



National Association  
of Federal Retirees

Association nationale  
des retraités fédéraux

# 2016

# Federal Budget Priorities

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## National Association of Federal Retirees

The National Association of Federal Retirees, formerly known as FSNA, is the largest national advocacy organization representing active and retired federal employees, their partners and survivors, from the Public Service of Canada, the Canadian Armed Forces, the Royal Canadian Mounted Police (RCMP) and federally appointed judges. The National Association of Federal Retirees is a not-for-profit association with more than 185,000 members across Canada, including more than 50,000 veterans. It is one of the largest veteran's representation organisations in Canada.

Our members are focused on continuing to serve Canadians, as they did during their careers with Canada's public service, Forces and RCMP.

This submission focuses on areas that contribute to driving economic growth and fiscal sustainability, and supporting and lifting up some of our most vulnerable populations.

### Improve retirement security

The National Association of Federal Retirees believes that one of the keys to ensuring fiscal sustainability and economic growth is by making sure that one of the most important segments of the population continues to contribute to the economy: retirees. Median retirement income, according to the federal census, is \$20,100 for women and \$30,100 for men. As the median age in many communities continues to climb it is important that we guarantee secure retirement income, through public measures such as the Canada Pension Plan; keep seniors out of poverty with Old Age Security and the Guaranteed Income Supplement; and protect retirement savings.

### Recommendations

- **Take action on the Canada Pension Plan.** The Canada Pension Plan is sustainable and fair, and this type of essentially mandatory savings program is effective. However, the CPP has not been amended in more than a decade. An indefinite commitment to the status quo will not serve Canada well in future. **This federal government must demonstrate leadership and cooperation in**

working with the provinces to ensure the Canada Pension Plan is meaningfully enhanced before the end of this government's mandate.

- ***Ensure RRIF rules respond to Canadians' needs.*** Voluntary retirement savings are an important component of our retirement savings landscape and need to be effective. The Income Tax Act forces individuals to withdraw annual amounts – a certain percentage per year based on the individual's age – from their registered retirement income funds (RRIFs). According to the CD Howe Institute, the rules requiring mandatory minimum withdrawals from RRIFs and similar accounts have not kept pace with increased life expectancies in Canada and with decreased return on investment compared to 1992. This means that a larger number of seniors are outliving their nest-eggs, and many retirees will face a dramatic, too-early erosion of their savings. **Federal Retirees is calling for a reduction in the minimum drawdowns from RRIF and similar accounts, and an increase to the age at which minimum drawdowns become mandatory.**
- ***Honour the promise to improve the Guaranteed Income Supplement and enact a Seniors Price Index.*** The reduction of Canada's elderly poverty rate has been a major public policy success over the past three decades that is directly linked to the Canada Pension Plan, Old Age Security and the Guaranteed Income Supplement. However, Conference Board of Canada and Organization for Economic Co-operation and Development research indicate the poverty rate among seniors has been edging up since the mid-1990s, and women are disproportionately affected due to historically lower wages, more part-time, precarious work, career gaps, and a generally longer life expectancy. Statistics Canada found a slowed growth rate of government transfers to seniors from the mid-1990s to 2009, and that seniors' income levels are more sensitive to fluctuations in the cost of living and price indices. **During the 2015 federal election, the Liberal platform promised to immediately increase the Guaranteed Income Supplement for single, lower income seniors by ten percent, and developing a new Senior's Price Index. Honouring this promise is crucial for the wellbeing of Canada's most vulnerable seniors.**

- ***Honour pension promises.*** The conversion of defined benefit pension plans to target benefit pension plans is an emerging pension trend. In 2014, Finance Canada launched consultations on the introduction of target benefit pension plans for Crown corporations and federally-regulated employers. But Canadians were counting on their pensions to live. They made decisions based on what was committed to them as deferred compensation and now, in many places, the rules are being changed. A deal is a deal.

In a letter to the President of the National Association of Federal Retirees last July, Mr. Trudeau, as Leader of the Liberal Party of Canada, expressed the view that target benefit plans make sense in certain circumstances, but that any changes to existing defined benefit pensions should be made on a going-forward basis. He also stated that defined benefit pensions which have already been paid for by employees and pensioners should not retroactively be changed into target benefit pensions.

Target benefit pension plans present a unique opportunity for Canadian businesses that are unable to offer meaningful retirement savings plans or pensions to their employees. Target benefit plans may be another means to attract and retain talent, and a way for employees and retirees to benefit from better retirement security.

**Defined benefit pensions should not be retroactively changed into target benefit plans. The National Association of Federal Retirees expects this government to honour the promise of defined benefit pensions to its employees and retirees.**

## **Restore and reinvigorate our health care system**

Delivery of health care is the responsibility of the provinces – but Canadians are looking now more than ever to this federal government to again take a leadership role in ensuring our health care system is secure, universal, sustainable and responsive to our reality.

## Recommendations

- ***Establish a new Health Accord, ensure the Canada Health Act is upheld and that health transfers are appropriate.*** Former Canadian Federal Parliamentary Budget Officer Kevin Page has estimated that the new funding model for health transfers would translate into spending cuts of \$31 billion between 2017 and 2024. This will place our health care system at risk. Federal Retirees strongly advocates for the maintenance and improvement of our present health care system as established by the Canada Health Act of 1984. **The federal government must work with the provinces to establish a new Health Accord and funding that will assure a sustainable harmonious high standard of health care for all Canadians.**
- ***Be forward-facing and lead Canada in embracing a system that is founded on a continuum of care for our aging population.*** Health care conversations between federal and provincial governments must include solutions that will bring Canadians a national seniors' strategy that encompasses homecare and long-term care, among other things. Experts, including the Canadian Medical Association and organizations involved in the *Demand A Plan* initiative (which includes Federal Retirees), agree that home care is a less expensive alternative compared to lengthy hospital stays in acute care beds and maintenance of long-term care institutions, and provides better quality of life for seniors; and when it is no longer appropriate, long-term care facilities are preferred. There is the additional concern of having the correct human resources in place to support this necessary continuum of care for seniors (such as geriatric specialists, the training standardization and certification of personal care workers, and the enhanced role that could be played by nurse practitioners). **We recommend collaboration across all orders of government, as well as experts and stakeholders, in the development of national home care and long-term care strategies that are supported by a sound people resources component.**
- ***Establish a national pharmaceutical strategy.*** Many of the most vulnerable Canadians, particularly seniors, contend with increased medical expenditures, especially related to pharmaceuticals. Including a national pharmacare strategy

could help alleviate that burden, as well as help many Canadians use those funds towards other ventures that would benefit the economy. **Federal Retirees recommends federal drug policies and legislation to ensure continuous access and supply of medically necessary and life sustaining drugs for Canadians, and bulk buying from diverse drug suppliers to benefit public and private payers.**

## Support Canada's veterans

Veterans and their families have served their country and deserve to be treated fairly, equitably and with dignity, and to know that when they have been injured attributable to their military service that Canada will provide a supportive transition to civilian life. The federal government's obligation to veterans includes assuring a life-long quality of life including financial stability, rewarding career, good health and well-being and a strong family.

### Recommendations

- ***Immediately resolve the key financial deficiencies of the New Veterans Charter.*** Since 2006, veterans groups, the Veterans Ombudsman, the New Veterans Charter Advisory Group and two reports from the House of Commons Committee on Veterans Affairs have all stated that there are significant deficiencies within the New Veterans Charter. This government should immediately take action to:
  - **Improve the accessibility to the Permanent Impairment Allowance and the Permanent Impairment Allowance Supplement** to ensure that the most seriously ill and injured veterans are properly compensated for their loss of employment and career progression opportunities.
  - **Improve the Earnings Loss Benefit** to provide 100% of pre-release income, continued for life, and ensure it is indexed to reflect the cost of living; and include increases for projected career earnings for a Canadian Armed Forces member.
  - **Increase that the maximum disability award** so that it is consistent with what is provided to injured civilian workers who receive general damages in the court of law.

- ***Ensure service provision is focused on ease and accessibility for veterans.***  
The National Association of Federal Retirees was delighted to note the following in the mandate letter from Prime Minister Trudeau to Veterans Affairs Minister Hehr: “reduce complexity, overhaul service delivery, and strengthen partnerships between Veterans Affairs and National Defence.” Measures must be taken to re-focus the provision of services on veterans; to ensure the programs and services available to them are responsive to their needs, provided in a much timelier fashion, and that systems and programs are easy to navigate, with solid coordination between National Defence and Veterans Affairs to ensure a smooth transition from active member to veteran.
  
- ***Maximize the number and types of jobs for military and RCMP veterans by providing a tax incentive for employers that hire a veteran.*** The Veterans Affairs Canada 2010 Life After Service Study confirmed that 25% of veterans experience difficulty in transitioning to civilian life. To lessen this risk, all veterans should have the opportunity to transition to meaningful employment following their service to Canada. While there are programs available to assist injured military and RCMP veterans’ transition to civilian employment, the programs remain limited and focused on specific areas such as Helmets to Hardhats. Military and RCMP veterans have training, skills, experience and leadership which are second to none. **We recommend a federal tax credit for employers that hire veterans, to encourage private employers to engage this resource across the country.**

And finally, Federal Retirees noted that Prime Minister Trudeau has tasked Veterans Affairs Minister Hehr with eliminating the “marriage after 60” clause, so that surviving spouses of veterans receive appropriate pension and health benefits. This is also an issue that impacts public servants (there is a “marriage after retirement” clause). While this practice could cease and survivor pensions provided, careful study is required to ensure the changes required do not put the pension plan or any of its members at risk. The National Association of Federal Retirees expects that the government will adhere to the historic principle of parity and will ensure comparable benefits are enacted for RCMP and public service pension plan members, subject to assurance that neither the plan nor its members are at risk as a result of any changes.

## Final remarks

The National Association of Federal Retirees is grateful to the House of Commons Finance Committee for the opportunity to submit these recommendations for consideration in the next federal budget. We look forward to this first budget from Prime Minister Trudeau and Minister of Finance Bill Morneau.

Should the Committee seek any clarification on this submission, please contact the following:

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