The Next 100 Years of Old Age Security: Policy Considerations

NATIONAL INSTITUTE ON AGEING

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Endorsements

ACE Advocacy Centre for the Elderly

Cambridge Council on Aging

CCSMH Canadian Coalition for Seniors' Mental Health | CCSMPA Coalition canadienne pour la santé mentale des personnes âgées

Canadian Home Care Association

CNPEA RCPMTA
CANADIAN NETWORK for the PREVENTION of ELDER ABUSE
RÉSEAU CANADIEN pour la PRÉVENTION du MAUVAIS TRAITEMENT des AÎNÉS

CanAge Canada's National Seniors' Advocacy Organization

COSCO BC

CBC Pensioners Association | Association des retraités de Radio-Canada

Elder Abuse Prevention Ontario

Entente Education Canada

HelpAge Canada

ISAC Income Security Advocacy Centre / Centre d'action pour la sécurité du revenu

ILC International Longevity Centre Canada

National Association of Federal Retirees / Association nationale des retraités fédéraux

National Pensioners Federation NPF Fédération Nationale des Retraités

Ontario Association of Councils on Aging

OPEN POLICY

Toronto Council on Aging — Engaging in leadership and education

Yukon Council on Aging 55+

Executive Summary

All Canadians deserve to live with dignity and income security. Old Age Security (OAS) has been the cornerstone of Canada's retirement income system for a century and works together with the Canada and Quebec Pension Plans (C/QPP), the Guaranteed Income Supplement (GIS), and workplace pensions and annuities to provide income stability in retirement. It's the foundation upon which Canadians plan their retirement.

But Canadians' needs, life spans, and retirement patterns continue to evolve as OAS enters its second century. A public discussion has emerged as to whether the program remains fit for purpose, with some suggesting that OAS, and its companion GIS, ought to be adapted to meet evolving needs and contexts:

- Canadians are working longer than ever, but fewer have workplace pensions, forcing a greater reliance on government-sponsored retirement income programs and private savings.
- Canada's population is ageing and OAS beneficiaries are rising. However, the cost of OAS/GIS as a share of GDP is expected to peak around 2030 as the last of the baby boom generation reaches eligibility and decline thereafter. The gross cost of OAS is $60 billion annually, but its net cost is substantially lower as $10 billion is returned to the federal government through income taxes and benefit clawbacks. Older Canadians also continue contributing to the tax base through employment, tax-deferred retirement savings, and other investments.
- Because OAS is indexed to inflation rather than wage growth, its value is gradually eroding relative to the living standards of working Canadians.
- OAS's pension recovery tax is based purely on income, which can mask stark differences in financial realities between households depending on regional living costs, high medical expenses, housing costs, and wealth assets.
- While OAS and GIS have been effective at reducing poverty, certain communities continue to experience persistent poverty.

Any considerations for adjusting OAS must begin with its purpose. While some recent commentary has framed OAS as a subsidy,[1] **OAS has always operated as a core component of foundational monthly income for Canadians in retirement.**

[1] Generation Squeeze. 2026. Fix Old Age Security To Deliver the Biggest Affordability Boost in Decades. https://www.gensqueeze.ca/fix_oas

OAS serves as the base, GIS as the low-income supplement, and C/QPP as the guaranteed earnings replacement. Conversations about potential OAS reforms should begin with these objectives in mind, while ensuring the program remains effective and fit for purpose as a reliable base income for the next 100 years.

The OAS system (including OAS and GIS) may appear straightforward on the surface, but in reality, it includes features that serve different purposes and interact with broader tax and benefits systems. OAS, GIS, C/QPP and the income tax system work together and altering one program will impact the others and the efficacy of the retirement income system as a whole.

To support these conversations, the National Institute on Ageing (NIA) conducted research and analysis and convened experts, policy professionals and researchers working on Canada's retirement income system, and representatives from the ageing sector to discuss the current context in which the OAS system operates, perceived current challenges with the system, potential adjustments and their implications.

This brief does not put forward specific recommendations, but rather it lays out the potential implications associated with some of the adaptations the government may be considering. In analyzing four levers in the design of OAS and GIS, it becomes apparent that making adjustments to any one of these levers comes with trade-offs, consequences, and further challenges:

- Raising the OAS age of eligibility has implications for GIS and provincial supplements to GIS, provincial social assistance programs, and tax-deferred retirement savings plans, as well as equity considerations.
- Varying the income threshold for OAS or GIS benefit reductions will affect incentives for employment and tax-deferred retirement saving and, in the extreme, could amount to a fundamental departure from OAS's intended purpose as a universal income base.
- Reducing the clawback rates for either OAS or GIS could address some of the undesirable incentives and disincentives in the current system but could be unaffordable.
- Changing the program structure of OAS, GIS and the Allowance by merging or separating these programs could either strengthen or weaken their ability to meet their distinct purposes.

Given the importance of OAS and GIS to the financial security of millions of Canadians, **it is critical that any changes must be considered holistically within**

the context of Canada's broader retirement income system, including the Canada Pension Plan/Quebec Pension Plan, annuities, tax expenditures for RRSPs, RRIFs, TFSAs, workplace pensions, and other forms of private savings. **All Canadians should be able to rely on OAS and the broader retirement system when they are ready to retire.**

The brief cautions that changes should not be made to OAS in isolation, but rather there must be a broader **consideration of whether Canada's retirement income system as a whole is equitable, adequate, efficient and internally coherent.**

Introduction

Old Age Security (OAS) is a key component of Canada's retirement income system. OAS works together with the Canada and Quebec Pension Plans (C/QPP), the Guaranteed Income Supplement (GIS) and tax-supported private retirement income plans to ensure older adults have stable income in their retirement. OAS has been a core part of Canada's retirement system for a century. It's the foundation people can count on, and an income source Canadians plan their retirement around.

OAS, GIS, and C/QPP have evolved throughout this time to become the reliable base Canadians rely on in retirement today, and these programs will continue to evolve to effectively meet the needs of older adults. A lot has changed in the way Canadians live, retire, age, and save. Canadians are living longer and retiring later. Older adults are less likely to have workplace defined benefit pension plans and will be relying more heavily on C/QPP, OAS and private savings to support day-to-day expenses in retirement.

Recently, attention has been drawn to OAS's cost, given the large demographic cohort that is now reaching the qualifying age. Some have questioned the program's sustainability and, by extension, whether the program should continue to be available to all Canadians, regardless of their income level.

Any conversation regarding the future of OAS must begin with a fulsome understanding of the purpose and objectives of the program, the true fiscal costs, and potential impacts and trade-offs of any proposed changes. OAS, GIS, C/QPP and the income tax system (including tax expenditures for retirement savings) work together—not in isolation—to provide income security for older adults; altering one program will impact the others and the efficacy of the retirement income system as a whole. For instance, recent changes to increase C/QPP earnings replacement from 25% to 33% of average earnings were made under the assumption that OAS would continue to provide earnings replacement for Canadians in retirement.

Beyond that, Canadians living longer need to rely on lifelong income streams to sustain their financial well-being into their 80s and 90s as they face significant

costs related to ageing. While the trend towards living longer may indicate more years spent receiving OAS, it also accentuates the importance of ensuring OAS and GIS are reliable and sustainable for years to come.

All Canadians should be able to rely on OAS and the broader retirement system to work for them in retirement. This is particularly important for Canadians who have already left the workforce or who are nearly ready to retire and are no longer in a position to adapt to changes. Younger generations must also have confidence that the system will be there for them past their working years. The challenge of adapting OAS and GIS to evolving needs, retirement patterns, and life spans while meeting the demands of an ageing population requires thoughtful consideration of potential adjustments to maintain and sustain stable income foundations for older adults.

Rather than put forward specific recommendations, this brief shines light on the potential implications associated with some of the adaptations that the government may be considering. It reveals the trade-offs, consequences, and further challenges associated with four program design levers: age of eligibility, income eligibility, clawback and recovery rates, and program structure. **It demonstrates the importance of taking a holistic approach to any reforms of the retirement income system.**

OAS is a universal program that serves the needs of a broad cross-section of older adults. Considering OAS in isolation obscures the sharp realities of older adults facing poverty. While this brief touches on some potential adjustments to GIS, it focuses largely on OAS and does not lay out a comprehensive agenda to address poverty among older adults. In collaboration with partners, NIA intends to continue to work on potential improvements to GIS as an element of poverty reduction for older adults more broadly.

The National Institute on Ageing (NIA) is interested in providing evidence-based contributions to ongoing discussions about the future of OAS. Building on previous work in retirement income security, NIA conducted research and analysis and held workshops in May and August 2026 to reflect on how OAS and GIS can continue to provide income and anti-poverty support for older adults as they age while evolving to meet future needs and changing context. Policy professionals, researchers, and representatives from organizations representing older adults came together to discuss current challenges and context, as well as practical adjustments that could be made to ensure OAS and GIS continue to

provide reliable and sustainable income support to Canadians for years to come. This policy brief combines insights from the workshop as well as research and analysis to identify practical considerations for any future changes to OAS or GIS.

The Role of OAS in Canada's Retirement Income System

The defined intent and purpose of OAS should be the primary determinant of how it functions and what it achieves. Any potential adjustments to ensure the program's continued success and sustainability must ensure that they are carried out with the intent and purpose of the program in mind. While some recent commentary has framed the OAS benefit as a subsidy, it has always operated as a core component of foundational monthly income for Canadians in retirement.

The OAS benefit is described in the *Old Age Security Act* as a monthly pension.[2] The stated objective of the OAS program is to provide a "base upon which individuals can add income from other sources to address their specific financial circumstances" and to "provide a minimum level of income to seniors and contribute to their income replacement in retirement."[3,4] OAS is provided on the premise that all Canadians who have lived in the country for a significant period and participated in society are entitled to a stable income floor in old age, regardless of participation in the workforce. The foundation of Canada's retirement income system consists of government-sponsored income programs, workplace pension plans, and annuities (Figure 1).[5] This income foundation provides guaranteed monthly income in retirement for life. OAS provides a universal base, GIS supplements that base for adults with the lowest incomes, and C/QPP, private pensions, and annuities provide additional layers of

[2] *Old Age Security Act*, R.S.C. 1985, c. O-9. https://laws-lois.justice.gc.ca/eng/acts/O-9/page-1.html#h-387586.
[3] Employment and Social Development Canada. n.d. "About the Old Age Security." Accessed June 20, 2026. https://www.canada.ca/en/employment-social-development/programs/old-age-security.html.
[4] Employment and Social Development Canada. 2025. "HUMA Committee Briefing Binder: Appearance by the Secretary of State (Seniors), October 28, 2025. https://www.canada.ca/en/employment-social-development/corporate/reports/committe-binders/2025-oct-28-huma-mclean.html.
[5] National Institute on Ageing. 2024. *7 Steps Toward Better CPP/QPP Claiming Decisions Shifting the Paradigm on How We Help Canadians Step #1: (Re)Introducing the Retirement Income System: A New Framework Tailored to the Retiree's Perspective*. https://niageing.ca/reports/7-steps-toward-better-cpp-qpp-claiming-decisions-shifting-the-paradigm-on-how-we-help-canadians/

guaranteed earnings replacement for Canadians with lifestyle expectations that go beyond bare necessities.

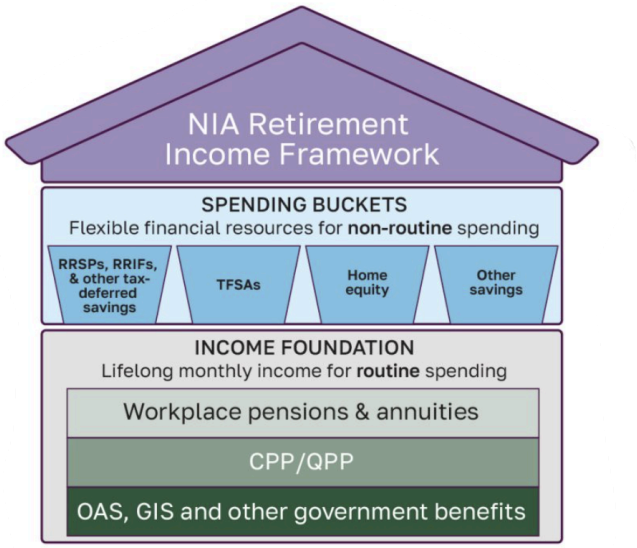


Figure 1: NIA's Retirement Income Framework to better support retiring Canadians.[6]

Private savings in TFSAs, RRSPs and other assets are layered on top of that foundation to provide spending flexibility and, where the income foundation is inadequate, to bridge the gap to maintain the standard of living a person wants in retirement. Unlike the predictability of government and workplace pensions, private savings can be unpredictable; while Canadians do their best to save and structure private savings in their working years to provide an estimated amount of savings to cover expenses in retirement, the reality is that this is only an estimate. Private savings are not guaranteed in the same way that government and workplace pensions are—investments can be unpredictable and adults can end up with less than anticipated when the funds are needed in retirement. **This distinction emphasizes the importance of preserving OAS, GIS, and C/QPP as the guaranteed income in retirement, especially with the declining prevalence of workplace pensions.**

[6] MacDonald, B. J., D. Chandler, and A. Hodder. 2024. 7 Steps Toward Better CPP/QPP Claiming Decisions Shifting the Paradigm on How We Help Canadians Step #1: (Re)Introducing the Retirement Income System: A New Framework Tailored to the Retiree's Perspective. https://niageing.ca/reports/7-steps-toward-better-cpp-qpp-claiming-decisions-shifting-the-paradigm-on-how-we-help-canadians/

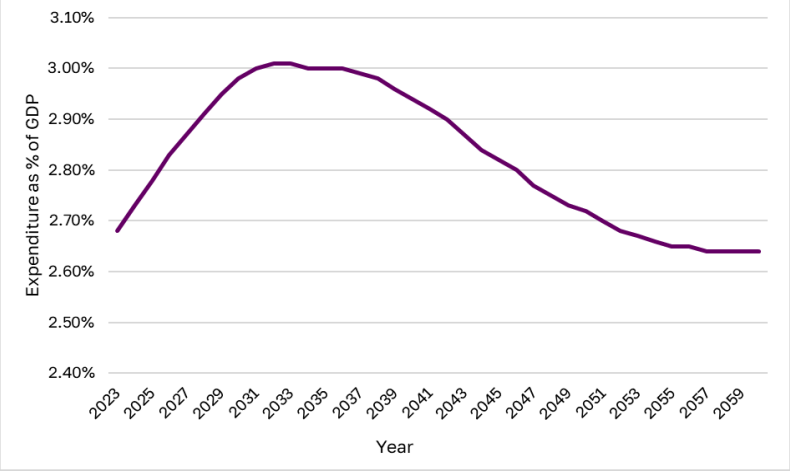
As adaptations to OAS are considered to meet evolving needs of older adults now and in the future, they should be made in pursuit of and alignment with this clear articulation of what the program is meant to achieve for current and future generations. With that in mind, the discussion of policy options explored below aims to illustrate key considerations and tradeoffs to inform future work on OAS.

Current Context

Discussions about how public pensions will meet the demands of longer lifespans are not new, but several key factors are bringing the OAS program to the forefront of public policy conversations.

The cost of OAS and GIS is peaking as the baby boom generation becomes eligible. Canadians over 65 are projected to account for nearly one-quarter of the population by 2030. Combined gross OAS and GIS payments are estimated to total $82.5 billion in 2025-26 (before accounting for amounts returned to government through taxes, which are discussed below).[7] As the last of the baby boomers become eligible for OAS in 2030, the number of OAS/GIS beneficiaries is projected to peak and then decline. The ratio of expenditures to GDP is projected to peak at 3.0% in the early 2030s (up from 2.68% in 2023) before declining to 2.64% by 2060.[8]

Figure 2: OAS/GIS Expenditure as a Percentage of GDP



[7] Cléophat, Régine, and Mark Creighton. 2026. "Supplementary Estimates 2025-2026 Supplementary Estimates (C) 2025-26." In *Office of the Parliamentary Budget Officer*. Preprint. https://www.pbo-dpb.ca/en/publications/RP-2526-026-S--supplementary-estimates-c-2025-26--budget-supplementaire-depenses-c-2025-2026.

[8] Office of the Superintendent of Financial Institutions of Canada. 2023. "Actuarial Report on the Old Age Security Program as of 31 December 2021." https://www.osfi-bsif.gc.ca/sites/default/files/2023-12/oas18-psv18.pdf?v=1775498749101.

Regarding expenditures, the actual cost of OAS is lower than it appears on paper. The gross cost of OAS (excluding GIS) is approximately $60 billion per year. However, OAS is taxable income and also subject to the pension recovery tax. In 2025, approximately $3 billion in OAS was taken back in recovery tax. After also deducting the average effective federal tax paid on taxable income for older adults of 10.6%, the estimated net fiscal cost of OAS to the Government of Canada—the gross cost less the recovery tax and income tax—would be approximately $50 billion.[9,10] Of this, approximately $47 billion goes to beneficiaries and $3 billion goes to provincial governments in the form of provincial income tax. The cost of OAS must also be understood in terms of broader returns. Investments in social supports can lead to reductions in spending elsewhere, such as healthcare costs.[11]

The fiscal pressure of an ageing population is counterbalanced by later retirements and ongoing economic and societal contributions from older adults. A commonly cited metric is the proportion of adults over 65 years old relative to working-age Canadians (i.e., people between ages 18 and 65), as a proxy for the fiscal pressures associated with an ageing population. Like many other OECD countries,[12] this proportion is rising in Canada. However, this metric conceals the fact that Canadians are retiring later, [13] and continue to contribute to the tax base through employment, tax-deferred retirement income and other investments. Older Canadians also contribute the greatest number of volunteer hours in Canada, contributing to both community wellbeing and the economy.[14]

The value of OAS is eroding, putting added financial pressure on older adults. OAS is indexed to the Consumer Price Index (CPI) rather than wages. Over time, this means older adults may fall behind the rest of the population in terms of relative living standards. For instance, in 2024-2025, wages grew by 4.5%

[9] Employment and Social Development Canada. 2025. HUMA Committee Briefing Binder: Appearance by the Secretary of State (Seniors), October 28, 2025. https://www.canada.ca/en/employment-social-development/corporate/reports/committe-binders/2025-oct-28-huma-mclean.html?utm_source=chatgpt.com#h2.3.c.

[10] Statistics Canada. 2025. T1 Family File, Final Estimates, 2023. https://www150.statcan.gc.ca/n1/pub/72-212-x/2025001/sect2-eng.htm.

[11] Dutton, D. J., Forest, P.-G., Kneebone, R. D., & Zwicker, J. D. (2018). Effect of provincial spending on social services and health care on health outcomes in Canada: An observational longitudinal study. *Canadian Medical Association Journal*, *190*(3), E66–E71. https://doi.org/10.1503/cmaj.170132

[12] Eurostat. 2025. Old-Age Dependency Growing across EU Regions. https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20251001-2.

[13] Labour Market Information Council. 2023. LMIC to Examine Occupations at Risk Due to an ageing Workforce. https://lmic-cimt.ca/lmic-to-examine-occupations-at-risk-due-to-ageing-workforce/.

[14] Statistics Canada. Table 45-10-0039-01 Volunteer rate and average annual volunteer hours, by definition of volunteering and age group. DOI: https://doi.org/10.25318/4510003901

year-over-year against CPI inflation of 2%.[15] That means OAS benefits increased by 2%, but working-age Canadians gained an added 2.5% of purchasing power that OAS recipients did not.[16] This difference compounds over time.

Income can mask vastly different financial realities. The OAS pension recovery tax is based on net income. However, two families earning $100,000 may face entirely different burdens in housing costs, medical expenses, regional cost of living, and asset wealth. Any changes to OAS would not affect them equally.

Although the OAS/GIS system has contributed significantly to reducing income poverty amongst older adults, older adults continue to experience poverty at a higher prevalence than other demographics. Since the implementation of GIS, the prevalence of low income among seniors has fallen significantly. Using Canada's official poverty measure, the Market Basket Measure (MBM), which is an absolute measure of poverty, 5.4% of people aged 65 and older were living in poverty, versus 12.6% of those aged 18-64.[17] However, when using a relative poverty measure, like the Low-Income Measure, after tax (LIM-AT), which considers a household in poverty if its income is below 50% of the median income in Canada, a different story emerges. Under the LIM-AT, poverty among older adults fell from 30.6% in 1976 to 3.9%,[18] but by 2023 this proportion had grown to 13.8%.[19] Further, the LIM-AT for older adults is higher than that for the population average as a whole, indicating a gap between the rising incomes of working Canadians and the fixed incomes of retired adults.[20]

Poverty is particularly persistent amongst populations facing multiple barriers and in regions of Canada with higher costs of living. Among older adults, women (particularly widows)[21], single people, people with disabilities, racialized women, and immigrants continue to experience higher rates of poverty.[22] While baby

[15] Employment and Social Development Canada. 2026. Employment Insurance Monitoring and Assessment Report for the Fiscal Year Beginning April 1, 2024, and Ending March 31, 2025: Chapter 1: Labour Market Context.https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/reports/monitoring2025/chapter1.html
[16] Government of Canada. 2025. Question Period Note: INDEXATION OF OLD AGE SECURITY BENEFITS IN APRIL 2025. https://search.open.canada.ca/qpnotes/record/esdc-edsc,Seniors_JUN2025_008.
[17] Statistics Canada. 2026. Persons Living below the Poverty Line (Market Basket Measure, 2023 Base), Canada, 2020 to 2024. https://www150.statcan.gc.ca/n1/daily-quotidien/260429/t003a-eng.htm.
[18] Leclerc, Karine (Statistics Canada). 2024. The Poverty Rate and Low-Income Situation of Older Persons in Canada: An Intersectional Analysis. https://www150.statcan.gc.ca/n1/pub/45-20-0002/452000022024002-eng.htm.
[19] Statistics Canada. 2025. The Daily — Canadian Income Survey, 2023. https://www150.statcan.gc.ca/n1/daily-quotidien/250501/dq250501b-eng.htm.
[20] Griffin, Paloma, and Mohy Tabbara. 2023. A Fine Line: Finding the Right Seniors' Poverty Measure in Canada. www.maytree.com.
[21] Statistics Canada. 2009. Death of a Spouse: The Impact on Income for Senior Men and Women. https://www150.statcan.gc.ca/n1/pub/11-621-m/11-621-m2006046-eng.htm
[22] White, Alexi, and Yasmine Gill. 2025. Seniors' Poverty in Canada: Why It Exists and Why It Doesn't Have To. https://doi.org/10.25318/1110013501-eng.

boomers are Canada's healthiest and wealthiest generation to date,[23] the average experience of this cohort masks a significant degree of variation within the experiences of older adults.[24]

Changes in retirement patterns and the shifting role of workplace pensions, public pensions, and private savings have implications for OAS. Workplace pension coverage has declined for male employees since the late 1970s from 50% to about 37%, while it has risen for women from 36% to 40% over the same timeframe.[25] Defined-benefit plans have been phased out by many employers since the 1990s, particularly in the private sector.[26] Instead, the use of personal savings vehicles including Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Accounts (TFSAs) has grown—higher income Canadians are more likely to rely on private savings to sustain their costs of living in retirement.[27] The labour force participation rate of older adults has also risen in recent years,[28] and many older adults are taking phased approaches to retirement. A record number of adults aged 65 years and older worked in 2025–the participation rate was 15.2% (compared to 6.1% in 1996[29]) and older adults represented 5.2% of the labour force.[30]

OAS arrives too soon for some and not soon enough for other older adults. Some older adults are choosing to work later to continue earning before taking their C/QPP and OAS at 70, while others are forced to work later due to insufficient retirement savings. Older adults can be forced out of the labour market early by labour force disruptions, technological change, ageism, caregiving responsibilities, disability, and/or physical work. When this happens, they face

[23] National Institute on Ageing. 2024. 7 Steps Toward Better CPP/QPP Claiming Decisions Shifting the Paradigm on How We Help Canadians Step #1: (Re)Introducing the Retirement Income System: A New Framework Tailored to the Retiree's Perspective.
https://niageing.ca/reports/7-steps-toward-better-cpp-qpp-claiming-decisions-shifting-the-paradigm-on-how-we-help-canadians/
[24] Shillington, Richard. 2016. An Analysis of the Economic Circumstances of Canadian Seniors. In *Broadbent Institute*.
https://broadbentinstitute.ca/research/circumstances-of-canadian-seniors/.
[25] Statistics Canada. 2014. Pensions: The Ups and Downs of Pension Coverage in Canada.
https://www150.statcan.gc.ca/n1/pub/11-630-x/11-630-x2015003-eng.htm.
[26] Randall, Steve (Wealth Professional). 2026. With Fewer DB Pensions, There's a Wake-up Call for Canadian Retirement Planning.
https://www.wealthprofessional.ca/news/industry-news/with-fewer-db-pensions-theres-a-wake-up-call-for-canadian-retirement-planning/391528.
[27] Office of the Superintendent of Financial Institutions. 2026. Registered Pension Plans (RPP) and Other Types of Savings Plans – Coverage in Canada (2023).
https://www.osfi-bsif.gc.ca/en/oca/oca-factsheets-other-reports/registered-pension-plans-rpp-other-types-savings-plans-coverage-canada-2023.
[28] The Vanier Institute of the Family. 2024. Families Count.
https://vanierinstitute.ca/families-count-2024/more-older-adults-are-working-for-pay-and-retiring-later/.
[29] Statistics Canada. 2017. Labour force participation rate of people aged 65 and older, Canada, 1946 to 2016
https://www150.statcan.gc.ca/n1/daily-quotidien/170804/cg-a003-eng.htm
[30] Statistics Canada. 2026. A Record Number of Canadian Seniors Worked in 2025: Here Are Some Reasons Why.
https://www.statcan.gc.ca/o1/en/plus/9132-record-number-canadian-seniors-worked-2025-here-are-some-reasons-why.

pressure to make private savings last longer and make the most of retirement income from C/QPP, OAS and GIS.

These factors highlight the varying needs of older adults, including when they need OAS and the role it plays in their retirement. They underscore the importance of OAS as a base income in retirement and point to gaps to fill when considering potential adjustments.

Considerations for the Future of OAS

It is important to consider how OAS can continue to evolve over the next few decades to provide reliable income replacement for current and future generations. To ensure OAS remains a reliable base income for older adults for the next 100 years, any potential adjustments should ensure the program is effective and fit for purpose. This brief analyzes four levers that the government may be considering to adapt OAS over time: age of eligibility, income eligibility, clawback, and program structure. **The options presented should not be considered recommendations endorsed by the NIA, but rather they are used to showcase the potential implications and consequences that government must consider. In doing so, this brief demonstrates the unintended consequences of making changes to OAS in isolation, and the importance of taking a holistic approach to the retirement income system as a whole.**

Age of Eligibility

In terms of age of eligibility, potential changes that could be under consideration include **raising the age of eligibility for OAS to account for longer lifespans** or **implementing stronger encouragement** for older adults who can afford it to delay receiving their benefit. These changes would address increasing lifespans, differences in retirement pathways among older adults, and the fiscal cost of OAS.

Most individuals who have resided in Canada for at least 10 years become eligible for OAS at age 65. Benefits are pro-rated for anyone with less than 40 years of Canadian residency and increased if an individual chooses to delay their OAS.

The OAS pension increases by 10% at age 75.[31] The age of eligibility has remained unchanged since 1970 while Canadians' lifespans have increased over time. In 1970, after the age of 65, a woman in Canada could expect to live an additional 17.5 years and men 13.7 years.[32] By 2022, this had grown to an additional 22.2 years and 19.4 years, respectively.[33] Canadians who reach age 65 now or in the future can expect to live even longer.[34]

One potential lever for reform is raising the age of eligibility for OAS to reflect longer lifespans and the increased number of years people receive OAS. When this was proposed in 2012, the *Old Age Security Act* was amended to increase the age of eligibility for OAS and GIS from age 65 to 67 with no increase in the basic benefit payable, effectively reducing the benefit that would otherwise be payable starting at age 67. This change was rescinded before taking effect in 2016 after a change in government. While similar changes have proven controversial in France[35] and elsewhere, the retirement age for public pensions is set to rise for half of OECD countries.[36]

Another potential lever that may be under consideration would be to implement stronger encouragement for recipients to delay claiming OAS without changing the eligibility age or the benefit rate structure. If more Canadians delayed claiming OAS, this could help flatten the forthcoming peak in OAS costs. It would also strengthen the income foundation for those who could afford to delay. One approach would be to move the automatic enrollment age from 65 to 70, at least for older adults not eligible for GIS. Other options include changing the way the standard benefit and age adjustment rate are communicated. Rather than describing OAS as an age 65 pension with bonuses for delay, the same OAS benefit could be communicated as an age 70 pension with penalties for claiming early.

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[31] Government of Canada. 2026. Old Age Security Payment Amounts. https://www.canada.ca/en/services/benefits/publicpensions/old-age-security/payments.html#h2.2.

[32] Statistics Canada. 2016. Table 4 Life expectancy at birth. ttps://www150.statcan.gc.ca/n1/pub/89-503-x/2015001/article/14316/tbl/tbl04-eng.htm

[33] Public Health Agency of Canada. (2026). How healthy are people in Canada? An indicators dashboard. https://health-infobase.canada.ca/health-of-people-in-Canada-dashboard/

[34] Billig, A. (2023). Actuarial Report (18th) on the Old Age Security Program as at 31 December 2021. Office of the Chief Actuary. Ottawa: https://www.osfi-bsif.gc.ca/en/oca/actuarial-reports/actuarial-report-18th-old-age-security-program-31-december-2021#toc-id-29

[35] Rihan, Carl (The London School of Economics). 2025. Raising the Retirement Age Is Not a Silver Bullet for Reducing Public Spending. https://blogs.lse.ac.uk/europpblog/2025/09/04/raising-the-retirement-age-is-not-a-silver-bullet-for-reducing-public-spending/.

[36] OECD. 2025. Pensions at a Glance 2025: OECD and G20 Indicators. https://doi.org/10.1787/e40274c1-en.

Considerations

While more Canadians are living longer and healthier lives and have the capacity to work longer in less physically demanding work, this is not universal. If changes were to be made to the age of eligibility, flexibility must remain to account for workers in physically demanding roles, and other older adults who need to exit the labour market earlier. Any changes to age of eligibility should also factor in sociodemographic impacts on longevity. While Canadians are generally living longer, some groups such as Indigenous people, people with disabilities, and Canadians with lower incomes live shorter lives on average.[37] Any future changes to the age of eligibility should not put these groups at an increased disadvantage.

The age of eligibility for OAS is aligned with the age of eligibility for GIS. Any changes to the age of eligibility should consider potential negative implications for low-income Canadians who rely on GIS at age 65 for income support. To ensure older adults with lower incomes are not negatively impacted, the GIS eligibility age may need to be decoupled from OAS or maintained at 65 for adults with incomes below a certain threshold. The Allowance and Allowance for the Survivor would also require adjustments as they are meant to serve as bridges to receiving OAS and GIS at the age of 65.

Age 65 is used broadly across Canada's retirement system, as well as for disability and tax systems. Changing the age of eligibility for OAS would have downstream impacts on other supports, such as:

- Creating a gap in federal benefits income for low- and middle-income individuals who receive the Canada Disability Benefit, which ends at age 64.
- Provinces/territories would face increasing costs for social assistance programs, should federal old age benefits begin at a later age.
- Canada would need to review social security agreements with other countries to understand how such a change to age of eligibility would impact those agreements.
- Workplace pension plans that provide a bridge benefit on early retirement (such as those linked to forced workplace exits) would require a change to the *Income Tax Act* to extend the bridge benefit beyond 65.

[37] Statistics Canada. 2018. Key Health Inequalities in Canada: A National Portrait – Executive Summary. https://www.canada.ca/en/public-health/services/publications/science-research-data/key-health-inequalities-canada-national-portrait-executive-summary.html

- Raising the age of eligibility for OAS could influence behaviour; Canadians might need to draw on their C/QPP earlier, stay in the workforce for longer, or draw on personal savings sooner.

Any adjustments to the age of eligibility would need to be phased in over time. This would allow Canadians to adapt their retirement plans. This is particularly true if the age of eligibility was increased while maintaining the same basic OAS amount and age adjustment rates, effectively reducing the lifetime OAS pension received. For example, the 2012 proposal in Canada would have begun phasing in the higher eligibility age after 11 years, with completion after 17 years. Adopting the same approach in 2026 would not impact the fiscal "peak" of OAS spending in the 2030's. In contrast, stronger encouragement to delay claiming could be implemented immediately and would have the potential to flatten the peak.

Income Eligibility

Potential changes that may be under consideration include **adjusting the income threshold** up or down, or **refining how income is measured**. These changes might target the eroding value of OAS or differences in income needs. Changes to the GIS earnings exemption may target seniors' poverty or work disincentives.

Since 1989, OAS eligibility has been tied to income. Up to a certain threshold, pensioners receive the full amount of OAS before it begins to be offset by the pension recovery tax, commonly known as a clawback. The threshold for 2026 income is $95,323.

One potential lever for OAS reform is adjusting the income threshold up or down. Raising the threshold for OAS would provide more older adults with full OAS benefits and increase the amount of benefit older adults with incomes above the threshold get to keep. In contrast, lowering the threshold would reduce the number of higher-income households receiving the OAS benefit and would increase the marginal effective tax rate (METR) on middle-income households.[38] For example, if the threshold for the OAS recovery tax were lowered to $75,000, this would raise the METR for a single person with an income of $80,000 - $90,000 from 30% to 40%. Lowering the recovery tax threshold would result in lower OAS costs by reducing the amount of OAS that both middle- and higher-income households keep.

[38] Wolfson, Michael (The Hill Times). 2026. "Beware Unintended Consequences of Fiddling with OAS Clawback." https://www.hilltimes.com/2026/06/22/beware-unintended-consequences-of-fiddling-with-oas-clawback/509123/.

Another potential adaptation of the clawback threshold would be to adjust it for individual circumstances. Currently, individuals with the same income but drastically different circumstances (e.g., household size, medical costs, housing costs) receive the same OAS benefit and face the same recovery tax. Customizing the income threshold could involve factoring in medical or care costs, defining income at a household level rather than an individual level, or averaging spikes in retirement income that are not reflective of ongoing financial capacity.[39] These would seek to correct for varying abilities to pay with the same apparent income.

There are similar income levers that may be under consideration for GIS. Income is defined somewhat differently under GIS than the net income used for the OAS clawback. GIS recipients face a clawback beginning with the first dollar of income received, with exemptions for OAS pensions and for the first $5,000 of employment earnings. This means GIS recipients can work and earn $5,000 before their GIS benefits start to be clawed back. The next $10,000 in employment earnings is exempted at 50%.

Despite this special treatment, the GIS clawback can disincentivise older adults with lower incomes who want to keep working. For older adults with disabilities, transitioning to OAS/GIS from the Canada Disability Benefit (CDB) means facing a new employment earnings exemption of $5,000, down from $10,210 for the CDB.[40]

One potential change involves increasing the earnings thresholds and indexing them to inflation. This would support financial security and enable older adults with low incomes who can and want to continue working to do so beyond 65 without losing a substantial portion of their GIS benefit.

Considerations

Changes to the income thresholds for OAS and GIS will increase or decrease federal costs, depending on the change. Another consideration relates to the

[39] Stapleton, John (The Globe and Mail). 2026. “When It Comes to OAS Reform, Are We Asking the Right Questions?” https://www.theglobeandmail.com/investing/personal-finance/retirement/article-when-it-comes-to-oas-reform-are-we-asking-the-right-questions/.
[40] Income Security Advocacy Centre. (2026). Canada Disability Benefit Informaiton. https://incomesecurity.org/wp-content/uploads/2026/07/ISAC-Canada-Disability-Benefit-Rates-Sheet-2026-2027.pdf https://www.osfi-bsif.gc.ca/en/oca/oca-factsheets-other-reports/registered-pension-plans-rpp-other-types-savings-plans-coverage-canada-2023.

intended and unintended changes in behaviour around working and saving.[41] Lowering OAS income thresholds would increase the METR for middle-income pensioners and decrease the METR for high-income pensioners whose benefit is reduced to zero as a result of the lower threshold. Canada's tax-deferred retirement system (including RRSPs and workplace pensions) promote saving for retirement on the premise that the METR applied to benefits will be lower than the METR applied to contributions, so shifting clawback thresholds can shift the income groups who are encouraged to save for retirement.

The threshold adjustments are only as effective as the underlying income definition, highlighting the importance of considering gaps in how income is measured before making changes to thresholds.

Since changes to the GIS clawback thresholds will cause some individuals to gain or lose partial eligibility, consideration should be given to provincial income support programs and other anti-poverty measures linked to GIS eligibility (e.g., public transit subsidy programs).

As with any changes that will reduce benefits for some individuals, reductions in clawback thresholds should be phased in gradually with a clear rationale, given that many Canadians have made long-term financial decisions about retirement based on existing rules.

Clawback Rate

Potential changes could **include adjusting the clawback rate** for OAS and GIS. As mentioned earlier, OAS is subject to a recovery tax (i.e., a clawback) if net income (including OAS payments) exceeds the threshold (currently $95,323). For every dollar of income over the recovery tax threshold, the OAS benefit is reduced by 15 cents. So, if someone in 2026 reports $100,000 of income (including their full OAS benefit), they would be subject to a pension recovery tax of $702 when they file their tax return, and their monthly OAS benefit would become subject to a withholding tax of $58, effective July 2027.

OAS is taxable income—income from OAS is taxed at the provincial and federal level. The OAS clawback is in addition to regular income tax but, since OAS is taxable, the clawback also results in reduced income tax. This means the

[41] Wolfson, Michael (The Hill Times). 2026. Beware Unintended Consequences of Fiddling with OAS Clawback. https://www.hilltimes.com/2026/06/22/beware-unintended-consequences-of-fiddling-with-oas-clawback/509123/.

after-tax impact of the clawback is typically about one-third less than the clawback amount. In 2025, $3 billion was taken back through the OAS recovery tax and older adults pay an estimated $6.36 billion in federal income taxes on the remaining OAS payments. [42]

The GIS and Allowance are clawed back at a rate of 50% to 75% of income a person earns above the minimum threshold—the range of 50-75% stems from GIS and the GIS top-up being clawed back at different rates. Taking account of the exclusion of 50% of employment earnings between $5,000 and $15,000, this means employment earnings in that band are clawed back at a rate of 25% to 37.5%.

One option that may be under consideration is adjusting the clawback rate for OAS and GIS. Lowering the clawback rate for GIS could allow older adults with low incomes to keep more of their benefit and could make the employment earnings exemptions unnecessary. Adjusting the clawback rate for OAS could involve increasing or lowering the rate or adjusting the clawback rate from a flat rate to one that gradually increases. A decrease in the clawback rate for either OAS or GIS would extend the income range over which a partial benefit could be paid.

Alternate reforms that could be under consideration include replacing the OAS recovery tax or redesigning the way OAS is phased out. For example, the clawback could be replaced with a gross-up and tax credit mechanism that would effectively increase the net tax rate on OAS income relative to other sources of income for individuals in higher tax brackets. Such a mechanism would be similar to dividend income taxation (where a surcharge is added to the dividend income in the calculation of taxable income, but then a tax credit is applied to offset corporate income taxes already applied). This approach would aim to vary the amount of tax effectively paid on OAS compared to regular income to make it more progressive.

Considerations

Any changes to OAS or GIS clawback rates would increase or decrease the net program cost, either directly or through ensuing changes in income tax revenues.

[42] Employment and Social Development Canada. 2025. HUMA Committee Briefing Binder: Appearance by the Secretary of State (Seniors), October 28, 2025. https://www.canada.ca/en/employment-social-development/corporate/reports/committe-binders/2025-oct-28-huma-mclean.html?utm_source=chatgpt.com#h2.3.c.

These changes would also change the incentives associated with retirement savings vehicles, especially workplace pensions, RRSPs, and RRIFs.

Program Structure

Potential adaptations related to the structure of the program could include **merging GIS and the GIS top-up** and **decoupling OAS and GIS** into distinct programs.

Canada's retirement system was developed incrementally over decades with adjustments from time to time. These adjustments have been layered on top of the existing architecture rather than replacing it, creating a complicated system that reflects those accumulated changes. Some of this complexity could be addressed through adjustments to how the programs are structured

The GIS top-up is an additional amount provided on top of regular GIS, introduced for older adults with the lowest incomes in 2011 and increased for single GIS recipients in 2016. The GIS top-up is clawed back at an additional rate (25%) on top of the regular GIS clawback of 50% for every dollar of income. One adaptation that may be under consideration would involve merging the regular GIS and the top-up into one benefit clawed back at a single rate. This change would simplify the METR on employment earnings and tax-deferred retirement income and make the benefit easier for older adults to understand.

OAS and GIS are distinct yet complementary programs, and in some ways their coupling restricts potential options for reform. For instance, raising the OAS eligibility age would also raise the GIS eligibility age. To this end, decoupling OAS and GIS into distinct programs would provide the opportunity to allow one to arrive sooner than the other.

Merging the programs into a single, tax-free seniors' benefit was proposed in 1996 but met with stiff opposition. Even with the changes in 1997 to protect older Canadians nearing retirement age, the proposal had to be withdrawn.

Considerations

Any structural changes have the potential to unintentionally further complicate OAS and GIS program design and/or have downstream implications on provincial/territorial programs, many of which are designed based on the

structure of the existing OAS and GIS programs. Decoupling OAS and GIS could offer more flexibility to treat each program on its own with independent eligibility criteria, but it could also introduce new complexities.

OAS and GIS work together to provide an important income base for older adults, with GIS contributing to poverty reduction, and OAS to both poverty reduction and earnings replacement. Decoupling or merging the programs should not interfere with their shared, but distinct, purposes.

Next Steps for Defining the Future of OAS

Despite the importance of OAS, recent public attention has been drawn to the program's cost and short-term increases due to Canada's ageing population demographics. This may prompt the government to consider whether any reforms should be implemented.

The first step in considering the future of OAS is clear: reaffirming the core objectives of the OAS program in the context of the broader retirement system. The objectives of OAS are clear in both policy and legislation. OAS is designed to contribute to income replacement in retirement, alongside C/QPP and tax-supported private plans. Alongside GIS, OAS also acts as a poverty-reduction mechanism. OAS is foundational to Canada's retirement income system, and a source of reliable, secure lifetime income for millions of Canadians. Any changes to OAS must stem from these objectives.

It is critical that any changes to OAS and GIS are made with a holistic understanding of the implications, as well as the broader societal trends including retirement patterns, involuntary labour force exits, longer life spans, and changes in the way Canadians save for retirement and live out their retirement years.

The OAS system comprises multiple components that serve different purposes and interact with broader tax and benefits systems. The challenge of adapting OAS to evolving needs while meeting the demands of an ageing population requires careful consideration of the broader network of programs and benefits for older adults, and due diligence on the potential consequences of each change. The impacts of any changes to these programs will not be isolated—they

will have consequences for the rest of the retirement system and other government supports and will interact with the broader taxation system. **The question should not be whether OAS should be reformed in isolation, but whether Canada's retirement income system as a whole is equitable, adequate, efficient, and internally coherent.**

The NIA and partners recommend that a more holistic analysis of the retirement income system be undertaken to consider the efficacy of the system as a whole. This could be approached in many ways. For example, the Ottawa Council on Aging's Expert Panel on Income Security is calling for the establishment of a Retirement Income System Observatory, similar to the recently formed Canadian Tax Observatory, to take a holistic approach to retirement income system reform.[43] Alongside future OAS reform, evaluating the full range of programs and benefits for older adults could help to examine how the system is working together and indicate where changes could improve the efficacy and efficiency of these programs and their outcomes.

[43] Wolfson, Michael. 2026. Beware Unintended Consequences of Fiddling with OAS Clawback. https://www.hilltimes.com/2026/06/22/beware-unintended-consequences-of-fiddling-with-oas-clawback/509123/.

Appendix: Workshop Participants

We thank everyone who participated in the workshops and shared their perspectives. The authors of this brief alone remain responsible for any information expressed or omitted.

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- Rob Gillezeau, University of Toronto
- Marta Hajek, Elder Abuse Prevention Ontario
- Brenda Hansen, Yukon Council on Aging
- James Janeiro, Canadian Centre for Caregiving Excellence
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- Sherri Torjman, Sherri Torjman Associates
- Heather Treleaven, BC Association of Community Response Networks
- Michael Veall, McMaster University
- Lillian Wells, Ontario Association of Councils on Aging
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