



RESPONSE TO PETITION RÉPONSE À LA PÉTITION

PREPARE IN ENGLISH AND FRENCH MARKING "ORIGINAL TEXT" OR "TRANSLATION"
PRÉPARER EN ANGLAIS ET EN FRANÇAIS EN INDIQUANT "TEXTE ORIGINAL" OU "TRADUCTION"

PETITION NO./N° DE LA PÉTITION
412-5623

BY / DE
Mr. Hsu (Kingston and the Islands)

DATE
May 11, 2015

RESPONSE BY THE MINISTER OF EMPLOYMENT AND SOCIAL
DEVELOPMENT AND MINISTER FOR DEMOCRATIC REFORM
RÉPONSE DU MINISTRE DE L'EMPLOI ET DU DÉVELOPPEMENT SOCIAL
ET MINISTRE DE LA RÉFORME DÉMOCRATIQUE

Scott Armstrong

PRINT NAME OF SIGNATORY
INSCRIRE LE NOM DU SIGNATAIRE

MINISTER OR PARLIAMENTARY SECRETARY
MINISTRE OU SECRÉTAIRE PARLEMENTAIRE

SUBJECT / OBJET

Old Age Security benefits

REPLY / RÉPONSE

ORIGINAL TEXT
TEXTE ORIGINAL

TRANSLATION
TRADUCTION

The Old Age Security (OAS) program plays a significant role in providing income security to Canadians in their senior years. Benefits under the OAS program include the basic pension, which is paid to all persons aged 65 or over who meet the legal status and residence requirements, the Guaranteed Income Supplement (GIS) for low-income seniors, and the Allowances for low-income Canadians aged 60 to 64 who are the spouses/common-law partners of GIS recipients, or who are widows or widowers. The OAS benefits are indexed quarterly, based on the Consumer Price Index.

The OAS program was put in place at a time when Canadians were not living the longer, healthier lives that they are now. It was designed for a much different demographic future than Canada faces today. In the 1970s, there were seven working-age Canadians for every senior. Currently, there are four working-age Canadians per senior and in less than 20 years there will only be two. In addition, in 1970, life expectancy was age 69 for men and 76 for women. Today, it is 79 for men and 83 for women. The baby boom generation, born between 1946 and 1964, is the largest age cohort in history. Given these demographic realities, the cost of the OAS program would have nearly tripled, from \$38 billion in 2011 to approximately \$108 billion in 2030, if no changes were made.

This is why the Government took action in Budget 2012. Starting in April 2023, the age of eligibility for the OAS pension and the GIS will start to gradually increase from age 65 to 67, with full implementation by January 2029. These actions will ensure the sustainability of the OAS program for future generations when they need it, as it is for all seniors who currently receive benefits.

An 11-year notification period, followed by a six-year phase-in period, is being provided to ensure that individuals have significant advance notification to plan their retirement and make adjustments. As well, the legislative change to the age of eligibility for the OAS pension and the GIS will not affect anyone who was born on March 31, 1958, or earlier.

It is important to stress that while the Government is increasing the OAS age of eligibility, benefits will not be reduced. Furthermore, due to rising life expectancy, even with the increase in OAS eligibility to age 67, people who turn 65 in 2030 can expect to receive OAS benefits for about the same number of years over their lifetime as seniors who turned 65 in 2010.

The Government recognizes that the change in OAS age of eligibility will impact other federal programs, and has committed to take action to ensure smooth transition. As part of its Budget 2012 commitments, the Government will ensure that certain federal programs, including programs provided by Veterans Affairs Canada and Aboriginal Affairs and Northern Development Canada that currently provide income support benefits until age 65, are aligned with changes to the OAS program. Without such an alignment, individuals receiving benefits from these programs would stop receiving them at age 65 and face an income gap until age 67 when they become eligible for OAS and GIS.

The Government has also committed to discuss the impact of the changes to the OAS program on Canada Pension Plan (CPP) disability and survivor benefits with provinces and territories, who are joint stewards of the CPP, in the course of the next triennial review. Additionally, the Government committed in Budget 2012 that it will compensate provinces and territories for net additional costs they face resulting from the increase in the age of eligibility for OAS benefits.

The Government has taken several steps to strengthen assistance for seniors. Budget 2011 enhanced the GIS for the lowest-income seniors by providing an increase of up to \$600 annually for single seniors and \$840 for couples, further improving the financial security and well-being of approximately 680 000 seniors across Canada. The increase, which is indexed quarterly, represents an investment of \$300 million per year and is the largest increase to the GIS for the lowest-income seniors in over a quarter century.

The GIS was also increased by a total of \$36 per month for single persons and \$58 per month for couples in two increments, in January 2006 and January 2007. This measure alone has increased GIS benefits by seven percent over and above quarterly indexation.

In Budget 2008, the Government increased the maximum GIS earnings exemption from \$500 to \$3,500 per year, which represents an investment of \$60 million per year. This means that GIS recipients who choose to work are able to keep more of their hard-earned money without any reduction in GIS benefits.

The Government is committed to supporting seniors. Since 2006, the Government has introduced a number of measures for seniors and pensioners, which together provide them about \$3 billion in additional annual targeted tax relief. The Government has increased the Age Credit amount by \$2,000, doubled the Pension Income Credit amount to \$2,000, raised the age limit for commencing pension payments from Registered Pension Plans and converting Registered Retirement Savings Plans to Registered Retirement Income Funds from 69 to 71, and introduced pension income splitting (benefitting over 2.2 million Canadians per year).

PETITION TO THE HOUSE OF COMMONS IN PARLIAMENT ASSEMBLED

We, the undersigned residents of Kingston and the Islands, draw the attention of the House of Commons to the following:

THAT increases in the eligibility age for Canada's old age security programs which were legislated by Parliament in 2012 received very limited debate, scrutiny and public input as a consequence of being included in Bill C-38, the omnibus budget implementation bill which amended some 70 pieces of existing legislation and for which time allocation was imposed;

THAT there was, and remains, very limited public awareness of the future impact of those changes on the lives of most Canadians, especially those in the lowest income categories who stand to lose the most income;

THAT, more specifically, the 24 months of benefits which most Canadians currently under 54 years of age will lose as a result of that legislative change amount to at least \$13,500 of foregone retirement income for single individuals and \$27,500 for couples, but the lowest-income individuals and couples will lose up to \$32,000 and \$51,000 respectively;

THAT, by proposing in the 2015 Budget generous new tax benefits (family income splitting and much higher TFSA contribution limits) which primarily advantage already affluent individuals and families and which the Parliamentary Budget Officer's estimates indicate will reduce government revenues by amounts comparable to the projected savings from the 2012 old age security eligibility changes, the Government has effectively demonstrated that the stated rationale for those changes ("action to ensure the sustainability of the old age security program") can no longer be considered valid.

THEREFORE, your petitioners call upon Members of Parliament of all parties to recognize the inherent inequity of taking up to two years of critically important retirement benefits away from middle- and, especially, low-income Canadians, and then using those savings to enable new tax benefits for more affluent taxpayers, and to act upon that recognition by restoring the previous old age security eligibility provisions prior to considering the affordability of such tax benefits.

The text of the petition has been copied below to facilitate your assessment of how well or how poorly the Government has chosen to respond to the substance of the Kingston petition.

This statement ignores the inconvenient fact that low-income Canadians haven't shared in the "longer, healthier" lives that the better-off among us are enjoying, yet they are disproportionately impacted by the changes.

In continuing to tout this argument, the Harper government is choosing to ignore the Parliamentary Budget Officer's analysis which proved that the OAS program was already sustainable. In fact, it has put the lie to this rationale by, in effect, transferring the projected savings from these changes to the most affluent segments of our society in the form of TFSA and income splitting (a shameless reverse Robin Hood move)

Also ignored is the fact that, in today's harsher economy, relatively few Canadians, especially those with limited education, can realistically expect to find or even retain paid employment at age 65.