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Chair

Mr. Dean Allison

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• (1535)

[English]

The Chair (Mr. Dean Allison (Niagara West—Glanbrook, CPC)): Pursuant to the order of reference of Tuesday, January 30, 2007, Bill C-36, an act to amend the Canada Pension Plan and the Old Age Security Act, I want to call the meeting to order.

I want to welcome Ms. Scotti and her team. We're going to give you a few extra moments today to outline what you have for us, and then some rounds of questions will proceed afterwards.

Ms. Scotti, if you would like to just proceed, take all the time you need.

Mrs. Susan Scotti (Assistant Deputy Minister, Social Development Sectors Branch, Department of Human Resources and Social Development): Thank you very much, Mr. Chair.

I'm very pleased to be able to be with you today to provide an overview of the amendments to Bill C-36. We have prepared some presentation material, so I'm going to walk you through that material. It essentially does several things.

[Translation]

But before that, I'd like to introduce my colleagues who are with me here today.

[English]

Madame Marla Israel, director, international policy and agreements, Seniors and Pensions Policy Secretariat; Nancy Lawand, director general of the Canada Pension Plan Disability Directorate; and Réal Bouchard, senior adviser, Department of Finance.

There are three things I would like to do today with this opportunity to speak to Bill C-36. First is to tell you a little bit about the circumstances that led us to develop the proposed amendments that you are considering today. Second is to provide you with a brief overview of some of the basic eligibility criteria for the OAS and the CPP. I'm sure that many of you have received calls, sometimes good, sometimes not so good, about our programs. As there's some complexity attached to them, I thought, with your indulgence, it might be an opportunity to give you a little bit of background on them.

Third, I just want to walk you through the proposed amendments, first under the CPP and then under the OAS, and then I'll discuss the amendments that apply to both. Then, of course, I'll take your questions.

[Translation]

First, why are we changing the legislation?

[English]

In large part, many of the amendments proposed in Bill C-36 began with suggestions that we received from Canadian citizens, through their letters, through meetings that we've been having with seniors organizations, and through the interactions that they have with all of you as parliamentarians.

Amendments to the CPP and OAS don't happen frequently, given that both pieces of legislation are quite complex. We took the opportunity to bundle a number of amendments together. The first trigger for these amendments was the triennial review of the Canada Pension Plan, which was completed this past June. As many of you know, federal-provincial-territorial ministers of finance who are joint stewards of the plan recommended two significant changes, which I'll come back to in a moment.

In addition, we had some observations from the Auditor General regarding the compliance provisions in the Old Age Security Act with respect to the Financial Administration Act. These two events provided the impetus for changes to both pieces of legislation. While the changes that are being brought forward are largely of a technical nature, they do represent very important changes that will improve the administration of benefits and remove some of the anomalies that have caused frustration for our clients in the past. They will also improve access to the benefits for seniors and streamline the delivery of those benefits in order to strengthen the accountability and fairness within Canada's public pensions.

If you go to slide 8, I'll move to a description first of the old age security program. The old age security program goes back to 1952 and is the first of the three tiers of Canada's retirement income system. It provides a basic pension to the majority of Canadians who are age 65 and over and is funded from general tax revenues of the government. There are three related low-income benefits that are tied to the OAS, the guaranteed income supplement, the allowance, and the allowance for the survivor. The latter two benefits are available to persons between the ages of 60 and 64. In 2005 and 2006 benefits were provided to over four million Canadians who received close to \$30 billion through these programs.

On slide 7 there's a little bit of information on the basic rules of eligibility of the program. In order to qualify for an old age security benefit, a person must be over 65 and have acquired at least 10 years of residence after the age of 18, if applying for the benefit from Canada. If applying for the benefit from outside the country, a person must have acquired 20 years of residence after the age of 18. The only exception to these rules is if a person has lived or worked abroad and has received benefits through our 50 social security agreements that are now in place and that allow the pooling together of periods in both Canada and other countries in order to meet the minimum eligibility requirements of the OAS and CPP. The supplement is a low-income supplement that is paid to those who are receiving GIS and whose annual income is below a minimum threshold, which is at \$15,000 a year for a single individual excluding OAS and \$20,000 a year for married or common law pensioners.

Income is reassessed every year through income tax information provided to us by the Canada Revenue Agency. A maximum OAS benefit is close to \$500 a month and is paid to individuals who have acquired 40 years of residence.

● (1540)

The Chair: Ms. Scotti, if I could just mention, I think that our numbers are slightly different from yours. It may be causing some of the members some confusion.

I believe we're on "Canada Pension Plan", which is page 6 for us. It's just so everyone is on the same page. We're all moving along. We just have different numbers, I believe.

Mrs. Susan Scotti: Okay. I'll just refer to the title of the page so that we can follow on the same page.

The Chair: Perfect. Thank you very much.

Mrs. Susan Scotti: I'm now on the slide called the "Canada Pension Plan".

My apologies for the confusion.

[Translation]

The Canada Pension Plan is the second component of Canada's retirement income system, the third being the private pension plan, RRSPs. As I said earlier, the plan was created in 1966, and the federal and provincial governments are its joint stewards.

[English]

The different types of benefits under the Canada Pension Plan include a retirement pension, disability, survivor, and children's benefits. In 2005 about 4.6 million people received benefits from the Canada Pension Plan, of which retirement benefits totalled \$16 billion, disability benefits about \$3 billion, almost \$4 billion was paid out in survivor benefits, and \$500 million paid out in death benefits.

The next slide outlines a few more details on the Canada Pension Plan. Unlike the OAS, the Canada Pension Plan is funded from contributions that are made to the plan that are shared equally between the employer and the employee. Presently, the contributor rate is fixed at 9.9% of earnings from a minimum of \$3,500 to a maximum of \$42,100 in 2006. A self-employed worker pays the full amount of both these contributions on gross earnings.

The plan is funded by employer-employee contributions, as well as revenues from investments and earned interest, all of which is managed at arm's length by the Canada Pension Plan Investment Board, which was created in 1998 as part of the wider package of CPP reforms that ensured that the plan continued to be on a sound financial footing for future generations. One point to note here is that if this legislation passes the House of Commons and the Senate, orders in council from the provinces will still be required to bring the new legislation into effect.

The next slide looks at the summary of the proposed amendments to the CPP. I will quickly walk you through some of those.

The first recommendation relates to the existing financing provisions of the Canada Pension Plan. Under current legislation, there is a requirement that for any new benefit or any change that enhances benefits, the enhancement must be paid as the benefit is earned by the contributor. If it is not, it must be amortized and paid for over a limited period of time in order to avoid having future generations of Canadians cover the costs for the existing generation of contributors. These provisions came about in the 1998 reforms.

However, the current legislation does not have sufficient detail to be able to describe how to calculate the full cost of benefit enhancements, or to establish how the costs of a brand-new benefit would be estimated in the future, if this were to happen. The purpose of the proposed amendment is to provide the government with regulation-making authority that would set out the detailed calculation of how the existing full funding provisions would be applied. It would set out the public reporting of these costs, and it would clarify the contribution rate setting when such costs are present.

While this may appear to be a relatively minor adjustment to the CPP legislation, it is one that is very important to the mathematician of the plan, the chief actuary, in order to facilitate the actuarial work and make it easier to explain to Canadians in a transparent manner any proposed changes to the plan and how they would be funded.

The next change relates to these disability benefits. In 1998 a series of measures were adopted to enhance the sustainability of the Canada Pension Plan. At that time, the rules around the qualifications for CPP disability were changed so that a person had to have four valid years of contributions to the CPP out of the last six years in order to qualify for benefits.

In the process of the triennial review, federal-provincial ministers recommended that the present eligibility requirements for long-term contributors to the CPP be modified so that anyone who has had 25 years of contributions to the plan would be able to qualify for a disability benefit with three years of contributions in the last six years, instead of the present four-out-of-six requirement.

● (1545)

The proposed change could potentially expand disability coverage to some 80,000 contributors and result, to use a rough estimate, in about 3,700 contributors and 840 of their children receiving disability benefits by 2010.

The next change is about the statement of contributions online. Because we had this opportunity to open up the legislation as a result of the CPP triennial review, we also put forward a number of administrative measures to modernize service delivery and streamline access to benefits under both the Canada Pension Plan and the Old Age Security Act.

The first such example is to enable Canadians to view online their statement of contributions to the Canada Pension Plan. Currently the legislation specifies that a record of earnings can only be requested once a year. This does not exactly conform to what citizens want or to the fact that we now have advances in modern technology that make the statement of contributions available online to Canadians. In order to better conform with what citizens want, there's no longer a need to restrict access to the statement of contributions to once a year only. Canadians will now be able to view their own contributions as often as they wish and request their statement of contributions more than once a year, whether by paper or electronically.

The next slide is about credit splitting. This is a provision in the legislation allowing pensioned credits to be divided equally between two partners whose legal marriage or common law union has ended. This division is called credit splitting.

For persons divorced before 1987, the legislation provides divorced couples with the opportunity to waive existing time limits and to initiate a credit split, as long as both spouses agree to do so in writing. However, the provisions for common law partners are not the same as those for married spouses. If you take John and Sally, for example, whose common law relationship broke up in 2003, the existing CPP rules state they only have until 2007, or four years, to initiate a credit split. Because some have found this requirement frustrating and rigid in its application, we're proposing to change the provision to allow the existing time limit to be waived, as long as both partners agree to do so in writing, and thereby to treat married and common law partners in the same fashion.

I'm going next to the old age security amendments.

• (1550)

[*Translation*]

The proposed amendments are divided into four areas: simplifying access, achieving equitable benefit entitlements, implementing recommendations of the Governor General, and clarity of legislation in both official languages.

[*English*]

On the next slide, simplifying access to and delivery of benefits, the first significant change relates to accessing the guaranteed income supplement. I know that this committee has heard a lot about the frustration that citizens have around the access to the guaranteed income supplement. One of the issues is the fact that under the current legislation citizens now have to apply separately for the OAS and the GIS, and seniors are currently forced to reapply whenever their income changes and their income level has affected their eligibility. When a person's income goes above the allowed threshold, the person is no longer entitled to receive the benefit, and again would have to reapply in writing in a subsequent year when they became eligible.

To explain this better, I'll give you an example. Let's take Mary, who at age 65 received GIS benefits until the age of 68, at which time she received a windfall inheritance that changed her income level. Because her income rose, she was no longer entitled to a GIS benefit until the age of 80, for example, when her income went down again. Under the current rules, Mary would have had to reapply for the benefit in writing, and it's possible that she could have fallen through the cracks because Mary might not have known that she had to reapply for this benefit in writing.

Under the proposed amendment, Mary will be able to use a new common application form to apply for the OAS and the GIS at the same time. Not only that, Mary will also be able to let us know that she would like to receive the GIS benefit for the rest of her life as long as she remains eligible. Once an initial combined OAS-GIS application has been made, this will assure her continued eligibility for the rest of her life. So long as we can obtain income information and information about the marital status of an individual applicant from their income tax records, the benefit would be paid to pensioners in any year that they meet the income requirements. This amendment will largely prevent seniors from falling through the cracks. We want to simplify the administration of the benefit and reduce the paper burden so that seniors can receive all of the benefits to which they are entitled.

I'm moving on to the next slide now, which is simplification of access to and the delivery of benefits. This amendment is about enabling the federal government to enter to agreements for the administration of certain provincial low-income benefits. While current legislation allows the federal government to administer provincial benefits—that is, we pay low-income GIS benefits and provincial low-income benefits on behalf of the province of Saskatchewan and the Northwest Territories—we do not now determine the entitlement to those benefits. Doing so would simplify the administration of low-income benefits for many provinces that already rely on the GIS eligibility to determine the eligibility for provincial benefits. The proposed amendment would permit the federal government to determine eligibility and to calculate the benefits for a senior with respect to both provincial and federal low-income benefits. The provision would rely on agreements that would be signed between the interested provinces and the federal government that would establish the terms and conditions for these arrangements.

The next slide is on simplifying the reporting of income for couples and seniors. This is something that we call options. It is a complicated provision at the moment, which we are trying to simplify. The legislation currently allows seniors who retire or who suffer a loss of earnings or a reduction in pension in a given year to provide an estimate of their current income in order to qualify for the low-income benefits. Applicants are required right now to estimate income from all sources, whether it's employment, interest from investments, or pension income. This process can be very cumbersome because it is difficult to accurately predict all of your income from all sources.

•(1555)

The proposed legislation would limit the estimated income to pension and employment income only, which is much easier to predict on an annual basis and predict accurately.

It will also extend the time limit for seniors to submit an estimate of their income, because the current deadlines can be very tight. This change, we think, will be very welcomed by low income seniors, because it will mean fewer adjustments, and it will simplify the administration by greatly reducing the complexity of this provision.

The next slide is “Application Withdrawal”. Currently, the Old Age Security Act does not allow for a person to withdraw his or her application for benefits once it has been submitted and payments have started. Seniors have asked us to look at this, because they would like to have some additional flexibility.

For example, sometimes seniors have miscalculated what they can expect to receive in OAS payments and they may want to defer the receipt of their pension to another year. Or they may have received additional income from dividends and may not want to increase their overall income at age 65 because they may still be working, or may want not to apply for the OAS benefit just yet, in order to keep their income relatively modest for income tax purposes.

While this appears to be a minor fix, it's relevant to seniors who want the ability to withdraw their application if they so choose.

The next slide is about “Achieving Equity in Benefit Entitlements” through two proposed changes. The first is about income-tested benefits and eligibility for income-tested benefits.

These income-tested benefits are provided to seniors to help them meet their daily living needs; however, the current legislation allows an estate to also make an application for GIS benefits on behalf of the deceased. This provision would be changed to only allow the living person to benefit from the supplement to which he or she is entitled.

The second relates to income-tested benefits for sponsored immigrants. As I explained earlier, the OAS benefits are not based on a person's citizenship but on a person's residence. Currently, there are provisions that allow the payment of an OAS pension to someone with less than ten years of residence if they lived or worked in a country with which we have a social security agreement.

In 1996, the legislation was amended to recognize the financial obligation of sponsors to look after a family member during the length of the sponsorship, for persons receiving benefits under social security agreements. However, the words “Canadian citizens” were left out of the drafting of the original legislation, which inadvertently created a difference in treatment between permanent residents and those who become Canadian citizens during the period of their sponsorship, allowing the latter to receive pro-rated GIS benefits during the sponsorship period.

The proposed legislation is designed to respect the integrity of the residence-based OAS program by treating all categories of persons the same, regardless of citizenship. Pro-rated GIS benefits are still available to non-sponsored immigrants from agreement countries, as well as sponsored immigrants whose sponsors have passed away, become bankrupt, or become incarcerated.

I just have a couple of more slides, and then I will end. The next is “Implementing the Recommendations of the Auditor General”.

There is a series of amendments to both the OAS and CPP; these are the common amendments to both legislation.

The first relates to observations of the Auditor General, who recently noted that the Old Age Security Act and by extension the Canada Pension Plan were not in compliance with the provisions of the Financial Administration Act, because unlike what the Financial Administration Act states, neither the OAS nor the CPP collects interest on overpayments.

The proposed legislation will formally recognize that the government does not wish to charge interest to seniors and will exempt the OAS program and the CPP from the provisions of the FAA that oblige the programs to charge interest.

•(1600)

The Auditor General also recognized that the existing penalty provisions in the OAS Act were never brought into force. Penalties were supposed to be assessed in cases of deliberate misrepresentation or fraud. The proposed provisions would ensure that both acts are in compliance, as recommended by the Auditor General.

There are some other proposed common amendments. They are identified on the next-to-last slide. These relate to broader access by Canadians to electronic services that would provide the ability to apply for benefits online, which current legislation does not allow for.

Another proposal would ensure that information can be shared with third parties other than those who have been specifically listed in legislation—for example, advocates and lawyers. The amendments would enable seniors to share information with family members in order to facilitate the application process and the administration of their benefits throughout their lifetime.

Finally, some of the provisions propose to update the French translation of certain sections that have been noted not to be coincident with the English versions in the past.

I've come to the end of a very long presentation. You have my apologies for the length of it.

In conclusion, I'd like to say that we think Bill C-36 will provide greater access to pension benefits, strengthen the administration of the program, hopefully simplify some of the red tape that's involved in it now, and implement many of the suggestions and recommendations for improvements that have come from Canadians and from your committee.

Thank you very much, Mr. Chairman.

The Chair: Thank you, Ms. Scotti.

We're now going to move to our first round of questions. Mr. Savage will start.

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Thank you, Mr. Chair.

I suspect I might split my time with Ms. Dhalla; I'll try not to use all the time.

Thank you very much for coming and presenting the recommended changes and the reasons for them.

I'd like to ask some questions on old age security. How many Canadians are on GIS, and how many are on the allowance now?

Mrs. Susan Scotti: Our estimate is about 1.5 million GIS recipients. I'm not sure about the specifics for the allowance.

Ms. Marla Israel (Director, International Policy and Agreements, Seniors and Pensions Policy Secretariat, Social Development Sectors Branch, Department of Human Resources and Social Development): There are 67,000 females who receive the allowance and 5,000 males who receive the allowance.

Mr. Michael Savage: Did you say 1.5 million on GIS?

Mrs. Susan Scotti: That's right.

Mr. Michael Savage: Did you say it's \$15,000 for a single and \$20,000 for a couple?

Ms. Marla Israel: Different thresholds are available for the GIS. I have the table of rates right here. It would make it a little easier and simplify it, if you want to see that.

Mr. Michael Savage: It looks like a Lotto card.

Ms. Marla Israel: They're for everybody, but one of the most important things to note is that if a person who is single has an income above \$15,000 a year, the person is no longer entitled to receive the GIS. Then there are different categories, and the thresholds differ with respect to whether a GIS recipient is married to a non-pensioner, or if the GIS pensioner is married to another GIS pensioner. The income thresholds will vary in those cases.

• (1605)

Mr. Michael Savage: I suspect the committee has looked at this before, but being new to the committee, I'll ask how many Canadians would be eligible. I know it's an estimate, but is it a significant problem with Canadians who are eligible for a GIS and the allowance but don't access it, for a variety of reasons?

Mrs. Susan Scotti: There have been different estimates of those numbers over the years. I think this committee in 2001 estimated that potentially 200,000 Canadians might be eligible for the GIS—

Mr. Michael Savage: I'm sorry, how many?

Mrs. Susan Scotti: In 2001 it was...300,000 who were not accessing the GIS benefit.

I think currently our estimates are that it might be closer to about 100,000. It's difficult to get into the numbers game, because there are a variety of reasons that individuals either might not apply for the benefit or might not be eligible to receive the benefit.

Mr. Michael Savage: What kinds of efforts does the department make to reach those people?

Mrs. Susan Scotti: There are many and different extensive efforts that we undertake to reach as many Canadians as we possibly can who we think are eligible for the GIS—outreach activities, actually sending out people to remote and rural communities where there are aboriginal populations, or in areas where there are immigrant populations where literacy might be an issue. So it's a very proactive,

concerted effort in that regard. We mail out information to individuals.

Since 1999, I can say that as a result of the mail-out of the pre-filled GIS applications, we've been able to add 250,000 seniors to the benefit. This is since 2002, and these efforts continue very actively. We have many active partnerships with aboriginal communities and homeless Canadians, so the vulnerable populations are very much a focus of our outreach activities. We're constantly looking for innovative ways by which we can reach the non-tax-filers, because we know that we can reach everyone who files an income tax return, but very often, if the individual has not filed a tax return, we do not know who they are or where they might be.

Mr. Michael Savage: Will waiving the reapplication have an impact on that at all? Should it be helpful?

Mrs. Susan Scotti: We think it will have quite a significant impact, because it will mean that people whose income might fluctuate and might forget to reapply would be captured as a result of the single filing of the single application form. The onus would then be on us to get the financial information through the income tax forms. We think that measure will go a very long way to closing the gap.

Mr. Michael Savage: Okay.

Towards the end of your presentation, you spoke about information sharing, proposed changes, expanding the group of third parties. You mentioned advocates and lawyers. You're talking about advocates on behalf of the pensioner, as opposed to any other third party that might get more information from this? There are no privacy implications on this bill?

Mrs. Susan Scotti: No, there aren't privacy implications. We have checked on that. The intent here with that provision is to allow an individual to have someone with them who would be able to facilitate the application process and answer questions on their behalf when they can't do it themselves.

Mr. Michael Savage: People such as members of Parliament.

Mrs. Susan Scotti: It would extend the scope of the individuals who can now do that.

Mr. Michael Savage: Okay.

How much time do I have?

The Chair: You have about 45 seconds left.

Mr. Michael Savage: Okay. Let me ask one other question, then.

Is there a big demand for allowing people to go in and have a look at their CPP online? Is that something that you have heard a lot from people, that they want to do that, go in and have a look at their record online?

• (1610)

Mrs. Susan Scotti: It's a growing demand as seniors become more technologically savvy and have access to the Internet. I can't give you numbers.

Ross MacLeod is here, from Service Canada. He might have numbers. Do you mind if he fills in?

The question is about the number of people asking for a statement of contributions online.

Mr. Ross MacLeod (Associate Assistant Deputy Minister, Service Canada - Processing and Operations, Department of Social Development): We receive many thousands of requests a year for statements of contributions from working-age individuals—because the people who are paying into the program are actually mostly working-age people. With the advent of the Internet, and so on, people want to be able to check up on their account. We also use that as a way to push information out to clients about the availability of programs.

Mr. Michael Savage: So it's not just people who are drawing CPP, but people who are paying in, as well, can go in.

Mr. Ross MacLeod: It would mostly be people who have paid in, because they're still contributing at that point.

Mr. Michael Savage: Thank you very much.

The Chair: Thank you, Mr. Savage.

We're going to move now to the Bloc. Mr. Lessard, you have seven minutes, please.

[Translation]

Mr. Yves Lessard (Chambly—Borduas, BQ): Thank you, Mr. Chair.

I want to thank our guests for coming to inform us as they're doing now.

Ms. Scotti, in order to get our bearings in time and to better understand the amendments we're considering, we often have to remember certain paths taken. You're the assistant deputy minister in the Social Development Sectors Branch. So you're responsible for management of these programs.

Mrs. Susan Scotti: Yes, I'm the person responsible.

Mr. Yves Lessard: How long have you been there, Ms. Scotti?

Mrs. Susan Scotti: It's been nearly three years.

Mr. Yves Lessard: It's been nearly three years, so...

Mrs. Susan Scotti: I also have a colleague who is responsible for program delivery at Service Canada.

Mr. Yves Lessard: All right.

Bill C-36 is a positive initiative for seniors, particularly with regard to the Guaranteed Income Supplement.

To what extent will the fact that you no longer have to apply for this supplement every year mean that more people will receive it?

Mme Susan Scotti: My colleague will answer.

Ms. Marla Israel: I'll start in French, then perhaps continue in English.

It's hard to predict exactly how many people will benefit from the amendments made to the act. However, it's clear that we have to avoid having a person who is entitled to the supplement be unable to have access to it.

[English]

I'll switch to English.

I think the change is going to be absolutely significant. When I look at the circumstances of what we're already doing from a program perspective to reach out to as many Canadians as we possibly can, and when we've heard about the frustration of those individuals, then I think having one common application form for old age security and the guaranteed income supplement will make a difference.

Coupled with the outreach efforts that are under way, as Mrs. Scotti already explained, I think it will get the word out. We'll continue to try to get the word out as much as possible.

On the application, ticking off a check, and saying yes, I would like to receive the benefit for as long as I'm entitled, will make a difference.

[Translation]

Mr. Yves Lessard: Will individuals who file income tax returns be able to receive the Guaranteed Income Supplement solely on the basis of that return, or will they also have to apply for it?

• (1615)

Mrs. Susan Scotti: No, they would receive their benefits.

[English]

They would get the benefits provided that the variation in income still rendered them eligible and they didn't go above the allowed income threshold.

[Translation]

Mr. Yves Lessard: Will that be automatic, or will they have to reapply?

Ms. Marla Israel: Under the legislation?

Mr. Yves Lessard: Yes. Let's suppose, for example, that I'm entitled to the Guaranteed Income Supplement. I have an income, and I file an income tax return, but I don't clearly understand the language or I have a disability. There are many reasons why a person does not file an application. Would filing my income tax return be sufficient to get the Guaranteed Income Supplement?

Ms. Marla Israel: Thank you for your question.

If a person's income makes that person eligible for the program, but that person does not file the initial application to receive the Guaranteed Income Supplement or Old Age Security, we'll send that person one or the other of those benefits. It's an implementation question. Since that person hasn't filed an initial application, that person will be sent the benefit for which he or she is eligible based on income. Once that person has filed an initial application, it will be valid for the rest of his or her life.

Mr. Yves Lessard: So you are going to monitor whether the person hasn't filed an application and you believe that he or she is eligible?

Ms. Marla Israel: Yes.

Mr. Yves Lessard: Are you going to follow up in order to take action with that person?

Ms. Marla Israel: Absolutely.

Mr. Yves Lessard: I'm going to go back to past years. As you said so well, Ms. Scotti, we discovered in 2001 that 300,000 individuals were entitled to the Guaranteed Income Supplement but were not claiming it. In Quebec, there were 68,000 persons. If we were able to state the number of persons, that means that we knew who they were.

As you'll no doubt remember, the Bloc québécois, more particularly the member for Saint-Maurice—Champlain, Mr. Gagnon, traced 42,000 of those individuals. That represented the sum of \$95 million, which is enormous. During all those years, those people were entitled to this supplement, but were not getting it.

Why weren't they getting it, whereas the Income Tax Act enabled us to reach them and to pay them their Guaranteed Income Supplement?

[English]

The Chair: Just a quick response, as we're out of time.

Mrs. Susan Scotti: Will you give me...? Should I answer?

The Chair: Yes, definitely, please answer the question.

Mrs. Susan Scotti: There may be a variety of reasons why these people were not eligible. They may not have had the necessary years of residence, or their income situation may have changed. So over and above the fact that they might not have known they had to apply, there might have been reasons in their instance for why they may not have been eligible for the benefit. There are also many cases of eligible seniors who have declined the benefit, for a variety of reasons, and don't ever want to apply. And there are lags in time in terms of when the department obtains tax data, mails an application, receives it back and determines eligibility.

So there are a variety of reasons why you may have a certain number of people who are not obtaining the benefit at any one point in time. I don't know the numbers, because I don't recall the figures that were in that report.

The Chair: That's all the time we have. Maybe someone else will pick up the question.

We're going to move to Ms. Charlton, for seven minutes please.

Ms. Chris Charlton (Hamilton Mountain, NDP): Thank you, Chair.

I have a number of questions. The first one, though, is just a clarification. In regard to interest recovery, I thought I heard you say that interest would not apply for overpayments made to seniors. Is that right?

•(1620)

Mrs. Susan Scotti: That's correct.

Ms. Chris Charlton: So am I misreading proposed subsection 66 (2.01), which says, "Interest payable under this Part constitutes a debt due to Her Majesty...?"

Mrs. Susan Scotti: Here's the sequence that's going to happen. Currently the Financial Administration Act requires that we pay interest. Because there's a void in the current OAS legislation, and consequently in the CPP, saying you don't have to pay interest, the rules of the Financial Administration Act apply by default. So what

we're doing here is amending the legislation so that it explicitly states we will not require interest—

Ms. Chris Charlton: I'm sorry, but where is that amendment?

Mrs. Susan Scotti: We would provide regulation-making authority to articulate the circumstances under which—

Ms. Chris Charlton: Okay, so I won't actually find it in here?

Mrs. Susan Scotti: No, you won't find it in there.

Ms. Chris Charlton: Okay, but you're promising me it'll be in the regulations?

Mrs. Susan Scotti: The details will definitely be in the regulations, yes.

Ms. Chris Charlton: Okay, that's all good.

Let me just ask a couple of other questions. There are some larger policy questions that I know aren't appropriate to put to you at this time, but with respect to the GIS, can you explain to me whom those people might be who would say, oh no, I don't want to collect the GIS when I'm eligible for it, because I have too much money already? It just seem inconceivable to me that this check-off box needs to be there, when we're trying so hard to reach potential GIS recipients.

Why add that extra barrier to them getting their benefits?

Ms. Marla Israel: I hear you.

A lot of the times I think the impression is left that governments have a lot of information already and that the information is shared. To a certain extent, it is. The relationships between the Canada Revenue Agency and this department have improved significantly over the years.

Let me give you an example. When a person applies for the old age security benefit, it's based on a person's individual residence. On the application form, there's no need to inquire about marital status or a person's income. That's an important consideration for the guaranteed income supplement, because you need that information in order to assess accurately the payment of the benefit.

On income tax information alone, we wouldn't have the information with respect to marital status and not necessarily with respect to the person's residence. So that's why you need to apply initially and provide us with the information.

At the end of the day, the onus will be on the program administrators to find those people, for example, whose income fluctuates and they ticked the box indicating yes, I want to be considered entitled to the guaranteed income supplement for as long as I'm eligible. Then we'll get the information from CRA, and we'll have to go to those people to confirm their marital status, where they're living, and so on.

Ms. Chris Charlton: That's where the disconnect is for me. In the out-years beyond year one, you have the kind of relationship with CRA in which you're confident that you can get the information to get the benefit to as many people as possible. Yet in year one, that's not possible. I'm not understanding why that's the case.

The government's done a terrific job. Because of outreach activities that have been undertaken, we've reduced the number of people who aren't eligible for the GIS, but there are still huge barriers. One of the biggest barriers is literacy.

So even in year one, the fact that we need people to fill out forms for a benefit, which we can readily identify through the taxation system, seems to me to be an unnecessary barrier.

I'm still not really understanding why the out-years are different from the first year in that regard.

Ms. Marla Israel: Maybe I can clarify this. In order to be in receipt of the guaranteed income supplement, you need to be in receipt of the old age security benefit. We are reaching out to a lot of people, a tremendous number of seniors, and 99% of eligible seniors are in receipt of the old age security benefit.

That alone is only one step. You still need to be able to find out about the person's marital status.

Ms. Chris Charlton: But that could change even after you've started to collect.

Ms. Marla Israel: It could change, yes.

Ms. Chris Charlton: Yet you have the adequate information to make those assessments after year one.

Mrs. Susan Scotti: If I may, the legislation is prospective, so I think you're going to find that in the future there will be less of a discrepancy in the numbers, because we moved to the single application process; we are going to be much more reliant on CRA data to adjust the income levels; and we will have received all of the information that we need to put people into pay, including their marital status. We expect that the take-up is going to be pretty close to 100%.

There were two application forms, and we still had to go back and ask them about information, such as marital status and income level.

We need to look at this in a prospective fashion and continue all of our outreach efforts to ensure that financial literacy is not an issue and that we're reaching everybody as much as possible.

I don't know if that helps in any way.

•(1625)

Ms. Chris Charlton: I'm not 100% convinced yet, but I know I should let the line of questioning go.

Do I have time for another question?

The Chair: You're about 99% convinced, right?

Ms. Chris Charlton: Yes. Do I have the 1% of time to ask another question?

The Chair: You have 45 seconds left.

Ms. Chris Charlton: Perfect, I'll be really quick.

There's a section in the act that clarifies the contribution rate-setting formula for CPP. I don't pretend to understand it now, so I don't pretend to understand what's going to change. Could you please tell me what has changed, how it has changed, and why it needed to change—in about 35 seconds?

Some hon. members: Oh, oh!

Mrs. Susan Scotti: I'll have my colleague from the Department of Finance explain it.

Mr. Réal Bouchard (Senior Advisor, Expert Panel on Equalization and Territorial Formula Financing, Department of Finance): Since the 1998 reforms, there has been a provision in the act that says that if benefits are enriched and enhanced or if a new benefit is introduced, that benefit must be in an actuarial sense fully funded. This provision has been in the act for ten years but never really operationalized; in fact, this is the first time since then that a benefit change is being contemplated. That's the other. That's a disability benefit change. So there was a need to operationalize that provision in the act and we needed some regulations to do that.

Fundamentally, what it says is if a benefit is enriched, there has to be a calculation of what the actuarial full cost of that change is and there has to be a need to determine whether it is an unfunded liability associated with introducing a change. The chief actuary would calculate it and this somehow would be reported in the actuarial report and people will know how it was calculated, what the cost of the benefit change was, and to what extent it impacts on the actual contribution rate being levied on people.

Ms. Chris Charlton: What's the solvency period that you look at in terms of whether the CPP is solvent or not? I mean, it's not like a private sector company, which would be able to wind up—

The Chair: We're going to have to move that to the next round, because we are over time.

We're going to move to our last questioners of this round. We have Mr. Brown and Ms. Yelich. You have seven minutes, so fire away.

Mr. Patrick Brown (Barrie, CPC): I just note at the beginning that I'll be sharing half my time with Ms. Yelich.

I have three questions I would like you touch upon as much as possible in about three and a half minutes.

One, how do Canada's public pension program and income-tested benefits compare to other countries in the world?

Two, what was the reasoning behind these amendments, and did seniors lead the charge on this?

And three, if these amendments came from seniors themselves, how would seniors and stakeholders feel, in your impression, if this bill were stalled or not passed immediately?

Mr. Réal Bouchard: I'll respond to the first question. In fact I have some charts here. I am trying to illustrate in a single chart how we're doing relative to the other countries using two factors. One, what is the incidence of low income among seniors? In other words, to what extent do you have an adequate retirement income system to help seniors and to what extent is the system sustainable? In other words, how much does it cost to provide assistance, especially to low-income seniors? Essentially what the chart shows is that in terms of balance between having an affordable system versus to what extent you are protecting the low-income seniors, Canada is doing extremely well.

Once all the charts have been distributed, I can add an additional comment.

• (1630)

Mr. Patrick Brown: Maybe while they are being distributed, we can touch upon the second question, which was about whether seniors led this charge for change.

Mrs. Susan Scotti: Did seniors lead this charge for change? Yes, in part. We receive letters. Our offices across the country through Service Canada also have a lot of interaction with recipients and potential beneficiaries and we get a lot of feedback from our clients. Also, parliamentary committees such as this and parliamentarians who come across individual citizens on a daily basis also feed through our minister information about what's good and what isn't so good about the way we deliver our benefits.

When we knew that there were going to be substantive amendments recommended by the CPP triennial review process and when we knew that we had to make amendments to the OAS as a result of the Auditor General's observations, we also went back to a series of administrative amendments that were designed to simplify and streamline the delivery of services to seniors that had been accumulated over the years.

Mr. Patrick Brown: Okay, that is the halfway point.

Mrs. Susan Scotti: I'm sorry, we weren't fast enough in answering your question.

Mr. Patrick Brown: Could you give me a very quick comment on what would seniors say if this were stalled?

Mrs. Susan Scotti: I am sorry, what would seniors say if this—

Mr. Patrick Brown: What is your impression, based on the letters you have been given and that have been received at the ministry, of what the reaction would be if this were stalled in any manner and not passed in a timely fashion? Would there be a level of disappointment?

Mrs. Susan Scotti: Seniors would be disappointed, yes. Certainly any reduction in administrative red tape and complexity is certainly welcomed by seniors and seniors organizations. A number of these amendments, the improvements to the GIS in particular, are extremely important to seniors and seniors organizations. The easing of the eligibility requirements for persons with disabilities is a very important amendment, so there would be disappointment.

The Chair: Mr. Bouchard, do you want to finish the second point on the chart?

Mr. Réal Bouchard: Thank you, Mr. Chairman.

The chart shows, if you look at the vertical axis, the incidence of low income. You will see that Canada is below 2%. The lower you are on that scale means that of course you are doing very well in terms of having a system that protects low-income seniors. The horizontal axis shows as a percentage of GDP how much you are actually spending, and it shows that Canada is not spending that much, 5% of GDP. It is much less than other countries, but it is doing a very good job in targeting assistance to low-income seniors. In terms of balance between the two, it is an affordable system but it does a great job of protecting seniors.

The Chair: Ms. Yelich, do you want to comment?

Mrs. Lynne Yelich (Blackstrap, CPC): I would like to thank you for joining us today. I remember when we introduced the bill and it didn't seem to me when I first saw it that it was as important as I have come to realize. I am really quite excited to get this through. I hope it can happen soon.

I want to talk a little bit about retroactivity, because I'm sure it's going to be an issue. I want to know if there are any other countries that have any longer than the 11-month retroactivity provisions for similar programs, if they could be compared. I realize, according to this chart, we do have among the most generous help for the low income. I'm just wondering if there are any countries that have longer than the 11 months. I think that is generous. I'd also like to know if it is line with other programs. How do you arrive at 11 months for the retroactivity? That is not "you" per se, but how was it arrived at? I'm sure it was thought out as part of the formula.

And do any of these programs have a comparable administrative burden to OAS or CPP?

• (1635)

The Chair: Ms. Yelich, we're going to have to maybe answer the first one and we'll catch you on the next round. We'll just get an answer in terms of how the retroactivity compares to other countries, and then we'll have to leave it for the next one.

Mrs. Lynne Yelich: And would it have huge impacts?

Mrs. Susan Scotti: On the comparison on retroactivity, in essence, most other countries do not have any retroactivity provisions whatsoever, so in that respect, Canada is much more generous than other countries in having the limited retroactivity of a one-year period. If I look at Australia, New Zealand, Sweden, there is no retroactivity. In some countries they're all means-tested benefits. There are no universal benefits like the OAS.

When I look at the comparison with provincial programs, most provincial programs allow a 12-month retroactivity, in some with certain stipulations. British Columbia, on the B.C. employment and income assistance, for example, has no retroactivity provisions. Nova Scotia has no retroactivity at all on income-tested benefits. The 11-month retroactivity period is either better or pretty comparable to what exists across the country and better than what exists internationally.

The Chair: Thank you, Ms. Scotti.

Thank you, Ms. Yelich.

We're going to move to Ms. Dhalla, for five minutes as we start our second round.

Ms. Ruby Dhalla (Brampton—Springdale, Lib.): Thank you very much to all of the witnesses. I really enjoyed hearing your commitment and genuine sincerity towards the seniors, in terms of being able to help them.

I want to bring up an issue I've been confronted with since being elected, both in my riding of Brampton—Springdale and also in my travels across the country. I'm sure you are familiar with the issue; you alluded to it on page 18 of your presentation. It's been brought up by a number of different seniors who are coming to Canada from a variety of different countries.

As you mentioned, there are reciprocal agreements in place with some countries that ensure eligibility for these individuals. But there are seniors coming from other countries—such as India, as an example—who are not allowed, unless they are here for ten years, those particular benefits.

I have been working very closely with a group called the Old Age Benefits Forum, which is a national organization. I think they have written to you many times about their frustration, feeling that they are being discriminated against because they are from India and that they, like every other Canadian, should be entitled to certain benefits.

On behalf of all of those seniors from the Old Age Benefits Forum and many other seniors across this country who are feeling at the receiving end of that discrimination, could you elaborate on what types of initiatives are being taken to ensure that reciprocal agreements with countries like India will be signed? And how can we try to change the situation?

Mrs. Susan Scotti: I will introduce a response and turn the question over to Marla Israel, who actually negotiates the international agreements for us.

From a contextual perspective, the agreements we have in place are with countries that have fully functioning public pension systems in place that are relatively comparable to what we have in place in Canada, so that we can do the harmonization and coordination of benefits with them.

I know there are, in the new immigrant source countries, many pressures to enter into these agreements, but until these countries have fully functioning pension systems that are able to provide the relevant benefits, it's going to be very difficult for us to enter into negotiations with them.

I'll let Marla elaborate on that.

Ms. Marla Israel: Thanks, Susan.

I am the negotiator of the international social security agreements. We have heard from the Old Age Benefits Forum in the past and have heard from other countries as well. Certainly there is an impetus for individuals coming from those countries to have us sign those agreements.

To a large extent, I have to say we'd like nothing more. Canada has 50 social security agreements. In my experience, we are the top in terms of how many agreements we've signed. We've signed a number of agreements with countries that other countries have not yet approached—countries from the Caribbean, for example. This was just recognized in an International Monetary Fund discussion: that Canada has gone out seeking agreements with Caribbean nations.

With respect to India—let's take that example—for years India had a type of system that was called the “provident fund”. It ends up paying out benefits almost like an annuity. In doing that, they're not paying out a monthly benefit to individuals, so to try to reciprocate between Canada and India would be very difficult.

However, they've since started to make reforms to their social security system. I know that India is very interested in expanding the coverage in the country beyond public servants, representatives of the military, representatives of the police, for example, and city officials. When, in the case of China and India, there's more development in that regard and there's greater parity in terms of reciprocity, we would welcome it.

● (1640)

Ms. Ruby Dhalla: There is a bill before the House right now submitted by one of the Liberal members regarding to this. What would happen if that bill passed? India right now, you're saying, is not at the table in terms of having an agreement. If this bill passes through the House and becomes law, what would happen at that particular point?

Ms. Marla Israel: I would encourage consideration. I assume there would have to be some study of the bill itself. I would hope that due consideration would be given to the circumstances in which we negotiate agreements.

As I've said, we have to look at the administration of the benefits; we have to ensure the systems are stable. In other words, sometimes countries will approach us, or sometimes, in effect, we'll approach certain countries, and certain countries will say they're not ready.

Ms. Ruby Dhalla: Do we have any statistics in terms of the number of people who are impacted because of the fact that Canada has not been able to sign agreements for those particular countries?

Ms. Marla Israel: I don't have those types of statistics. I can certainly try to estimate it, but estimates are hard because you're having to look at factors in terms of the eligibility right now and the eligibility into the future.

Ms. Ruby Dhalla: If you could provide it to the committee, I would appreciate it.

Ms. Marla Israel: I will try to do the research for it, but my only proviso is that it may take a bit of time.

The Chair: Thank you, Ms. Dhalla.

Now to Mr. Gravel. Five minutes, please.

[*Translation*]

Mr. Raymond Gravel (Repentigny, BQ): Good afternoon. Thank you for being with us. This is the first time I've sat on this committee.

Before going back to what my colleague said earlier, I'd like to ask a question on credit sharing. On that subject, you spoke earlier about married people and common law spouses. I hope that homosexual couples aren't excluded. That involves a check. In Canada, we never know.

Furthermore, Ms. Scotti, we see in clause 15 of the bill that a senior may withdraw a pension application. I don't understand why a senior would do that. How would that benefit that person?

Mrs. Susan Scotti: I'm going to answer in English. It's a little easier for me.

[*English*]

The circumstances of the individual might be such that they might not have considered that when they apply right now, they can't withdraw their application if the application has been processed and they're already in pay. The example I gave is someone who's 65, who with a year's delay might have been able to get a higher-level pension because the income level might have changed a little bit.

Marla may be able to explain a little bit more clearly.

[*Translation*]

Ms. Marla Israel: A senior may wish to withdraw his or her application. These individuals sometimes change their minds.

Mr. Raymond Gravel: But, madam, why would they change their minds? A person who is 65 years old is entitled to his pension. Why would he withdraw his application?

•(1645)

Mrs. Susan Scotti: In some cases, it's more advantageous for the senior to wait...

Ms. Marla Israel: I'm going to give you an example.

Mr. Raymond Gravel: Do it quickly: I have another important question to ask.

Ms. Marla Israel: All right. I'm going to answer you in English because of the complex nature of the act.

[*English*]

You could have a circumstance, for example, where a person is living outside of Canada. I don't want to get too bureaucratic. In 1977 rules were changed to introduce partial pensions. But there are people who could perhaps be living outside of Canada, and they would qualify under these older rules that exist for an old age security benefit. And I can follow up with that later, but if they decide to move back to Canada two months after they've applied and they come to realize that they could have had a higher benefit, they would want to withdraw it.

[*Translation*]

Mr. Raymond Gravel: In spite of everything, these are exceptions.

Ms. Marla Israel: Yes, but since some individuals often travel from country to country, it's a relatively common phenomenon.

Mr. Raymond Gravel: I want to go back to the question my colleague addressed earlier because I wasn't satisfied with the answer.

It was said that 68,000 persons did not receive the Guaranteed Income Supplement in Quebec alone. We reached 42,000 of them, and there are 26,000 still to be reached. We have the figures. As regards the reasons why those people aren't being reached, you referred, among other things, to immigration and the fact that those persons were outside Canada.

However, it is inconceivable that so many people would not be receiving the Guaranteed Income Supplement. They need it. They're seniors, vulnerable and have no income. Nothing is being done to reach them. You said that Canada was very generous. I have reservations on that point. I don't understand why nothing has been done to date and why we're not taking appropriate measures to reach those people.

Mrs. Susan Scotti: I think we've already answered that question in part. I'm nevertheless going to try to answer it, but in English.

[*English*]

I don't know about the numbers. We'd have to go back and look at the numbers base.

But the essential point here is that we go to extreme efforts to try to reach all eligible Canadians. We use a variety of mechanisms, whether it's letters, agreements, partnerships with the Canada Revenue Agency, or partnerships with the non-governmental sector, which at the community level might be able to identify people much better than we can here in Ottawa.

So the outreach is continuous and constant. Every single effort is made to find those people who might be eligible but have not applied. At the end of the day, there may be other means we haven't thought of. We would be quite open to receiving the benefit of your ideas about other means that we might use to extend our outreach efforts. But I can assure you that through all the mechanisms available to us, we have done our very best to ensure that everybody who is eligible is receiving a benefit.

Through the measures we're introducing in Bill C-36, over time the fact that there will be one single application, and that individuals will not have to continuously report the changes in their income levels to us, will reduce any gaps that may exist in terms of the take-up on eligibility.

So moving forward, things are going to be better. Where we are right now is a vastly improved situation—

[*Translation*]

Mr. Raymond Gravel: That's the case of the people who are already receiving it, but for those—

Mrs. Susan Scotti: We're trying to reach all the people—

[*English*]

The Chair: Thank you, Mr. Gravel.

We're going to have to move on to Ms. Charlton for five minutes, please.

Ms. Chris Charlton: Thank you very much.

I know the chair is going to be much more indulgent in letting you go over the time than he would with me, so I'll ask both of my questions up front and hope that we get the answers in.

Both of my questions relate to the CPP. Retroactivity is a huge concern for me, whether it concerns GIS, OAS, or CPP, but let me ask about CPP in particular, because it is different from the other two.

CPP is a pay-as-you-go system, so it's not the government's money. The government administers this program. Retroactivity in Quebec is five years on the QPP. Why is it that we're limiting retroactivity on the CPP? I think a whole lot of people would be really happy if we could eliminate that provision.

The other question I have is a follow-up to the question I started to ask earlier about how we calculate what the contribution rates ought to be for the CPP. Let me expand on that question a bit. Is the solvency period on which we base the contributions 75 years?

• (1650)

Mr. Réal Bouchard: It's 60 years.

Ms. Chris Charlton: Okay, so it's 60 years.

We know, or at least we've been told, that the CPP is solvent for another 75 years. If you're contemplating an increase to benefit levels, at what point do you decide that we need greater contributions, when we know we're solvent for 75 years, but technically we really only need to be solvent for 60?

Regarding the other question, the Minister of Finance talked about potentially putting up to \$3 billion of government money into the CPP in the federal budget. I understand that this may or may not have been dropped. What was the rationale when again CPP is a pay-as-you-go program? It's an employee-employer, contribution-based system. What would be the need for topping up the CPP? Also, if you confirm that this has been dropped, do you have any idea where that money went?

Thank you.

Mr. Réal Bouchard: I'll answer the last two, and perhaps Susan will answer the first one on retroactivity.

Coming back to your question about the period over which we calculated the contribution rate, technically we need 60 years to calculate the steady contribution rate you need to make sure the plan stays on a sound financial footing. However, the chief actuary's report covers a 75-year period in its projections. Of course, you can see that even though 60 years was technically the period used to determine the rate that would ensure sustainability, the numbers—which cover 75 years in the actuary's report—are clearly showing that between years 61 and 75, things continue to be more or less along the same lines as they were previously. So it's perhaps the slight distinction between the 60 and the 75. But fundamentally, the viable steady state rate is calculated over a long period of time.

If I may add, the rate we need to make sure the plan is sustainable is not calculated on the basis of running down the fund, with the

fund being zero at the end of the 60-year period. That's not the case. It's essentially maintaining the level of funding during the entire period. So by the end of that 60 or 75 years, the fund has stayed constant in relative terms. The current projection shows that the fund is basically covering five years of benefits throughout the entire period, including to 2075, and so on. That's the answer to the second question.

Your third one was....

Ms. Chris Charlton: It's about money in the budget that will perhaps go to CPP.

Mr. Réal Bouchard: Yes, that issue was raised in May in Budget 2006. If there is a surplus in the government's budget, a proposal could be to have some of that money go into the CPP and QPP. That was raised with the provinces. Some provinces expressed some concerns about that, one of the main concerns being that we needed to keep the CPP separate from the government books. That was one among a number of concerns that were raised.

The economic update of last November was, fundamentally, that the surplus would be put to debt reduction and tax reductions.

• (1655)

Ms. Chris Charlton: Including the \$3 billion?

Mr. Réal Bouchard: Yes.

Ms. Chris Charlton: I'm sorry, but going back to the solvency issue, the 60 versus 75 years. In light of how fluid that situation is, what is the timeframe on which you determine the contribution rate needs to be changed to be able to keep pace with increasing benefits, if those were to occur? Projecting solvency 75 years out and taking economic growth or economic declines into account—or however you do these things—isn't exactly an exact science. I can't imagine how you calculate this out when you need to do your calculations.

The Chair: It's an actuarial science.

Anyway, Mr. Bouchard, just make a quick response, because she's over time.

Mr. Réal Bouchard: In the actuarial report prepared by the chief actuary, there is a sensitivity analysis. It shows the extent to which the contribution rate would vary if certain assumptions were different from the basic assumptions that were used. If fertility were lower than expected, if life expectancy were much longer, and if the economic assumptions, such as the interest rate, we used were wrong, it shows how sensitive it is, and so on.

So reading that sensitivity analysis in the report is quite instructive; it shows that the financing put in place is quite robust.

The Chair: Thank you very much.

We're going to move to the last five minutes of this round. Mr. Lake.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thank you, Mr. Chair.

I want to follow up a little bit on some of the questions that Ms. Dhalla was asking. Immigration is also a big issue in my riding in Mill Woods, and many of the people there will be interested in the changes that affect first-generation Canadians.

First, I just want to clarify what you said, that there's currently a difference between the way sponsored immigrants are treated, based on whether they're a Canadian citizen or a permanent resident. Right?

Okay.

In 1996 I guess the Liberal government of the day made a decision to amend the act. Did you say that they didn't intend to create the differential treatment?

Mrs. Susan Scotti: They created an unintended differential treatment. They intended to cover everybody in the same way, so that whether you were a permanent resident or a Canadian citizen, you would not be eligible for income-tested benefits during the period of your sponsorship.

As a result of the way the particular legislative provision is written, it left a loophole and it created that unintended effect. We're just correcting what was not done in the 1996 legislation.

Mr. Mike Lake: Okay. Good.

One thing I could see here, though, is that someone who is now receiving the GIS because of the loophole, and they may have been receiving it for a while, may be concerned that it may be taken away from them. Is that addressed with the change?

Mrs. Susan Scotti: It will not affect people who are currently receiving the benefit. It will be prospective, so it will apply to the future. It will not go back.

Mr. Mike Lake: It's from here on in. That's good.

Another question I have is let's say you have an older couple who's been sponsored and the sponsor dies. They're left with, obviously, a breakdown of their sponsorship. Is there a contingency in the act to help those people in a situation like that?

Mrs. Susan Scotti: Yes, most definitely. In the event of the breakdown of the sponsorship for whatever reason, whether the sponsor has financial difficulties or dies or is imprisoned or whatever, then in those cases of sponsorship breakdown the individual would be eligible for the benefits.

Mr. Mike Lake: Specifically on the issues that Ms. Dhalla was talking about with respect to people who were sponsored receiving benefits from their country of origin if we've signed a social security agreement with that country, I could see that a lot of my constituents might wonder about the equity of that. Can you tell me a little bit about how those social security agreements work? Is it a person who has paid into the system in Canada all their lives who winds up paying through their tax dollars for someone who's new to the country to receive benefits, or is it the country of origin that pays those benefits? Can you maybe shed some light on that for me?

• (1700)

Ms. Marla Israel: There are a number of different factors that are taken into consideration when we sign social security agreements, but generally speaking if a person, for example, comes to Canada—let's talk about old age security—turns 65 and has, let's say, only one

year of residence, then we do what's called totalization of the benefit. The obligation is for the individual to be able to use periods, usually of contribution in the other country, that have to equal the minimum we have under the Old Age Security Act. The minimum of course if you're living in Canada is ten years. The person only has one year but they have nine years, let's say, in the other country, or even more than that. Then the individual would be able to receive a pro-rated old age security benefit. At the same time, that person would also in all likelihood receive a foreign pension into Canada. In other words, they'd receive a pension from the other country into Canada.

This is what agreements do. Oftentimes, especially with globalization and mobility, you want to be able to ensure that people are covered in both of the countries that they've either lived in or worked in. You don't want to be able to see gaps in coverage. In other words, you don't want to see people who would have to resort, let's say, to welfare or other benefits. This way there's broader coverage.

Mr. Mike Lake: The difficulty, then, would be in cases where countries don't provide benefits like Canada does and it winds up costing the Canadian taxpayer a lot of money, I imagine, or potentially could. That would be the concern that we would have.

Many people in my riding are actually from India or in that situation. I'd like to know what I should tell them. What does India have to do? Where do they have to get to, to get to that level? That would be important, I think.

The Chair: This will be the last question. Please give just a quick answer on this.

Ms. Marla Israel: Well, sometimes the circumstances are difficult. As I said, India's undertaking significant reforms. They've been under pressure not only from the community, Indians living there, but also of course from people living here who may have contributed and who through India's pension system would not necessarily be eligible to receive an Indian pension in Canada. So it works both ways.

The country itself has to take measures in order to develop a maturity of their pension program sufficiently to be able to have the circumstances that would provide Canada with the opportunity to negotiate that agreement with them.

As I say, the intent is there and the willingness is there, generally speaking, from a departmental perspective, but the limitations exist on the part of the other country.

The Chair: Thank you very much.

We're going to move to Mr. Silva for five minutes.

Mr. Mario Silva (Davenport, Lib.): I think my question is not unlike that of some of the people who have spoken here earlier. Certainly Ms. Dhalla had a concern that I was going to speak to as well, which is on the issue of immigrant communities.

As you are aware, about half of Toronto's population was born outside the country. This presents really incredible barriers, in terms of both education and providing the information in the appropriate languages.

My office is constantly inundated with people who are not aware of the changes or the benefits they are entitled to. It becomes extremely difficult and frustrating to know that in fact they could be receiving some of these benefits.

It's unfortunate that we have not designed a system such that when we have changes, we could issue them a cheque, as opposed to saying that they have to apply. We are not always able to get them, because of language barriers or, as was mentioned, literacy issues. People who are very marginal in society have great difficulties accessing the information. It tends to be better-educated people who know more about the system and make these types of inquiries, not the overall population that is in need. This is a bigger issue.

That's one issue I wanted you to comment on. I also want you to comment briefly on the issue of the charts. This is the chart comparing Canada to other countries. I always find that this comparison is a bit difficult to do, because it's comparing apples to oranges on every issue, whether it's poverty, because there are so many other factors at play.

Somebody making \$400 in a country such as Portugal, where I was born, might be better off in comparison to someone in Canada making \$600, because of issues such as taxes. In Toronto, for example, if you're a homeowner and a senior, all the money that you're getting from your pension is going to pay taxes, which average between \$3,000 and \$5,000. That's an incredible amount of money for a senior to pay when all they have is their pension to deal with. In Portugal, your property taxes might be only \$100 a year. So you have to consider those factors.

It's also the issue of larger versus smaller cities. Property taxes are an enormous amount of money in larger cities.

So I find that with these numbers, the statistics, it's very hard to give the real picture. It gives you a little example, but not the full picture.

Do you want to comment on that?

• (1705)

Mr. Réal Bouchard: The only comment I can make is yes, international comparisons are always difficult, whether we're talking about the incidence of low income, poverty among children, or whatever.

Still, the chart I distributed is based on an income study by Luxembourg, and so on, and the expenditures as a percentage of GDP are done. It was calculated by the OECD, and so on. So it's always difficult. But the fact remains that in many international analyses, whether it's OECD or the IMF, when they're talking generally—not in individual cases, as I understand there are always some hardship cases in some situations—Canada's reputation in terms of a retirement income system is absolutely excellent, not only as I've said in terms of protecting low-income seniors, but in terms of affordability, that balance between the two.

Also, with the reforms to the Canada Pension Plan we have alluded to, we are one of the very few countries that has tried to address this issue and put the plan on sound financial footing.

If I may, it's not a pay-as-you-go plan any more; it's a partial funding plan. We still have a way to go, but it's a partial funding plan for the Canada Pension Plan.

Mrs. Susan Scotti: Your first question was a bit of a two-part question. It was whether we do everything we can to reach immigrant communities that may not speak English or French. The answer is yes, we do, through our outreach efforts again. My colleague in Service Canada can probably answer whether we've got the language ability, but in certain communities we do have very active partnerships with organizations that can support our outreach efforts in other languages.

On the second question, I'm not sure it is entirely accurate that the better-educated and, by assumption, middle-income-level Canadians receive more benefits than others. If I look at the evidence, it suggests that overall poverty levels have been reduced by the impact of the measures we put in place through the OAS and the GIS. I think it's made quite a difference in the income levels of low-income Canadians. I think it's generous; I think it always could be much more generous, but if I look at the stats, only 5.6% of seniors are below the low-income cutoffs, which I think is a decrease from about 25% or 30% about 10 years ago.

The Chair: Thank you. That's all the time.

We're going to move to Mr. Chong for five minutes, and then I'm going to try to get in a couple of quick comments before we wrap up.

Please go ahead, Mr. Chong.

Hon. Michael Chong (Wellington—Halton Hills, CPC): Thank you, Mr. Chair.

I noted that two of the improvements proposed in Bill C-36 are to enhance the fiscal sustainability of the Canada Pension Plan. One provides new guidelines that would instruct the chief actuary about how to go about calculating the full benefits of the CPP benefits. The other provides some rules around greater transparency in terms of reporting these costs and integrating this new fully costed arrangement into the deductions that are paid.

I also note that the other part of the bill calls for extending Canada Pension Plan disability benefits. For the benefit of the members of this committee, I'd like you to elaborate on the intricacies around these two proposals with respect to federal-provincial jurisdiction and how complicated it was to get to this point because, as we all know, the Canada Pension Plan is not exclusive federal jurisdiction; it is joint jurisdiction, and there is a very complicated collaborative process to get us to this point. Maybe you could also tell this committee that any changes to this legislation with respect to the pension plan would require us to go back to the provinces to restart the consultation process and regain their consensus on this matter.

• (1710)

Mr. Réal Bouchard: Yes. To become law, any material changes to the Canada Pension Plan require the consent of two-thirds of the provinces and two-thirds of the population. The two changes—not all of them, not the housekeeping and the others, but the two first changes that were described, the full funding requirement as well as the change to the disability benefit—will require provincial consent.

Those changes were recommended by the ministers of finance when they met last June. At that meeting the triennial review of the Canada Pension Plan was completed. It had taken place in the previous 12 to 24 months at the officials level, and then at every level up to the minister. The recommendation of the ministers was that we needed to proceed with those two changes. We had to operationalize that change, the full funding requirement, that had been in place since 1998. It was one of the key principles of reform that went back to 1998.

On the disability change, 10 years after some tightening was made to the eligibility requirements for disability benefits as part of the reforms in 1998, ministers wanted to have another look to see whether some refinement had to be made, and the decision was made. The recommendation was yes. We were not talking about undoing the changes that were made in 1998. It was fine tuning, making some adjustment after 10 years of experience.

That recommendation by the ministers of finance, of course, is a result of a long period of work. Of course, the next step is for the law to be passed at the federal level, and once this is passed, orders in council from the provinces are required, and only then can it become law. If a significant change were to be made, it would mean having to return to the provinces, starting the process all again, and it definitely puts at risk the changes that have been proposed and recommended by the ministers.

The Chair: Thank you very much.

That's all the questions we have. I know that Ms. Dhalla and Mr. Gravel want two quick comments. We do have some committee business to deal with before the bells start in about 30 seconds. We will have to take care of that business.

Ms. Dhalla, and then Mr. Gravel.

Ms. Ruby Dhalla: I have a quick comment. The process that you described, especially Marla in terms of the reciprocal agreements with other countries, is important. It's important because this is a non-partisan issue, that we educate the seniors out there. Looking at organizations like the old age benefits forum, they come into my office and I see them at events and we tell them the story, but because of the fact that it hasn't been officially provided from the department or from the government, it becomes very difficult for them to understand. Canada as a country and as government ends up taking the blame. You had mentioned in your words that there was a willingness there, a commitment, but there are limitations from some of these other countries. If you provide that information, it will be most helpful in terms of trying to reach out and educate them on this issue.

Last, but not least, I think my colleague Mr. Silva had brought it up, and I believe Ms. Scotti had mentioned the number of outreach activities that are taking place to ensure that people who are not

aware that they are eligible for some of these benefits become aware. In terms of that awareness and that outreach, we do reach out to the immigrant communities. We have seen time and time again that many of the immigrant communities are reading their own newspapers, listening to their radio programs, watching their own TV shows. Government really needs to be proactive in reaching out to these communities to ensure that they get the message and are aware of the eligibility benefits they are entitled to.

• (1715)

The Chair: Thank you, Ms. Dhalla.

We'll have a final comment by Mr. Gravel, and then we're going to move into committee business. Mr. Gravel.

[*Translation*]

Mr. Raymond Gravel: I'd like to go back to retroactivity because something is troubling me on that subject. You said that there were 11 months of retroactivity and that that wasn't done elsewhere, that there was no retroactivity.

Are we talking about the same thing? I wouldn't want to be comparing apples and bananas. When you owe someone money and you grant that person retroactivity, that's an amount owed; it's not a favour or a privilege. I was wondering why full retroactivity isn't granted to people who are entitled to the Guaranteed Income Supplement.

[*English*]

The Chair: Thank you, Mr. Gravel.

Are you guys going to offer a quick comment? No.

Thank you very much. I want to thank the witnesses for being here today.

We're now going to move directly into committee business. We have the fourth report that you have before you that was brought forward from the subcommittee on agenda and procedure.

Mr. Savage.

Mr. Michael Savage: I think there has been some miscommunication that could be rectified very easily.

On February 28 it indicates that we're hearing from sponsors of Bill C-269 and Bill C-278. Down below it indicates that only the sponsors of those bills be heard. A number of witnesses have been submitted for Bill C-278. I've spoken to the sponsor of that bill. He would be satisfied to include two of them, the Cancer Society and the Heart and Stroke Foundation, which represent the two biggest disabling diseases in Canada. They are anxious to speak on that bill, and if we could amend this to reflect that he would share his hour on February 28 with those two representative groups, he would be fine with that, and so would I.

The Chair: You are proposing that only the sponsors of Bill C-269 and Bill C-278 be heard on these studies and the others just be struck.

Mr. Michael Savage: Yes.

The Chair: Go ahead, Ms. Yelich.

Mrs. Lynne Yelich: I would just like to mention that we would like department officials as well to speak to those two bills, as experts should be heard on this, if we do have witnesses.

The Chair: It looks like we're going to have to add more time to those meetings if we are going to be able to hear people. It would make sense that we have departmental officials there and have a chance for those witnesses to also be heard on the bill.

Ms. Dhalla.

Ms. Ruby Dhalla: The other thing is on page 2 it says for amendments to Bill C-269 and Bill C-278 that the deadline would be March 1 at noon. On the calendar that we have in front of us we would actually be going clause by clause on March 1. I want to ensure that three hours would be sufficient time.

The Chair: There was a time for them there. Just hold on for one second.

• (1720)

Ms. Ruby Dhalla: As a suggestion before we make a decision, another option that Mr. Savage had mentioned was that the two witnesses could be heard during the timeframe that was allotted to the sponsor. Perhaps if the department wanted to also have their time allotted with the sponsor, they could finish it up within that hour and a half and then we wouldn't have to—

The Chair: That would make some sense. The question is this. We are going to strike that only the sponsors be held, and once that has been stricken from the record we're going to move to adopt the fourth report.

[*Translation*]

Mr. Yves Lessard: Mr. Chair, what amendments were made to the steering committee's recommendation?

[*English*]

The Chair: They are the fourth report, the way it is written here in front of us. These are the recommendations. The only difference was that Mr. Savage would like to be able to have a couple of witnesses show up, so we're only going to strike the second-last line.

[*Translation*]

Mr. Yves Lessard: You're talking about Bills C-269 and C-278?
[*English*]

The Chair: That is correct, that there would be just a couple of witnesses come at the same time as the sponsor who talks about the bill.

[*Translation*]

Mr. Yves Lessard: To try to expedite the committee's business, given the nature of previous work on employment insurance, we had agreed, both the NDP and the Bloc, not to send for the witnesses that

we had announced. If we open that door, I imagine that we too will want to bring back witnesses. I don't know which witnesses the Liberals want to have appear. I want to avoid us finding ourselves with an imbalance, as was the case for Bill C-257.

[*English*]

The Chair: The witnesses are just relating to Bill C-278, and it's the Cancer Society and a couple of the stakeholders.

[*Translation*]

Mr. Yves Lessard: All right. It's only for Bill C-278, and not for C-269?

[*English*]

The Chair: That's correct, yes.

[*Translation*]

Mr. Yves Lessard: If that's it, I understand better. If it's the Canadian Cancer Society, we agree. That would be the only witness, wouldn't it, Mr. Chair?

[*English*]

The Chair: Mr. Savage.

Mr. Michael Savage: Mr. Lessard, we're not suggesting any witnesses on Bill C-269. In fact, there are two on Bill C-278, the Cancer Society and the Heart and Stroke Foundation, that want to speak in support of the bill because of the number of Canadians who were disabled from those two diseases.

Perhaps what I should do is propose an amendment that only the sponsor of Bill C-269 be heard and leave Bill C-278 completely off the table, or I can take out the whole line, line 86.

The Chair: The whole line is fine, just the way it is.

Are we all in favour of the fourth report as amended?

Some hon. members: Agreed.

The Chair: One more thing. We need a budget. You have a budget before you for witnesses for Bill C-36.

Mr. Savage.

Mr. Michael Savage: The witnesses I'm proposing from the Heart and Stroke Foundation and the Cancer Society I believe are in Ottawa. I'm not sure of that. Should we put something in, in case?

The Chair: We can deal with that after. We have to deal with Bill C-36 right now, as it is proposed.

Some hon. members: Agreed.

The Chair: So carried.

The meeting is adjourned.

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