The Liberals promised to increase the CPP survivor’s pension – here’s where we stand on that

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The federal government is talking to the provinces about addressing one of the most disappointing features of the Canada Pension Plan.

The Liberal election platforms of 2019 and 2021 both promised a 25-per-cent bump in the CPP survivor’s benefit, which is paid to surviving partners of CPP contributors. The Liberals have delivered on a promise to increase Old Age Security for people aged 75-plus, but the CPP survivor’s pension continues to pay little or nothing in some cases.

The Finance Department says the government remains committed to increasing the CPP survivor’s benefit by 25 per cent and is currently in discussion with provincial and territorial governments as part of a regular three-year review of the CPP.

With our aging population, this country needs a public debate right now about all retirement benefits. Should the age for starting OAS be pushed back to 67 from 65? Do we need to be so aggressive in clawing back the Guaranteed Income Supplement (GIS) from low-income seniors if their incomes rise? And how do we help solo seniors, mainly women, who have either lost a partner through death or marriage breakdown, or been single their whole lives?

The [Liberals](https://www.theglobeandmail.com/topics/liberal-party/)pledged in their 2021 platform that more than 1.3 million people would receive close to $2,200 yearly as a result of a 25-per-cent increase in the survivor’s benefit, which works out to an increase of $183 a month.

But many questions about how the increased survivor’s benefit would actually work need to be answered. The average survivor’s benefit was $331.34 monthly as of January for new beneficiaries aged 65 and older, less than half the monthly maximum of $783.94.

Doug Chandler, an actuary and an associate fellow of the [National Institute on Ageing](https://www.niageing.ca/), wonders how these numbers square with the 25-per-cent increase promisedby the Liberals. “Are they going to find a formula that means everyone gets 25 per cent more than they would have had otherwise?” he said in an interview.

The formula for calculating the survivor’s benefit is almost impenetrable – Mr. Chandler noted that even some actuaries and financial planners don’t understand it. Someone aged 65 and up who does not qualify for CPP retirement benefits would get 60 per cent of their partner’s retirement benefit, while someone in that age bracket who gets maximum CPP retirement benefits would receive no survivor’s benefit at all.

In between those extremes, a formula is applied that reduces the amount of survivor’s benefit below the 60-per-cent threshold. This explains why the survivor’s benefit is often a fraction of what a deceased CPP contributor received while alive, and thus a disappointment to the surviving partner.

The most recent actuarial review of the CPP projects that there will be 1.4 million recipients of the CPP survivor’s pension in 2023, almost 80 per cent of them women. This disparity is a reflection of women’s longer lifespans, and their financial vulnerability when a spouse dies.

The CPP survivor’s pension pays just a part of a deceased spouse’s pension at best, while the deceased spouse’s Old Age Security benefits are lost and some or all of a company pension can be lost as well. The economics of being single are tough: One person’s expenses are more than 50 per cent of what a couple pays.

An improved survivor’s benefit would help solosenior women who lost a partner but not life-long singles. For that, we need to modify rules that allow senior couples to save on tax through income splitting, without any comparable measures for singles.

An obvious question about an improved survivor’s pension is whether it would apply to both current and future recipients of this benefit, or just those people who start receiving it after the increase takes effect.

Mr. Chandler said CPP legislation requires that improvements to the pension plan be fully prefunded through contributions paid by workers and employers as well as the CPP’s investment income. This suggests benefit hikes for current and future recipients of the survivor’s benefit are unlikely.

“Any change to CPP involves agreement with the provinces and amending legislation,” he said in an e-mail. “But the deck is stacked against a wholesale improvement for current pensioners. More likely, any improvement will be tied to future contributions.”

An increase in the CPP survivor’s benefit will help seniors, but we need more than improvements by the spoonful for our retirement system. It’s time for a broader approach that includes OAS, GIS, the rules for registered retirement income funds and tax fairness for solo seniors. Next to climate change, the biggest challenge faced by this country is its aging population.