National Association of Federal Retirees

Association nationale des retraites federaux

Written Submission for the Pre-Budget Consultations in Advance of the 2021 Budget

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Recommendations

- **Recommendation 1:** Address gaps in direct funding programs for those whose income has been affected by COVID-19.
- **Recommendation 2:** Ensure long-term retirement income security for low-income seniors who qualify for Old Age Security and the Guaranteed Income Supplement.
- **Recommendation 3:** Protect pensions over the long-term by creating a strong policy environment that encourages innovation and makes defined benefit plans more available to Canadians.
- **Recommendation 4:** Improve financial supports and investments in tools and programs to assist informal caregivers.
- **Recommendation 5:** Reform older adult care by implementing a national seniors strategy, establishing national standards tied to funding for long-term care and home and community care, and making investments to expand home and community care and address long-standing issues in long-term care.
- **Recommendation 6:** Move forward with implementing a national pharmacare program so that all Canadians have access to the medications they need.

Introduction

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

With 176,000 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 outlines recommendations to help improve retirement security and health care for Canadians. These solutions will ensure older Canadians, veterans and those that support them receive the assistance they need to stay healthy and safe as Canada continues to deal with COVID-19, and encourage Canada's productivity and economic growth as it recovers from the pandemic.

Retirement Income Security

With respect to retirees' financial security during this crisis, the direct financial supports implemented have been welcome and necessary. However, gaps in direct funding programs for those whose income has been affected by COVID-19 must be addressed, which will also support a strong economic recovery for Canada.

Gaps in direct funding

There are older Canadians who received less than $5,000 in employment income last year, for various reasons (such as medical procedures or disability, limiting the number of hours worked), but who still worked part-time to supplement their small pensions. These individuals do not qualify for the Canada Emergency Response Benefit (CERB). While the OAS/GIS one-time payments may offset some increased costs for seniors, they will not replace lost income for some older Canadians. Many of these individuals can no longer work without putting their health at risk. Some emergency programs should be re-evaluated to address the needs of people who have fallen through the cracks.

One-time payments to seniors through OAS and GIS will help offset some of the increased costs that older Canadians have felt in the short-term. Longer-term increases to GIS and OAS should be considered to address fundamental retirement

income security issues that have existed for a long time, and which are exacerbated by this pandemic (for example, increased costs for shelter).

Finally, some older Canadians face additional financial vulnerability. Each year, some seniors who qualify for the GIS will not receive it, or will see their benefits paused for months, because they filed their income taxes late. Late income tax filing can occur for any number of reasons, including physical and mental health issues or coping with the death of a loved one. The months when these individuals are deprived of their GIS payments can be incredibly difficult, especially during a pandemic.

Protecting and enhancing pensions

To ensure a swift economic recovery, we must make sure all seniors can meaningfully contribute to the economy.

Creating a strong policy environment for defined benefit pension plans and addressing inefficiencies in retirement savings tools will ensure that Canadian seniors, today and in the future, will retire with security and continue to contribute to economic growth.

Large, well-designed, well-governed and well-managed defined benefit plans deliver secure and predictable income for Canadians due to asset pooling, lower management fees, a balanced investment portfolio built with a long-term view, and longevity risk protection. They are less vulnerable to short-term market fluctuations and are also large institutional investors in the Canadian economy. Canadian pension plans invest in Canadian equities, but also in large-scale, long-term real estate and infrastructure projects such as roads, bridges, rail, airports, utilities, and pipelines.

Research has also found that defined benefit pension plans reduce the GIS payout by $2 billion to $3 billion each year, eliminating a substantial financial commitment from the federal government.[1]

However, as businesses face economic pressures through the pandemic and into recovery, defined benefit pension plans may be pressured to wind up or terminate, or to convert to defined contribution plans. When pension plans are less solvent, employers' liabilities may increase on balance sheets in the short-term. The current economic uncertainty may be a strong motivator to erase these pension liabilities, potentially by moving away from defined benefit plans. For this reason, Federal Retirees was pleased to see the federal government announce that the Large Employer Emergency Financing Facility (LEEFF) will be subject to affirmative covenants while the loan is outstanding, including meeting obligations under existing

pension plans and performance of material obligations under applicable collective bargaining agreements.

Other improvements would include consumer-friendly adjustments to personal savings vehicles such as RRSPs and RRIFs (for example, addressing high mutual fund fees and adjusting the age and rate at which RRIF withdrawals must occur); tightening rules on aspects of defined benefit pension plans including contribution holidays; discussing solvency funding requirements; and encouraging innovation in how Canadians save for retirement, such as the new options offered by OPSEU Pension Trust (OPTrust) and the Colleges of Applied Arts and Technology (CAAT) Pension Plan.

OPTrust and CAAT have created career-average defined benefit plan options that are available to employers in the not-for-profit and private sectors, giving employers and employees access to expertise, scale, and better retirement security. These innovative models for delivering defined benefit pensions could make the defined benefit pension model more accessible to both employers and employees and improve Canadians' retirement security.

Health Care

Canada cannot have a functioning economy without a functioning health care system. A healthy population leads to healthy economic performance. The COVID-19 pandemic has exposed long-standing issues with Canada's health care system and the need for a new approach and better investment.

All governments must work together to ensure adequate oversight and funding of health care, including long-term care, home and community care and pharmacare, to stabilize the country's health care system, build a 21st century system, and ensure all Canadians can contribute to building a stronger economy.

Implementing a national seniors strategy and pharmacare program will enable a more comprehensive and coordinated approach to older adult care and help address many of the issues currently plaguing our health care system.

Supports for informal caregivers

Informal caregivers have long been bolstering Canada's health and social systems, providing an estimated 80 per cent of community care and 30 per cent of care in institutions.[2] Over 8 million Canadians provide informal care, saving the health and social systems between $24 billion and $31 billion annually.[3]

Measures put in place because of COVID-19, like physical distancing and reduced or cancelled home and respite care, have resulted in added costs and stress for informal caregivers.

Informal caregivers are disproportionately women, specifically older women, and this latter group faces the greatest level of financial hardship among caregivers.[4] Veteran women caregivers face additional challenges and are more likely to work in sectors impacted by COVID-19, to be single parents, or partnered with someone in active military service.

More must be done to recognize the contributions of informal caregivers and provide them with the financial, psychological, and emotional support they need. Changes the government can make include revising and standardizing the definitions of 'caregiver' and 'dependent' to broaden who qualifies for existing supports; making the Canada Caregiver Credit refundable; and investing in programs that provide respite care and psychological and emotional support to informal caregivers.

Funding for long-term care and home care

COVID-19 has exposed long-standing issues in long-term, home and community care. Canada can no longer ignore the need for a new approach to older adult care.

The government should be commended for earmarking funding for long-term and home care as part of the Safe Restart Agreement, but this is just a start. Governments must listen to older Canadians who overwhelmingly want to stay at home for as long as possible, while continuing to be active in their community and the economy. This means a shift to providing more care in homes and communities, which is less costly and leads to better health outcomes and quality of life.

The federal government must take a leadership role in transforming the health care system, by implementing national standards tied to funding for long-term, home and community care, along with repercussions for failing to meet these standards. This new approach will likely require additional investments from the federal government in the short-term, to expand home and community care, and make much needed improvements to long-term care.

Pharmacare

While pharmacare discussions have been less prominent during the pandemic, Canada must look toward implementing pharmacare. Canada is the only country with universal health care that does not also provide universal drug coverage. Nearly

a quarter of Canadian households cannot afford to fill their prescriptions and 20 per cent of Canadians do not have adequate coverage to meet their needs.

A universal, public pharmacare program would ensure more Canadians have access to the medications they need without having to forego other necessities. Pharmacare would improve preventative care, help Canadians better manage their health, decrease medication costs, and improve monitoring of the effectiveness and safety of medications. It would reduce the burden on our overloaded health care system and save an estimated $4 billion to $11 billion annually.

Many Canadians who lost their jobs due to COVID-19 lost their health care coverage. Some retired Canadians who relied on part time work to cover additional expenses, like medication costs, are unable to work or have seen their hours reduced or eliminated. As Canada's economy recovers from COVID-19, many people will remain without drug coverage and will be forced to pay out-of-pocket.

Canadians need a national pharmacare program now more than ever, and the federal government should leverage the renewed federal-provincial-territorial collaboration brought about by COVID-19 to help make pharmacare a reality.

Conclusion

Initiatives put in place over the past several months have kept Canada strong. Continued focus over the long-term is needed to ensure Canadians, and especially our most vulnerable populations, have the health and financial supports they need to weather these unique times.

While COVID-19 has disrupted and devastated, it also brings opportunities to improve older adult care and create a better health care system, so all Canadians can access quality care and age with dignity.

We must prepare ourselves for the post-pandemic economic landscape and the impact it will have on retirement savings and income security. Already, some proponents of austerity are calling for cuts across the public sector, including to its compensation and benefits.

Ensuring all Canadians can build healthy and secure retirements must be a priority now, and as we work toward Canada's recovery from COVID-19.

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