National Association of Federal Retirees

Association nationale des retraités fédéraux

2018 Federal Budget Priorities

National Association of Federal Retirees

The National Association of Federal Retirees (Federal Retirees) is the largest national advocacy organization representing active and retired members, as well as their partners and survivors, of the federal public service, Canadian Armed Forces, Royal Canadian Mounted Police (RCMP) and retired federally appointed judges.

With 180,000 members including over 60,000 veterans and their families, the Association has advocated for improvements to the financial security, health and well-being of our members and all Canadians for more than 50 years.

In this brief, Federal Retirees focuses on retirement security and health care for seniors, which will also encourage Canada's productivity, economic growth, and competitiveness.

Secure Retirements, Secure Economies

Canadian seniors are a diverse, vibrant group that is transforming how we define retirement and aging, living longer than ever before in relatively good health, and outnumbering youth since 2015. The 2018 federal budget is the right time to enable investments and public policies that will ensure this active and growing group continues to be a force for good for decades to come.

Canadians continue to be productive well into retirement, and to contribute to national and local economies: they make significant purchases including cars and new housing; many travel domestically and engage in other recreational pursuits; and seniors volunteer (over 1 billion hours by baby boomers and older adults in 2010).

Retirement income security is essential, and well-managed, disciplined, defined benefit pension plans are the most effective means of achieving this: they make retirement secure, contribute to national prosperity, and cycle back to the Canadian economy in the form of consumer spending and taxes, generating business growth and employment. Retirees with defined benefit plans are less likely to rely on government assistance such as the Guaranteed Income Supplement; and solid retirement income security brings better health status and outcomes, which helps contain demands on the health care system.

As discussed in the National Association of Federal Retirees' 2017 pre-budget brief, adequate, secure, and predictable income — or a lack of it — is a major issue for older Canadians, requiring many to work well into their senior decades for financial reasons. And tomorrow's seniors are at risk, too: with access to defined benefit pensions declining, more and more Canadians have only products such as defined contribution plans, Registered Retirement Savings Plans (RRSPs), and the Canada and Quebec Pension Plans to rely on. Individuals with only these options struggle to build adequate retirement security; there are several reasons for this.

One reason: mutual fund fees in Canada are some of the highest in the world. Hugh Mckenzie's 2014 study "Risky Business" concluded that a Canadian who contributes a regular percentage of their income to retirement savings vehicles such as RRSPs would lose an average 36% of their savings over a lifetime to management fees. Additionally, RRSPs and similar vehicles do not offer the economies of scale and efficiencies of defined benefit plans: longevity risk, investment pooling, and inflation protection.

RRSPs eventually become Registered Retirement Income Funds (RRIFs), which are taxable and have mandatory minimum withdrawals that escalate with age. Though withdrawal factors were changed in 2015, these rules have not tended to keep pace with increasing longevity. The RRIF structure can cause some to more quickly spend their nest-egg than would be ideal, leaving them in a position of financial hardship.

New reports are demonstrating that Canadians across generations want access to the secure, predictable retirement income available with defined benefit pensions, and they are willing to pay for it. Defined benefit pensions continue to help attract and retain employees.

A barrier to retirement security and its far-reaching benefits is *House Government Bill C-27, An Act to amend the Pension Benefits Standards Act, 1985 (Bill C-27)*, introduced in October 2016. The legislation would introduce a target benefit pension plan framework in Canada's federal pension landscape. Done fairly and in the right way, as new plans on a go-forward basis only, target benefits could make retirement more secure for some Canadians. Unfortunately, Bill C-27 will enable target benefit plans to replace good defined benefit plans and many working and retired Canadians' existing earned retirement pensions. This is also likely to have a longer-term impact on local and national economies. Steps must first be taken to improve Canada's retirement security landscape, including specific measures to safeguard a future for defined benefit plans and better protect earned pensions. Elements of a strategy to achieve that future may include banning contribution holidays, discussing solvency funding requirements, and rethinking how plan surpluses are dealt with.

Beyond the value defined benefit pensions bring to economies, individuals, and employers, these plans are also large institutional investors in the Canadian economy. Canadian pension plans invest in Canadian equities, but also in real estate and infrastructure such as roads, bridges, rail, airports, utilities, and pipelines. With their long-term focus on growth, pension funds are uniquely poised to invest in long-term projects, including those envisioned by the *Investing in Canada* plan and the Canada Infrastructure Bank. David Dodge, former Governor of the Bank of Canada, noted that "defined-benefit plans have important positive attributes for economic efficiency allowing for a better allocation of savings. But there are also efficiency gains for financial markets. The managers of defined-benefit pension plans have both the ability and desire to invest in the kinds of assets that the average individual investor might not normally consider."

Supporting defined benefit plans and addressing inefficiencies in retirement savings tools will ensure that Canadian seniors, today and in the future, will be well-positioned to continue to contribute to our economy and growth. Federal Retirees believe the government should drop Bill C-27, and in the 2018 Budget, take steps to ensure the retirement savings measures created for and available to Canadians are effective, efficient, and realistic.

Action on a National Seniors Strategy

Federal Retirees has long supported a National Seniors Strategy focused on homecare, housing, and community life. Such a strategy would provide the blueprint for an integrated continuum of care to meet the needs of a growing seniors population as well as support a strong economy across generations. Seniors' organizations have been encouraged to see both the Senate and House of Commons take steps on a Seniors Strategy.

Research and experience have shown that addressing social determinants of health, including access to affordable and appropriate housing and communities, retirement income security, and social safety nets such as health care (including homecare and long-term care), helps seniors remain active and independent contributors to economies, allowing them to spend on goods and services, and contribute to better trade balances. But gaps in Canada's social policies are becoming barriers to seniors' independence and the essential role they play in vibrant, healthy communities and economies.

These gaps increase pressures and demands on family caregivers, and impacts national productivity – a cornerstone of a solid economy. The Conference Board of Canada estimates the annual cost of lost productivity to be $1.3 billion dollars to Canadian employers due to elder care needs that are not being addressed within the health care system.

Women are disproportionately impacted by gaps in seniors' care: they contribute significantly to the labour force, yet are more likely to provide family care, to face career impacts (such as lost opportunities and income), and to impact their employers due to family care demands. More than 35% of Canada's workforce provide unpaid, informal elder care for up to 30 hours or more per week, while balancing job responsibilities. Most caregivers are 45 or older and are still in the workforce. Continuing to rely on unpaid caregivers to provide elder care – as our population ages – is not the visionary solution that Canadian seniors, families, or businesses are looking for.

Recent steps take by this government are positive, such as the $6 billion in funding over ten years for home care, palliative care, and caregivers' needs within the bilateral health agreements between federal and provincial/territorial governments. With Canadians spending $33 billion annually in direct and indirect costs for providing care to aging parents, funding and vision on this priority cannot end here.

We often associate home care with health care but seniors' independence is multifaceted and includes access to non-medical supports such as homemaking, meal preparation, transportation to appointments and/or social activities, snow removal, and more, such as wellness and travel opportunities. This represents unique opportunities for Canadian businesses. Supporting businesses in gearing activities, products, and services to the seniors' demographic will help us all reap the rewards – financial and otherwise – and drive the economy.

We can also look to several countries that successfully address the social determinants of health and experience better health outcomes and better economies. In Sweden, for example, elder care services are part of social infrastructure and address the needs of persons needing the care, as well as families who provide care. And Canada has its own unique example in the Veterans Independence Program, administered by Veterans Affairs Canada and coordinated for veterans across provincial and territorial jurisdictions. The Veterans Independence Program provides funding to veterans and their survivors to meet certain home care and support needs.

Too often, seniors experience isolation and mobility and accessibility concerns, because the unique needs of an older population are not considered in community planning and development. Age-friendly communities also contribute to better health outcomes for seniors, and enable safety, good health, and community involvement. We commend the government for allocating funding for senior housing in the 2017 federal budget and recommend an additional step: the adoption of Age Friendly Community (AFC) targeted funding to help promote age-friendly communities in our provinces and municipalities, and implementation of Universal Design standards as criteria for awarding funds for new infrastructure or renovations to existing infrastructure.

Infrastructure investments for accessible, safe, and affordable long-term care housing for seniors is needed, and will add jobs and stimulate the economy. This need is becoming urgent: the Canadian Health and Life Association estimates that long-term care costs will total $1.2 trillion dollars over the next 35 years. Even with governments contributing $595 billion in programs and funding, there will likely be a $590 billion deficit. Coordinated efforts along with innovative thinking and engagement of other sectors in how to fund and structure long-term care will be necessary to meet this challenge.

For budget 2018, Federal Retirees recommends the federal government lead and facilitate development and realization of a comprehensive National Seniors Strategy with our provinces and territories; this will contribute to better productivity and a stronger economy. Specifically, a National Seniors Strategy must include a coordinated homecare plan that addresses the points above; a national palliative and end-of-life care strategy; and tackling infrastructure investments to ensure seniors' residential needs are met.

Finally, Federal Retirees recommends a dedicated voice for seniors in cabinet, much as we have a Minister for Youth. Canadians understand the need for a Minister Responsible for Youth: youth, after all, are Canada's future. But seniors, the largest growing demographic in Canada with more than ever before to contribute to their communities and economies, should have a dedicated voice advocating for their unique needs within government, ensuring we always view public policy decisions through a seniors' lens.

Final Remarks

Evidence is clear: seniors and their families play a critical role in a healthy, productive economy – but their ability do so hinges on retirement income security and a focused health care system that efficiently responds to the demands of seniors.

This government differentiated itself in the 2015 federal election on a platform that included fair, open, and transparent government; evidence-based public policy; a focus on building better retirement security for Canadians through an improved Canada Pension Plan and changes to Old Age Security; measures including investments in affordable housing and seniors' facilities, and a new Health Accord with focus on home care and improved access to necessary prescription medications.

Action has been taken on many of these issues. With renewed focus and action on the above recommendations, the 2018 federal budget is an opportunity for this government to continue in a positive direction forward for Canadian seniors.