptions used for the 1957 U.S. population projections were, generally, that current fertility rates would decrease to rates that would produce a gross reproduction rate of 1 for the period 2005–2010 and later. The high fertility assumptions were that a gross reproduction rate of 1 would prevail for the period 2045–2050 and later. (A "gross reproduction rate of 1" means that if all females born alive survived to the end of the child-bearing period, they would, on the average, have had one female child. The consequence of an assumption of a gross reproduction rate of 1 would be that, with no net immigration, the population would decrease as time went on because not all females born alive survive to the end of their child-bearing years.)

The persons who were responsible for the U.S. projections apparently believed that the idea of a U.S. population of a billion or more is not reasonable. However, even if this consideration should be valid for the U.S., the same consideration would not apply to Canada for the foreseeable future. From an examination of U.S. fertility rates, it would seem that, if current U.S. rates would increase a U.S. population of 180 million to over a billion in about 100 years, the same rates would increase a Canadian population of 18 million to over 100 million in the same period. On the surface, at least, such a population for Canada does not seem unreasonable, considering the land and resources available.

The fertility assumptions chosen for the projections of the population of all of Canada were as follows:

(*a*) the high fertility assumption was that the average of fertility rates for all of Canada for the period 1956 to 1960, inclusive, will apply throughout the future; and

(*b*) the low fertility assumption was that the average described in (*a*) above will decrease linearly into fertility rates that produce a net reproduction rate of 1 for the period 2000–2004 and later. (A "net reproduction rate of 1" means that, on the average, every female born alive will bear one female child.)

In Schedule 4 below are shown the fertility rates computed in accordance with the above assumptions. In Schedule 5 below are shown the gross and net reproduction rates corresponding to the fertility rates listed in Schedule 4.

SCHEDULE 4

FERTILITY RATES USED FOR PROJECTION OF THE POPULATION OF ALL OF CANADA

(number of live births per 1,000 females in age group)

Female Age Group	High Fertility (average of rates for 1956–60 period)	Low Fertility (for year 2000 and after)
15–19	59.2	31.9
20–24	226.8	122.0
25–29	225.1	121.1
30–34	148.6	79.9
35–39	89.0	47.9
40–44	29.3	15.8
45–49	2.7	1.5

SCHEDULE 5

REPRODUCTION RATES FOR ALL OF CANADA

	High Fertility		Low Fertility	
Type of Rate	For current period	For year 2000 and after	For current period	For year 2000 and after
Gross Reproduction Rate	1.898	1.898	1.898	1.021
Net Reproduction Rate*	1.811	1.859	1.811	1.000

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* A "net reproduction rate" depends on female mortality as well as fertility assumptions. The "current" net reproduction rate was based on the female mortality rates of the Canadian Life Table, 1955–1957, and the ultimate rates were based on the projected female mortality rates for the year 2000 and after.

For Quebec, both the pattern and level of fertility rates have been considerably different from those for all of Canada. In Schedule 6 below are compared, for specimen years, fertility rates for all of Canada and for Quebec.

SCHEDULE 6

COMPARISON OF FERTILITY RATES FOR ALL OF CANADA AND FOR QUEBEC

(number of live births per 1,000 females)

Female Age Group	1941 Rates		1951 Rates		1961 Rates	
	Canada	Quebec	Canada	Quebec	Canada	Quebec
15–19	30.7	21.5	48.1	29.2	58.2	31.5
20–24	138.4	137.7	188.7	176.0	233.6	198.6
25–29	159.8	189.9	198.8	217.3	219.2	216.8
30–34	122.3	157.4	144.5	170.3	144.9	155.9
35–39	80.0	114.3	86.5	113.3	81.1	96.3
40–44	31.6	50.6	30.9	44.2	28.5	37.3
45–59	3.7	6.5	3.1	4.7	2.4	3.6

The fertility assumptions chosen for the projection of the Quebec population were of the same pattern as those chosen for all of Canada. Specifically,

(*a*) the high fertility assumption was that the average of Quebec fertility rates for the period 1956 to 1960, inclusive, will apply throughout the future, and

(*b*) the low fertility assumption was that the average described in (*a*) above will decrease linearly into fertility rates that produce a net reproduction rate of 1 for the period 2000–2004 and later.

In Schedule 7 below are shown the fertility rates computed in accordance with the above assumptions.

SCHEDULE 7

FERTILITY RATES USED FOR PROJECTION OF THE POPULATION OF QUEBEC

(number of live births per 1,000 females)

Female Age Group	High Fertility (average of rates for 1956–60 period)	Low Fertility (for year 2000 and after)
15–19	33.7	18.2
20–24	199.9	107.9
25–29	229.9	124.1
30–34	165.8	89.5
35–39	108.2	58.4
40–44	39.9	21.5
45–49	3.9	2.1

Consideration of the radical difference between the high and low rates set out in Schedules 4 and 7 makes it evident that populations projected in accordance with the high fertility assumptions will, in the long run, become many times greater than the corresponding populations projected in accordance with the low fertility assumptions.

In application of the fertility rates in the population projections for both all of Canada and Quebec, age-group fertility rates to produce number of female births were computed for each future quinary period and the number of male births for each quinquennium was then determined as the number of female births multiplied by the factor 1.057 for all of Canada and 1.059 for Quebec (that is, the respective averages of the annual ratios of male to female births in all of Canada and in Quebec over the period from 1951 to 1960, inclusive).

4. *Immigration*

The underlying statistics referred to in this section were drawn mainly from the "Immigration" statistical booklets prepared annually by the Department of Citizenship and Immigration.

Immigration is the least predictable of the three factors entering into Canadian population projections. Net immigration from time to time depends on social and economic conditions prevailing not only in Canada but in the world at large and, at least over limited periods, on immigration policies which may change from government to government or even from year to year. The following quotation from the Canada Year Book, 1962, illustrates how social circumstances may be reflected in the extent of migration:

> The Hungarian revolution and the Suez crisis of 1956 had a sharp impact on Canadian immigration in 1957 when 282,164 persons were admitted, including 31,643 from Hungary and 108,989 from the British Isles. This was the largest number of immigrants to enter Canada since 1913.

In Schedule 8 below are shown the numbers of immigrants to Canada for the ten-year period ended in 1962 and the annual average for that period.

SCHEDULE 8

NUMBER OF CANADIAN IMMIGRANTS

Year	Male	Female	Total
1953	91,422	77,446	168,868
1954	84,531	69,696	154,227
1955	56,828	53,118	109,946
1956	89,541	75,316	164,857
1957	154,226	127,938	282,164
1958	60,630	64,221	124,851
1959	51,476	55,452	106,928
1960	51,018	53,093	104,111
1961	32,106	39,583	71,689
1962	34,546	40,040	74,586
Average 1953–62	70,632	65,590	136,222

No Canadian statistics are available on emigration. However, from U.S. immigration statistics, it is known that annual emigration of Canadians to the U.S., less Canadians returning to Canada after residence in the U.S., has been about 40,000 for several years in the recent past. Also, it is estimated that the annual number of emigrants to countries other than the U.S. has been of the order of 30,000. It would seem, then, that net immigration to Canada was practically non-existent for the years 1961 and 1962 and may be presumed to have been about 35,000 for each of the preceding two years and to have averaged about 65,000 annually over the ten-year period ended in 1962.

For the purposes of the current population projections the "high" and "low" immigration assumptions used were that the number of net immigrants to Canada for each year throughout the future would be 100,000 and 40,000, respectively. It was also assumed that the annual number of male and female immigrants would be equal. In this regard, it may be noted from Schedule 8 that the average number of male immigrants was considerably higher than the average number of female immigrants over the last ten years but that there were more female than male immigrants in each of the last five years.

Little is known about the age distribution of emigrants from Canada. It was therefore decided to assume that, for males and females separately, the age distributions of future emigrants and immigrants will be the same and that such distributions will follow the average of the yearly averages for immigrants who arrived in Canada over the period from 1956 to 1962, inclusive. In Schedule 9 below are shown the age distributions used for the population projections.

SCHEDULE 9

DISTRIBUTION OF IMMIGRANTS BY AGE GROUP

Age Group	Males	Females
	%	%
0–4	9.17	8.48
5–9	8.24	7.56
10–14	6.07	5.45
15–19	8.15	8.17
20–24	18.67	20.68
25–29	17.57	15.80
30–34	11.42	10.38
35–39	7.41	6.61
40–44	4.20	3.83
45–49	3.08	3.23
50–54	2.11	2.79
55–59	1.35	2.30
60–64	.92	1.97
65–69	.83	1.36
70 and over	.81	1.39

For Quebec, as respects internal migration between the provinces, all available information, including that with respect to Family Allowance and Old Age Security payments, indicated that net population movement between Quebec and the other provinces of Canada is not material.

As respects international migration, past experience has been that somewhat fewer than a proportionate number (on a population basis) of net immigrants to Canada have indicated intention to reside in Quebec. However, as may be noted from the statistics shown in Schedule 10 below, there seems to be some slight indication of an upward trend in the proportion of immigrants taking up residence in Quebec.

SCHEDULE 10

COMPARISON OF PROPORTIONS OF TOTAL CANADIAN POPULATION AND TOTAL IMMIGRANTS TO CANADA ACCOUNTED FOR BY QUEBEC POPULATION AND IMMIGRANTS TO QUEBEC, RESPECTIVELY

Year	Population of Canada	Population of Quebec	Ratio of population of Quebec to population of Canada	Number of immigrants to Canada	Number of immigrants taking up residence in Quebec	Ratio of immigrants taking up residence in Quebec to total immigrants
			%			%
1941	11,507,000	3,332,000	29.0	9,329	1,931	20.7
1951	14,009,000	4,056,000	29.0	194,391	46,033	23.7
1961	18,238,000	5,259,000	28.8	71,689	16,920	23.6

For purposes of the estimates, it was thought appropriate to assume that the proportion of future immigrants to Canada who take up residence in Quebec will be the same as the proportion that the 1961 population of Quebec bears to the population of Canada, namely, 28.84%. (If less than a proportionate number of immigrants take up residence in Quebec, the financial estimates for Canada excluding Quebec are slightly overstated.) Thus, on the basis of a high immigration assumption of 100,000 "net" immigrants per year and a low immigration assumption of 40,000 "net" immigrants per year for all of Canada, the high and low immigration assumptions for Quebec were taken to be 28,836 and 11,534 "net" immigrants, respectively, for each future year. It was also assumed that the net annual numbers of immigrants to Quebec would be equally divided between males and females and that the age distributions used for the projections of the population of all of Canada, as shown in Schedule 9 above, would also be applicable for "net" immigrants to Quebec.

In practice, for all of Canada and for Quebec, separately, "high" and "low" immigrant populations, starting with 1961 immigrants, were constructed in accordance with the mortality, fertility and net immigration assumptions described in this and the two preceding sections. These populations were then added to the projected non-immigrant populations constructed from the 1961 Census populations in accordance with the mortality and fertility assumptions described in the two preceding sections to produce total projected populations for all of Canada and for Quebec.

5. *Populations*

In Schedule 11 for all of Canada and in Schedule 15 for Quebec are shown, for males and females and in total, the Census populations for decennial years from 1921 to 1961 and the projected populations under the low fertility—low immigration and high fertility—high immigration assumptions for quinquennial years from 1965 to 2050, inclusive, birth rates computed for future years in accordance with the applicable fertility assumptions, and ratios of the "dependent" population aged 65 and over to the "productive" population aged 20 to 64.

In Schedule 12 (low fertility—low immigration) and Schedule 13 (high fertility—high immigration) for all of Canada and in corresponding Schedules 16 and 17 for Quebec are shown the 1961 Census populations and the projected populations for 1970 and decennial years thereafter to the year 2050 by sex and broad age group and the proportions of total population for each such class.

In Schedule 14 for all of Canada and in Schedule 18 for Quebec are shown estimated populations for each year 1965 to 1974 determined from the 1961, 1965, 1970 and 1975 low fertility—low immigration populations by mathematical interpolation.

SCHEDULE 11

CENSUS AND PROJECTED POPULATIONS FOR ALL OF CANADA

(in thousands)

Middle of Year	Males	Females	Total	Birth rate per M	Proportion of population aged 65 and over to population aged 20 to 64
					%
Low Fertility—Low Immigration					
1921	4,530	4,258	8,788	29.3	9.3
1931	5,375	5,002	10,377	23.2	10.5
1941	5,901	5,606	11,507	22.4	12.0
1951	7,089	6,921	14,010	27.2	14.3
1961	9,219	9,019	18,238	26.1	15.1
1965	9,912	9,748	19,660	24.3	15.1
1970	10,823	10,701	21,524	23.7	14.8
1975	11,821	11,732	23,553	23.3	15.0
1980	12,890	12,823	25,713	22.5	15.7
1985	13,975	13,921	27,896	21.0	16.4
1990	15,018	14,972	29,990	19.3	17.3
1995	15,991	15,957	31,948	17.7	17.8
2000	16,875	16,837	33,712	16.6	17.1
2005	17,719	17,673	35,392	16.2	16.1
2010	18,562	18,513	37,075	15.9	16.0
2015	19,375	19,333	38,708	15.4	17.4
2020	20,116	20,095	40,211	14.8	19.5
2025	20,758	20,781	41,539	14.3	21.7
2030	21,297	21,381	42,678	14.0	23.2
2035	21,749	21,895	43,644	13.8	24.5
2040	22,127	22,332	44,459	13.7	25.9
2045	22,449	22,699	45,148	13.6	27.5
2050	22,703	22,999	45,702		29.0
High Fertility—High Immigration					
1921	4,530	4,258	8,788	29.3	9.3
1931	5,375	5,002	10,377	23.2	10.5
1941	5,901	5,606	11,507	22.4	12.0
1951	7,089	6,921	14,010	27.2	14.3
1961	9,219	9,019	18,238	26.1	15.1
1965	10,102	9,938	20,040	26.5	14.9
1970	11,354	11,221	22,575	27.3	14.5
1975	12,830	12,713	25,543	28.1	14.5
1980	14,543	14,424	28,967	28.3	15.0
1985	16,481	16,341	32,822	28.2	15.5
1990	18,734	18,460	37,194	27.9	15.9
1995	21,056	20,830	41,886	28.1	15.9
2000	23,797	23,489	47,286	28.3	15.1
2005	26,912	26,504	53,416	28.4	13.9
2010	30,424	29,901	60,325	28.4	13.3
2015	34,360	33,715	68,075	28.4	13.7
2020	38,766	37,991	76,757	28.3	14.1
2025	43,689	42,789	86,478	28.3	14.2
2030	49,203	48,618	97,371	28.4	14.0
2035	55,373	54,187	109,560	28.4	13.9
2040	62,276	60,923	123,199	28.4	13.9
2045	70,002	68,460	138,462	28.3	14.0
2050	78,645	76,899	155,544		14.1

SCHEDULE 12—PROJECTED LOW FERTILITY—LOW IMMIGRATION POPULATIONS FOR ALL OF CANADA BY AGE GROUP (in thousands)

Middle of Year		14 and under		15–19		20–24		25–44		45–64		65–69		70 and over	
		Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total
			%		%		%		%		%		%		%
1961	Males........	3,166	34.3	729	7.9	587	6.4	2,449	26.6	1,613	17.5	240	2.6	435	4.7
	Females.....	3,026	33.6	703	7.8	597	6.6	2,422	26.9	1,555	17.2	247	2.7	469	5.2
	Total........	6,192	34.0	1,432	7.9	1,184	6.5	4,871	26.7	3,168	17.4	487	2.7	904	5.0
1970	Males........	3,538	32.7	1,053	9.7	919	8.5	2,590	23.9	1,973	18.2	279	2.6	471	4.4
	Females.....	3,374	31.5	1,007	9.4	887	8.3	2,560	23.9	2,001	18.7	295	2.8	577	5.4
	Total........	6,912	32.1	2,060	9.6	1,806	8.4	5,150	23.9	3,974	18.5	574	2.7	1,048	4.9
1980	Males........	4,013	31.1	1,174	9.1	1,152	8.9	3,338	25.9	2,267	17.6	374	2.9	572	4.4
	Females.....	3,818	29.8	1,121	8.7	1,109	8.6	3,276	25.5	2,335	18.2	418	3.3	746	5.8
	Total........	7,831	30.5	2,295	8.9	2,261	8.8	6,614	25.7	4,602	17.9	792	3.1	1,318	5.1
1990	Males........	4,418	29.4	1,346	9.0	1,248	8.3	4,383	29.2	2,423	16.1	458	3.0	742	4.9
	Females.....	4,197	28.0	1,285	8.6	1,194	8.0	4,239	28.3	2,491	16.6	543	3.6	1,023	6.8
	Total........	8,615	28.7	2,631	8.8	2,442	8.1	8,622	28.7	4,914	16.4	1,001	3.3	1,765	5.9
2000	Males........	4,367	25.9	1,498	8.9	1,459	8.6	5,009	29.7	3,145	18.6	477	2.8	920	5.5
	Females.....	4,147	24.6	1,425	8.5	1,392	8.3	4,825	28.7	3,193	19.0	537	3.2	1,318	7.8
	Total........	8,514	25.3	2,923	8.7	2,851	8.5	9,834	29.2	6,338	18.8	1,014	3.0	2,238	6.6
2010	Males........	4,336	23.4	1,468	7.9	1,507	8.1	5,638	30.4	4,100	22.1	549	3.0	964	5.2
	Females.....	4,118	22.2	1,397	7.5	1,437	7.8	5,413	29.2	4,111	22.2	624	3.4	1,413	7.6
	Total........	8,454	22.8	2,865	7.7	2,944	7.9	11,051	29.8	8,211	22.1	1,173	3.2	2,377	6.4
2020	Males........	4,525	22.5	1,438	7.1	1,437	7.1	6,012	29.9	4,668	23.2	818	4.1	1,218	6.1
	Females.....	4,297	21.4	1,368	6.8	1,370	6.8	5,762	28.7	4,666	23.2	914	4.5	1,718	8.5
	Total........	8,822	21.9	2,806	7.0	2,807	7.0	11,774	29.3	9,334	23.2	1,732	4.3	2,936	7.3
2030	Males........	4,540	21.3	1,525	7.2	1,507	7.1	5,930	27.8	5,250	24.7	911	4.3	16,34	7.7
	Females.....	4,311	20.2	1,451	6.8	1,436	6.7	5,683	26.6	5,227	24.4	1,011	4.7	2,262	10.6
	Total........	8,851	20.7	2,976	7.0	2,943	6.9	11,613	27.2	10,477	24.5	1,922	4.5	3,896	9.1
2040	Males........	4,589	20.7	1,518	6.9	1,537	6.9	5,988	27.1	5,578	25.2	1,038	4.7	1,879	8.5
	Females.....	4,358	19.5	1,444	6.5	1,465	6.6	5,738	25.7	5,552	24.9	1,153	5.2	2,622	11.7
	Total........	8,947	20.1	2,962	6.7	3,002	6.8	11,726	26.4	11,130	25.0	2,191	4.9	4,501	10.1
2050	Males........	4,683	20.6	1,536	6.8	1,530	6.7	6,164	27.2	5,498	24.2	1,150	5.1	2,142	9.4
	Females.....	4,447	19.3	1,461	6.4	1,458	6.3	5,907	25.7	5,474	23.8	1,272	5.5	2,980	13.0
	Total........	9,130	20.0	2,997	6.6	2,988	6.5	12,071	26.4	10,972	24.0	2,422	5.3	5,122	11.2

SCHEDULE 13—PROJECTED HIGH FERTILITY—HIGH IMMIGRATION POPULATIONS FOR ALL OF CANADA BY AGE GROUP

(in thousands)

Middle of Year		14 and under		15-19		20-24		25-44		45-64		65-69		70 and over	
		Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total
			%		%		%		%		%		%		%
1961	Males.......	3,166	34.3	729	7.9	587	6.4	2,449	26.6	1,613	17.5	240	2.6	435	4.7
	Females.....	3,026	33.6	703	7.8	597	6.6	2,422	26.9	1,555	17.2	247	2.7	469	5.2
	Total........	6,192	34.0	1,432	7.9	1,184	6.5	4,871	26.7	3,168	17.4	487	2.7	904	5.0
1970	Males.......	3,850	33.9	1,072	9.4	948	8.3	2,727	24.0	2,002	17.6	281	2.5	474	4.2
	Females.....	3,669	32.7	1,025	9.1	917	8.2	2.692	24.0	2,035	18.1	300	2.7	583	5.2
	Total........	7,519	33.3	2,097	9.3	1,865	8.3	5,419	24.0	4,037	17.9	581	2.6	1,057	4.7
1980	Males.......	5,103	35.1	1,286	8.8	1,203	8.3	3,622	24.9	2,367	16.3	381	2.6	581	4.0
	Females.....	4,854	33.7	1,227	8.5	1,160	8.0	3,555	24.6	2,436	16.9	429	3.0	763	5.3
	Total........	9,957	34.4	2,513	8.7	2,363	8.2	7,177	24.8	4,803	16.6	810	2.8	1,344	4.6
1990	Males.......	6,683	35.7	1,720	9.2	1,499	8.0	4,840	25.8	2,758	14.7	475	2.5	759	4.1
	Females.....	6,347	34.4	1,640	8.9	1,435	7.8	4,686	25.4	2,728	14.8	566	3.1	1,058	5.7
	Total........	13,030	35.0	3,360	9.0	2,934	7.9	9,526	25.6	5,486	14.7	1,041	2.8	1,817	4.9
2000	Males.......	8,494	35.7	2,251	9.5	2,022	8.5	6,036	25.4	3,516	14.8	519	2.2	959	4.0
	Females.....	8,064	34.3	2,141	9.1	1,930	8.2	5,817	24.8	3,569	15.2	585	2.5	1,383	5.9
	Total........	16,558	35.0	4,392	9.3	3,952	8.4	11,853	25.1	7,085	15.0	1,104	2.3	2,342	5.0
2010	Males.......	10,928	35.9	2,832	9.3	2,547	8.4	7,803	25.6	4,631	15.2	625	2.1	1,058	3.5
	Females.....	10,378	34.7	2,694	9.0	2,429	8.1	7,494	25.1	4,648	15.5	713	2.4	1,545	5.2
	Total........	21,306	35.3	5,526	9.2	4,976	8.2	15,297	25.4	9,279	15.4	1,338	2.2	2,603	4.3
2020	Males.......	13,920	35.9	3,650	9.4	3,239	8.4	9,938	25.6	5,738	14.8	911	2.3	1,370	3.5
	Females.....	13,218	34.8	3,473	9.1	3,088	8.1	9,524	25.1	5,728	15.1	1,023	2.7	1,937	5.1
	Total........	27,138	35.4	7,123	9.3	6,327	8.2	19,462	25.4	11,466	14.9	1,934	2.5	3,307	4.3
2030	Males.......	17,628	35.8	4,635	9.4	4,149	8.4	12,519	25.4	7,371	15.0	1,072	2.2	1,829	3.7
	Females.....	16,741	34.8	4,410	9.2	3,956	8.2	11,993	24.9	7,328	15.2	1,195	2.5	2,545	5.3
	Total........	34,369	35.3	9,045	9.3	8,105	8.3	24,512	25.2	14,699	15.1	2,267	2.3	4,374	4.5
2040	Males.......	22,351	35.9	5,854	9.4	5,227	8.4	15,878	25.5	9,327	15.0	1,391	2.2	2,248	4.6
	Females.....	21,228	34.8	5,570	9.1	4,983	8.2	15,208	25.0	9,260	15.2	1,548	2.5	3,126	5.1
	Total........	43,579	35.4	11,424	9.3	10,210	8.3	31,086	25.2	18,587	15.1	2,939	2.4	5,374	4.4
2050	Males.......	28,221	35.9	7,421	9.4	6,614	8.4	20,013	25.4	11,708	14.9	1,781	2.3	2,887	3.7
	Females.....	26,803	34.9	7,062	9.2	6,304	8.2	19,167	24.9	11,616	15.1	1,973	2.6	3,974	5.2
	Total........	55,024	35.4	14,483	9.3	12,918	8.3	39,180	25.2	23,324	15.0	3,754	2.4	6,861	4.4

SCHEDULE 14—PROJECTED LOW FERTILITY—LOW IMMIGRATION POPULATIONS FOR ALL OF CANADA BY AGE GROUP

(in thousands)

Middle of Year		18–19	20–24	25–34	35–44	45–54	55–59	60–64	65–69	70–74	75–79	80 and over
1965	Males	337	697	1,222	1,266	1,033	408	321	249	193	141	117
	Females	324	682	1,211	1,267	1,020	395	318	264	214	160	143
	Total	661	1,379	2,433	2,533	2,053	803	639	513	407	301	260
1966	Males	356	739	1,225	1,275	1,052	420	331	253	194	141	120
	Females	342	719	1,219	1,269	1,048	410	328	269	217	163	149
	Total	698	1,458	2,444	2,544	2,100	830	659	522	411	304	269
1967	Males	374	783	1,234	1,280	1,073	432	341	259	195	141	122
	Females	359	760	1,232	1,268	1,077	424	339	274	220	165	155
	Total	733	1,543	2,466	2,548	2,150	856	680	533	415	306	277
1968	Males	389	829	1,252	1,283	1,093	443	351	265	197	141	124
	Females	373	803	1,251	1,264	1,104	439	351	280	224	167	162
	Total	762	1,632	2,503	2,547	2,197	882	702	545	421	308	286
1969	Males	400	875	1,277	1,282	1,114	455	362	272	199	140	127
	Females	384	846	1,276	1,258	1,131	454	364	287	228	169	168
	Total	784	1,721	2,553	2,540	2,245	909	726	559	427	309	295
1970	Males	409	919	1,311	1,279	1,135	465	373	279	202	140	129
	Females	392	887	1,309	1,251	1,157	467	377	295	232	171	174
	Total	801	1,806	2,620	2,530	2,292	932	750	574	434	311	303
1971	Males	418	960	1,356	1,273	1,155	475	384	287	205	140	131
	Females	401	926	1,350	1,244	1,181	481	391	304	237	173	180
	Total	819	1,886	2,706	2,517	2,336	956	775	591	442	313	311
1972	Males	427	996	1,411	1,267	1,174	483	395	296	210	141	132
	Females	409	960	1,401	1,237	1,202	493	405	314	242	175	186
	Total	836	1,956	2,812	2,504	2,376	976	800	610	452	316	318
1973	Males	434	1,025	1,479	1,258	1,192	491	406	305	215	142	133
	Females	415	988	1,460	1,232	1,220	504	419	325	248	178	191
	Total	849	2,013	2,939	2,490	2,412	995	825	630	463	320	324
1974	Males	439	1,047	1,558	1,247	1,210	496	417	315	220	144	134
	Females	421	1,008	1,530	1,230	1,236	513	434	337	254	182	196
	Total	860	2,055	3,088	2,477	2,446	1,009	851	652	474	326	330

SCHEDULE 15

CENSUS AND PROJECTED POPULATIONS FOR QUEBEC

(in thousands)

Middle of Year	Males	Females	Total	Birth rate per M	Proportion of population aged 65 and over to population aged 20 to 64
					%
Low Fertility—Low Immigration					
1921	1,180	1,181	2,361	37.6	9.8
1931	1,447	1,428	2,875	29.1	9.8
1941	1,673	1,659	3,332	26.8	10.1
1951	2,022	2,034	4,056	29.8	10.9
1961	2,632	2,627	5,259	26.1	11.7
1965	2,859	2,862	5,721	25.4	11.9
1970	3,156	3,162	6,318	24.5	12.2
1975	3,472	3,481	6,953	23.7	12.8
1980	3,808	3,819	7,627	22.6	13.6
1985	4,141	4,156	8,297	21.1	14.5
1990	4,464	4,475	8,939	19.3	15.5
1995	4,765	4,775	9,540	17.6	16.2
2000	5,038	5,047	10,085	16.5	16.1
2005	5,290	5,299	10,589	16.1	15.7
2010	5,547	5,549	11,096	15.8	16.3
2015	5,788	5,789	11,577	15.3	18.0
2020	6,009	6,011	12,020	14.8	20.0
2025	6,195	6,212	12,407	14.2	22.1
2030	6,349	6,378	12,727	13.9	23.6
2035	6,475	6,522	12,997	13.8	24.8
2040	6,584	6,643	13,227	13.7	26.2
2045	6,673	6,749	13,422	13.6	27.7
2050	6,751	6,833	13,584		29.1
High Fertility—High Immigration					
1921	1,180	1,181	2,361	37.6	9.8
1931	1,447	1,428	2,875	29.1	9.8
1941	1,673	1,659	3,332	26.8	10.1
1951	2,022	2,034	4,056	29.8	10.9
1961	2,632	2,627	5,259	26.1	11.7
1965	2,918	2,916	5,834	27.6	11.7
1970	3,310	3,312	6,622	28.1	11.9
1975	3,770	3,773	7,543	28.5	12.4
1980	4,294	4,289	8,583	28.4	13.2
1985	4,875	4,864	9,739	28.0	13.8
1990	5,520	5,494	11,014	27.7	14.4
1995	6,238	6,192	12,430	27.7	14.7
2000	7,040	6,973	14,013	27.8	14.3
2005	7,947	7,845	15,792	27.8	13.6
2010	8,958	8,826	17,784	27.8	13.6
2015	10,087	9,913	20,000	27.7	14.1
2020	11,336	11,123	22,459	27.6	14.5
2025	12,719	12,470	25,189	27.6	14.6
2030	14,265	13,968	28,233	27.6	14.4
2035	15,982	15,641	31,623	27.6	14.3
2040	17,894	17,506	35,400	27.6	14.3
2045	20,026	19,580	39,606	27.6	14.4
2050	22,397	21,893	44,290		14.5

SCHEDULE 16—PROJECTED LOW FERTILITY—LOW IMMIGRATION POPULATIONS FOR QUEBEC BY AGE GROUP (IN THOUSANDS)

Middle of Year		14 and under		15–19		20–24		25–44		45–64		65–69		70 and over	
		Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total
			%		%		%		%		%		%		%
1961	Males........	952	36.2	236	9.0	181	6.9	695	26.4	423	16.1	57	2.2	88	3.3
	Females.....	912	34.7	232	8.8	189	7.2	707	26.9	428	16.3	60	2.3	102	3.9
	Total........	1,864	35.4	468	8.9	370	7.0	1,402	26.6	851	16.2	117	2.2	190	3.6
1970	Males........	1,064	33.7	316	10.0	283	9.0	782	24.8	534	16.9	71	2.2	106	3.4
	Females.....	1,018	32.2	303	9.6	275	8.7	795	25.1	556	17.6	80	2.5	135	4.3
	Total........	2,082	33.0	619	9.8	558	8.8	1,577	25.0	1,090	17.3	151	2.4	241	3.8
1980	Males........	1,203	31.6	353	9.3	344	9.0	1,026	26.9	639	16.8	99	2.6	144	3.8
	Females.....	1,147	30.0	337	8.8	333	8.7	1,018	26.7	675	17.7	114	3.0	195	5.1
	Total........	2,350	30.8	690	9.0	677	8.9	2,044	26.8	1,314	17.2	213	2.8	339	4.4
1990	Males........	1,314	29.4	403	9.0	377	8.4	1,319	29.5	729	16.3	127	2.8	195	4.4
	Females.....	1,250	27.9	386	8.6	361	8.1	1,280	28.6	770	17.2	151	3.4	277	6.2
	Total........	2,564	28.7	789	8.8	738	8.3	2,599	29.1	1,499	16.8	278	3.1	472	5.3
2000	Males........	1,300	25.8	445	8.8	434	8.6	1,501	29.8	964	19.1	139	2.8	255	5.1
	Females.....	1,232	24.4	424	8.4	415	8.2	1,451	28.7	990	19.6	162	3.2	373	7.4
	Total........	2,532	25.1	869	8.6	849	8.4	2,952	29.3	1,954	19.4	301	3.0	628	6.2
2010	Males........	1,288	23.2	437	7.9	448	8.1	1,683	30.3	1,233	22.2	175	3.2	283	5.1
	Females.....	1,221	22.0	415	7.5	427	7.7	1,618	29.2	1,240	22.3	204	3.7	424	7.6
	Total........	2,509	22.6	852	7.7	875	7.9	3,301	29.7	2,473	22.3	379	3.4	707	6.4
2020	Males........	1,348	22.4	427	7.1	427	7.1	1,787	29.7	1,399	23.3	245	4.1	376	6.3
	Females.....	1,277	21.2	405	6.7	406	6.8	1,712	28.5	1,401	23.3	274	4.6	536	8.9
	Total........	2,625	21.8	832	6.9	833	6.9	3,499	29.1	2,800	23.3	519	4.3	912	7.6
2030	Males........	1,354	21.3	454	7.2	447	7.0	1,761	27.7	1,567	24.7	273	4.3	493	6.8
	Females.....	1,283	20.1	431	6.8	426	6.7	1,685	26.4	1,561	24.5	304	4.8	688	10.8
	Total........	2,637	20.7	885	7.0	873	6.9	3,446	27.1	3,128	24.6	577	4.5	1,181	9.3
2040	Males........	1,362	20.7	453	6.9	459	7.0	1,778	27.0	1,657	25.2	311	4.7	564	8.6
	Females.....	1,292	19.4	430	6.5	436	6.6	1,700	25.6	1,650	24.8	345	5.2	790	11.9
	Total........	2,654	20.1	883	6.7	895	6.8	3,478	26.3	3,307	25.0	656	5.0	1,354	10.2
2050	Males........	1,393	20.6	456	6.8	455	6.7	1,834	27.2	1,632	24.2	341	5.1	640	9.5
	Females.....	1,321	19.3	433	6.3	433	6.3	1,754	25.7	1,622	23.7	378	5.5	892	13.1
	Total........	2,714	20.0	889	6.5	888	6.5	3,588	26.4	3,254	24.0	719	5.3	1,532	11.3

SCHEDULE 17—PROJECTED HIGH FERTILITY—HIGH IMMIGRATION POPULATIONS FOR QUEBEC BY AGE GROUP

(in thousands)

Middle of Year		14 and under		15–19		20–24		25–44		45–64		65–69		70 and over	
		Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total	Number	Prop'n of Total
			%		%		%		%		%		%		%
1961	Males........	952	36.2	236	9.0	181	6.9	695	26.4	423	16.1	57	2.2	88	3.3
	Females.....	912	34.7	232	8.8	189	7.2	707	26.9	428	16.3	60	2.3	102	3.9
	Total........	1,864	35.4	468	8.9	370	7.0	1,402	26.6	851	16.2	117	2.2	190	3.6
1970	Males........	1,156	34.9	322	9.7	291	8.8	820	24.8	542	16.4	72	2.2	107	3.2
	Females.....	1,106	33.4	308	9.3	283	8.5	833	25.2	565	17.1	81	2.4	136	4.1
	Total........	2,262	34.2	630	9.5	574	8.7	1,653	25.0	1,107	16.7	153	2.3	243	3.7
1980	Males........	1,524	35.5	386	9.0	359	8.4	1,108	25.8	668	15.6	101	2.4	148	3.4
	Females.....	1,453	33.9	369	8.6	348	8.1	1,098	25.6	704	16.4	117	2.7	200	4.7
	Total........	2,977	34.7	755	8.8	707	8.2	2,206	25.7	1,372	16.0	218	2.5	348	4.1
1990	Males........	1,973	35.7	514	9.3	451	8.2	1,452	26.3	798	14.5	132	2.4	200	3.6
	Females.....	1,876	34.1	491	8.9	433	7.9	1,410	25.7	839	15.3	158	2.9	287	5.2
	Total........	3,849	34.9	1,005	9.1	884	8.0	2,862	26.0	1,637	14.9	290	2.6	487	4.4
2000	Males........	2,487	35.3	664	9.4	599	8.5	1,802	25.6	1,071	15.2	151	2.1	266	3.8
	Females.....	2,360	33.8	633	9.1	573	8.2	1,742	25.0	1,098	15.7	176	2.5	391	5.6
	Total........	4,847	34.6	1,297	9.3	1,172	8.4	3,544	25.3	2,169	15.5	327	2.3	657	4.7
2010	Males........	3,171	35.4	830	9.3	749	8.4	2,317	25.9	1,385	15.5	197	2.2	309	3.4
	Females.....	3,007	34.1	789	8.9	715	8.1	2,230	25.3	1,396	15.8	229	2.6	460	5.2
	Total........	6,178	34.7	1,619	9.1	1,464	8.2	4,547	25.6	2,781	15.6	426	2.4	769	4.3
2020	Males........	4,006	35.3	1,059	9.3	944	8.3	2,924	25.8	1,711	15.1	272	2.4	420	3.7
	Females.....	3,797	34.1	1,006	9.0	899	8.1	2,804	25.2	1,713	15.4	305	2.7	599	5.4
	Total........	7,803	34.7	2,065	9.2	1,843	8.2	5,728	25.5	3,424	15.2	577	2.6	1,019	4.5
2030	Males........	5,020	35.2	1,335	9.4	1,200	8.4	3,654	25.6	2,187	15.3	320	2.2	549	3.8
	Females.....	4,757	34.1	1,268	9.1	1,142	8.2	3,498	25.0	2,178	15.6	357	2.6	768	5.5
	Total........	9,777	34.6	2,603	9.2	2,342	8.3	7,152	25.3	4,365	15.5	677	2.4	1,317	4.7
2040	Males........	6,304	35.2	1,668	9.3	1,497	8.4	4,597	25.7	2,742	15.3	414	2.3	672	3.8
	Females.....	5,976	34.1	1,584	9.0	1,425	8.1	4,397	25.1	2,725	15.6	462	2.6	937	5.4
	Total........	12,280	34.7	3,252	9.2	2,922	8.3	8,994	25.4	5,467	15.4	876	2.5	1,609	4.5
2050	Males........	7,887	35.2	2,094	9.3	1,875	8.4	5,742	25.6	3,416	15.3	525	2.3	858	3.8
	Females.....	7,477	34.2	1,989	9.1	1,784	8.1	5,490	25.1	3,387	15.5	582	2.7	1,184	5.4
	Total........	15,364	34.7	4,083	9.2	3,659	8.3	11,232	25.4	6,803	15.4	1,107	2.5	2,042	4.6

SCHEDULE 18—PROJECTED LOW FERTILITY—LOW IMMIGRATION POPULATIONS FOR QUEBEC BY AGE GROUP

(in thousands)

Middle of Year		18–19	20–24	25–34	35–44	45–54	55–59	60–64	65–69	70–74	75–79	80 and over
1965	Males	106	225	364	358	278	108	83	61	44	29	23
	Females	103	225	373	366	282	111	87	68	51	35	29
	Total	209	450	737	724	560	219	170	129	95	64	52
1966	Males	111	237	370	362	284	112	86	63	45	30	23
	Females	107	235	379	369	290	114	91	70	52	36	30
	Total	218	472	749	731	574	226	177	133	97	66	53
1967	Males	115	249	376	365	209	115	89	65	46	30	24
	Females	111	245	386	371	298	118	94	72	54	37	31
	Total	226	494	762	736	588	233	183	137	100	67	55
1968	Males	118	261	385	367	297	118	92	67	47	31	24
	Females	114	256	396	374	306	121	98	75	55	38	33
	Total	232	517	781	741	603	239	190	142	102	69	57
1969	Males	121	272	398	369	305	121	95	69	48	31	25
	Females	116	265	407	374	314	125	101	77	57	39	34
	Total	237	537	805	743	619	246	196	146	105	70	59
1970	Males	123	283	412	370	311	124	99	71	49	32	25
	Females	119	275	420	375	323	128	105	80	59	40	36
	Total	242	558	832	745	634	252	204	151	108	72	61
1971	Males	126	293	428	371	318	126	102	74	50	32	26
	Females	121	284	434	375	331	132	109	83	61	41	38
	Total	247	577	862	746	649	258	211	157	111	73	64
1972	Males	127	302	446	370	326	129	105	76	52	33	27
	Females	123	291	451	375	339	135	112	86	63	42	40
	Total	250	593	897	745	665	264	217	162	115	75	67
1973	Males	129	309	467	370	333	131	108	79	54	34	27
	Females	124	298	469	376	346	138	116	90	65	43	41
	Total	253	607	936	746	679	269	224	169	119	77	68
1974	Males	131	314	492	370	339	133	111	82	55	35	28
	Females	125	303	489	377	353	141	119	93	68	45	42
	Total	256	617	891	747	692	274	230	175	123	80	70

Schedule II

Appendix 2

Concerning the Participating Population

1. *General*

The rates of participation needed for the estimates were factors that, when applied to total population groups for any future year, would produce average numbers of workers who will contribute under the Plan in that year. Most of the statistics underlying such rates were drawn from "The Labour Force" monthly bulletins prepared by the Special Surveys Division of D.B.S. (hereinafter termed "Special Survey statistics") and from the "Labour Force" statistical reports based on the 1961 Census (hereinafter termed "1961 Census data"). The manner in which the rates were developed is described in section 2 below.

In the development of the participation rates, consideration had to be given to rates of unemployment and to proportions of paid workers who either will not be eligible to contribute because of earnings less than the minimums required for contribution purposes or will not contribute for less definitive reasons. The assumptions relating to these factors are described and discussed in section 3 below.

Initial estimates of contributory earnings were made without separation into the earnings categories designated as "salary and wages" and "self-employed earnings". The manner in which earnings attributable to these two categories were determined from total contributory earnings is described in section 4 below.

It is probable that relatively low participation will be experienced among certain groups of self-employed or "own account" workers. The manner in which the short-range estimates were adjusted to take account of expected lower-than-average participation among self-employed farmers is described in section 5 below.

2. *Development of participation rates*

The crude participation rates shown in Schedule 1 below were produced directly from Special Survey statistics which pertain to a "labour force" and a "base population" that exclude inmates of institutions, members of the armed services, Indians living on reserves and residents of the Yukon and Northwest Territories and include unpaid family workers. This schedule is included simply to provide an indication of the general level and the trend of work participation, particularly with respect to females, over the last decade.

SCHEDULE 1

PARTICIPATION RATES FOR ALL OF CANADA BASED ON SPECIAL SURVEY STATISTICS

Year	Age Group						
	14–19	20–24	25–34	35–44	45–54	55–64	65 and over
	%	%	%	%	%	%	%
Males							
1954	50.2	92.0	97.3	97.3	95.6	85.4	33.2
1956	48.1	91.7	97.6	97.6	96.0	86.4	34.1
1958	45.6	91.6	97.9	97.7	96.1	87.1	32.2
1960	43.0	91.2	97.9	97.7	96.4	86.8	30.2
1962	39.6	89.0	97.6	97.8	95.6	86.1	28.4
1963	39.0	88.9	97.6	97.8	96.0	86.0	26.3
Females							
1954	33.6	46.6	24.4	22.1	21.1	14.0	3.7
1956	33.9	47.1	25.1	23.8	24.4	15.9	4.5
1958	32.1	47.4	26.2	26.2	27.5	19.0	5.2
1960	32.6	48.1	27.3	29.4	30.4	21.2	5.5
1962	31.0	49.7	28.3	31.0	33.3	23.8	5.5
1963	29.9	50.0	29.2	31.7	34.7	24.7	5.8

In the development of participation rates that would provide a basis for rates required for purposes of the financial estimates, 1961 Census data and Special Survey statistics for the period 1959 to 1963 were used interdependently to determine, for Canada excluding Quebec, "covered worker" populations for 1961 by sex and age group. The "covered worker" populations so determined included all paid workers (both wage-earners and self-employed workers) except members of the armed services, numbers of workers determined in accordance with assumed short-range and long-range rates of unemployment and numbers of workers determined in accordance with assumed proportions of workers who will not contribute because of earnings less than the minimums required for contribution purposes or for other reasons. These "covered worker" populations were then divided by corresponding total populations taken from 1961 Census data to obtain the basic participation rates shown in Schedule 2 below.

SCHEDULE 2

BASIC PARTICIPATION RATES FOR CANADA EXCLUDING QUEBEC

Age Group	Short-Range Unemployment Assumptions		Long-Range Unemployment Assumptions	
	Males	Females	Males	Females
	%	%	%	%
20-24	69.3	41.5	70.7	41.9
25-34	84.0	25.8	84.9	26.0
35-44	86.4	27.5	87.2	27.7
45-54	86.1	29.5	86.9	29.7
55-59	80.8	23.9	81.7	24.1
60-64	72.4	18.4	73.2	18.4

For males, for purposes of both the short-range and long-range estimates, and for females, for purposes of the short-range estimates and the long-range "high cost" estimates, it was decided to use participation rates for ages 20 to 64 that follow almost exactly the basic rates shown in Schedule 2 above. However, for purposes of the long-range "low cost" estimates, female participation rates were chosen to take account of a probable continuation of the trend to higher participation among females that is illustrated in Schedule 1 above.

Because customary Special Survey statistics do not apply directly to the age groups 18-19 and 65-69, the choice of participation rates for these age groups required special consideration.

For workers under age 20, the "Special Survey" participation rates have decreased over the years, particularly for males. Also, as might be expected, the seasonal variation is considerable. For example, for the age group 17-19, the rates for males and females for January, 1962, were 57% and 50%, respectively, and for July, 1962, were 80% and 60%, respectively. Yet again, a relatively high proportion of workers under age 20 fall into the categories of unpaid family workers and workers with annual earnings less than the minimums allowable for contribution purposes. While it is clearly difficult to predict what participation rates will apply in the future, the extent of participation at these young ages will not have any significant effect on either current contributions or eventual benefits. For the age group 18-19, therefore, it was decided to use the relatively low participation rate of 40% for both males and females for purposes of both the short-range and the long-range estimates.

For the age group 65-69, a special study indicated that, after taking account of workers who will not contribute under the Plan because of annual earnings less than the minimums required for contribution purposes and for other reasons, current participation rates were of the order of 43% for males and 9% for females. These rates were assumed applicable for both the short-range and the long-range estimates.

The participation rates that were used in the development of the current estimates are shown in Schedule 3 below.

SCHEDULE 3

PARTICIPATION RATES FOR CANADA EXCLUDING QUEBEC USED FOR THE CURRENT ESTIMATES

	Age Group							
Class of Estimates	18–19	20–24	25–34	35–44	45–54	55–59	60–64	54–69
	%	%	%	%	%	%	%	%
Males								
Short-range..........	40	69	84	86	86	81	72	43
Long-range ("high-cost" and "low cost")............	40	71	85	87	87	82	73	43
Females								
Short-range and "high cost" long-range..............	40	42	26	28	30	24	18	9
"Low cost" long-range:								
1966–74...........	40	42	26	28	30	24	18	9
1975–84...........	40	42	31	33	35	29	21	9
1985 and after......	40	42	36	38	40	34	24	9

For calculation purposes, participation rates were required for each age of the age group 65-69. The breakdown by individual age was based on the pattern of participation by age within this age group that was experienced in the United States during a recent period. The breakdown is shown in Schedule 4 below.

SCHEDULE 4

PARTICIPATION RATES FOR INDIVIDUAL AGES WITHIN THE AGE GROUP 65–69

Age	Males %	Females %
65..	49	13
66..	46	11
67..	43	9
68..	40	8
69..	37	7

3. *Assumptions as respects unemployed workers and non-contributors*

(*a*) *Rates of unemployment*

In Schedule 5 below is shown the average rate of unemployment for Canada excluding Quebec, expressed as a percentage of the labour force, for each calendar year 1954 to 1963.

SCHEDULE 5

AGGREGATE RATES OF UNEMPLOYMENT FOR CANADA EXCLUDING QUEBEC

Calendar Year	Proportion of Labour Force Unemployed
	%
1954	4.0
1955	3.7
1956	2.8
1957	4.1
1958	6.4
1959	5.2
1960	6.2
1961	6.4
1962	5.3
1963	4.8

For the short term, despite a decreasing trend in the rate of unemployment from 1961 to the present date, it would seem to be too early to assume that there will be a continuing significant decrease in the aggregate rate of unemployment from the general level that has prevailed over the last several years. In any event, in the early years of operation of the Plan, the rate of unemployment has a greater effect on contributions than on benefits. For the long term also, the rate of unemployment has a greater effect on contributions than on benefits because of the operation of the "drop-out" provisions of the Plan. Thus, if the rates of unemployment assumed for purposes of the estimates turn out to be too high, the estimated percentage costs are also too high.

For purposes of the current estimates, the aggregate rates of unemployment assumed to be applicable for Canada excluding Quebec were, roughly, 5% annually for the period 1966 to 1975 and 4% annually for the period 1976 and after.

Based on a study of the experience over recent years as respects the relationships between

(i) rates of unemployment for both sexes and corresponding rates for males and females separately, and

(ii) rates of unemployment classified by sex for all ages and corresponding rates for relevant age groups,

rates of unemployment by sex and age group were determined for use in the development of rates of participation in the Plan. These rates are shown in Schedule 6 below.

SCHEDULE 6

RATES OF UNEMPLOYMENT USED IN THE DEVELOPMENT OF PARTICIPATION RATES FOR CANADA EXCLUDING QUEBEC

Age Group	Rates for 1966–75		Rates for 1976 and after	
	Males %	Females %	Males %	Females %
All Ages	5.6	3.2	4.5	2.5
15–19	11.9	8.1	9.5	6.3
20–24	8.5	3.7	6.8	2.9
25–34	5.4	2.5	4.3	2.0
35–44	4.4	2.3	3.5	1.8
45–54	4.6	2.1	3.7	1.6
55–64	5.3	2.4	4.3	1.9
65 and over	4.2	2.9	3.4	2.3

(*b*) *Proportions of workers who will not contribute because of annual earnings less than the minimums allowable for contribution purposes and for other reasons*

When the Plan comes into operation on January 1, 1966, a worker with annual salary and wages of less than $600 may not contribute under the Plan unless such worker has enough self-employed earnings in that year to make his total annual earnings equal to $800 or more. Both of these minimums will be subject to adjustments in future years in accordance with changes in the Pension Index until 1975 and in the Earnings Index thereafter.

From special tabulations of 1961 Census data for all of Canada and for Quebec separately that showed numbers of wage-earners and total annual earnings classified by sex, age group and earnings range, were computed proportions of wage-earners in Canada excluding Quebec reporting annual earnings of less than $500 for the twelve-month period ended June, 1961. Because of increases in average earnings over recent years at an average annual rate of something over 3%, it was considered that these proportions could be taken as broadly applicable to wage-earners with annual earnings of less than $600 during the first two years of operation of the Plan. The computed proportions are shown in Schedule 7 below.

SCHEDULE 7

PROPORTIONS OF WAGE-EARNERS IN CANADA EXCLUDING QUEBEC REPORTING ANNUAL EARNINGS OF LESS THAN $500

(1961 Census data)

Age Group	Males %	Females %
18 and over	3.56	11.99
18–19	21.55	23.14
20–24	6.21	10.31
25–34	2.10	11.31
35–44	1.64	11.46
45–54	2.00	10.04
55–59	2.63	9.76
60–64	3.42	11.67
65–69	6.49	15.06
70 and over	11.09	23.27

It is almost certain that a substantial proportion of the workers who entered into the statistics from which the percentages in Schedule 7 were computed had earnings of less than $500 during the twelve-month period ended June, 1961, either by reason of entering or leaving the labour force part way through that period or by reason of unemployment for some part of that period. Because the average labour force for any year is determined as the average of the labour force figures for the twelve months of that year, workers who enter or leave the labour force during the year are not included as full units in the annual labour force. Also, a number of unemployed workers are, in effect, excluded from the estimated "covered worker" population by a reduction of the basic participation rates in accordance with assumed rates of unemployment. Thus, thought had to be given to the avoidance of duplicate exclusions when account was taken of workers with average earnings less than the minimums required for contribution purposes.

Besides workers who will not be eligible to contribute under the Plan because of earnings less than the required minimums, there may well be substantial numbers of self-employed or "own account" workers with net earnings above the required minimums who will not contribute because of lack of records, lack of understanding of rights and responsibilities, fear of getting on tax rolls of any type, habitation in sparsely settled areas and so on. For instance, if experience under the Canada Pension Plan accords with early experience under the OASDI system in the United States, participation among self-employed farmers will be relatively low, at least in the early years of operation of the Plan. Similar low participation is to be expected among other groups of workers such as fishermen, hunters, trappers and domestic servants with less than full-time employment.

With the almost complete lack of pertinent statistics, until experience develops under the Plan it will not be possible to predict with any confidence the proportions of otherwise eligible workers who either will not be eligible to contribute because of annual earnings less than the minimums required for contribution purposes or will not contribute for reasons of the nature mentioned in the preceding paragraph. For the current estimates, the reduction factors used to take account of such workers in the development of the participation rates for all the major age groups were 3% for males and 10% for females. (Additional account is taken of probable lower-than-average participation among self-employed farmers in the manner described in section 5 below.)

4. Proportion of total contributory earnings attributable to salary and wages and to self-employed earnings

For Canada excluding Quebec, the proportion of self-employed workers to total paid workers less members of the armed services was 19.9% for males and 5.9% for females according to 1961 Census data and 20.3% for males and 4.7% for females according to Special Survey statistics for 1963. While it is recognized that many workers classed as wage-earners have additional earnings from self-employment and many workers classed as self-employed workers have additional earnings from salaries and wages, no reliable statistics were available to estimate the extent or even the direction of the difference in the totals to these additional earnings.

For purposes of the current estimates, it was assumed that the proportion of estimated total contributory earnings attributable to salary and wages would be 80% for males and 95% for females, and that the remainder would be attributable to self-employed earnings.

5. Adjustment of estimates to take account of expected "lower-than-average" participation experience among self-employed farmers

(a) *General*

Under the Old-Age, Survivors and Disability Insurance system of the United States, coverage was extended to self-employed farmers in 1954. A report on the participation experience during the early years of this coverage was given in the May, 1962, issue of the Social Security Bulletin published by the U.S. Department of Health, Education, and Welfare. As respects extent of participation, the essence of this report was that the number of farmers reporting self-employed income for OASDI purposes was about 50% of the total number of farms in the first full year of coverage and that such proportion increased gradually to about 60% in the fourth year of coverage.

Although the conditions for participation of self-employed farmers under the U.S programme over the period covered in the report mentioned in the preceding paragraph were somewhat different than those proposed for the Canada Pension Plan, it seemed reasonable to assume that early experience under the Canada Pension Plan will not be unlike the corresponding experience under the U.S. programme. Consequently, since no special account was taken of probable "lower-than-average" participation of self-employed farmers in the development of the participation rates, it was considered that some adjustment should be made in contributory self-employed earnings and in benefits based thereon.

For the long-range estimates that show relationships between contribution income and benefit outgo in specific years, proportionate inflation of contribution income and benefit outgo has no effect on the validity of the results. Thus, when the Plan is in a fairly mature stage, any over-estimation of participation among self-employed farmers would have little effect on the estimated percentages of contributory earnings required to provide benefits and expenses of administration. Also, for many past years the proportions of farmers in relation to the labour force and to all self-employed workers have been steadily decreasing and it is not unlikely that this trend will continue into the future. In such event, the significance of this group will decline from the standpoint of the financial estimates. Again, it is to be expected that the relative number of small farms will decrease in future years. If such a decrease should occur, the proportion of self-employed farmers participating in the Plan will likely show a corresponding increase so that there will be less need for adjustment. For the above reasons, it was considered that no adjustments were necessary for the long-range estimates.

For female workers, the group having mainly self-employed earnings is only about 5% of the female labour force and self-employed females in agriculture constitute only about 10% of all female self-employed workers. Thus, for the short term as well as the long term, it was considered that the proportion of female earnings arising from self-employment in agriculture would be so small that no adjustment in the estimates would be necessary.

It follows from the above remarks that special adjustments were considered to be necessary only for the short-term estimates in respect of contributions and benefits that depend on self-employed earnings of male workers.

(b) *Manner and extent of adjustments*

As noted in section 4 above, it was assumed that, for male workers, contributory salary and wages would be equal to 80% of total contributory earnings determined without taking account of any over-statement arising from "lower-than-average" participation among self-employed farmers. Unadjusted contributory self-employed earnings would therefore be equal to 20% of unadjusted total contributory earnings.

According to 1961 Census data for Canada excluding Quebec, the proportion of male self-employed farmers to total male self-employed workers was about 48%. Thus, when some weight was given to the decreasing trend in the number of workers in agriculture, it seemed not unreasonable to assume that, for the period 1966-75, the average proportion of male self-employed farmers to total male self-employed workers would be 45%.

In the development of the participation rates, about 3% of otherwise eligible male workers including male self-employed farmers were assumed either to be ineligible to contribute under the Plan because of annual earnings less than the minimums allowable for contribution purposes or would not participate for other reasons. To take account, for purposes of the short-range estimates, of additional male self-employed farmers who will not contribute under the Plan because of low income or for other reasons, it was assumed that a further 50% of male self-employed farmers will not contribute in 1966 and that such proportion will gradually decrease to about 35% in 1969 and will remain at that level to 1975.

On the basis of the assumptions described in the preceding paragraphs, total male contributory self-employed earnings for the short term were taken to be the proportions of total unadjusted male contributory earnings shown in Schedule 8 below.

SCHEDULE 8

MALE CONTRIBUTORY SELF-EMPLOYED EARNINGS AS PROPORTIONS OF TOTAL UNADJUSTED MALE CONTRIBUTORY EARNINGS

Year	Proportion
	%
1966	15.5
1967	16.0
1968	16.5
1969	17.0
1970	17.0
1971	17.0
1972	17.0
1973	17.0
1974	17.0
1975	17.0

Clearly, the benefits that depend on male contributory earnings, namely, male age retirement pensions, male disability pensions, widows' and orphans' pensions and male death benefits, will be affected by the reductions in male contributory earnings that were made to take account of "lower-than-average" participation among male self-employed farmers. While, for any year after 1967, the extent of reduction in benefits should be slightly greater than the reduction in male self-employed contributory earnings for that year because of the carry-over effect of proportionately higher reductions in 1966, 1967 and 1968 than in later years, it was considered satisfactory to assume the same year-by-year decrease factors for the affected benefits as for contributory earnings, that is, 4% for 1967, 3.5% for 1968 and 3% for each year 1969 to 1975.

Appendix 3

Average Earnings

1. *General*

The estimates, particularly for the long term, are dependent to a significant degree on assumptions made as respects the rate of increase in average earnings that will apply over the period covered by the estimates. Past experience is examined and the assumptions used for the estimates are described in section 2 below.

The average earnings figures needed to accord with the calculation methods used for the estimates and, incidentally, with the rates of participation developed as described in Appendix 2, were average annual earnings "rates" for all workers eligible to contribute under the Canada Pension Plan excluding an average number of unemployed workers, determined in such manner that the earnings taken into account for a worker with earnings greater than the contributory earnings upper limit is an amount equal to that limit. Such average earnings rates, applicable to workers in Canada excluding Quebec, were required for males and females separately and for each relevant age group for each year covered by the estimates. Their development is described in section 3 below.

2. *Rates of increase in average earnings*

In Schedule 1 below are shown, for each twelve-month period from 1948 to 1963, the average Consumer Price Index for Canada and the average D.B.S. "average weekly wages and salaries" statistic for the Industrial Composite classification (for all of Canada) together with the rate of change in those statistics from year to year.

SCHEDULE 1

HISTORIES OF CONSUMER PRICE INDEX AND
AVERAGE WEEKLY WAGES AND SALARIES

Calendar year	Consumer Price Index		Average Weekly Wages and Salaries	
	Index	Percentage increase from preceding year	Amount	Percentage increase from preceding year
		%	$	%
1948	97.0		40.06	
1949	100.0	3.1	42.96	7.2
1950	102.9	2.9	45.08	4.9
1951	113.7	10.5	50.04	11.0
1952	116.5	2.5	54.41	8.7
1953	115.5	−0.9	57.53	5.7
1954	116.2	0.6	59.04	2.6
1955	116.4	0.2	61.05	3.4
1956	118.1	1.5	64.44	5.6
1957	121.9	3.2	67.93	5.4
1958	125.1	2.6	70.43	3.7
1959	126.5	1.1	73.47	4.3
1960	128.0	1.2	75.83	3.2
1961	129.2	0.9	78.17	3.1
1962	130.7	1.2	80.59	3.1
1963	133.0	1.8	83.41	3.5

From the above schedule, it may be determined that, for periods of 15 years, 10 years and 5 years ended in 1963, the average annual rates of increase in the Consumer Price Index were 2.1%, 1.4% and 1.2%, respectively, and the average annual rates of increase in average weekly wages and salaries were 5.0%, 3.8% and 3.4%, respectively. Thus, over those periods, the differences in the average annual rates of increase in average weekly wages and salaries and the Consumer Price Index were 2.9%, 2.4% and 2.2%, respectively.

For the short-range estimates and for the long-range "low cost" estimates, it was assumed that the Consumer Price Index would increase at an average annual rate of 1½% from 1967 throughout the whole period covered by the estimates. For the long-range "high cost" estimates, the corresponding assumption was that the Consumer Price Index would increase at an average annual rate of 1½% from 1967 to 1975 and 2% thereafter. Thus, for example, if it should be considered that average annual increases in average earnings arising from increased productivity will range from 2% to 2½% in future years, it would be appropriate to assume, for purposes of the estimates, that total average annual increases in average earnings will be of the order of 4%. (It should be emphasized here that the validity of estimated required contribution rates depends far less on the separate assumptions as respects increases in prices and increases in average earnings than on the relationship between the two.)

Because the average rate of increase in average earnings over the long-term future is not predictable within close limits, one complete set of short-range and long-range "high cost" and "low cost" estimates was developed on the assumption that the average annual rate of increase in average earnings will be 3% from the effective date of the Plan throughtout the whole period covered by the estimates and a second set on the assumption that such rate of increase will be 4%.

3. *Development of average earnings rates*

The general pattern of development involved three steps, as follows:

Step 1—estimation of the 1961 average earnings rate for paid workers in Canada excluding Quebec without taking account of the effect of any upper or lower limits on the earnings of individual workers;

Step 2—breakdown of the average earnings rate developed in Step 1 into average earnings rates for males and females and for each age group and projection of the latter rates in accordance with assumed increases in average earnings;

Step 3—development of modified average earnings rates, that is, average earnings rates taking account of the effect of the contributory earnings upper limit on individual earnings and the effect of excluding the earnings of workers having annual earnings less than the minimums allowable for contribution purposes.

Pertinent details are given in the following paragraphs.

Step 1—Average earning rate for 1961

The 1961 income items shown in Schedule 2 below were based on statistics for all of Canada drawn from the Canadian Statistical Review for June, 1963, and on similar statistics for Quebec provided by D.B.S.

SCHEDULE 2

PERSONAL INCOME ITEMS FOR 1961 FOR CANADA EXCLUDING QUEBEC
(in millions)

Salaries, wages and supplementary labour income	Supplementary labour income	Net income received by farm operators from farm production	Net income of non-farm unincorporated businesses
$14,095	$633	$779	$1,767

The "supplementary labour income" item listed in Schedule 2 above comprises payments made by employers on behalf of their employees to provide them with future benefits, either definite or contingent, that is, payments such as employers' contributions to employee pension and welfare funds, to workmen's compensation and to the Unemployment Insurance Fund. Since a considerable part of such payments will not be subject to contributions under the Plan, it seemed proper to exclude the whole of this income item in order not to overestimate the contribution income. In consequence, total 1961 income for Plan purposes was taken to be

$$14{,}095 - 633 + 779 + 1{,}767$$

$$= \$16{,}008 \text{ million.}$$

(It should perhaps be made explicit that the total income figure of $16,008 million does not include military pay and allowances, an exclusion that accords with the exclusion of the armed services from coverage under the Plan.)

Division of the total income figure of $16,008 million by the corresponding 1961 civilian "paid worker" labour force figure of 4,601,000 gave an average earnings rate for 1961 of $3,479 for Canada excluding Quebec. This average earnings rate is some 3% higher than the corresponding rate for all of Canada because of relatively low average earnings in Quebec.

For the financial estimates in this report, average earnings rates for all workers (including the unemployed from time to time) other than members of the armed services and unpaid family workers were not used directly. The calculation procedures were so designed that the average earnings figures needed were average earnings rates for civilian paid workers excluding a number of unemployed persons determined in accordance with the assumption that a proportion of the labour force equivalent to the average rate of unemployment was unemployed for the whole year. For 1961, the average number of unemployed workers in Canada excluding Quebec was 301,000. The 1961 "aggregate" average earnings figure used for the development of average earnings rates by sex and age group for purposes of the estimates was, thus,

$$\frac{16{,}008}{4.3} = \$3{,}723.$$

Step 2—Average earnings rates by sex and age group

The main statistical bases for the breakdown of the "aggregate" average earnings rate by sex and age group were two sets of special tabulations prepared by D.B.S. from 1961 Census data—one set in respect of wage-earners only and the other set in respect of all paid workers other than self-employed farmers. These tabulations showed, for Canada and Quebec separately, numbers of workers and total reported earnings for the 12-month period ended June 1, 1961, classified by sex, age group and, except in one instance, earnings range. From these data, average earnings for each sex and relevant age group were computed for Canada excluding Quebec. The average earnings figures so determined were then related to the average earnings figure for the arbitrarily chosen male age group 45-54.

From the description of the data included in the special tabulations, it will be understood that the average earnings figures computed from the tabulated data were not average earnings rates but were, instead, averages of the actual earnings during a 12-month period of all workers whose reported earnings were included in the tabulations. For the younger male age groups and for almost all female age groups, where work participation is relatively low, movement in and out of the labour force results in relatively larger differences between average annual earnings rates and averages of actual annual earnings than for the relatively stable male age group 45-54. Thus, some upward adjustment of the computed relationships was required for the younger male age groups and for all female age groups so that the resulting relationships would be applicable to average earnings rates.

The proportions used for the breakdown of the "aggregate" average earnings rate by sex and age group are shown in Schedule 3 below.

SCHEDULE 3

AVERAGE EARNINGS RATES BY SEX AND AGE GROUP EXPRESSED AS PROPORTIONS OF THE AVERAGE EARNINGS RATE FOR THE MALE AGE GROUP 45-54

Age Group	Males	Females
	%	%
14–17	30	30
18–19	40	40
20–24	60	50
25–34	90	55
35–44	100	55
45–54	100	55
55–59	95	55
60–64	90	50
65–69	75	40
70 and over	60	30

In order to determine 1961 average earnings rates by sex and age group corresponding to the aggregate rate established in Step 1, there was required, besides the relationships shown in Schedule 3 above, a distribution by sex and age group of civilian paid workers excluding unemployed workers. Because all necessary statistics were not available for Canada excluding Quebec, the required distribution was developed from 1961 Special Survey statistics and 1961 Census data for all of Canada. It is shown in Schedule 4 below. The applicability of this distribution for civilian paid workers in Canada excluding Quebec was given support by the generally satisfactory correspondence between distributions by sex and age group developed from the special D.B.S. tabulations for all of Canada and for Quebec separately.

SCHEDULE 4

DISTRIBUTION OF 1961 CIVILIAN PAID WORKERS BY SEX AND AGE GROUP

Age Group	Males	Females
	%	%
14–17	1.6	1.5
18–19	2.8	2.7
20–24	7.6	4.8
25–34	18.0	5.3
35–44	17.5	5.4
45–54	14.1	4.4
55–59	5.1	1.4
60–64	3.5	0.8
65–69	1.8	0.4
70 and over	1.1	0.2

From the distributions set out in Schedules 3 and 4 above, the 1961 average earnings rate for the male age group 45-54 corresponding to the "aggregate" average earnings rate of $3,723 was determined to be $4,798. Average earnings rates for all relevant age groups were then obtained by applying to $4,798 the proportions set out in Schedule 3 above.

For 1966, average earnings rates by sex and age group were determined by multiplying the average earnings rates for 1961 by the factor (1.031) (1.035) $(1.03)^3$, where 1.031 and 1.035 are the increase ratios in the D.B.S. "average weekly wages and salaries" statistic for the Industrial Composite classification from 1961 to 1962 and 1962 to 1963, respectively, and 1.03 is the assumed annual increase ratio from 1963 to 1966. For the years 1967 to 1975, average earnings rates were projected by multiplying the average earnings rates for the preceding year by 1.03 or 1.04, as applicable.

For illustrative purposes, average earnings rates, determined as explained in the above paragraphs, are shown for the years 1966, 1970 and 1975 in Schedule 5 below.

SCHEDULE 5

AVERAGE EARNINGS RATES OF CIVILIAN PAID WORKERS FOR CANADA EXCLUDING QUEBEC

	Rate of Increase in Average Earnings					
	3% per annum			4% per annum		
Age Group	1966	1970	1975	1966	1970	1975
	$	$	$	$	$	$
Males						
18-19	2,245	2,526	2,928	2,245	2,626	3,195
20-24	3,368	3,790	4,394	3,368	3,941	4,795
25-34	5,052	5,687	6,593	5,052	5,910	9,191
35-54	5,614	6,318	7,324	6,614	6,569	7,992
55-59	5,333	6,003	6,959	5,333	6,239	7,592
60-64	5,052	5,687	6,593	5,052	5,910	7,191
65-69	4,211	4,739	5,493	4,211	4,925	5,992
Females						
18-19	2,245	2,526	2,928	2,245	2,626	3,195
20-24	2,807	3,159	3,664	2,807	3,283	3,994
25-34	3,088	3,475	4,028	3,088	3,613	4,396
35-54	3,088	3,475	4,028	3,088	3,613	4,396
55-59	3,088	3,475	4,028	3,088	3,613	4,396
60-64	2,807	3,159	3,664	2,807	3,283	3,995
65-69	2,245	2,526	2,928	2,245	2,626	3,195

Step 3—Modified average earnings rates

In this final step is described how the average earnings rates, determined as described in Step 2 above, were modified to take account of the effect of the contributory earnings upper limit on individual earnings and the effect of excluding the earnings of otherwise eligible workers having annual earnings less than the minimums allowable for contribution purposes.

As a starting point, from Taxation statistics for the 1958, 1959 and 1960 taxation years were derived, for the "total employees" class, proportions of the number of employees and the amount of income falling within certain income ranges related to the average income for all employees. Proportions so determined are shown in Schedule 6 below.

SCHEDULE 6

PROPORTIONS OF NUMBER OF EMPLOYEES AND TOTAL INCOME FALLING WITHIN DESIGNATED INCOME RANGES

	Number of Employees		Amount of Income	
Income Range expressed as multiples of average income for all employees	Proportion	Cumulative Proportion	Proportion	Cumulative Proportion
	%	%	%	%
3 to 4	0.84	99.34	2.95	95.62
2 to 3	4.19	98.50	9.76	92.67
1.5 to 2	10.07	94.31	17.11	82.91
1.25 to 1.5	1.88	84.24	16.20	65.80
1 to 1.25	16.04	72.36	18.01	49.60
0.8 to 1	13.61	56.32	12.26	31.59
0.6 to 0.8	13.29	42.71	9.31	19.33
0.4 to 0.6	11.84	29.42	5.91	10.02
0 to 0.4	17.58	17.58	4.11	4.11

From the relationships set out in Schedule 6 above, augmented by relationships developed from the previously described special D.B.S. tabulations for income ranges below 40% of average income, two continuous graphs were constructed, from one of which could be read off the percentage of workers in a group having earnings less than or equal to any specified amount of earnings (expressed as a proportion of average earnings for the whole group) and from the other, the percentage of total earnings arising from the earnings of such workers.

The formula used to produce modified average earnings rates corresponding to the unmodified rates developed as described in Step 2 above was as follows:

$$\text{M.A.E.} = \frac{\text{A.E.}\ (1 - U^e - L^e)}{1 - L^n},$$

where

M.A.E.	represents modified average earnings rates,
A.E.	represents unmodified average earnings rates,
U^e	represents the proportion of aggregate earnings excluded by reason of individual earnings exceeding the contributory earnings upper limit,
L^e	represents the proportion of aggregate earnings excluded by reason of individual earnings amounting to less than the minimums allowable for contribution purposes,
L^n	represents the proportion of paid workers excluded by reason of having earnings less than the minimums allowable for contribution purposes.

In Schedule 7 below are shown modified average earnings rates for the years 1966, 1970 and 1975 corresponding to the unmodified rates set out in Schedule 5 above. (*Note:* The contributory earnings upper and lower limits were assumed to be $5,000 and $600, respectively, for 1966 and 1967 and to increase thereafter to 1975 at a rate of 1½% per annum.)

SCHEDULE 7

MODIFIED AVERAGE EARNINGS RATES FOR CANADA EXCLUDING QUEBEC

	Rates of Increase in Average Earnings					
	3% per annum			4% per annum		
Age Group	1966	1970	1975	1966	1970	1975
	$	$	$	$	$	$
Males						
18-19	2,492	2,746	3,101	2,492	2,815	3,288
20-24	3,240	3,536	3,946	3,240	3,594	4,100
25-34	3,875	4,169	4,549	3,875	4,196	4,667
35-54	3,997	4,290	4,673	3,997	4,316	4,779
55-59	3,936	4,232	4,621	3,936	4,255	4,722
60-64	3,875	4,169	4,549	3,875	4,196	4,667
65-69	3,621	3,919	4,317	3,621	3,955	4,434
Females						
18-19	2,490	2,743	3,101	2,490	2,815	3,288
20-24	2,900	3,178	3,572	2,900	3,247	3,759
25-34	3,079	3,374	3,778	3,079	3,432	3,952
34-54	3,079	3,374	3,778	3,079	3,432	3,952
55-59	3,079	3,374	3,778	3,079	3,432	3,952
60-64	2,900	3,178	3,572	2,900	3,247	3,759
65-69	2,490	2,743	3,101	2,490	2,815	3,288

Because of the assumption that, after 1975, both the contributory earnings limits and average earnings will increase at a rate of 3% per annum for one set of estimates and 4% per annum for a second set, modified average earnings rates for each year after 1975 could be determined from the corresponding figures for 1975 by application of the appropriate power of the factor 1.03 or 1.04, as applicable.

Schedule 4

Appendix 4

Contributions and Age Retirement Benefits

1. *General*

The method used for the development of contributions was, essentially, the same for both the short-range and the long-range estimates. It is described in section 2 below.

In the development of age retirement benefits, somewhat different methods were used for the short-range and the long-range estimates. Also, for the long-range estimates, three groups of contributors—classified by age at the effective date of the Plan—were treated separately for calculation purposes. The methods used are described in section 3 below.

2. *Development of contributions*

The development of contributions is described below in the form of a series of steps.

Step 1—"Participating populations" for each year were obtained by multiplying the projected populations for each sex and age group by the assumed participation rates.

Step 2—The participating populations obtained in Step 1 were multiplied by

(*a*) the applicable modified average earnings rates, and

(*b*) for 1966 and 1967—$600
for years after 1967—$600 increased by 1½% for each year after 1967 until 1975 and 3% or 4%, as applicable, for each year thereafter.

Step 3—Total contributory earnings were obtained by deduction of the amounts determined in (b) of Step 2 from those determined in (a) of Step 2 and by subsequent summation.

Step 4—The totals were reduced by 1% to take account of an overstatement arising from the use, in (b) of Step 2, of the average participating population instead of the population of workers who contribute at any time during the year.

Step 5—The totals determined in Step 4 were allocated between salary and wages and self-employed earnings in the manner described in Appendix 2.

Step 6—The short-range male totals for self-employed earnings were adjusted to take account of expected "lower-than-average" participation among self-employed farmers in the manner described in Appendix 2.

Step 7—Contributions equivalent to a contribution rate of 1% were obtained by multiplying the resulting totals by 0.01.

3. *Development of age retirement benefits*

(*a*) *Short-range estimates*

The following basic assumptions were used:

(i) no person who does not commence to contribute on the effective date of the Plan or who ceases to contribute after the effective date will subsequently contribute;

(ii) the probabilities of being a contributor at pertinent ages are as follows:

Age Last Birthday	*Males*	*Females*
56–59	0.72	0.18
60–64	0.81	0.24
65	0.49	0.13
66	0.46	0.11
67	0.43	0.09
68	0.40	0.08
69	0.37	0.07

(iii) a worker will elect to take his pension as soon as possible after ceasing to contribute—keeping in mind that the minimum ages at which age retirement pensions are available are 68 in 1967, 67 in 1968, 66 in 1969 and 65 in 1970 and later years.

The method of development is described in the following paragraphs by a theoretical step-by-step approach. In practice, the calculations were considerably simplified by the development of appropriate commutation type functions.

The first step in the development was the calculation of a series of $P_{(x,z,z)}$ factors—representing the probability that a worker aged x on January 1, 1966, will cease contributing at age y and will elect to take his age retirement pension at age z. Two cases had to be taken into account, namely,

(i) if z is the youngest age at which an age retirement pension can be taken, consistent with x and y, $P_{(yx,z,)}$ is the probability of ceasing contributions at age y, that is, the difference between the probability of being a contributor at age y-1 last birthday and the probability of being a contributor at age y last birthday (for example, for males, $P_{(64,66,67)} = 0.49 - 0.46 = 0.03$), and

(ii) if z is not the youngest age at which an age retirement pension can be taken, consistent with x and y, $P_{(x,y,z)}$ is zero.

The next step was the calculation of a series of $A_{(x,y,z)}$ factors—representing the average initial annual amount of pension payable to a worker aged x on January 1, 1966, who contributes until age y and who elects to take his pension at age z. This was done as follows:

(i) pensionable earnings for each year between ages x and y were taken to be the applicable modified average earnings rate;

(ii) the annual earnings ratio for each year was computed as pensionable earnings divided by the contributory earnings upper limit;

(iii) average earnings ratios were computed as one-tenth of the sum of the applicable annual earnings ratios;

(iv) $A_{(x,y,z)}$ was computed as 25% of the average of the three contributory earnings upper limits ending with the year in which pension commences multiplied by the average earnings ratio.

The next step involved the calculation of a series of $P_{(x,y,z)}.A_{(x,y,z)}.(1.015)^{w-z}$ factors. Such a factor, if applied to the population aged w last birthday in the year 1966+w−x, would yield the total amount of benefit payable to workers aged w last birthday in the year 1966+w−x who cease contributing at age y and elect to take pension at age z. By summation of all such factors for a given x and w, an aggregate factor was obtained which, when applied to the population aged w last birthday in the year 1966+w−x, would yield the total amount of benefit payable to workers aged w last birthday in the year 1966+w−x. Such aggregate factors were calculated for all relevant values of x and w.

The final step was the computation of total amounts of benefit by application of the aggregate factors to populations and adjustment of the male totals to take account of expected "lower-than-average" participation among self-employed farmers in the manner described in Appendix 2.

(b) *Long-range estimates*

(i) *Benefits for contributors under age 56 on January 1, 1966*

Very generally, the calculation method used was first to develop benefit factors for individual ages without taking account of future increases in average earnings, in the contributory earnings upper limit or in the Pension Index and then to construct composite benefit factors (for application to quinary population groups to produce amounts of benefit) by combination of the individual age factors and adjustment to take account of assumed increases in the aforementioned elements. The method is explained in more detail in the following paragraphs.

The first step in the development was the calculation of primary earnings factors. For 1966 and 1967, these primary earnings factors were equal to the modified average earnings rates for those years; for any year n from 1968 to 1975, the factors were equal to the modified average earnings rates for year n divided by $(1.015)^{n-1967}$; for all years after 1975, the factors were equal to the factors for 1975.

The next step was the calculation of primary benefit factors for individual ages x on January 1, 1966, by the formula

$$\text{P.B.F.} = \frac{0.25 \times (\text{total primary pensionable earnings} - \text{primary pensionable earnings dropped out})}{0.9 \times \text{number of years in primary contribution period} \times \text{disability drop-out factor}}$$

The element in the P.B.F. formula termed "total primary pensionable earnings" was calculated as the sum of the primary earnings factor multiplied by the corresponding participation rate for all ages between x and 65 (that is, during the primary contribution period).

For the element in the P.B.F. formula termed "primary pensionable earnings dropped out", which takes account of the 10% drop-out provision, the minimum possible value is zero—a circumstance that would arise if no worker made contributions for more than 90% of the primary contribution period. The maximum value of this element is the sum of the primary earnings factors multiplied by the corresponding participation rates for the n years for which this sum is lowest—where n represents 10% of the primary contribution period. For males, "primary pensionable earnings dropped out" for each age x were assumed to equal approximately half of the maximum value. For females, because participation rates are much lower than for males and, thus, the true average value of "primary pensionable earnings dropped out" is likely to be much closer to the minimum than to the maximum, the slightly conservative assumption of a zero drop-out was chosen.

It may be noted that the fact that pensionable earnings after age 65 are not taken into account in the P.B.F. formula gives rise to a slight understatement of benefits. This inherent understatement is offset by slight overstatements in other areas of the calculations.

The element in the P.B.F. formula termed "primary contribution period" is a number of years equal to $65-x$ if x is 18 or over and 47 if x is less than 18.

The element in the P.B.F. formula termed "disability drop-out factor" was necessary to reduce the primary contribution period by the estimated average number of full calendar years during which a disability pension would be payable.

The next step was the calculation of primary composite benefit factors applicable to populations in the quinary age groups 70-74, 75-79, 80-84, 85-89 and 90 and over by interpolation between the values of the primary benefit factors for individual ages. The primary composite benefit factor applicable to the age group 70-74 in year n was assumed applicable to the age group 75-79 in year n+5, 80-84 in year n+10, and so on. The assumption underlying these factors is that a pension will be payable to all workers who have contributed at any time and have survived. Thus, the factors are not directly applicable to the age group 65-69 since not all workers within this age group will have ceased contributing and hence be entitled to a pension. To take account of this fact, the primary composite benefit factor for the age group 65-69 in year n−5 was taken to be equal to the corresponding factor for the age group 70-74 in year n multiplied by 0.5 for males and 0.75 for females.

The next step was the calculation of benefit increase factors by the formula

$$\text{B.I.F.} = (1.015)^8 \overset{A}{\frac{1}{3}} \left[(1+i)^{m-1977} + (1+i)^{m-1976} + (1+i)^{m-1975} \right] (1+j)^{n-m}$$

where

- i represents the assumed annual rate of increase in average earnings and the contributory earnings upper limit after 1975, that is, 3% or 4%, as applicable,
- j represents the assumed rate of increase in the Pension Index after 1975, that is, 1½% for the "low cost" estimates and 2% for the "high cost" estimates,
- m represents the year in which the generation reaches the age group 65-69 (it is implicity assumed that the average year in which pension commences is year m - corresponding to an average pension age of approximately 67½), and
- n represents the year for which the calculation is made.

In brief explanation of the above formula, the function $(1.015)^8$ effects the increase up to 1975 in accordance with increases in the contributory earnings upper limit to that time. (It will be recalled that this limit is assumed to increase by 1½% per annum for each year after 1967 until 1975. The function $\frac{1}{3}[(1+i)^{m-1977}+(1+i)^{m-1976}+(1+i)^{m-1975}]$ continues the increase up to the year pension commences. (The three powers of $(1+i)$ represent the effect of using the average of the contributory earnings upper limits for the three years ending with the year in which the pension commences in the determination of the amount of benefit.) The function $(1+j)^{n-m}$ effects the increase from the year in which pension commences to the year for which the calculation is made.

The next step was the calculation of adjusted composite benefit factors by multiplication of the primary composite benefit factors by the benefit increase factors.

The final step was the calculation of amounts of benefit by application of the adjusted composite benefit factors to the applicable populations.

(ii) *Benefits for contributors over age 60 on January 1, 1966*

From the short-range aggregate factors for individual ages, primary composite benefit factors were developed for age groups 75-79 and 80-84 in 1980, 80-84 and 85-89 in 1985, and so on, reasonable account being taken of the percentage distribution of the population by individual attained ages within each quinary age group.

Adjusted composite benefit factors were obtained by multiplication of the primary composite benefit factors by benefit increase factors, and amounts of benefit were determined by application of the adjusted composite benefit factors to the applicable populations.

(iii) *Benefits for contributors aged 56 to 60 on January 1, 1966*

This is a group of contributors intermediate to the groups treated in (i) and (ii) above in that most contributors within this group either can elect to have pension commence within the first ten years of operation of the Plan or can defer election for pension beyond the end of the first ten years.

The calculation method adopted was similar to that described in (ii) above with a modification to take account of the possibility of deferring pensions beyond the first ten years of operation of the Plan. The results produced by the adopted method blended smoothly into those for the younger and older age groups.

Schedule 5

Appendix 5

Death and Survivors' Benefits

1. *General*

On the death of a contributor at an age less than 65, a death benefit and a widow's pension may become payable. On the disablement of a contributor at an age less than 65, a disability pension may become payable. The earnings-related parts of these benefits are determined as percentages of an earnings-related pension based on the pensionable earnings record of the contributor, calculated in the same way as for a contributor's age retirement pension except that the primary contribution period ends at the date of death or commencement of the disability pension instead of at age 65. Also, on the death of a contributor after age 65, an earnings-related death benefit and widow's pension related to the contributor's age retirement pension may become payable. Because of the dependence of the named benefits on an earnings-related pension based on the pensionable earnings record of the contributor, benefit factors common to the calculation of all of these benefits were developed. Their development is described in section 2 below.

Although the amount of death benefit cannot exceed 10% of the contributory earnings upper limit applicable in the year of death, the limit will have effect only with respect to contributors who consistently have had pensionable earnings close to the contributory earnings upper limit. In the development of death benefits, the limitation on the amount of benefit payable in respect of individual contributors was disregarded so that the benefits are slightly overstated from this aspect. The development is described in section 3 below.

Pensions payable to dependent disabled widowers will be relatively few and their financial significance will be small. For the current estimates, no direct provision was made for benefits payable to dependent disabled widowers. However, in the determination of widows' benefits, reductions or suspensions of widows' pensions by reason of widowhood at ages less than 45 were not taken into account. Thus, it was considered that there was a sufficient margin in the estimates for widows' benefits to cover benefits payable to dependent disabled widowers. The development of widows' benefits is described in section 4 below.

The total initial annual amount of benefit payable to the orphans of one contributor cannot exceed 25% of the average of the contributory earnings upper limits for the three years ending with the year of the contributor's death. It may therefore be considered that there is an effective limitation on the number of children of one contributor to whom orphans' benefits may be payable. In the method used for the development of orphans' benefits, this limitation was disregarded. Also, it was implicitly assumed in the calculation method that all males in the population with children under age 18 would have contributions in a sufficient number of years for entitlement to orphans' benefits. Again, no account was taken of the fact that pensions are not payable to married orphans. The overstatement of benefits arising from the aforementioned aspects is at least partially offset by the effect of the calculation assumption that all orphans' benefits will cease at age 18 and by the fact that no allowance was made for the payment of benefits to the orphans of deceased female contributors. The development of orphans' benefits is described in section 5 below.

2. *General benefit factors*

(a) *Factors applicable where death or disablement occurs at an age less than 65*

For various individual ages on January 1, 1966, and various terminal ages (that is, ages at death or disablement), primary benefit factors were developed in the manner described for age retirement benefits in subdivision 3(*b*)(i) of Appendix 4 except that the primary contribution period was assumed to end at the terminal age instead of at age 65.

By interpolation between the primary benefit factors for individual ages, primary composite benefit factors were obtained for age groups 20-24, 25-29, ...55-59 and 60-64 for the years 1968, 1970, 1975 and quinquennial years thereafter.

Adjusted composite factors were obtained by multiplication of the primary composite benefit factors by benefit increase factors that took account of increases in the contributory earnings upper limits up to the terminal years.

(b) *Factors applicable where death occurs at age 65 or over*

For deaths in the age group 70-74 in 1985, 70-74 or 75-79 in 1990, 70-74, 75-79 or 80-84 in 1995, and so on, both primary and adjusted composite benefit factors are identical with the corresponding factors for age retirement benefits.

For deaths in the age group 65-69 in 1980, 1985, and so on, primary and adjusted composite benefit factors are equal to the corresponding factors for age retirement benefits before multiplication by 0.5 for males and 0.75 for females. (It will be remembered that, for the age group 65-69, multiplication of the age retirement composite factors by 0.5 for males and 0.75 for females was necessary to allow for the fact that not all workers aged 65-69 who have contributed will be in receipt of age retirement pensions because some workers will still be contributing. This contingency is clearly not applicable in the case of deaths.)

For deaths in the age groups 65-69 and 70-74 in 1968 and 1970, 65-69, 70-74 and 75-79 in 1975, and so on, composite benefit factors were developed in a slightly different manner than the factors for age retirement benefits. The difference in development arose because

(i) the reduction in age retirement pensions by reason of commencement within the first ten years of operation of the Plan does not apply to earnings-related death and widows' benefits, and

(ii) the circumstance that age retirement pensions are not payable to all workers aged 65 to 69 because of continuation of contributions by some workers does not apply to earnings-related death and widows' benefits.

3. *Development of death benefits*

Numbers of deaths were developed for all of Canada and for Quebec separately for the years 1968, 1970 and 1975 and quinquennial years thereafter and the corresponding numbers of deaths for Canada excluding Quebec were obtained by simple subtraction. The development consisted of

(i) calculation of one-year probabilities of dying for quinary age groups 20-24, 25-29,......85-89 and 90 and over in accordance with the mortality rates of the applicable (Canadian and Quebec) Life Tables, 1950-52 and 1955-57, and the projected mortality rates for the year 2000 and after,

(ii) determination of the corresponding one-year probabilities for the years 1968, 1970, and so on, by interpolation, and

(iii) application of the one-year probabilities to projected populations.

The amount of death benefit payable in respect of a deceased contributor is 50% of the annual amount of an earnings-related pension based on the pensionable earnings record of the contributor with the primary contribution period ending at the date of death or at age 65, whichever is the earlier, subject to a limitation with respect to the maximum amount payable (which was disregarded for purposes of the estimates).

The total amounts of death benefit payable in 1968, 1970, 1975 and quinquennial years thereafter were determined by multiplication of the estimated numbers of deaths by the general benefit factors developed as described in section 2 above, summation of the results and division of the totals by two. The total amounts payable in each year 1969 and 1971 to 1974 were determined by interpolation between the corresponding totals for the years 1968, 1970 and 1975. Finally, the male totals for the years 1968 to 1975 were adjusted to take account of the expected "lower-than-average" participation experience among self-employed farmers in the manner described in Appendix 2.

4. *Development of widows' benefits*

(*a*) *General*

The estimates for widows' benefits, developed as described in this section and as shown in the main body of the report, are in respect of benefits payable to widows in excess of the full amount of any disability or age retirement benefits that may also be payable. In practice, no adjustment was made in the calculations to take account of reductions in widows' benefits arising from the payment of both widows' and disability pensions since any resulting overstatement of benefits would be very small.

For the earnings-related part of widows' benefits, the general method of development was to construct for each year covered by the estimates certain populations of widows, as described hereinafter, and to apply average benefit factors to those populations. For the flat-amount part of widows' benefits, the general method was to construct populations of widow beneficiaries aged less than 65 and to apply benefit factors to those populations. The details are given in the following subsections.

(b) *Earnings-related benefits*

(i) *Populations of widows*

The development of the required populations is outlined below in the form of a series of steps.

Step 1—Numbers of females becoming widows in 1968, 1970, 1975, 1980 and decennial years thereafter by reason of the death of husbands who were not aged 68 or over at the effective date of the Plan were determined for each quinary age group of males. This was accomplished by multiplication of the following three factors:

A. number of male deaths—determined as described in section 3 above;

B. proportion married (for males)—derived from 1961 Census data and adjusted to take account of expected improvement in female mortality;

C. the constant 0.9—an adjustment to take account of the fact that married males are subject to lighter mortality than single males and widowers.

Step 2—The groups of "new widows" were rearranged according to female age at widowhood. The rearrangement was based on an age distribution of wives by age of husband derived from 1961 Census data.

Step 3—The groups developed in Step 2 were projected to produce numbers of surviving widows in each calendar year ending in 0 and 5 after the year of widowhood. The projections were made in accordance with the mortality rates described in Appendix 1 of this report and with the remarriage rates described in the paper "Remarriage Experience under the Pension Act of Canada" (Transactions of the Society of Actuaries, Volume XII).

Step 4—For 1968, 1970 and each quinquennial year thereafter, groups of widows surviving from groups of females widowed in all preceding years from 1968 onward were produced from the groups of widows determined in Step 3 by interpolation. The resulting groups were classified according to age group at widowhood and duration from widowhood.

(ii) *Average benefit factors*

For the calculation of benefits to widows aged less than 65 in the year of calculation, the average benefit factors used were determined for all relevant groups of widows classified according to age group at widowhood and duration from widowhood as the weighted average of all applicable male "general benefit factors", described in section 2 above, multiplied by 37½% and adjusted in accordance with assumed changes in the Pension Index from the year of widowhood to the year for which the calculation is made.

For the calculation of benefits to widows aged 65 or over in the year of calculation, average benefit factors were required that, in effect, excluded the average amount of age retirement pension payable to widows. (It will be remembered that, subject to a certain maximum, the total benefit available to a widow when both a widow's pension and an age retirement pension become payable is either 60% of the widow's own age retirement pension plus 60% of an earnings-related pension based on the pensionable earnings record of the deceased contributor or 100% of the widow's own age retirement pension plus 37½% of an earnings-related pension based on the pensionable earnings record of the deceased contribution, whichever is the greater.) The development of the factors is outlined below in the form of a series of steps.

Step 1—Age retirement benefit factors for widows were produced in accordance with the assumption that age retirement benefits to all widows aged 65 or over commence at age 65. These factors were obtained by multiplication of "female" adjusted composite benefit factors similar to those developed for age retirement pensions by certain factors, varying by age at widowhood, that took account of the assumption that relatively more widows than married females will participate in covered employment.

Step 2—Adjusted combined benefit factors that took account of the alternative benefits available when both a widow's pension and an age retirement pension become payable were developed from the factors A and B, where

A represents the weighted average of general benefit factors, described in the first paragraph of this subdivision, adjusted in accordance with assumed changes in the Pension Index from the year of widowhood to the year of attainment of age 65 for cases where widowhood occurs prior to age 65, and

B represents the age retirement benefit factor for widows, obtained in Step 1, adjusted in accordance with assumed changes in the Pension Index from the year of attainment of age 65 to the year of widowhood for cases where widowhood occurs after age 65.

For this step, it was assumed that any group of widows who had become widows at the same age and in the same calendar year would be composed of five sub-groups of widows with entitlement to an age retirement pension equal to k times the factor B, where k=0, ½, 1, 1½ and 2, respectively. For each such sub-group the factors

$$0.6\ (k \times B + A),\ \text{and}\ k \times B + 0.375 \times A$$

were compared and the greater of the two was used in the development of the adjusted combined benefit factors.

Step 3—Average benefit factors for application to populations of widows were produced by subtraction of the factors B from the adjusted combined benefit factors and by adjustment in accordance with assumed changes in the Pension Index from the later of the year of widowhood or the year in which an age retirement pension commences to the year for which the calculation is made.

(iii) *Computation of benefits*

Total widows' earnings-related benefits were computed for the years 1968, 1970, 1975 and quinquennial years thereafter by multiplication of the developed populations by the applicable average benefit factors. Corresponding benefits for the years 1969 and 1971 to 1974 were determined by interpolation between the totals for the years 1968, 1970 and 1975. Finally, the totals for the years 1968 to 1975 were adjusted to take account of expected "lower-than-average" participation among self-employed farmers in the manner described in Appendix 2.

(c) *Flat-amount benefits*

(i) *Populations of widow beneficiaries aged less than 65*

The required populations were obtained by application of estimated proportions of widows entitled to widows' benefits to the populations of widows obtained in Step 4 of subdivision (b)(i) above. The proportions used were determined for each calendar year of widowhood and each age group of new widows on the basis of rough estimates of proportions of husbands who will make contributions under the Plan. They are shown in the following schedule.

PROPORTIONS OF WIDOWS ENTITLED TO BENEFITS

	Widow's Age at Widowhood			
Year of Widowhood	Under 50	50–54	55–59	60–64
	%	%	%	%
1968	90	85	80	75
1970	95	90	85	80
1975	95	95	90	85
1980	95	95	95	90
1985 and after	95	95	95	95

(ii) *Benefit factors*

The flat-amount part of a widow's pension is totally dependent on the year of payment. For any year of calculation, the benefit factor used was equal to $300 increased in accordance with assumed changes in the Pension Index from 1967 to the year for which the calculation is made.

(iii) *Computation of benefits*

Total widows' flat-amount benefits were computed for the years 1968, 1970, 1975 and quinquennial years thereafter by multiplication of the developed populations by the applicable benefit factors. Corresponding benefits for the years 1969 and 1971 to 1974 were determined by interpolation between the totals for 1968, 1970 and 1975. Finally, the totals for the years 1968 to 1975 were adjusted to take account of the expected "lower-than-average" participation among self-employed farmers in the manner described in Appendix 2.

5. *Development of orphans' benefits*

One important point that should be kept in mind is that neither the death nor the remarriage of a widowed mother affects the payment of orphans' pensions.

The broad assumption on which the development of orphans' benefits was based was that a pension of $25 per month, adjusted in accordance with assumed changes in the Pension Index from 1967 to the year for which the estimates apply, will be payable to each child under age 18 of every male contributor who dies after 1967 and that no pension will be payable under any other circumstances.

The general method of development of orphans' benefits was to determine, for each year covered by the estimates, the population of children under age 18 who were left orphans by reason of the death of their "contributor" fathers after 1967 and to apply to such populations appropriate benefit factors. The details are given below in the form of a series of steps.

Step 1—A distribution of fathers of new born children, according to age, was obtained by averaging such distributions for Canada for the five years 1958 to 1962. (The source of information was the D.B.S. publication "Vital Statistics".)

Step 2—Percentages of fathers who survive 5 years, 10 years, 15 years and 20 years after the birth of a child were produced by application of five-year survival factors based on the Canadian Life Table, 1960-62, to the distribution obtained in Step 1.

Step 3—Complements of the percentages determined in Step 2 were computed. These complements represent the probabilities—in accordance with the Canadian Life Table, 1960-62—that the father of a child aged 5 years, 10 years, 15 years or 20 years will have died.

Step 4—Probabilities corresponding to those described in Step 3 were determined on the basis of the projected mortality rates for the year 2000 and after.

Step 5—From the probabilities determined in Steps 3 and 4, probabilities that the father of a child in the age groups 0-4, 5-9, 10-14 and 15-17 in 1968, 1970, 1975 and quinquennial years thereafter will have died after 1967 were developed by interpolation.

Step 6—Numbers of orphans under age 18 whose fathers will have died after 1967 were obtained for the years 1968, 1970, 1975 and quinquennial years thereafter by application of the probabilities developed in Step 5 to the pertinent populations.

Step 7—Total benefits payable in 1968, 1970, 1975 and quinquennial years thereafter were obtained by multiplication of the numbers developed in Step 6 by $300 increased in accordance with assumed changes in the Pension Index from 1967 to the year for which the calculation is made.

Step 8—Total benefits payable in the years 1969 and 1971 to 1974 were obtained by interpolation between the total amounts developed in Step 7 for the years 1968, 1970 and 1975.

Step 9—Totals for the years 1968 to 1975 were adjusted to take account of expected "lower-than-average" participation among self-employed farmers in the manner described in Appendix 2.

Schedule 6

Appendix 6

Disability Benefits

1. *General*

To qualify for a disability pension under the Canada Pension Plan, a contributor must be physically or mentally incapacitated to such an extent that he cannot regularly pursue any substantially gainful occupation and the disability must be of such nature that it is likely to be long continued and of indefinite duration or is likely to result in death.

The disability experience that will evolve under the Plan will depend not only on such factors as improvements in medical techniques, measures taken to prevent accident and disease and measures taken to rehabilitate disabled persons but also, to a significant extent, on the way in which the disability provisions of the Plan are interpreted and administered. It will therefore be clear that, until actual experience develops under the Plan, predictions of disability rates for the purposes of financial estimates must be viewed as broad approximations only.

A careful study of Canadian statistics relating to long-term disability, namely, Census data at decennial intervals, statistics from the Canadian Sickness Survey, 1950-51, and statistics developed from experience under the Disabled Persons Act, disclosed little information that seemed directly pertinent to probable future experience under the Canada Pension Plan. Thus, for purposes of the current estimates, disability rates were based almost wholly on disability experience that has developed under the OASDI system of the United States and on projections based on that experience.

To estimate the flat-amount part of disability pensions payable in any future year, the general method used was to develop for such year populations of disabled beneficiaries based on assumed proportions insured for disability benefits and disability prevalence rates and to apply benefit factors to those populations. The choice of proportions insured for disability benefits and prevalence rates, the development of benefit factors and the final computation of flat-amount benefits are described in section 2 below.

To estimate the earnings-related part of disability pensions payable in any future year, the general method used was to develop for such year average benefit factors for application to total population groups. Very generally, such average benefit factors were based on estimates of aggregate contributions made in respect of all beneficiaries in receipt of disability pensions. The development of these factors and the final computation of earnings-related benefits are described in section 3 below.

The methods described in the sections that follow apply almost completely to the development of benefits for years from 1975 onward. For 1970—the year in which disability pensions first become payable under the Plan—populations of disabled beneficiaries were developed by application of disability incidence rates based on experience under insurance contracts to estimated population groups of contributors insured for disability benefits at the beginning of the year. The amount of benefit payable in 1970 was calculated as 20% of an amount of benefit determined by multiplication of the developed populations by estimated average annual amounts of benefit applicable for that year. The 20% factor took account of the fact that disability pensions in respect of disablements in January, 1970, will be payable for a maximum of eight months during the year, pensions in respect of disablements in February for a maximum of seven months, and so on. (A basic underlying assumption was that disablements will be distributed uniformly over the calendar year.) For the years

1971 to 1974, total amounts of benefit were determined by interpolation between the totals for 1970 before multiplication by the 20% factor and the totals for 1975 determined as described hereinafter. Finally, for the years 1970 to 1975, the male totals were adjusted to take account of expected "lower-than-average" participation among self-employed farmers in the manner described in Appendix 2.

2. *Flat-amount benefits*

(*a*) Proportions insured for disability benefits

Under the Canada Pension Plan the eligibility requirements for entitlement to disability benefits are much more stringent than those for entitlement to death and survivors' benefits mainly because of the "recency of contributions" test which is required only with respect to disability benefits. (Because of the "recency of contributions" test, for any group of persons where participation in gainful employment is relatively low and movement into and out of the labour force is relatively frequent, the proportion insured for disability benefits will be significantly less than the proportion insured for other benefits. This fact is particularly applicable to female workers.) Under the OASDI system of the United States, the eligibility requirements for entitlement to benefits follow a similar pattern to those for the Canada Pension Plan; under that programme, a worker insured for disability benefits not only must have the "fully insured" status required for entitlement to other benefits but also must satisfy a "recency of contributions" test. It was therefore considered that proportions insured for disability benefits under the U.S. programme would be relevant for purposes of the current estimates for the Canada Pension Plan.

For recent estimates for the OASDI system, the U.S. actuaries assumed that the proportions of total population groups who are "fully insured" are currently of the order of 90% for males and 50% for females. At the same time, they assumed that the proportion of "fully insured" workers who are insured for disability benefits is, for most age groups over age 24, currently about 86% for males and 40% to 60% for females. Thus, for the OASDI estimates, there is an implied assumption that the proportion of total population groups over age 24 who are insured for disability benefits is of the general order of 75% to 80% for males and 20% to 30% for females.

The proportions assumed to be insured for disability benefits for the current estimates for the Canada Pension Plan are shown in Schedule 1 below.

SCHEDULE 1

PROPORTIONS OF TOTAL POPULATIONS INSURED FOR DISABILITY BENEFITS

Class of Estimates	Age Group			
	22–24	25–29	39–59	60–64
	%	%	%	%
Males				
All classes	20	75	90	85
Females				
High cost	20	30	30	25
Low cost:				
1970 and 1975	20	30	30	25
1980 and 1985	20	30	35	30
1990 and after	20	35	40	35

(*b*) Prevalence rates

With respect to long-term disability, the general impression is that disability rates are higher for females than for males. However, on the basis of the Canadian disability statistics mentioned previously, it appears that total numbers of disabled males and females in Canada are about equal. Also, although for early cost estimates with respect to disability coverage under the OASDI system the U.S. actuaries assumed that disability rates would be much higher for females than for males, they have recently used prevalence rates for females that are 75% of those for males. For the current estimates under the Canada Pension Plan, it was assumed that prevalence rates would be the same for both males and females.

To conform with the disability provisions of the Canada Pension Plan and the calculation methods chosen for the estimates, the disability prevalence rates required were proportions of workers insured for disability benefits to whom disability pensions are payable. The prevalence rates used by the U.S. actuaries were defined as proportions of workers insured for disability benefits who are disabled-worker beneficiaries. Thus, the U.S. ultimate male prevalence rates could reasonably be considered to be applicable for determination of populations of disabled beneficiaries under the Canada Pension Plan for the year 2000 and after. The rates used are shown in Schedule 2 below.

SCHEDULE 2

ULTIMATE PREVALENCE RATES

Age Group	Rate
	%
22–24	0.05
25–29	0.14
30–34	0.38
25–39	0.70
40–44	1.15
45–49	1.69
50–54	3.18
55–59	5.13
60–64	9.30

(c) Adjustment required during an interim period

The proportions insured for disability benefits described in (*a*) above and the prevalence rates described in (*b*) above did not take account of necessary exclusions from the calculations of disablements occurring prior to 1970 for which there can be no entitlement to pension. Thus, adjustments were required for the early stages of the Plan. The method chosen to effect such adjustments was to use a series of interim prevalence rates varying by time elapsed after 1969. These interim prevalence rates were related to the ultimate prevalence rates by means of ratios of interim to ultimate rates developed in accordance with disability incidence and termination rates based on experience under insurance contracts. The interim rates for quinquennial years 1975 to 1995 are shown in Schedule 3 below.

SCHEDULE 3

INTERIM PREVALENCE RATES

	Year				
Age Group	1975	1980	1985	1990	1995
	%	%	%	%	%
22–24	0.05	0.05	0.05	0.05	0.05
25–29	0.12	0.14	0.14	0.14	0.14
30–34	0.30	0.36	0.38	0.38	0.38
35–39	0.50	0.62	0.68	0.70	0.70
40–44	0.82	1.00	1.08	1.13	1.15
45–49	1.17	1.45	1.57	1.64	1.67
50–54	2.19	2.73	2.96	3.08	3.15
55–59	3.54	4.46	4.82	4.98	5.08
60–64	6.14	8.09	8.74	9.02	9.21

(d) Benefit factors

The flat-amount part of a disability pension is totally dependent on the year of payment. The applicable benefit factor for any year of calculation is $300 increased in accordance with assumed changes in the Pension Index from 1967 to such year.

(e) Computation of benefits

For each sex and age group, the amount of benefit was computed for each quinquennial year commencing with 1975 as

number in total population × proportion insured for disability benefits
× prevalence rate × benefit factor.

Total amounts of benefit were obtained by summation.

3. *Earnings-related benefits*

(a) *Average benefit factors*

The earnings-related part of a disability pension payable in any year depends on

(i) the calendar year in which the pension commenced—since the initial amount of pension is dependent on the contributory earnings upper limit for that year and the preceding two years,

(ii) the percentage change in the Pension Index from the year in which the pension commenced—since pensions in payment are adjusted in accordance with assumed changes in the Pension Index, and

(iii) the age of the contributor at the date of commencement of pension—since earnings vary by age.

If all disability pensions payable in any year commenced in that year, earnings-related disability benefits could reasonably be determined in the same manner as that described for death benefits since the latter benefits depend on the calendar year and the age of the contributor at the time the benefit becomes payable. While the assumption of zero duration for all disability benefits in payment will not be in accordance with actual experience, it was considered that the resulting overstatement of benefits determined in accordance with that assumption would not be unacceptably large both because a very high proportion of disability pensions payable in any year will be at the shorter durations and because, for persons with similar earnings records, amounts of pension emerging in any year will not be far different from those in payment at all except the longest durations.

There are two reasons for the concentration of benefits at the shorter durations. In the first place, since disability incidence rates increase sharply with increasing age, for persons in any age group at a certain date more disability pensions will have started during the year ended with that date than in the preceding year, more in the preceding year than in the second preceding year, and so on. Secondly, since disability termination rates are high (and, for the Canada Pension Plan, since disability pensions automatically cease at age 65) comparatively few persons survive as disability pensioners at the longer durations.

As respects the variation in amounts of pension by duration, for some sample calculations the amount of an emerging pension was found to be greater by about 7% and 14%, respectively, than the amounts of corresponding pensions that had commenced five years and ten years earlier.

In accordance with the assumption that the annual amount of a disability pension at any duration from commencement of pension would be equal to the annual amount of a corresponding disability pension commencing in that year, the benefit factor applicable to a given sex and age group of the total population for any year of calculation was obtained by multiplication of the following three elements:

A. 75% of the general benefit factor determined as described in section 2 of Appendix 5;

B. a reduction factor approximately equal to the ratio of the aggregate contributions made in respect of the members of the group who are insured for disability benefits to the aggregate contributions made in respect of all members of the group;

C. the disability prevalence rate shown in Schedule 2 or 3 above, as applicable.

In brief explanation of the make-up of the average benefit factor, application of 75% of the general benefit factor to the pertinent total population group produces a total amount of benefit that would be applicable if a disability pension were payable to all contributors in that group. Application of the reduction factor effectively reduces the population of contributors implicit in the general benefit factor to a population of contributors insured for disability benefits and, at the same time, takes account of the fact that average contributory earnings for contributors insured for disability benefits will be higher than the average contributory earnings for all contributors. (For males, the reduction factor used for all classes of estimates was 90%. For females, for the "high cost" estimates the reduction factor used was 75% and for the "low cost" estimates was 75% for 1970 and 1975, 80% for 1980 and 1985 and 85% for 1990 and quinquennial years thereafter.) Application of the prevalence rate effectively reduces the population of contributors insured for disability benefits to a population of disabled beneficiaries.

(b) *Computation of benefits*

For each sex and age group, the amount of benefit was computed for each quinquennial year commencing with 1975 as

number in total population × average benefit factor.

Total amounts of benefit were obtained by summation.