

Cost estimate of Election Campaign Proposal

Publication date:	2019-09-29	
Short title:	Increasing Old Age Security	
Description:	Increasing the basic Old Age Security (OAS) pension amount by 10% as of age 75.	
Operating line(s):	Elderly Benefits	
Data sources:	<u>Variable</u>	<u>Source</u>
	OAS benefits	SPSD/M
	Federal income tax payable	SPSD/M
	Federal PIT baseline	PBO
Estimation and projection method:	<p>Statistics Canada's Social Policy Simulation Database/Model (SPSD/M, version 27.1)¹ was used to estimate the impact of a 10 percent increase in the basic OAS pension amount for the 2020 to 2025 period. For the 2025 to 2028 period PBO projections were used.</p> <p>We assumed no changes in eligibility for OAS and GIS beneficiaries. For every year of the period, we considered an increase in the minimum income recovery threshold equal to the dollar amount corresponding to the 10% increase in basic OAS pension.</p> <p>The new policy is assumed to be implemented on July 1, 2020. All numbers are adjusted to reflect fiscal year amounts.</p>	
Uncertainty assessment:	<p>The estimate has moderate uncertainty. The uncertainty arises from the additional no-income splitting assumption and from the long horizon of the projections.</p>	

¹ This analysis is based, in part, on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the SPSD/M simulation results were prepared by the Office of the Parliamentary Budget Officer (PBO) and the responsibility for the use and interpretation of these data is entirely that of the PBO.

Cost of proposed measure

\$ millions	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Total cost	-	1,626	2,258	2,349	2,564	2,738	2,898	3,056	3,232	3,416

Supplementary information

Description	Operating line	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Direct Impact on OAS benefits	Change in OAS benefits	-	1,722	2,411	2,557	2,716	2,890	3,070	3,254	3,439	3,630
Other impact	Change in Net Federal Taxes Less Transfers	-	-95	-152	-208	-152	-152	-171	-198	-207	-214
Total (net) impact		-	1,626	2,258	2,349	2,564	2,738	2,898	3,056	3,232	3,416

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost