

Estimate for the entirety of Bill C-221: An act to amend certain Acts in relation to survivor pension benefits



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This analysis provides the estimated gross expenditure for the entirety of Bill C-221, including the aspects pertaining to veterans.^{1,2} Currently, in certain situations, the spouse of a deceased pensioner is not eligible for a survivor pension. This occurs if the pensioner and the spouse married or began cohabiting in a conjugal relationship after the pensioner retired (in the case of the federal Public Service, Federally Appointed Judges, members of the House of Commons and Senators) or retired and was at least 60 years old (in the case of veterans and the RCMP). Under Bill C-221, all of these spouses would become eligible for survivor pensions.³ The PBO estimates the expenditure from the Bill with an effective date of January 1, 2023.

5-Year Expenditures from pension plans

\$ millions	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Gross expenditure	68	280	302	326	354	1,330

Notes

- Estimates are presented on a cash basis. Estimates would be subject to adjustments based on appropriate accrual calculations.
- Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

Estimation and Projection Method

To determine the number of veterans' spouses that would become eligible for a survivor pension as a result of this Bill, the number of surviving spouses ineligible for survivor pensions due to having entered into a relationship with a veteran after the year in which the veteran turned 60 years old was provided by Statistics Canada for the year of 2018.⁴ This number of ineligible spouses was adjusted for non-veteran groups using data from relevant agencies about each group's average retirement age and current population of survivor pension recipients.

¹ The PBO previously published an estimate about the part of this bill that pertains to veterans. <https://www.pbo-dpb.ca/en/publications/LEG-2223-009-M--cost-estimate-veterans-portion-bill-c-221-an-act-amend-certain-acts-in-relation-survivor-pension-ben--evaluation-cout-partie-projet-loi-c-221-loi-modifiant-certaines-lois-ayant-trait-prestations-pension>

² The PBO expects that pension plan contributions would increase in order to offset the pension plan expenditures induced by this Bill. However, the scale of the expected increase in contributions could not be estimated. The increase in contributions and the pensions that newly eligible survivors would receive would have an impact on federal personal income tax revenues, but this impact is not estimable at this time.

³ For the purposes of this costing, a "survivor pension" means a full survivor pension, and not an Optional Survivor Benefit. See the "Sources of Uncertainty" section.

⁴ The equivalent information was not available for the other groups.

To project to 2027, for each group, the growth rate of survivor pension recipients was used to estimate the growth in surviving spouses who would newly receive benefits under the Bill. These new recipients were assumed to receive the same average pension amount as current survivor pension recipients. The pension amounts were assumed to keep growing at their current rate. The PBO then multiplied the number of new recipients by the average annual pension amount.

Sources of Uncertainty

The main sources of uncertainty stem from pensioners who are currently contributing to an Optional Survivor Benefit (OSB) and current survivors in receipt of an OSB.⁵ The effect of these pensioners switching to full pensions and survivors switching to full survivor pensions was not taken into account due to a lack of data. A behavioural response was not incorporated.

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Data Sources

Variable	Source
Number of survivor spouses currently ineligible for survivor benefits due to having entered a relationship with a Veteran after the year in which the Veteran turned 60 years old	Statistics Canada
Various pension data before 2021	Actuarial Reports on the Pension Plans for the Canadian Forces, Federally Appointed Judges, Members of Parliament, Public Service of Canada and Royal Canadian Mounted Police
Various pension data for 2020 and 2021	Public Service and Procurement Canada

Supplementary Table: 5-Year Pension Plan Expenditure by Pension Group

\$ millions	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Public Service	44	180	196	212	230	862
Veterans	18	73	76	78	81	326
RCMP	4	17	20	24	29	96
Federally Appointed Judges	2	8	9	10	11	39
House of Commons	0.3	1.2	1.3	1.3	1.4	5.5
Senate	0.1	0.4	0.5	0.5	0.6	2.1

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⁵ A pensioner with a partner who would not be eligible for a survivor pension can choose to receive a lower pension amount while they are alive so that if they die before their partner, the partner will receive an OSB, which is a partial amount of survivor pension.