

PRE-RETIREMENT AGE BENEFITS RECOMMENDATIONS OF THE STANDING COMMITTEE

The proposals contained in the Consultation Paper call for a temporary bridging benefit for survivors that would be significantly higher than that currently received, and higher than the pension benefit that would have been received by the contributor had he/she survived the retirement. As retirement pensions are based on 25% of the average insured earnings, by providing a bridging benefit equal to 40% of the deceased spouse's average insured earnings, the survivor would receive a temporary benefit equal to 160% of the earned pension of the deceased contributor.

In a written submission to the Committee, the Canadian Chamber of Commerce indicated its reservations about the level of this bridging benefit:

The Chamber is concerned that a benefit as high as \$834 a month (1987 dollars) should be payable, even if only for a temporary period, when the retirement maximum is only \$521 a month. Certain insurance and welfare elements for disability and survivor benefits are reasonable, but it would be dangerous if the CPP departed very far from the earnings-related principle.

The Committee is concerned that these benefits under the proposed structure are not better targeted. The elimination of benefits over the proposed five year period will harm survivors who will have difficulty adjusting to the death of the contributor, while at the same time offering relatively high (albeit, temporary) benefits to those in the labour force who may not require an adjustment period.

The Committee agrees that a supplementary amount may be of assistance in making the financial adjustment to the death of a spouse, however, the purpose of the supplement should be to provide a minimum necessary income to allow entry (re-entry) into the labour force. Other provisions for older, pre-retirement age survivors and for younger survivors with dependent children may be necessary. It is unreasonable to argue that a single, able-bodied survivor requires for this purpose 160% of the income of that required by a retiree and 267% of the income of the post-retirement age survivor without his/her own CPP credits. CPP expenditure should be more appropriately targeted.

To address the needs of the older survivor and those of the younger survivor, the Standing Committee has framed recommendations (numbers 2, 3, and 4 below) which address the specific needs of these groups. It is the view of the Committee that attention to these needs will modify the role which must be played by the temporary bridging benefit which can then better address the labour force readjustment needs of survivors.

It is the view of the Committee that the bridging benefit which is offered to survivors should always be offered either as a temporary benefit or as an actuarially-equivalent continuing benefit. Costs to the CPP would not be affected by this change, yet survivors would have the option of selecting the type of benefit, continuing or higher temporary benefit, which best suits their situation. This would have the greatest effect on the older survivors, those closer to retirement age, who may have the greatest labour force readjustment difficulties and who would receive relatively higher continuing benefits based on an actuarial equivalent.