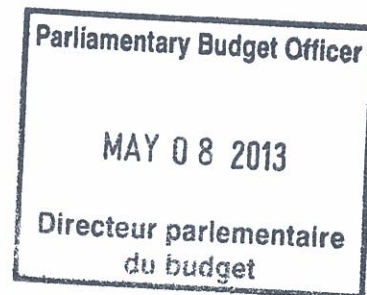




MAY 06 2013

Ms. Sonia L'Heureux  
Parliamentary Budget Officer (Interim)  
Library of Parliament  
Parliament Buildings  
Ottawa ON K1A 0A9



Re: PBO Information Request IR0114: Cost Estimate for Bill C-480

Dear Ms. L'Heureux:

Thank you for your correspondence of April 25, 2013, requesting information on the cost estimates for Private Member's Bill C-480: *An Act to Amend the Old Age Security Act* (funeral arrangements) as well as the assumptions used in preparing these estimates.

As you are aware, Bill C-480 proposes to amend the *Old Age Security Act* to exclude from the calculation of income, for the purposes of the monthly Guaranteed Income Supplement (GIS), the lesser of the amount of benefits received from a Registered Retirement Savings Plan (RRSP) or Registered Retirement Income Fund (RRIF) and the amount—not exceeding \$2,500—paid to or under an eligible funeral arrangement. The Bill pertains only to pensioners funding their own funerals.

The Office of the Chief Actuary prepared estimates for the Government of Canada on the potential number of GIS beneficiaries who would benefit from Bill C-480 and the projected costs of the amendment. The estimates were produced based on projections in the 11th Actuarial Report Supplementing the Actuarial Report on the Old Age Security Program as of December 31, 2009 (Annex A).

The Chief Actuary estimated that the additional program costs associated with the proposed amendment, depending on take-up, could be as high as \$81 million in 2014 if all GIS beneficiaries with RRSP or RRIF income used the exemption. The estimated number of GIS beneficiaries who could benefit from Bill C-480 is expected to range from 400 to 183 300 for 2014, depending on the scenario (refer to Table 1).

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**Table 1: Impacts of Bill C-480 on GIS Beneficiaries and Expenditures**

Scenarios	Number of GIS recipients using exemption			Expenditures (\$ million)		
	2014	2030	2050	2014	2030	2050
All existing and new beneficiaries, immediate take-up	183 300	18 800	19 400	81	12	18
All existing and new beneficiaries, gradual take-up	29 700	10 600	11 100	15	7	10
Only new GIS beneficiaries, immediate take-up	26 000	18 800	19 400	13	12	18
Only new GIS beneficiaries, gradual take-up	400	7 600	11 100	0	5	10

The key assumptions made by the Chief Actuary while developing the cost estimates of Bill C-480 are as follows:

- about 10 per cent of all GIS beneficiaries had RRSP or RRIF income in any given year;
- every GIS beneficiary with a RRSP or RRIF would elect to prepay their funeral expenses;
- the RRSP/RRIF income used to prepay funeral expenses would correspond to the average amounts withdrawn, up to a maximum of \$2,500;
- the first year the income exemption would apply is 2013, with a corresponding increase in GIS benefits as of January 1, 2014; and
- any eligible individual may use the exemption only once.

The Department also projected the costs to implement Bill C-480. Based on the various take-up scenarios developed by the Office of the Chief Actuary, administrative costs to implement the measure were estimated to range from \$6 million to \$12 million.

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If you have any questions on this matter or would like to discuss further, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Ian Shugart', with a stylized flourish at the end.

Ian Shugart

Enclosure: 1

c.c. Mr. Michael Horgan  
Deputy Minister  
Department of Finance