

The following aspects of the calculation — especially the limitations or “caps” — should be noted:

- (1) for a pensioner, supplements do not start until age 65; for a survivor not until age 60 unless the deceased spouse was receiving the supplements;
- (2) for a pensioner who retires at age 65, part of the first year of retirement is excluded;
- (3) those retiring before age 65 do not receive any supplement until *after* they reach age 65;
- (4) the effect of OAS bridging is eliminated in the calculation of the supplement;
- (5) supplement (i) applies only to retirement years (expressed in months) before January 1, 1987 and will remain the same throughout time;
- (6) supplement (ii) — the inflation supplement — is cumulative, with a cap of 2% multiplied by the number of years between eligibility and the year the calculation is done. The supplement will grow;
- (7) the total supplement — the amount of supplements (i) + (ii) — is capped to 50% of the 1986 YMPE. This cap will rise by 2% per year.

We stress that the formula described above must be tested by comparing the sum of the total supplement for each pensioner and survivor with the amount of the experience gain available. We consider the formula to be a maximum; if the experience gain is smaller than the sum of the total supplements, the formula must be adjusted. We strongly urge that in making an adjustment every effort be made not to reduce the amount of the previous years' supplement. Other measures which could be considered instead include, but are not limited to, the following:

- eliminating the automatic 2% increase of the YMPE cap, so that the cap becomes a constant;
- reducing the percentage of the increase in CPI from 50% to some lower number.
- increasing the waiting time between the date of retirement and the initial receipt of the supplements, e.g. age 66 instead of 65;