



## North Shore News Column.

### Older & Wiser

By Tom Carney

# Canadians to wait longer to collect OAS

By Tom Carney, Special to North Shore News April 29, 2012

PENSIONS are back in the news.

Last year there was a debate around what to do with the Canada Pension Plan.

This year the focus is on Old Age Security (OAS). Currently the OAS pension is available starting at age 65. The Guaranteed Income Supplement (GIS), paid to about one-third of seniors, begins at 65. The Allowance is paid from ages 60-64.

What's got the government rattled? In a word: demographics. With an aging population and a dwindling workforce, existing pension promises become ever more expensive and, according to government, not sustainable.

After months of playing coy about their intentions the Conservative government took action.

Starting in 2023, Canadians who are 54 and younger will have to wait two more years before becoming eligible to collect OAS and the GIS.

The news came as no surprise, except for the fact that the GIS is to be included in the new eligibility requirement. After all, we are talking about the poorest seniors here.

The original threshold to receive OAS was age 70, but it was lowered in increments in the late-1960s to 65.

A national survey conducted by Ipsos Reid in February found threequarters of Canadians opposing raising the age for OAS eligibility. The government defends the decision noting that among the G8 countries, the United States, the United Kingdom, Italy, Germany, France and others have already made upward changes to their retirement age. And, they point out that not a cent will be cut from pensioners or those who are approaching retirement. Good news for those on the right side of the cutoff - those 55 and older - as well as those who can benefit from the newly announced automatic enrollment feature and deferral bonus for OAS.

The automatic enrollment feature and an enhanced benefit for those who wait to take their payments are both new features for OAS. Bad news for those on the wrong side of the cutoff - persons aged 54 and younger - who stand to lose two years of OAS payments - which on average works out to be \$25,000 for a single person, double that for a couple.

Who is likely to suffer the most? The poorest of the poor, namely senior women living alone, without other retirement or pension income.

Let's cut to the chase here. Are our future pension commitments a threat to our public finances? The short answer is no. Currently the cost of the OAS, the GIS and the Allowance programs are equal to 2.36 per cent of GDP in terms of expenditures. That figure rises to 3.14 per cent of GDP in 2030 and falls back to 2.33 per cent of GDP (which is even lower than it is today) by 2060.

Those figures come from The Office of the Chief Actuary, a government agency. Kevin Page, the country's budget watchdog, took a look at the figures and concluded not only is the OAS in its present form sustainable, it has room to grow. Note to Mr. Page - even if you are right, making your bosses look bad, seldom works in one's favour.

So, was the change in the age for OAS eligibility really necessary? Yes and no. The government may have reasons for making the change to the OAS but it doesn't have anything to do with the sustainability of the pension system. Reining in OAS payments means that the government now has a little more room to deal with some other fiscal challenges.

Making sure that our social programs are sustainable is good public policy. Balancing the budget on the backs of some of our poorest seniors is not.

It's unconscionable and this government should be ashamed of themselves.

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