

PROPOSED CPP SURVIVORS' BENEFITS

The proposals contained in the Consultation Paper have the objectives of bringing the Canada Pension Plan into compliance with the Canadian Charter of Rights and Freedoms, adapting the Plan to make it consistent with changing social needs, and ensuring fair treatment for present and future survivors.

The proposal contains four major components:

- a proposed new benefit structure for future surviving spouses;
- implementation provisions for a period of transition to the new structure;
- improved benefits for surviving children; and,
- improved benefits for current survivors.

Proposed new benefit structure

The Consultation Paper proposes a benefit structure which reflects the increased participation by women in the work force, which recognizes the increasing likelihood of both spouses being in the work force and the potential for homemakers to re-enter the labour force following the death of a spouse, and which attempts to provide benefits which do not discriminate on the basis of age or disability.

The proposed new benefit structure would replace the continuing survivor's pension with a higher surviving spouse's benefit over a short period of time; and would transfer a portion of the deceased spouse's CPP credits to the surviving spouse's account. This proposed new structure would affect only future survivors.

Temporary bridging benefits—Unlike the current structure in which benefits may be paid for the lifetime of the survivor, based on the survivor's age at the time of the death of the contributor, the new structure would provide a significantly higher benefit but only during a limited period of time. This would provide a "bridging benefit" to assist the survivor while attempting to re-enter the work force.

The proposed benefits for *all* survivors under age 65 would provide a much higher initial monthly benefit than the continuing pension currently provided monthly by the CPP. The Consultation Paper recommends the provision of a temporary, or bridging benefit equal to 40% of the average insured earnings of the deceased spouse, with a minimum benefit set at 40% of the maximum pension benefit. Since CPP retirement pensions are calculated at 25% of the average inflation adjusted insurable earnings, this proposed bridging benefit calculated at 40% can be as much as 160% of the maximum retirement pension benefit.

Unlike the current survivor's pension which is paid until age 65 (when it is recalculated) the proposed bridging benefit would be paid at the initial rate for three years following the death of the contributor or until the youngest dependent child reaches age seven. Two-thirds of the benefit would be paid in the year following and one-third in the final year. No surviving spouses' benefits would be received thereafter.