

INTRODUCTION

Since its inception in 1966, the Canada Pension Plan (CPP) has played a role in protecting families against loss of earnings by providing a basic level of income protection in case of retirement, disability or death of a contributor to the Plan. Thus, the Plan has provided Canadians working outside the home with savings for retirement and insurance in case of death or disability.

The Canada Pension Plan was not designed to fully protect workers against loss of employment income. It was intended, rather, to provide basic income protection which reflects the pre-loss income level of the contributors. In the two decades since its implementation, Canada has undergone change. This change has required modifications to the CPP so as to bring the Plan more in line with the needs of today's working Canadians.

For several years, pension reform has been a priority for both federal and provincial governments. In December 1985 the Finance Minister, the Hon. Michael Wilson, announced in the House of Commons provisional agreement with the provinces on pension reform. The focus of these proposals, which came into effect in January 1987, was the financing aspects of the CPP.

Although addressed in several reviews, the issue of survivors' benefits for those under aged 65 proved particularly difficult. As a result, the Parliamentary Task Force on Pension Reform recommended only some modifications to survivors' benefits under the Canada Pension Plan and instead called for further study of the basic structure of survivors' benefits.

On 1 January 1987, modifications to the CPP survivors' benefits came into effect. These limited changes affected children's benefits, survivors' benefits on remarriage, and combined benefits.

First, for dependent children, the changes allow children of disabled or deceased contributors to receive up to two benefits in cases where both parents who contribute to the Canada Pension Plan either die or become disabled. Further, these benefits are now awarded independently of the child's marital status, i.e. even for children who have been previously married.

Second, since January 1987 survivors' benefits are no longer discontinued on remarriage. Widows and widowers receiving survivor benefits who remarry continue to receive these benefits. In addition, those who had had their benefits terminated on remarriage could apply to have these benefits reinstated.

Third, combined benefits were improved. Prior to January 1987, survivors who were eligible for both a survivor and a disability benefit could receive no more than one maximum retirement benefit. Since 1 January 1987, disabled survivors can receive up to the maximum retirement pension plus the higher of the two flat-rate portions (the "flat-rate" is the minimum benefit provided to any recipient). In addition the combined pension rules were changed so that survivors who were eligible for their own retirement benefits could receive the sum of both benefits up to the maximum retirement pension.