

Appendix 6

Disability Benefits

1. *General*

To qualify for a disability pension under the Canada Pension Plan, a contributor must be physically or mentally incapacitated to such an extent that he cannot regularly pursue any substantially gainful occupation and the disability must be of such nature that it is likely to be long continued and of indefinite duration or is likely to result in death.

The disability experience that will evolve under the Plan will depend not only on such factors as improvements in medical techniques, measures taken to prevent accident and disease and measures taken to rehabilitate disabled persons but also, to a significant extent, on the way in which the disability provisions of the Plan are interpreted and administered. It will therefore be clear that, until actual experience develops under the Plan, predictions of disability rates for the purposes of financial estimates must be viewed as broad approximations only.

A careful study of Canadian statistics relating to long-term disability, namely, Census data at decennial intervals, statistics from the Canadian Sickness Survey, 1950-51, and statistics developed from experience under the Disabled Persons Act, disclosed little information that seemed directly pertinent to probable future experience under the Canada Pension Plan. Thus, for purposes of the current estimates, disability rates were based almost wholly on disability experience that has developed under the OASDI system of the United States and on projections based on that experience.

To estimate the flat-amount part of disability pensions payable in any future year, the general method used was to develop for such year populations of disabled beneficiaries based on assumed proportions insured for disability benefits and disability prevalence rates and to apply benefit factors to those populations. The choice of proportions insured for disability benefits and prevalence rates, the development of benefit factors and the final computation of flat-amount benefits are described in section 2 below.

To estimate the earnings-related part of disability pensions payable in any future year, the general method used was to develop for such year average benefit factors for application to total population groups. Very generally, such average benefit factors were based on estimates of aggregate contributions made in respect of all beneficiaries in receipt of disability pensions. The development of these factors and the final computation of earnings-related benefits are described in section 3 below.

The methods described in the sections that follow apply almost completely to the development of benefits for years from 1975 onward. For 1970—the year in which disability pensions first become payable under the Plan—populations of disabled beneficiaries were developed by application of disability incidence rates based on experience under insurance contracts to estimated population groups of contributors insured for disability benefits at the beginning of the year. The amount of benefit payable in 1970 was calculated as 20% of an amount of benefit determined by multiplication of the developed populations by estimated average annual amounts of benefit applicable for that year. The 20% factor took account of the fact that disability pensions in respect of disablements in January, 1970, will be payable for a maximum of eight months during the year, pensions in respect of disablements in February for a maximum of seven months, and so on. (A basic underlying assumption was that disablements will be distributed uniformly over the calendar year.) For the years