Dr. Willard: Mr. Chairman, I have the figures now. The cost of living between January 1967 and January 1972 rose by 20.7 per cent. This would have meant an increase in the Old Age Security pension to $90.53. Such a rate of benefit would have cost $228 million more than at present or $166 million more than is now proposed.

The Chairman: Does this correspond to your estimates?

Senator Grosart: I said it would cost $18 million more for the annual cost-of-living increase.

Senator Carter: The new ceilings have risen now from $135 for a single person to $285 for a couple, both pensioners. It means that there are some people eligible under this legislation who were not eligible at the beginning of the year.

Dr. Willard: That is correct. We estimate it will be about 100,000.

Senator Carter: You have to go back and recalculate all these claims. What is the position where there is a couple and one of them dies during the month? Is the amount payable to the deceased? Is that paid to the widow, or is that recovered? What happens?

Mr. J. A. Blais, Assistant Deputy Minister, (Income Security), Department of National Health and Welfare: On the death of a pensioner, the payment to that pensioner for the month of death is payable to the estate, irrespective of the date on which death took place.

Senator Carter: What is the mechanism for doing that? Does the cheque have to be returned?

Mr. Blais: Not necessarily. If the cheque is endorsed by the executor of the will, if there is a will, or by the person who is looking after the affairs of the pensioner, it ceases after that.

Senator Carter: The legislation mentions adjustments in the consumer price index. I have been trying to figure out what that means. If the consumer price index is adjusted, say, upwards—because if it is adjusted downwards there is no change —if it was adjusted upwards in June, halfway through the year, does that apply retroactively or only at the date when the adjustment is calculated?

Mr. Blais: The adjustment every year takes place on April 1, at the time the program is renewed. All pensioners have to re-apply once a year for the renewal of the guaranteed income supplement. The adjustment takes place, as I said, on April 1, but it is based on the consumer price index up to September 30 of the year previous. That is to allow us time to print booklets at the new rates and have them in the hands of the public for renewal time in January or February, at which time T4 slips are issued as to income; and it takes us about four months to process applications upon receipt.

Senator Carter: I understand that. I do not think I phrased my question quite as I intended. What I was talking about is not the adjustment in the cost of living index that we are using. It speaks here about an adjustment in the base of the cost. In other words, you are going to develop a different method of determining the cost of living index, as i understand it—in the base of the index, not just the necessary adjustment in the one that we are using.

Dr. Willard: Senator Carter is probably referring to clause 6. If that is the clause he is referring to, that is to take care of the situation when Statistics Canada changes from time to time its consumer price index. If they change the basket of goods every so often, they have to revise the index. This clause is to make sure that our legislation will be adapted to the new index that might be adjusted to reflect a new time base or a new content basis.

Senator Carter: But there is nothing in this legislation to say that Statistics Canada will only make this new calculation with a new basket on April 1. They may do it some time other than April 1, so that you may have some cheques issued on the old basis. When the new one comes into effect, what happens then? Do you use the new one retroactively or do you just continue on?

Dr.Willard: I think, Mr. Chairman, the practice has been that when they come in with a new index they try to give some indication as to how it might reach back into the past. It will be that kind of problem that we will have to face at the time. Whether or not they carry along the old basket of goods a little bit into the future, or whether the new one will reach back, there will be this problem of trying to adjust to a new index of consumer prices. The only point of putting this in the legislation is to say that when this occurs we will go along, at it were, with the new base and with the new index.

Senator Carter: One last question: What would be the position of a couple, both pensioners, one of whom dies and leaves a life insurance policy of, say, $5,000 so that the surviving pensioner would have $5,000 in the bank. Would that interfere with the calculation?

Dr. Willard: The only thing that counts is the interest on it. In applying the income test under this type of program we are really talking, as it were, about the flow of income. In other words, we are not talking about the assets but the interest that comes from them.

Senator Carter: So that a person could have any amount of money in the bank and continue to draw some guaranteed income supplement as long as he is not disqualified by the amount of interest.

Dr. Willard: The interest is used as the income in order to determine how much of a guaranteed income supplement will be received. The asset itself is not considered.

Senator Carter: Have you calculated now how much extra income a person can have before becoming disqualified?

Dr. Willard: Yes, I have it here. Under the proposed plan the cut-off income level for a single person will be $1,632.00; for a couple, $2,880.00 each; and for a married pensioner, $4,258.56, that is exclusive of old age security, of course, which has to be added.

Senator Carter: Yes.