



His Worship Bob Bratina
Mayor - The City of Hamilton
2nd Floor - 71 Main Street West
Hamilton, Ontario
L8P 4Y5

OCT 05 2012

Dear Mayor Bratina:

On behalf of the Honourable Diane Finley, Minister of Human Resources and Skills Development, I am pleased to respond to your recent correspondence, which was forwarded by the Office of the Prime Minister, the Right Honourable Stephen Harper, concerning the changes to the Old Age Security (OAS) program in Budget 2012.

Benefits under the OAS program include the basic OAS pension, which is paid to all persons aged 65 or over who meet the residence and legal requirements, the Guaranteed Income Supplement (GIS) for low-income OAS pensioners, and the Allowances for low-income Canadians aged 60 to 64 who are the spouses or common-law partners of GIS recipients, or who are widows or widowers. The OAS program is the single largest social program administered by the Government of Canada.

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 20 years there will only be two. In addition, life expectancy in 1970 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 also the largest age cohort in history. Given these demographic changes, the cost of the OAS program is expected to grow from \$38 billion in 2011 to approximately \$108 billion in 2030.

Budget 2012 announced an increase to the age of eligibility for the OAS pension and the GIS from age 65 to 67, starting in April 2023, with full implementation by January 2029. In line with the increase in the age of eligibility for the OAS pension and the GIS, the ages at which the Allowance and the Allowance for the Survivor are provided will also gradually increase from 60 to 64 today to 62 to 66 starting in April 2023. An 11-year notification period, followed by a 6-year phase-in period, is being provided to ensure that individuals have significant advance notification to plan their retirement and make adjustments. These actions will ensure that the OAS program remains strong for future generations when they need it, as it is for all seniors who currently receive benefits.

.../2

The legislative change to the age of eligibility for the OAS pension and the GIS will not affect anyone who is 54 years of age or older as of March 31, 2012. Thus, individuals who were born on March 31, 1958 or earlier will not be affected. Those who were born between April 1, 1958 and January 31, 1962 will have an age of eligibility between 65 and 67. Those who were born on or after February 1, 1962 will have an age of eligibility of 67. Changes involving the Allowance and the Allowance for the Survivor will not affect anyone who is 49 years of age or older as of March 31, 2012.

Many countries are increasing the age of eligibility of their public pension programs. Of the 34 Organisation for Economic Cooperation and Development countries, 22 have recently increased or announced plans to increase the eligibility ages, including: Australia, Germany, Japan, the United Kingdom and the United States.

The OAS program is an important building block of Canada's retirement income system. It is important to stress that while the Government is increasing the OAS age of eligibility, benefits will not be reduced. Furthermore, due to increasing life expectancy, even with the increase in the OAS eligibility age to 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. OAS benefits will continue to play an important role as a source of income in retirement, contributing to the well-being of seniors.

The Government is mindful of the special circumstances facing certain groups of seniors. In Budget 2012, the Government commits to measures to reduce the impact on certain vulnerable populations. For example, the Government is committed to ensuring that federal programs that provide income support benefits are aligned with the change to the new age of eligibility for OAS, including programs provided by Veterans Affairs Canada and Aboriginal Affairs and Northern Development Canada. 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 alignment will ensure that these individuals do not face a gap in income at ages 65 and 66.

Furthermore, the Government has committed to having discussions related to the impact of the OAS changes on Canada Pension Plan (CPP) disability and survivor benefits with the provinces and territories, who are joint stewards of the CPP, in the course of the next triennial review. In addition, Budget 2012 indicated that the Government will compensate the provinces and territories for net additional costs they face resulting from the increase in the age of eligibility for OAS benefits. The federal government recognizes that the provinces and territories will likely face additional social assistance costs as a result of the increase to the age of eligibility, which is provided disproportionately to persons with disabilities.


The Government has recently enhanced benefits for low-income seniors to further improve their wellbeing and financial security. The GIS for low-income seniors was increased in January of 2006 and 2007 by a total of 7 percent over and above indexation. In addition, Budget 2008 increased the maximum GIS earnings exemption from \$500 to \$3,500 to ensure that GIS recipients who choose to work keep more of their hard-earned money without any reduction in their GIS benefits. Budget 2011 enhanced the GIS for the lowest-income recipients by providing an increase of up to \$600 annually for single seniors and \$840 for couples. These amounts are reviewed four times per year in accordance with changes in the Consumer Price Index.

The Government has also made significant tax changes to improve the lives of seniors. As a result of actions taken by the Government, seniors and pensioners will receive about \$2.5 billion in additional targeted tax relief for the 2012-2013 fiscal year. In particular, since 2006, the Government has increased the Age Credit amount, doubled the maximum amount of income eligible for the Pension Income Credit, introduced pension income splitting, and increased the age limit for maturing pensions and Registered Retirement Savings Plans to 71 from 69 years of age. Further, the Government has introduced legislation to strengthen private pensions and savings, including the introduction of Tax-Free Savings Accounts and Pooled Registered Pension Plans.

If you have any further questions about the changes to the OAS program, please visit www.servicecanada.gc.ca/retirement or contact a departmental representative by calling toll-free 1 800 O-Canada (1 800-622-6232).

I trust that my comments are helpful in addressing your concerns. Thank you for writing.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. La Salle', written in a cursive style.

Dominique La Salle
Director General
Seniors and Pensions Policy Secretariat
Income Security and Social Development Branch