

(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

$$\text{number in total population} \times \text{proportion insured for disability benefits} \\ \times \text{prevalence rate} \times \text{benefit factor.}$$

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