



# Pension for Life (Parliamentary Budget Officer's Report)

November 2019



## ▼ OVERVIEW

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- Pension for Life (PFL) was implemented on April 1, 2019
- In February 2019, Office of the Parliamentary Budget Officer published a report projecting that 5% of new entrants to PFL would have received more overall compensation under the previous suite of benefits
- \*redacted\*
- The Department continues to monitor PFL implementation and examine areas for potential unmet needs

## ▼ BACKGROUND- PENSION FOR LIFE

- On April 1, 2006, the New Veterans Charter suite of benefits was introduced, which included:
  - Disability Award (replaced previous Disability Pension)
  - Medical, Psychosocial, and Vocational Rehabilitation services
  - Career Transition Services
- \*redacted\*
- The Government of Canada announced the PFL on December 20, 2017, and implemented it on April 1, 2019 (Annex B)
- The new PFL program:
  - clarified the intent of financial (economic) versus disability (non-economic) benefits;
  - streamlined a complex set of benefits; and
  - restored the monthly pension option for Veterans with service-related disabilities
- Other benefits introduced under the New Veterans Charter continue to be available, including: Rehabilitation, Career Transition Services, Death Benefit, Clothing Allowance, Critical Injury Benefit, Detention Benefit

## ▼ PFL OVERVIEW

PFL comprises three main benefits:

Benefit	Description
<b>Pain &amp; Suffering Compensation</b> (Non-economic benefit – non-taxable)	<ul style="list-style-type: none"><li>• Replaced the Disability Award</li><li>• \$1,150 maximum monthly tax-free payment for life</li><li>• Restored the monthly pension option for injured Veterans</li></ul>
<b>Additional Pain &amp; Suffering Compensation</b> (Non-economic benefit – non-taxable)	<ul style="list-style-type: none"><li>• New non-economic benefit to recognize severe and permanent service-related impairments</li><li>• 3 grade levels of \$500, \$1,000, \$1,500; monthly tax-free payment for life</li></ul>
<b>Income Replacement Benefit</b> (Economic benefit – taxable)	<ul style="list-style-type: none"><li>• Consolidated 6 benefits to create the Income Replacement Benefit at 90% of pre-release salary – indexed annually</li><li>• Permits \$20K in employment earnings</li><li>• Increased survivors' benefits from 50% to 70%</li><li>• Recognizes lost career progression potential with 1% annual increase for those with Diminished Earning Capacity</li></ul>

## ▼ ISSUE

- In February 2019, the Parliamentary Budget Officer released a report projecting that 5% of new entrants to PFL would have received more compensation under the previous regime, with 3% being “greatly disadvantaged” by PFL (Annex C)
  - This difference was attributed mainly to the discontinuation of the Career Impact Allowance Supplement
    - The supplement was introduced in 2011 as an increase to an existing benefit, the Career Impact Allowance, intended to compensate for lost career progression
    - Veterans with severe and permanent impairment received the Career Impact Allowance
    - Career Impact Allowance recipients with diminished earning capacity also received the supplement
- \*redacted\*
- \*redacted\* in the Career Impact Allowance Supplement the PFL:
  - Discontinued the supplement and did not replace it
  - Introduced the Additional Pain and Suffering Compensation to recognize severe and permanent impairment
  - Introduced a Career Progression Factor to Veterans’ IRB calculation if they were determined to have a diminished earning capacity

## ▼ ISSUE CONTINUED

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- In May 2019, Prime Minister Justin Trudeau committed to ensure that “every injured Veteran is better off under our new system than they were under the old one...in every single case.”
- \*redacted\*

## ▼ CURRENT STATUS

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- \*redacted\*

## ▼ CONSIDERATIONS

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- \*redacted\*



## ▼ RECOMMENDED APPROACH

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\*redacted\*

## ▼ NEXT STEPS: CRITICAL TIMELINES

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- \*redacted\*



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# DISCUSSION

## ▼ ANNEXES

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- Annex A – New Veterans Charter Enrichments
- Annex B - PFL Design
- Annex C – Parliamentary Budget Officer Report
- Annex D – \*redacted\*
- Annex E – \*redacted\*

## ▼ ANNEX A- NEW VETERANS CHARTER ENRICHEMENTS

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- In 2006, the Department moved away from the *Pension Act* to the New Veterans Charter (NVC)
- The NVC introduced a suite of re-establishment programs designed to help modern-day Veterans transition to life after service, shifting focus from compensation to wellness and rehabilitation
  - Reviews have found that the disability management theory behind NVC remains sound
- \*redacted\*

## ▼ ANNEX B- PFL DESIGN

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- The Prime Minister's 2017 mandate letter included a commitment to “streamline the current suite of benefits,” providing an opportunity to clean the slate
- PFL introduced three main benefits:
  - To recognize disability, **Pain and Suffering Compensation** (PSC) replaced the Disability Award, and **Additional Pain and Suffering Compensation** (APSC) replaced the CIA
  - To compensate for economic impacts of disability, the **Income Replacement Benefit** (IRB) replaced and consolidated six financial benefits
- \*redacted\* PFL:
  - Discontinued the CIAS and did not replace it
  - Introduced APSC to recognize severe and permanent impairment
  - Introduced a Career Progression Factor (CPF) to Veterans' IRB calculation if they are determined to have a diminished earning capacity (DEC)
- PFL clearly separates non-taxable disability benefits from taxable financial benefits
  - Disability criteria determine access to disability benefits, and economic criteria determine access to economic benefits
  - This distinction is dictated by policy, law, and the tax system

## ▼ ANNEX C- PARLIAMENTARY BUDGET OFFICER REPORT

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- Published prior to the launch of PFL, the Parliamentary Budget Officer analyzed three regimes of Veterans' benefits – the *Pension Act*, the New Veterans Charter, and PFL – and reported that:
  - the *Pension Act* regime is the most generous and the most expensive
  - most Veterans will be better off under PFL than they would have been under the New Veterans Charter
  - 5% of new entrants to PFL may have received more compensation under the New Veterans Charter, primarily due to the discontinuation of the Career Impact Allowance Supplement
  - 3% of new entrants to PFL may be “greatly disadvantaged” (i.e., have a lifetime difference of approximately \$300K)
- The Parliamentary Budget Officer's projection of the future 5% comprises three groups (not mutually exclusive):
  - clients who would have received the Career Impact Allowance Supplement
  - some clients who would have received the Supplementary Retirement Benefit at age 65
  - some clients who transition from the taxable Career Impact Allowance to the non-taxable Additional Pain and Suffering Compensation
- \*redacted\*

▼ **\*redacted\***

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▼ **\*redacted\***

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