

# Intelligence MEMOS



From: Colin Busby  
To: Pension Observers  
Date: October 29, 2024  
Re: **ULTIMATUM DAY ARRIVES: WHAT TO DO ABOUT BILL C-319 AND OAS?**

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In late September, the Bloc Québécois, which holds 33 seats in the House of Commons – enough to give the Liberal minority government (153 seats) the votes it needs to pass votes of confidence – gave the Liberals until today to pass Bill C-319 or risk losing its support. This bill would boost Old-age Security (OAS) benefits by 10 percent for all seniors aged 65 to 74 – aligning it with the OAS for those 75 and up – and it would increase earnings exemptions in the Guaranteed Income Supplement (GIS) program, which targets low-income seniors, from \$5,000 to \$6,500 per year.

Although most MPs voted in favour of the bill, it cannot advance without a recommendation from a cabinet minister. With the ultimatum date now upon us, what should the governing Liberals do to navigate the challenges of a minority government?

In a September 26 [Globe and Mail op-ed](#), I noted the many shortcomings of the bill. Chief among them is the intergenerational transfer that would result and the pressures this would put on tensions between generations. Another is that the boosted OAS for those aged 75 and up, much like Bill C-319, intended to address affordability objectives, serves a secondary policy purpose, acting as a form of longevity insurance should people outlive their savings.

In an Intelligence Memo, John Stapleton pointed out that the GIS is a [better program](#) to target financial struggles among the elderly. He suggests doubling the GIS earning exemption to \$10,000 per year, equalizing the exemption with the Canada Disability Benefit. The Memo further encourages spending more resources on seniors' housing as a straighter route to tackle affordability.

Meanwhile, Bob Baldwin, co-chair of the C.D. Howe Institute's Pension Policy Council, pushes back [against general expansions](#) to GIS as a solution to the impasse because of GIS clawbacks, which interact with other features of Canada's retirement income system. Notably, withdrawals from RRSPs, as well as CPP/QPP income, result in reduced GIS benefits. GIS recipients, therefore, often keep less than 50 cents of every dollar of income from those vehicles.

Alexandre Laurin and Nicholas Dahir use Statistics Canada's Social Policy Simulation Database and Model (SPSD/M) to [examine](#) ways in which the GIS could be reformed to meet the objectives of the proposed bill. They show that lowering the GIS reduction rate from 50 to 40 percent could be achieved at roughly the price tag as the proposals in Bill C-319. Further, they also encourage additional reforms to be made revenue neutral with corresponding changes to the tax system, such as eliminating the pension income tax credit and pension income splitting among senior couples.

Having reached the deadline proposed by the Bloc, the minority Liberal government has several options. If the government were to work with the Bloc or other parties on improvements to OAS/GIS, they should do so with an eye to more cost-neutral measures to avoid adding to debt burdens for future generations of Canadians. Further, any changes would try to steer policy reforms towards enhanced earnings exemptions or reduced income clawbacks for GIS. Another option is for the government to do nothing, conserving the fiscal space that would otherwise have gone to an OAS increase for other priorities or programs.

A minority parliament is a challenging environment. Compromises are necessary. Nonetheless, in this context, the government should not boost the OAS as planned in Bill C-319. It would be a very expensive way to make modest improvements to the affordability challenges of Canadian seniors.

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