

2019-20 VAC SUPPLEMENTARY ESTIMATES (A)

- Veterans Affairs Supplementary Estimates (A) reflect this government's continued commitment to ensuring there is sufficient funding in VAC's programs and services to support all eligible Veterans and their families who may come forward.
- Over 90% of the Department's budget represents payments to Veterans, their families and other program recipients.
- Increases to the Department's budget reflect the historic steps we have taken to ensure Canadian Veterans and their families are treated with care, compassion and respect.

BACKGROUND – 2019-20 VAC SUPPLEMENTARY ESTIMATES (A)

Veterans Affairs Canada will receive \$857.6 million in funding, representing a 19% increase over the current budget. Veterans Affairs Canada's budget will increase from \$4,433.3 million (\$4.43 billion) to \$5,290.9 million (\$5.29 billion) for the following:

- **\$676.9 million for demand-driven programs and services which provide support to eligible Veterans and their families.**
 - Whether ten Veterans, or 10,000 come forward, the funding will be available to ensure that they receive the benefits they need.
 - For these demand-driven programs and services, the Department annually estimates how many Veterans will come forward and how much funding will be required to meet that forecasted demand.
 - If, during the year, more Veterans require benefits and services than forecasted under a specific Veteran program, Veterans Affairs Canada

has the ability to increase budgets accordingly through an annual Quasi Statutory Treasury Board Submission.

- Conversely, if fewer Veterans than forecasted access certain benefits and services, then any unused funding is returned to the fiscal framework.
- Veterans Affairs Canada requires additional funding for a number of programs for the 2019/20 fiscal year. The majority of this funding is required to support the new Pension for Life programs which were implemented as of April 1, 2019.

- ***redacted* for Toth class action settlement agreement**

- A class action lawsuit referred to as “Toth” was certified by the Federal Court in March 2016.
- The claim challenged the validity of the deduction (offsets) of disability benefits payable from Veterans Affairs Canada’s income support programs (Earnings Loss and Canadian Forces Income Support benefits).
- The action sought compensation for these offsets.
- On January 30, 2019, the Federal Court approved the Final Settlement Agreement, and class counsel’s legal fees.
- The funding received in Supplementary Estimates is broken down as:
 - *redacted* for settlement payments, and
 - *redacted* for the administration of the settlement agreement to the class (including Employee Benefit Plans).

- **\$65.1 million to correct the indexation of the Disability Pension**

- Under the Pension Act, Veterans Affairs Canada’s Disability Pension program provides a monthly tax-free payment to eligible Veterans, or their

Survivors, and also administers Disability Pensions on behalf of the Royal Canadian Mounted Police.

- Section 75 of the Pension Act prescribes two methods of calculating the annual escalation adjustment: using either the Consumer Price Index or an Annual Wage Calculation, with the method applied being the one that provides a greater benefit to the client.
- In the early 2000's, the Government of Canada introduced a change to the personal tax exemptions under the Income Tax Act. Unfortunately, this change was not incorporated in Veterans Affairs Canada's annual adjustment calculations until 2011.
- As a result, between 2003 and 2010, the annual adjustment amounts were understated for approximately 270,000 Veterans, Survivors and Royal Canadian Mounted Police members.
- The total value of this error was \$165M with \$65.1M being the portion to be paid out in 2019/20.

- **\$14.5 million for the continued implementation of Pension for Life**

- The Pension for Life program, introduced on April 1, 2019, is a combination of benefits that provide recognition, income support and stability to members and Veterans who experience a service-related illness or injury.
- Pension for Life is an ambitious project for Veterans Affairs Canada with the objective of consolidating and streamlining veteran's disability, income replacement and rehabilitations services and benefits.
- In 2018/19, the first year of the project was dedicated to providing the initial operating capacity to meet mandate commitments as well as the legislative changes in effect as of April 1, 2019.
- In 2019/20, the second year of the project continues the development of the products and services to meet the final operating capacity and satisfy

all stakeholders and enhance the working experience for departmental staff.

- This amount represents unspent project funds from 2018/19 which are required in 2019/20.