



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER  
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

# Legislative Costing Note

Announcement date:	2020-05-12	
Publication date:	2020-06-02	
Short title:	Measures to assist seniors during COVID-19 <sup>i</sup>	
Description:	Seniors who qualify for the Old Age Security (OAS) pension will receive \$300. Individuals who also qualify for the Guaranteed Income Supplement (GIS) will receive another \$200. Individuals receiving a spousal allowance <sup>1</sup> will receive \$500. All are tax-free one-time payments.	
Data sources:	March 2020 OAS pension, GIS and spousal allowance net beneficiaries <sup>2</sup> :	Employment and Social Development Canada (ESDC)
	Q1 and Q2 2020 OAS pension, GIS and spousal allowance net beneficiaries projections:	PBO April 30, 2020 Scenario Analysis Update
	Percentage of seniors whose OAS pensions are completely clawed back in 2020	Office of the Superintendent of Financial Institutions
Estimation and projection method:	PBO based its calculation of the net number of beneficiaries on the number of net beneficiaries of the OAS pension, GIS and spousal allowance in March 2020. Using projections from the PBO's April 30 Scenario Analysis Update, the growth rates of net beneficiaries of the OAS pension, GIS and spousal allowance from Q1 to Q2 2020 were calculated. These growth rates and the March 2020 data were used to estimate the net number of beneficiaries of the OAS pension, GIS and spousal allowance in June 2020. The net number of OAS pension beneficiaries was scaled up to estimate the gross number of OAS pension beneficiaries in June 2020.  Overall, PBO estimates that 6.7 million OAS gross beneficiaries will receive the one-time OAS pension top-up. Roughly 2.1 million people are estimated to receive the additional one-time GIS top-up, and approximately 74 thousand will receive the spousal allowance top-up.	

<sup>1</sup> Spousal allowances include the Allowance and the Allowance for the Survivor. Individuals who qualify for these benefits are 60 to 64 years old. The May 12 announcement did not include one-time payments for those who are eligible for a spousal allowance, but Employment and Social Development Canada later specified that these individuals would receive one-time payments.

<sup>2</sup> Net beneficiaries of the OAS pension include seniors who receive a positive amount of income through their OAS pensions. Gross beneficiaries include net beneficiaries and seniors whose income is high enough that their OAS pension has been completely clawed back by the Old Age Security Recovery Tax. For the GIS and the spousal allowance, the net number of beneficiaries is assumed to be the same as the gross number of beneficiaries in this analysis.

Aggregate Results: PBO estimates total net cost of this measure to be \$2,478 million in the 2020-21 fiscal year. This includes a cost of \$2,015 million for the one-time OAS pension payments, \$426 million for the one-time GIS payments, and \$37 million for the one-time spousal allowance payments.

Source of Uncertainty: Any deviation from population projections would affect the number of people who qualify for age-related eligibility criteria of the OAS pension and the GIS in June 2020. The accuracy of the estimate of OAS pension gross beneficiaries depends on the accuracy of the projected percentage of seniors whose OAS pension benefits will be completely clawed back in 2020.

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### Cost of proposed measure

\$ millions	2019-2020	2020-2021
Cost of OAS pension payments	-	2,015
Cost of GIS payments	-	426
Cost of spousal allowance payments	-	37
Total cost	-	2,478

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

<sup>i</sup>The government's announcement included three measures. As noted in the announcement, the New Horizons for Seniors Program will receive \$20 million. The other measure is to continue to distribute regular GIS and Allowance payments even if a person's eligibility has not been assessed before the beginning of the July 2020-June 2021 year. GIS and Allowance eligibility, and the amounts that beneficiaries will receive based on their previous year's income, are calculate once a year. The new amounts come into effect in July and are only adjusted up for inflation (if applicable) at other times of the year. Individuals will be required to file their 2019 income taxes by October 2020. This measure is not expected to have a material impact on the government's finances.