

# Financial Compensation for Canadian Veterans

A COMPARATIVE ANALYSIS OF BENEFIT REGIMES

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This publication is available in electronic format at [www.ombudsman-veterans.gc.ca](http://www.ombudsman-veterans.gc.ca).

Cette publication est aussi disponible en français au lien ci-haut.

ISBN: 978-0-660-34310-5

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# EXECUTIVE SUMMARY

Pension for Life, implemented on April 1, 2019, is a new financial compensation regime that follows a series of incremental changes to the 2006 New Veterans Charter. The Office of the Veterans Ombudsman has monitored the implementation of Pension for Life and conducted a financial analysis, using a number of scenarios, that compares the compensation it offers to that available under previous regimes; namely, the *Pension Act* and the New Veterans Charter/*Veterans Well-being Act*.

## **This analysis identified a number of key findings:**

- No one regime is the most generous in all scenarios.
- Because there are three benefit regimes with different effective dates offering different suites of benefits, Veterans in similar circumstances are not treated equitably. Rather, the benefits they access are determined by the regime under which they apply.
- Specifically, the analysis found:
  - Most Veterans with lower disability assessments receive more under the *Pension Act*;
  - The New Veterans Charter/*Veterans Well-being Act* regime was more generous in some scenarios when the Veteran was eligible to receive the Career Impact Allowance (CIA) and CIA Supplement (CIAS) benefits which were discontinued under Pension for Life; thus impacting some of Canada's most seriously ill and injured Veterans who apply under Pension for Life; and
  - Pension for Life is more generous than previous regimes in some scenarios, such as when a Veteran with a Diminished Earning Capacity designation releases early in their career.

The report highlights that the Government has never publicly identified the financial benefit outcomes it wishes to achieve for ill and injured Veterans. As a result, three separate financial compensation regimes create complexity and unnecessary inequities. Veterans will continue to feel as though they are being treated unfairly until these outcomes are clearly identified and communicated.

## To address the concerns identified, the Office of the Veterans Ombudsman recommends that the Government:

1. Clearly identify the financial outcomes Canada seeks to provide for ill and injured Veterans;
2. Harmonize existing financial compensation frameworks to meet identified financial outcomes;
3. Pending identification of financial compensation outcomes and to avoid further inequity, ensure that no Veteran with a Diminished Earning Capacity designation who submits their application under Pension for Life is financially disadvantaged compared to those who submitted their application under the *Veterans Well-being Act* prior to April 1, 2019; and,
4. Compensate Veterans for lost career progression as though the Veteran had served a full military career.

# INTRODUCTION

The purpose of this report is to compare lifetime financial benefits for Canadian Armed Forces (CAF) Veterans under Pension for Life with those available under previous benefit regimes. Introduced on April 1, 2019, Pension for Life follows a series of incremental changes to the *Canadian Forces Members and Veterans Re-establishment and Compensation Act*, known as the New Veterans Charter (NVC) and renamed the *Veterans Well-being Act* (VWA) in 2018. The following three terms are used throughout the report to reference each of the benefit regimes compared:

**Pension Act:** the financial benefits available to CAF Veterans under the *Pension Act* as of the 2005-06 fiscal year.

**NVC/VWA:** the financial benefits available to CAF Veterans under the *Veterans Well-being Act* as of the 2018-19 fiscal year.<sup>1</sup>

**Pension for Life:** the financial benefits available to CAF Veterans under the *Veterans Well-being Act* as of April 1, 2019. Pension for Life was the name the government used to market the new suite of benefits. This regime essentially replaces the NVC's financial benefits and marks the beginning of a new financial benefit regime.

The NVC replaced the *Pension Act* in 2006 for CAF Veterans who applied for benefits after April 1 of that year.<sup>2</sup> This new regime introduced major changes to financial compensation benefits. The programs available to CAF Veterans under the *Pension Act*, such as the Disability Pension (DP), were replaced by a new suite of programs including a lump sum Disability Award (DA) and a medical/vocational rehabilitation program that included an Earnings Loss Benefit (ELB). The DA compensated for pain and suffering while the ELB compensated for economic loss.<sup>3</sup> The 2006 NVC benefit regime resulted in clear inequities in the amount of financial support offered when compared to the *Pension Act*.

1 Many of these benefits are the same as those available under the *Canadian Forces Members and Veterans Re-establishment and Compensation Act* of previous years. As the financial benefits were not substantially overhauled with the change in the name of the legislation in 2018, the regime continued to be referred to as the New Veterans Charter.

2 War Service Veterans – those who served during the Second World War and the Korean War – as well as members and former members of the Royal Canadian Mounted Police, continue to be eligible to apply for benefits under the *Pension Act* regime.

3 See Annex D for the complete list of benefits introduced under the NVC.

## The key substantive benefits, and changes to those benefits, that have been introduced since 2006 are as follows:<sup>4</sup>

### 2006 *Canadian Forces Members and Veterans Re-establishment and Compensation Act* (New Veterans Charter)

- Disability Award (DA); and
- Financial benefits, including Earnings Loss Benefit (ELB), Supplementary Retirement Benefit (SRB), and Permanent Impairment Allowance (PIA)

### 2011 *Enhanced New Veterans Charter Act*

- Increased minimum ELB amount; and
- Introduced the PIA Supplement

### 2015 *Support for Veterans and Their Families Act*

- Provided Reserve Force parity in ELB minimum amount;
- Increased access to the PIA; and
- New benefits: Critical Injury Benefit (CIB), Retirement Income Security Benefit (RISB), and the Family Caregiver Relief Benefit (FCRB)

### 2016 *An Act to Amend the Canadian Forces Members and Veterans Re-establishment and Compensation Act*

- Increased ELB from 75% of pre-release salary to 90% of pre-release salary; and
- Increased DA and Death Benefit amounts (retrospective)

### 2018 *Veterans Well-being Act* (VWA)

- Increased access to higher grades of the Career Impact Allowance (CIA);
- Increased support for caregivers via the Caregiver Recognition Benefit (CRB)<sup>5</sup>; and
- Introduced Education and Training Benefit (out of scope for this report)

### 2019 Pension for Life (under the VWA)

- NVC Financial compensation benefits were replaced by the following:
  - Pain and Suffering Compensation (PSC)
  - Additional Pain and Suffering Compensation (APSC)
  - Income Replacement Benefit (IRB) including a Career Progression Factor (CPF) for eligible Veterans with a Diminished Earning Capacity (DEC) determination

See Annex E for a more detailed explanation of these new benefits.

<sup>4</sup> For a more complete history of the OVO's reports on Veterans Affairs Canada's (VAC) programs and benefits, please refer to Annex C, while an in-depth explanation of the evolution of Veterans benefits between 2006 and 2017 may be found in the OVO's 2017 report [Improving the New Veterans Charter: The Actuarial Analysis Follow-up Report](#). Alternatively, Annex D provides high level details on the evolution of VAC financial benefits from the pre-New Veterans Charter period (*Pension Act*) up to 2019. See Annex E for more background on the intent of *Pension for Life*.

<sup>5</sup> With the introduction of the CRB, the FCRB was discontinued.

## Pension for Life: Key Improvements

- More choice: the *Pension Act* did not provide the option to take the Disability Pension as a lump sum, and the NVC/VWA offered the DA as a lump sum amount (with the option for periodic payments).<sup>6</sup> Pension for Life provides Veterans with the option to take the PSC as a lump sum or as an indexed monthly amount.
- Better service: the number of required application forms has reduced over time, and improvements have been made to the services offered via *My VAC Account*.
- Simplified and expanded employment earning incentives while receiving the IRB: with Pension for Life, Veterans can earn up to \$20,000 per calendar year in employment income before it becomes an offset to their IRB.<sup>7</sup>
- Improved eligibility for health care treatment reimbursement: under Pension for Life Veterans are now eligible for reimbursement for approved treatment expenses going back to the date of application rather than the date of decision.<sup>8</sup>

There have also been improvements to wellness programs since 2006, not related to the amount of financial compensation Veterans receive. Many of these benefits/improvements cannot be quantified; nonetheless, they could have an impact on the financial well-being of Veterans. For instance, retraining programs and education benefits can provide Veterans with greater opportunities following their release from the CAF, contributing to financial security as well as improving other well-being factors such as social integration and health. These benefits are outside of the scope of this report, which focuses solely on direct financial compensation for Veterans.

## METHODOLOGY

Using a series of scenarios, this report compares lifetime financial compensation specific CAF Veterans would receive under each of the three regimes: the *Pension Act*, the NVC/VWA, and Pension for Life. The scenarios were carried over from previous reports to facilitate comparison over time.<sup>9</sup> They are specific to programs available to CAF Veterans; the scenario analysis does not consider War Service Veterans, members or Veterans of the *Royal Canadian Mounted Police*, serving members of the CAF, or survivors. None of the scenarios depict lifetime financial compensation for Veterans who may receive benefits from two or more regimes. As with previous OVO reports, the scenarios treat each regime as a lifetime benefit plan. To account for variability that can contribute to the final determination of lifetime financial compensation for individual Veterans, the scenarios include the following factors: rank at release, age at release, disability assessment percentage, years of service, and family status.

In total, nine scenarios were modeled, six in which the Veteran was determined to have a Diminished Earning Capacity (DEC), and three in which the Veteran does not have this designation. Veterans Affairs Canada (VAC) designates a Veteran as having a DEC when they are eligible for the Rehabilitation Program and/or IRB and have a permanent health problem resulting primarily from service causing a barrier to re-establishment, thus preventing them from engaging in suitable and gainful employment.<sup>10</sup> These Veterans typically require lifetime support and a DEC determination gives them access to certain benefits, such as continued IRB, following completion of rehabilitation services.<sup>11</sup> Only 6% (6,174) of VAC CAF clients have a DEC designation.<sup>12</sup> Thus, only a small fraction of the CAF Veteran client population

6 Veterans could opt to have the lump sum paid in installments over a specific number of years.

7 Previously, for ELB, employment earnings were offset by 50% while participating in a rehabilitation plan until the total income offsets equaled the Veteran's imputed income, at which point they were offset by 100%.

8 However, the effective date cannot be earlier than April, 1<sup>st</sup>, 2019, the coming into force date of the PSC. Previously, the effective date was the date the decision was made, which meant that Veterans were not eligible for treatment expense reimbursement prior to this date, including while waiting for their application to be processed.

9 Veterans Ombudsman, [Improving the New Veterans Charter: the Report](#), April 4, 2013; Veterans Ombudsman, [Improving the New Veterans Charter the Actuarial Analysis](#), June 2013; and Veterans Ombudsman, [Improving the New Veterans Charter: The Actuarial Analysis Follow-up Report](#), March, 2017.

10 Veterans Affairs Canada, [Diminished Earning Capacity Determination Policy](#), April 1, 2019.

11 Not all CAF Veterans have been assessed.

12 Veterans Affairs Canada, [Facts and Figures December 2018](#), p.6 and VAC Statistics Directorate, Client Cube, March 2018. Indeed, most Canadian Veterans do not receive any benefits from VAC. In fact, VAC clients represent only 18% of the total estimated Veteran population. According to the most recent statistics available from Veterans Affairs Canada, there are approximately 601,000 Canadian Armed Forces Veterans, and only 16% of those are clients of VAC (96,644).



is designated as having a health problem primarily resulting from service severe enough to prevent them from engaging in suitable and gainful employment. The vast majority of CAF Veteran clients (94%) do not have a DEC designation.<sup>13</sup> These Veterans will typically not receive as much lifetime compensation as those with a DEC designation because the degree of an established service-related illness or injury is the main factor that determines the amount of compensation a Veteran will receive.<sup>14</sup>

In February 2019, the Parliamentary Budget Officer (PBO) published a report comparing the cost differential between the three different benefit regimes, as well as examining potential overall lifetime compensation for generalized scenarios.<sup>15</sup> It found that:

- The *Pension Act* regime offers the most compensation to Veterans and is the most costly for government;
- Most, but not all, Veterans will be better off financially under Pension for Life than under the previous NVC/VWA regime; and
- 3-5% of Veterans will receive less financial compensation under Pension for Life than had they received benefits under the previous NVC/VWA regime. The report explains that this is partially due to the discontinuance of the NVC/VWA's Career Impact Allowance Supplement, paid to the most ill and injured Veterans with DEC designations.

The analysis in this report supports the PBO report's key findings, although because of differences in methodology, different compensation amounts have been identified under specific circumstances. While the PBO's analysis examined a large dataset of Veterans and distributed a general effect across those numbers, the OVO methodology is more targeted – calculating financial compensation according to discrete scenarios. Importantly, both reports reinforce that the existence of three separate regimes leads to similarly situated Veterans being treated inequitably.

See Annex B for the scenarios, charts, and more detailed methodology.

<sup>13</sup> Veterans Affairs Canada, [Facts and Figures December 2018](#), p.6 and VAC Statistics Directorate, Client Cube, March 2018.

<sup>14</sup> An assessment of the DEC designation process and criteria is outside of the scope of this report.

<sup>15</sup> Office of the Parliamentary Budget Officer, [The Cost Differential between Three Regimes of Veterans Benefits](#), February, 2019.

# ANALYSIS

Overall, the amount of lifetime financial compensation depends on the extent and impact of a Veteran's service-related injury. A Veteran's years of service as well as their rank and age on release also influence the amount of financial compensation available through VAC programs. These factors are not arbitrary; for instance, the Veteran's rank on release determines the pre-release salary which is used to calculate the IRB.<sup>16</sup> Our key finding, however, is that all else being equal (such as the extent of the disability and the Veteran's age and rank on release) the main factor that determines a Veteran's overall lifetime compensation is the benefit regime under which they apply.

## **Our scenario analysis also suggests that:**

- No one regime is the most generous in all scenarios;
- Most Veterans with lower disability assessments receive more under the *Pension Act*;<sup>17</sup>
- The NVC/VWA can be more generous in scenarios where the Veteran was eligible to receive the CIA and CIAS benefits, which were discontinued with Pension for Life;
- Pension for Life is more generous than previous regimes in some scenarios, such as when a Veteran releases early in their career and has a DEC designation;<sup>18 19</sup> and
- Veterans who have not been designated DEC can be slightly better off financially under Pension for Life than under the NVC/VWA. Although, since everyone who was receiving benefits under the NVC/VWA has been transitioned to Pension for Life, most should either benefit from new Pension for Life benefits, or at a minimum, receive the same amount.

While every individual situation is unique, the overarching finding is that the level of financial compensation available for Veterans with the same injuries, rank, and age on release is largely determined by the regime under which the Veteran applies. The scenarios demonstrate that the existence of three separate financial compensation regimes leads to inequities in lifetime financial support for injured Veterans.

<sup>16</sup> Some who release from the Reserve Force may have their IRB calculated using a lower salary, depending on whether their injury can be associated with a specific event. The OVO has conducted a separate investigation into this issue.

<sup>17</sup> This finding is consistent with the PBO report, which found that Veterans in general would do better financially under the *Pension Act*, and that under that regime, "the greatest gains would be received by veterans with a lower disability assessment, whereas the difference would be proportionally smaller for those with a high disability assessment." Office of the Parliamentary Budget Officer, *The Cost Differential between Three Regimes of Veterans Benefits*, February, 2019. p. 1

<sup>18</sup> Note that no current Veteran client should receive less than what they were receiving under the NVC/VWA.

<sup>19</sup> While these findings are different from the PBO report's findings, the reason for this is the different approach we took in our scenario modelling, as explained above.

## PENSION ACT MORE GENEROUS IN SOME SCENARIOS

In some, but not all, scenarios, the *Pension Act* is the most generous compensation scheme. In these scenarios, when the Veteran has a DEC designation, the gap between the *Pension Act*, the NVC/VWA, and Pension for Life can be partially explained by three factors:

- Disability Pensions under the *Pension Act* are not taxable, whereas benefits that compensate for economic loss under the NVC/VWA (i.e., ELB, CIA, CIAS and RISB) and Pension for Life (IRB) are taxable.
- Other income (such as superannuation under the *Canadian Forces Superannuation Act* [CFSA] and CAF Long Term Disability [CAF LTD] income security program payments), is not deducted from Disability Pensions.<sup>20</sup> In contrast, disability insurance payments as well as other monies designated as income are deducted from benefits that compensate for economic loss under the NVC/VWA and Pension for Life regimes (i.e., ELB, CIA, CIAS, RISB, and IRB). Thus, Veterans who submitted their application prior to April 1, 2006, and who had served long enough to draw an immediate annuity, will experience higher lifetime financial compensation because they fall under the *Pension Act*.
- The base amount of the Disability Pension under the *Pension Act* is higher than the base amount of Pain and Suffering Compensation under Pension for Life.

## PENSION FOR LIFE MORE GENEROUS IN SOME SCENARIOS

In some scenarios, Pension for Life provides more generous financial compensation than previous regimes.<sup>21</sup> One explanation for this result is the introduction of the PSC and the option for lifetime monthly payments, which increases the lifetime compensation for Veterans injured early in their career.<sup>22</sup> Another explanation relates to superannuation under the CFSA. In some scenarios, the length of service is too short to collect substantial superannuation. Had the length of service been longer, and therefore the CFSA amount higher, the *Pension Act* would likely provide more lifetime compensation simply because superannuation is not deducted from Disability Pensions, but is deducted dollar-for-dollar from economic benefits under the NVC/VWA and Pension for Life.<sup>23</sup> Thus, in some cases, Veterans with a DEC designation who were very seriously injured early in their career may receive more under Pension for Life than under the *Pension Act*. In other words, the lack of significant superannuation results in more financial support from VAC under Pension for Life than under previous regimes.

Additionally, with Pension for Life, earned income up to \$20,000 per calendar year is not deducted from IRB. While this change was not reflected in our charts, it could be significant in some cases. Finally, the addition of the 1% Career Progression Factor to the IRB can provide some Veterans designated DEC with more lifetime compensation if injured and released early in their career.

<sup>20</sup> This is the result of a 2012 Federal Court of Canada decision, *Manuge*, which prohibited the deduction of Disability Pension payments from CAF LTD benefits. *Manuge v. Canada* 2012 FC 499.

<sup>21</sup> It is very important to note, when reading the scenarios and analysis, that transitional provisions are not included. Transitional provisions protected amounts and grade levels for existing clients to ensure their monthly benefits would not be reduced after April 1, 2019. Examples include protected grade levels for Veterans whose CIA was ported over to the APSC, protected CIAS monthly amount, and the Additional Monthly Amount, a monthly PSC payment which compensates eligible Veterans who received a DA for not having the choice to take a monthly amount.

<sup>22</sup> However, if the Veteran chooses to take the PSC as a lump sum payment, that will reduce lifetime compensation for those who live more than 26 years from the time of receiving the award. This assumes that the lump sum award, when invested, does not return more than the rate of inflation. Office of the Parliamentary Budget Officer, *The Cost Differential between Three Regimes of Veterans Benefits*, February, 2019. p. 18.

<sup>23</sup> This echoes the PBO report which highlights that, “younger disabled veterans will benefit more from the latest change in regime than older veterans.” Office of the Parliamentary Budget Officer, *The Cost Differential between Three Regimes of Veterans Benefits*, February, 2019. p.19.

## NEW VETERANS CHARTER/VETERANS WELL-BEING ACT MORE GENEROUS IN SOME SCENARIOS

In some scenarios, Veterans may receive less generous financial compensation under Pension for Life than they would have received under the NVC/VWA. This is largely because the NVC/VWA's Career Impact Allowance Supplement provided greater compensation for the most ill and injured Veterans, compared to the benefits available under Pension for Life, and because higher grades of the APSC under Pension for Life are less accessible than the higher grades of the NVC/VWA's CIA benefit.

### DISCONTINUANCE OF THE CAREER IMPACT ALLOWANCE SUPPLEMENT

The discontinuance of the Career Impact Allowance Supplement (CIAS) disadvantages Veterans who apply for benefits under Pension for Life as compared to similarly situated Veterans who applied under the NVC/VWA. As highlighted in the PBO report, because of the discontinuance of the CIAS, "3% of new entrants would be greatly disadvantaged under Pension for Life as they would, on average, have received \$300 thousand more in financial support from the existing regime."<sup>24</sup> Scenarios 1 and 3 in Annex B illustrate this impact. In these scenarios, the Veteran has a DEC designation and less than 10 years of service. While these cases will have higher financial compensation than had they applied under the *Pension Act*, they receive less under Pension for Life than had they applied under the NVC/VWA.

### DISCONTINUANCE OF THE CAREER IMPACT ALLOWANCE, INTRODUCTION OF THE ADDITIONAL PAIN AND SUFFERING COMPENSATION

With the implementation of Pension for Life, the Additional Pain and Suffering Compensation (APSC) benefit was introduced and the Career Impact Allowance (CIA) was discontinued. The CIA was a taxable benefit which compensated for economic loss; i.e., lost employment potential and career progression opportunities. In contrast, the APSC is a non-taxable benefit intended to recognize Veterans who are experiencing barriers to re-establishment in post-service life due to a service-related permanent and severe impairment. The permanent and severe impairment must be created by one or more disabilities for which the Veteran has received a DA, PSC, or DP.<sup>25</sup> This non-economic benefit takes into consideration things such as a Veteran's mobility, requirements for supervision, and the need for assistance with activities of daily living (such as bathing and dressing). The APSC is payable at three grade levels depending on the severity of the permanent and severe impairment. Despite their different purposes, it is useful to compare the CIA and the APSC since the eligibility criteria is similar between the two and existing clients were ported over from the CIA to the APSC upon implementation of Pension for Life.

Unlike the CIA, loss of earnings capacity is not factored into the APSC grade level assessment, making higher grades less accessible under the new benefit.<sup>26</sup> Therefore, new entrants could receive less lifetime compensation than other similarly situated Veterans who applied earlier.<sup>27</sup> This report's scenario analysis found that for Veterans injured early in their career and who, as a result, can no longer work, higher grades of the CIA under the NVC/VWA were easier to access than higher grades of the APSC under Pension for Life (see Annex B, Scenarios 1 and 3). This difference is because the CIA grade assessment included the degree of lost earning capacity, in addition to the mental and physical impairment factors. VAC assessed the Veteran's earning capacity based on the number of years the Veteran had left

<sup>24</sup> Office of the Parliamentary Budget Officer, *The Cost Differential between Three Regimes of Veterans Benefits*, February, 2019, p. 1-2.

<sup>25</sup> Department of Veterans Affairs, *Regulatory Impact Analysis Statement*, Regulations Amending Certain Regulations: SOR/2018-177; Canada Gazette, Part II, Volume 152, Number 18, August 23, 2018.

<sup>26</sup> VAC explains that the elimination of loss of earning capacity in the assessment of grade levels for the APSC is because earning capacity is not a relevant factor with respect to a non-economic benefit. Veterans Affairs Canada Policy Directorate. Email correspondence, January 17, 2020.

<sup>27</sup> Some Veterans in the lowest tax brackets may not receive as much under the APSC as they would have under the CIA due to taxation rate considerations. No data currently exists to indicate how many Veterans receiving the APSC are also in the lowest income tax brackets. To be eligible for the APSC, the condition must be causing a barrier to re-establishment, which would normally qualify the Veteran for VAC's rehabilitation program and the IRB. As the IRB minimum amount is currently set to a middle-class tax bracket, Veterans in receipt of the IRB will not be negatively affected. However, it is possible that some Veterans may qualify for the APSC but may not be receiving the IRB because they have either completed the rehabilitation program, or chose not to apply and take advantage of it. This may not only be an issue for new entrants who apply after April 1, 2019. Those receiving the monthly taxable CIA in March 2019, at any given grade level, were automatically moved over to the APSC at the same grade level, and paid the corresponding, non-taxable APSC amount (in other words, their grade level was protected, but the amount was not). For those Veterans, the difference in the net after-tax amount received prior to and after April 1, 2019 will depend on their personal level of income taxation.

to serve in the CAF.<sup>28</sup> In our scenarios, this element of assessment in the CIA grade determination contributed to greater lifetime financial compensation for younger Veterans with fewer years of service who applied under the NVC/VWA than for those who fall under the new Pension for Life regime. For more information on the APSC and the CIA see Annex E.

## PENSION FOR LIFE'S CAREER PROGRESSION FACTOR

Unlike the NVC/VWA's CIA and CIAS, which were intended to **compensate** for lost career opportunities and advancement,<sup>29</sup> Pension for Life's Career Progression Factor (CPF) is only intended to **recognize** lost career progression. While the CPF, which is added to the IRB, can be advantageous for some Veterans,<sup>30</sup> it does not compensate for the steep earnings trajectory experienced early in some CAF members' careers. For instance, members who progress from Second Lieutenant to Captain in the first five years of their career often see their salary increase by at least 38%. Over a 10-year period, a Captain's salary increases by approximately 32%.<sup>31</sup> Compensation should include a component that fairly reflects loss of future earning capacity had the Veteran served a full military career. This component should reflect future income loss due to loss of promotional opportunity as well as loss of pension benefits. The absence of appropriate compensation for loss of future economic opportunity impacts the most severely injured Veterans. Having a financial benchmark tied to what one would have earned had they remained healthy would provide a means to measure whether the compensation is meeting its intended purpose.

Another concern relates to those who release at a low military salary, (which is usually associated with a lower rank), and who receive the guaranteed minimum IRB amount. These individuals may never receive the CPF increase because it does not affect IRB amounts when 90% of their pre-release salary, indexed, plus the CPF, is lower than the IRB minimum (currently \$4,500/month). For example, the IRB calculation for Privates, Officer Cadets, and Second Lieutenants, including the CPF, is less than the minimum amount. Therefore, Veterans who release at these salary levels will not see an increase to their IRB amount until (and unless) their IRB calculation (90% pre-release salary indexed + the CPF) exceeds that minimum (see Annex B, Scenario 6 for more information). This issue would be addressed if the Government provided compensation for loss of future earning opportunity, not merely recognition of lost career progression.

Veterans and serving members expect to be adequately compensated for the full impact of service-related illnesses and injuries. It is inadequate that the CPF component of the IRB merely recognizes that impact. Furthermore, for those whose IRB calculation is less than the minimum threshold, the CPF does not accomplish its intention to provide recognition for loss of career progression.

<sup>28</sup> Grade 3: less than 5 years left to serve; Grade 2: more than 5 years and up to and including 15 years left to serve; and Grade 1: more than 15 years left to serve. Veterans Affairs Canada, [Career Impact Allowance \(CIA\) and CIA Supplement](#) Policy, archived.

<sup>29</sup> Veterans Affairs Canada, [Career Impact Allowance \(CIA\) and CIA Supplement](#) Policy, archived.

<sup>30</sup> In some of our scenarios, the Career Progression Factor addition to the IRB partially explains why Pension for Life provides more generous financial compensation for injured Veterans who release at a young age and early in their career. Its impact is much less, or non-existent, for those who release later in their careers or closer to age 60. For a comparison, see Scenarios 1 and 5 where the CPF contributes to the financial compensation of Veterans who release early in their career, and Scenario 2 where the Veteran is not eligible for the CPF because they have already served 29 years.

<sup>31</sup> Calculations according to the CAF Pay Rate Table for officers. National Defence. [Pay rates for officers](#). October 17, 2019.

## FINANCIAL OUTCOMES AND BENEFIT REGIME HARMONIZATION

For Canadian Veterans, Pension for Life adds a third framework of financial benefits and compensation. The co-existence of three benefit frameworks (*Pension Act*, *NVC/VWA*, and Pension for Life) leaves VAC clients with a complex maze of eligibility criteria, application processes, and in some cases, transitional provisions. As a result, Veterans with similar injuries and service histories are compensated differently based on the benefit regime under which they applied.<sup>32</sup> This reality leads to inequities: Veterans with similar injuries, age, and rank on release, should receive similar levels of financial support.

In the absence of identified financial outcomes for ill and injured Veterans, the OVO is unable to assess whether or not the level of compensation is fair, nor whether all Veterans should be compensated at pre- or post-April 1, 2019 levels. However, it is unfair that for similarly situated Veterans, the regime they apply under is the main factor determining the amount of lifetime financial support they will receive, particularly when this means that the most ill and injured may receive less.

Canada is not alone when it comes to disparities in financial compensation for its Veterans resulting from different service-related injury compensation schemes. In the development of this report, the OVO examined related challenges confronting Allied nations. Given the similarities between the two, the Australian example is instructive for considering how Canada might move forward. In June 2019, the Australian Productivity Commission released a report entitled: *A Better Way to Support Veterans*.<sup>33</sup> Most notably, the report recommends harmonization of benefits to address overlap and complexity, and a reduction of inequities inherent in a benefit system with multiple schemes.

In order to address the continued complexities of Canada's multiple compensation frameworks for Veterans, the OVO recommends that the Government harmonize them. This harmonization effort should not be the result of *ad hoc* proposals developed internally by VAC. Recent history has shown that this approach does not work. For example, the introduction of Pension for Life did not eliminate inequities, but rather added to them. Prior to any efforts to harmonize benefits, it is necessary to have a clear determination of the financial outcomes the Government aims to achieve for Veterans who became ill and injured as a result of their service to the country. Without identification and understanding of those outcomes, it is impossible to assess whether or not Canadian Veterans are fairly compensated.

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<sup>32</sup> To add to the confusion and inequity, some *Pension Act* Veterans are also able to receive certain benefits under the *VWA*, including IRB and rehabilitation services.

<sup>33</sup> Productivity Commission. [A Better Way to Support Veterans](#). Report no. 93, Canberra. 2019.

# CONCLUSION

The Office of the Veterans Ombudsman acknowledges that changes and enhancements to benefits and programs have improved lifetime financial compensation for many Veterans. However, the OVO also recognizes that the amount of financial compensation may vary widely depending on the unique circumstances of each VAC client, and often the benefit regime under which they apply. As long as there is a lack of clearly defined outcomes and objectives, troublesome inequities associated with multiple benefit schemes, and significant gaps between service-related injury compensation frameworks, Veterans receiving less financial compensation will continue to feel that the Government is treating them unfairly.

## RECOMMENDATIONS

### The OVO recommends that the Government:

1. Clearly identify the financial outcomes Canada seeks to provide for ill and injured Veterans;
2. Harmonize existing financial compensation frameworks to meet identified financial outcomes;
3. Pending identification of financial compensation outcomes and to avoid further inequity, ensure that no Veteran with a Diminished Earning Capacity designation who submits their application under Pension for Life is financially disadvantaged compared to those who submitted their application under the *Veterans Well-being Act* prior to April 1, 2019; and,
4. Compensate Veterans for lost career progression as though the Veteran had served a full military career.



# ANNEX A – GLOSSARY

- AA** – Attendance Allowance
- ADIP** – Accidental Dismemberment Insurance Plan
- AMA** – Additional Monthly Amount
- APSC** – Additional Pain and Suffering Compensation
- CAF** – Canadian Armed Forces
- CAF LTD** – Canadian Armed Forces Long Term Disability program
- CFSA** – Canadian Forces Superannuation
- CIA** – Career Impact Allowance
- CIAS** – Career Impact Allowance Supplement
- CIB** – Critical Injury Benefit
- CPF** – Career Progression Factor
- CPI** – Consumer Price Index
- CRB** – Caregiver Recognition Benefit
- DA** – Disability Award
- DEC** – Diminished Earning Capacity
- DP** – Disability Pension
- EIA** – Exceptional Incapacity Allowance
- ELB** – Earnings Loss Benefit
- IRB** – Income Replacement Benefit
- Lt** – Lieutenant
- NVC** – New Veterans Charter
- NVC/VWA** – describes the financial benefit regime in place for CAF Veterans in fiscal year 2018-19.
- OVO** – Office of the Veterans Ombudsman
- PBO** – Parliamentary Budget Officer
- PIA** – Permanent Impairment Allowance
- PIAS** – Permanent Impairment Allowance Supplement
- PSC** – Pain and Suffering Compensation
- RISB** – Retirement Income Security Benefit
- SISIP** – Service Income Security Insurance Plan
- SRB** – Supplementary Retirement Benefit
- VAC** – Veterans Affairs Canada
- VWA** – *Veterans Well-being Act*



# ANNEX B – SCENARIOS

The graphs and analysis for each scenario illustrate lifetime financial compensation for each of the three benefit regimes – the *Pension Act*, the NVC/VWA, and Pension for Life – had a single benefit scheme been in place over the Veteran’s lifetime. In reality, a Veteran may be in receipt of benefits from different schemes, depending on a variety of factors, such as date of release and date of disability benefit application. Similarly, when new benefits and increases to benefits were introduced, those receiving benefits also benefited from the increase. For instance, when Pension for Life was introduced, if the lifetime amount of a monthly payment option was higher than the lump sum amount of a previously awarded Disability Award, the Veteran received an automatically calculated Additional Monthly Amount (AMA) benefit to make up the difference. These increases are not reflected in the scenarios, as the calculations consider that each regime was in place over the Veteran’s lifetime.

This report models nine scenarios, building on those that were used in previous reports. The OVO’s 2013 report, *Improving the New Veterans Charter: The Actuarial Analysis*, examined NVC financial benefits for the most seriously ill and injured Veterans and their families. It included five scenarios which assessed those designated DEC and who, as a result, were most at financial risk.<sup>34</sup> Non-DEC Veterans represent the largest group of CAF Veterans who are also VAC clients. To better understand the impact of NVC financial benefits on this segment of VAC clients, the 2017 analysis added a scenario to represent CAF Veterans without a DEC designation. This report includes two additional non-DEC scenarios.

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<sup>34</sup> Veterans Ombudsman, [Improving the New Veterans Charter: The Actuarial Analysis Report](#), May, 2013.

## METHODOLOGY

All nine scenarios in this report were modeled based on the financial benefits in place for each of the three major financial benefit schemes, as well as the following six Veteran-specific factors:

1. Rank
2. Age
3. % disability
4. DEC/Non-DEC determination
5. Years of service
6. Family status (married/single; children/no children)

### FACTORS INCORPORATED INTO EACH SCENARIO

Scenario	Description	Years of Service
<b>Diminished Earnings Capacity (DEC) Veterans</b>		
1	24-year-old Corporal with 80% disability, and single with no dependent children	4
2	47-year-old Major with 100% disability, and married with one dependent child	29
3	30-year-old Captain with 40% disability, and single with one dependent child	10
4	35-year-old Sergeant with 95% disability, and married with one dependent child	15
5	40-year-old Corporal with 50% disability, and married with one dependent child	5
6	New: 22-year-old Second Lieutenant with 75% disability, and single with no dependent children	4
<b>Non-DEC Veterans</b>		
7	44-year-old Sergeant with 50% disability, and single with no dependent children	24
8	45-year-old Captain with 25% disability, and single with no dependent children	25
9	New: 28-year-old Corporal with 15% disability, and single with no dependent children	8

The scenario comparisons treat each milestone year as a lifetime benefit scheme. The dollar values calculated are accurate within the context of the methodology described below and are not meant to be used as precise calculation of what a Veteran should receive in their lifetime.<sup>35</sup>

**To illustrate lifetime financial compensation in each milestone year, the following parameters were used:**

- Scenarios depict only Veterans of the Canadian Armed Forces (none depict still-serving members, serving or former members of the *Royal Canadian Mounted Police*, or Veterans who served in the Second World War or the Korean War);
- All benefits are calculated based on the date of release and go forward from there;
- Transitional provisions to help in the change-over from one set of programs to the next are not included;
- Cases where Veterans receive benefits from two or more regimes were not modelled;
- The analysis considers both economic and non-economic financial VAC benefits, but excludes rehabilitation services, education, and health services as these are unique and incomparable with other benefits;
- Aside from the PSC and the APSC benefits which are in 2019 dollars, each scenario provides a lifetime compensation total in 2018 year dollars so that inflationary effects are not masked and direct comparisons can be made;
- Because the PSC and APSC were not deflated to 2018 values, the values are not all consistent, resulting in an estimated .5% difference in total financial compensation;
- Income tax is calculated using 2018 individual Federal and Ontario Tax rates. These rates were used to allow the analysis to be conducted with the most complete taxation tables available. The Ontario health premium was included in the provincial tax calculation;<sup>36</sup>
- The results are presented in after-tax (net) dollars;
- The after-tax calculations are made by adding all the taxable benefits together to determine the tax rate and then applying that tax rate to each individual taxable benefit to determine the reduction due to tax;
- The analysis does not include other government programs such as Canada Pension Plan, Old Age Security or Guaranteed Income Supplement;
- Any lump sum payment is not invested;
- 2017 Non-Commissioned Member Standard Trade Group and General Service Officer rates of pay are used to calculate salaries and superannuation payments;
- Rates of pay and superannuation are based on having served in the Regular Force;
- Scenarios for Veterans with 10 or more years of service are based on a Veteran receiving an unreduced annuity from CFSA (medical release);
- Scenarios for Veterans with less than 10 years of service are based on a deferred annuity from CFSA; and
- Life expectancy is assumed to be 83 years, which is consistent with VAC's published Pension for Life scenarios.

<sup>35</sup> To ensure our methodology was correct and would meet our objectives, we had our scenario calculations validated by an independent actuarial firm. The independent validation confirmed that our approach was reasonable to allow for ordinal comparison.

<sup>36</sup> The APSC and the PSC are not taxable.

## SCENARIO CALCULATOR

- Overall, there is no specific mortality in the model. Assuming Veterans all die at age 83 will result in a significant difference over the actual mortality of a Veterans group. Ideally, a mortality table should be incorporated to have more accurate results. For example, an individual who is age 30 today may live longer than an individual who is age 70 today, and it may not be reasonable to assume both die at the same age of 83. To improve general audience understanding and provide simplicity, we used VAC's average life expectancy based on published scenarios.<sup>37</sup>
- The CFSA formula is based on an average 2% of salary. OVO acknowledges this is an estimate only, and that the resulting values may be different from actuals. For example, a Regular Force Veteran would receive an annual lifetime pension equal to:
  - $1.375\% * \text{total pensionable service} * \text{average earnings up to the YMPE} + 2.0\% * \text{total pensionable service} * \text{average earnings over the YMPE}$ .<sup>38</sup>
- Because benefits are not compared on a net present value basis for an actuarial analysis:
  - Assuming that interest should cancel out with Consumer Price Index (CPI) and other indexing could lead to erroneous conclusions; even if this was the case, the model does not adjust for interest on non-indexed benefits; i.e., if assuming indexed benefits cancel with discounting for present value calculations, non-indexed benefits should “deflate” over time.
  - When comparing on a net present value basis, the timing of payments becomes relevant as this factor impacts dollar value accuracy. However, the goal of this financial analysis was not to compare the actuarial value (i.e., present value) but to compare lifetime compensation provided by the different regimes. The scenarios have been reviewed by an independent accounting firm who confirmed that the scenarios allow for ordinal comparison.

<sup>37</sup> Veterans Affairs Canada, [Pension for Life](#), last accessed December 19, 2019.

<sup>38</sup> YMPE = Year's Maximum Pensionable Earnings

# SCENARIOS<sup>39</sup>

## SCENARIO 1: DEC, CORPORAL, AGE 24, WITH 80% DISABILITY AND FOUR YEARS OF SERVICE

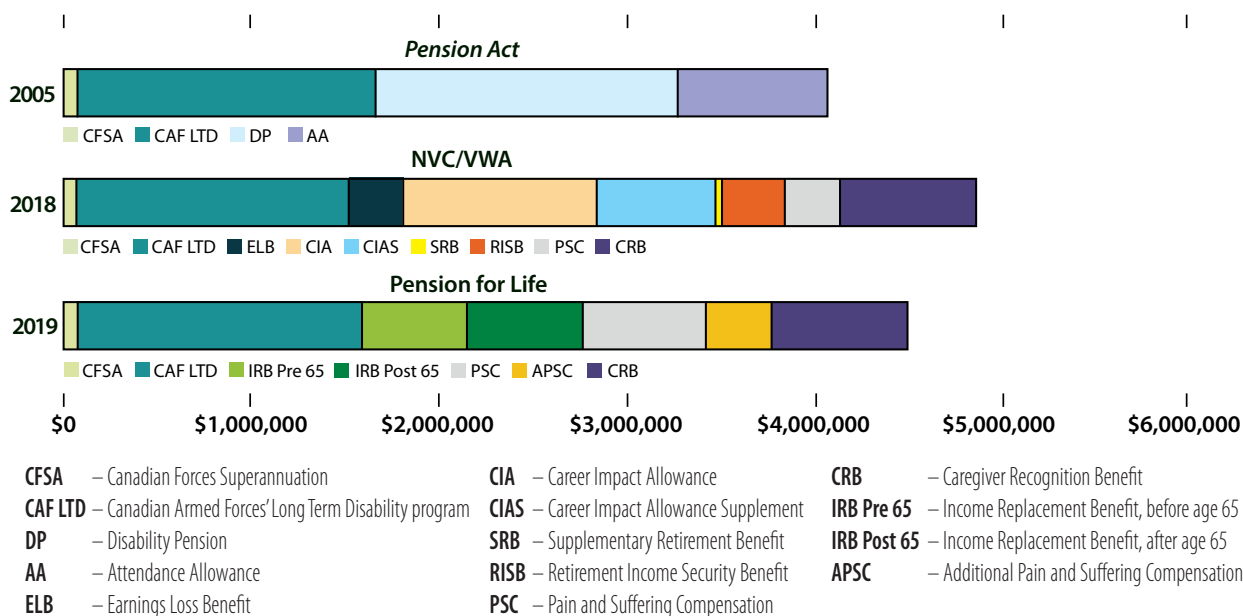
This scenario represents a 24-year-old single Veteran with no dependent children who was medically released at the rank of Corporal (salary of \$60,168), with four years of service. This Veteran has an assessed disability level of 80% and a DEC designation. With only four years of service, this Veteran would not receive an immediate CAF Annuity (CFSA). The Veteran has a severe impairment with a disability assessment that is below the maximum level.

### Benefits included in the analysis:

**Pension Act – 2005:** Deferred CFSA, CAF LTD, DP, AA (Grade 3)

**New Veterans Charter/Veterans Well-being Act – 2018:** Deferred CFSA, CAF LTD, ELB, DA, SRB, RISB, CIA (Grade 1), CIAS, CRB

**Pension for Life – 2019:** Deferred CFSA, CAF LTD, IRB+16 years CPF, PSC, APSC (Grade 3), CRB



In this scenario, the *Pension Act* is the least generous benefit scheme; the *NVC/VWA* and *Pension for Life* both provide higher financial compensation. This result is mainly because benefits compensating for economic loss provide greater impact over the life of the Veteran than income replacement (CAF LTD) based on only the pre-release salary that stopped at age 65. The lower overall compensation amount in 2019, as compared to 2018, is due to the elimination of the CIA and CIAS which provided compensation for economic loss but did so with dollar amounts that were the same for all Veterans. Short-service Veterans proportionally do better under this scheme than do longer-service Veterans with higher salaries. The new APSC benefit does not offset the decrease in compensation for economic loss.

<sup>39</sup> Detailed data tables used to create the graphs are available upon request. For each chart the years refer to the corresponding benefit regime – 2005 is the *Pension Act*, 2018 is the *NVC/VWA*, and 2019 is *Pension for Life*.

## SCENARIO 2: DEC, MAJOR, AGE 47, WITH 100% DISABILITY AND 29 YEARS OF SERVICE

This scenario represents a 47-year-old married Veteran with one dependent child (10 years of dependency) who medically released at the rank of Major (salary of \$114,468) with 20 years of service. This Veteran has a DEC designation and an assessed disability level of 100%. The scenario depicts a Veteran who has a severe impairment and is receiving the maximum allowances available under all schemes.

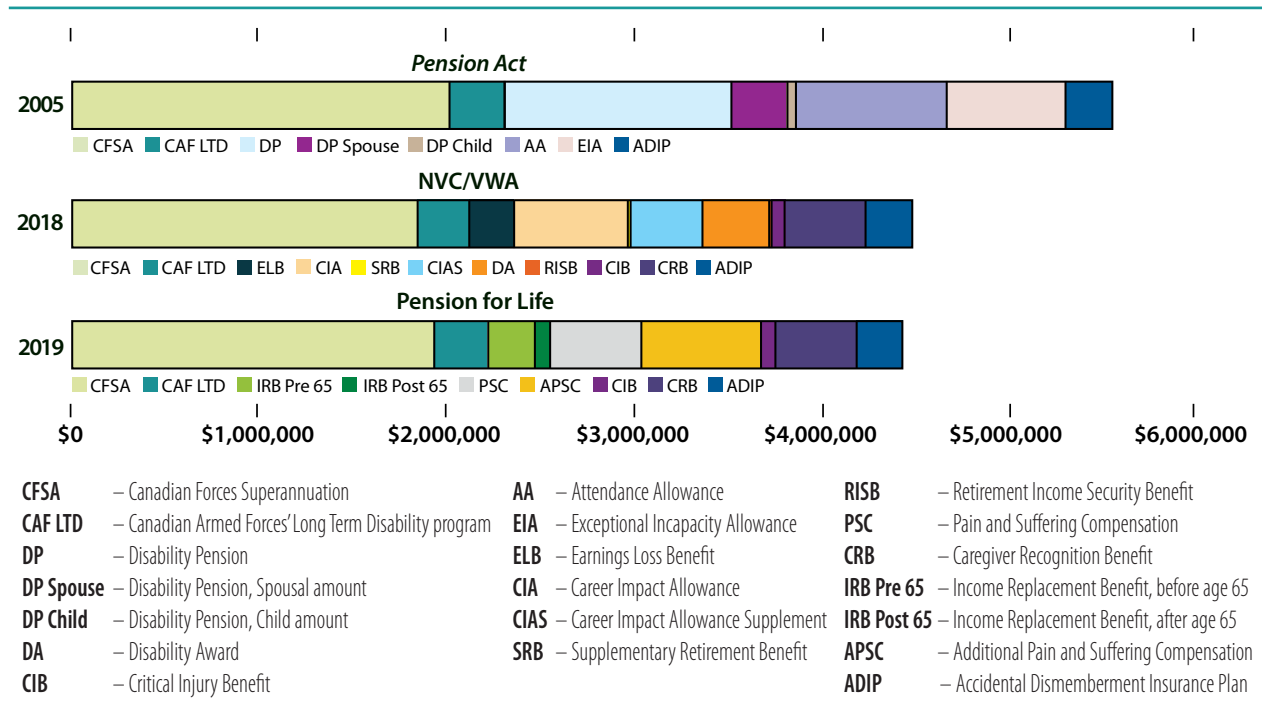
### Benefits included in the analysis:

**Pension Act – 2005:** CFSA, CAF LTD, DP, DP Spousal and Child amount, AA (Grade 1), EIA (Grade 1)

**New Veterans Charter/Veterans Well-being Act – 2018:** CFSA, CAF LTD, ELB, DA, SRB, RISB, CIB, CIA (Grade 1), CIAS, CRB

**Pension for Life – 2019:** CFSA, CAF LTD, IRB, PSC, APSC (Grade 1), CIB, CRB

This Veteran also received an immediate and indexed CAF Annuity (CFSA), and the CAF Accidental Dismemberment Insurance Plan (ADIP) benefit.<sup>40</sup>



In this case, the *Pension Act* is the most generous benefit scheme. This scenario illustrates the impact the CAF annuity has on the benefits the Veteran receives, as it is considered an offset to benefits compensating for economic loss and, as a result, the level of income replacement in 2018 and 2019 is much lower compared to scenarios with Veterans with shorter periods of service. The *Pension Act* also provides more compensation due to EIA and Attendance Allowance benefits, paid at the highest rates. As well, the Disability Pension spousal and child amounts make a difference in this scenario.

<sup>40</sup> ADIP is the [Accidental Dismemberment Insurance Plan](#) provided by CAF through CAF LTD.

### SCENARIO 3: DEC, CAPTAIN, AGE 30, WITH 40% DISABILITY AND 10 YEARS OF SERVICE

This scenario represents a 30-year old single Veteran with one dependent child (10 years of dependency) who medically released at the rank of Captain (salary of \$88,164) with 10 years of service. This Veteran has an assessed disability level of 40% and has been designated as having a DEC. This scenario illustrates a Veteran who has a severe impairment but with a low disability assessment and who does not need attendant care support.

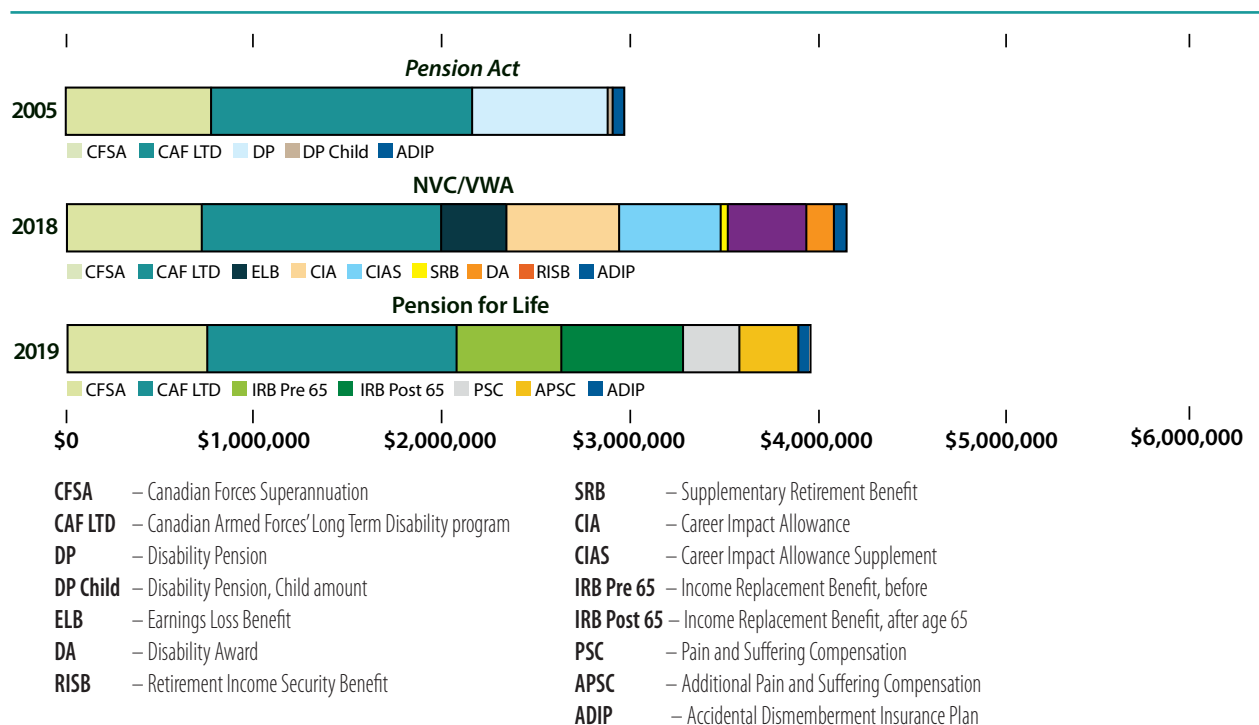
#### Benefits included in the analysis:

**Pension Act – 2005:** CFSA, CAF LTD, DP, DP Child amount

**New Veterans Charter/Veterans Well-being Act – 2018:** CFSA, CAF LTD, ELB, DA, RISB, SRB, CIA (Grade 2), CIAS

**Pension for Life – 2019:** CFSA, CAF LTD, IRB+10 years CPF, PSC, APSC (Grade 3)

This Veteran also received ADIP at the lowest grade level, \$62,500



As with Scenario 1, the lifetime financial compensation is lower under Pension for Life as compared to what was available under the NVC/VWA. This result is mainly due to the discontinuance of the CIA and CIAS. The grade determination for the APSC has changed, as compared to the CIA. This Veteran would have received the CIA at Grade 2 under the NVC/VWA, but only Grade 3 APSC under Pension for Life. The NVC/VWA and Pension for Life both provide higher financial compensation than the *Pension Act* due to additional compensation for economic loss.

## SCENARIO 4: DEC, SERGEANT, AGE 35, WITH 95% DISABILITY AND 15 YEARS OF SERVICE

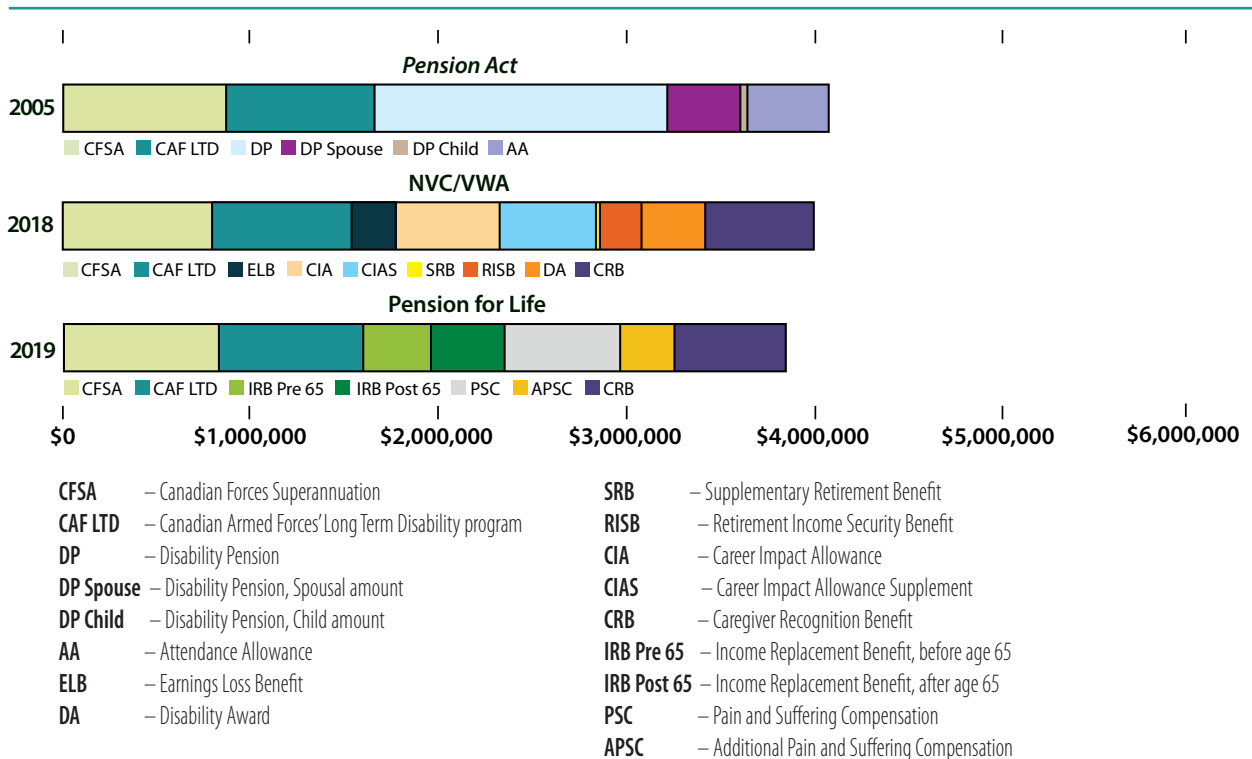
This scenario represents a 35-year-old married Veteran with one dependent child (10 years of dependency) who medically released from the CAF at the rank of Sergeant (salary of \$69,804) with 15 years of service. This Veteran has an assessed disability level of 95% and a DEC designation. The scenario illustrates someone who is receiving allowances at rates that are most typically awarded. If this Veteran's disability had been assessed at 98%, they also would have been eligible for the Exceptional Incapacity Allowance, which would have increased the financial compensation received under the *Pension Act*.

### Benefits included in the analysis:

**Pension Act – 2005:** CFSA, CAF LTD, DP, DP Spousal and Child amount, AA (Grade 4)

**New Veterans Charter/Veterans Well-being Act – 2018:** CFSA, CAF LTD, ELB, DA, SRB, RISB, CIA (Grade 2), CIAS, CRB

**Pension for Life – 2019:** CFSA, CAF LTD, IRB, PSC, APSC (Grade 3), CRB



Lifetime financial compensation is less generous under Pension for Life than under the two earlier schemes. Pension for Life is less generous than the NVC/VWA due to the discontinuance of the CIA and the CIAS. The CPF addition to the IRB does not provide the same level of compensation for economic loss as did the discontinued benefits.



## SCENARIO 5: DEC, CORPORAL, AGE 40 WITH 50% DISABILITY AND FIVE YEARS OF SERVICE

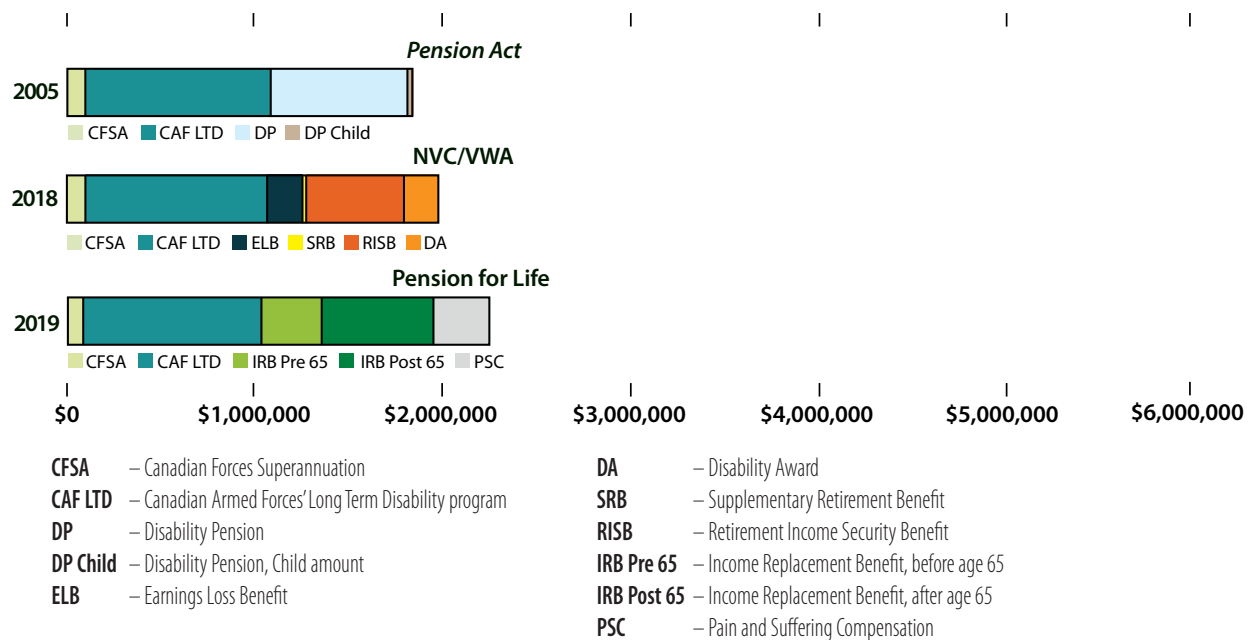
This scenario represents a 40-year-old married Veteran with one dependent child (10 years of dependency) who medically released at the rank of Corporal (salary of \$61,056) with five years of service. This Veteran has an assessed disability level of 50% and a DEC designation. The scenario illustrates someone who joined the CAF later in life, who released with minimal time served, and does not require attendant care support.

### Benefits included in the analysis:

**Pension Act – 2005:** Deferred CFSA, CAF LTD, DP, DP Child amount

**New Veterans Charter/Veterans Well-being Act – 2018:** Deferred CFSA, CAF LTD, ELB, DA, SRB, RISB

**Pension for Life – 2019:** Deferred CFSA, CAF LTD, IRB+15 years CPF, PSC



Overall compensation increased with the implementation of Pension for Life due to the effect of the PSC monthly lifetime amount and the 1% CPF, combined with the limited years of service and low rank on release.

## SCENARIO 6: DEC, SECOND LIEUTENANT, AGE 22 WITH 75% DISABILITY AND FOUR YEARS OF SERVICE

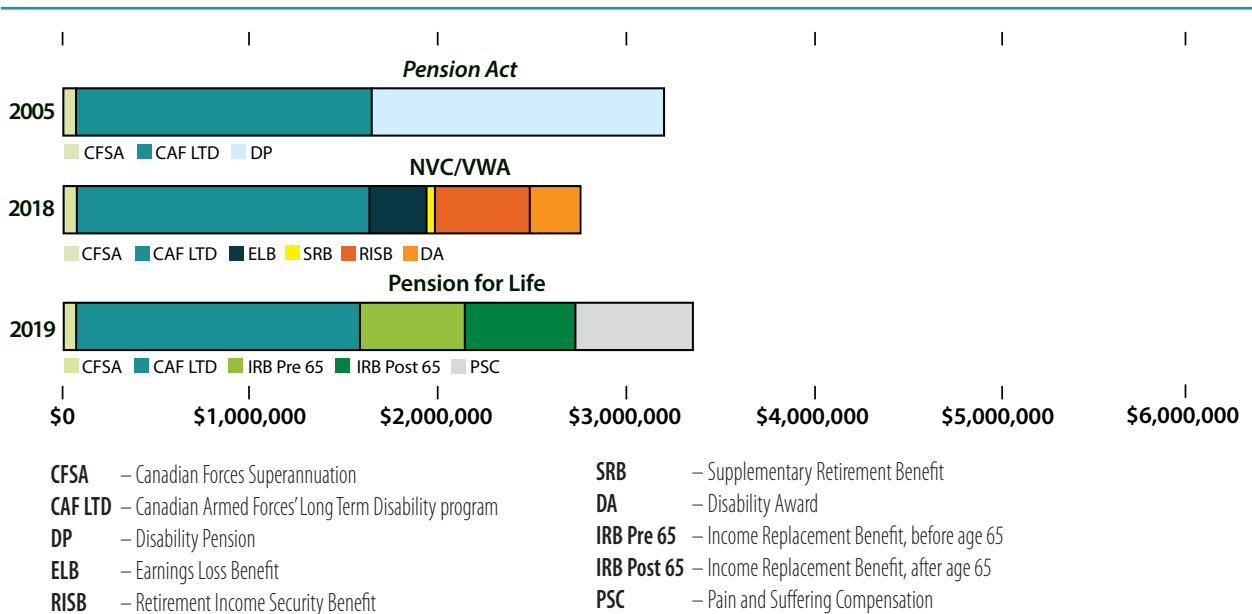
This scenario represents a 22-year old single Veteran with no dependent children, who medically released at the rank of Second Lieutenant (salary of \$57,288) with only four years of service. The Veteran has an assessed disability of 75% and a DEC designation. This is an example of an Officer who was medically released prior to reaching the rank of Captain.

### Benefits included in the analysis:

**Pension Act – 2005:** CFSA deferred payment, CAF LTD, DP

**New Veterans Charter/Veterans Well-being Act – 2018:** CFSA deferred payment, CAF LTD, ELB, RISB, SRB, DA

**Pension for Life – 2019:** CFSA deferred payment, CAF LTD, IRB (+16 years CPF), PSC



The Pension for Life scheme is the most generous in this situation. This Veteran does not meet the CIA policy definition of having a severe impairment so does not receive the CIA or CIAS under the NVC/VWA, nor do they receive the APSC under Pension for Life. The increased compensation with the implementation of Pension for Life can be explained by the effect of the PSC lifetime monthly amount and the 1% CPF added to the IRB combined with the limited years of service (four).

These results need to be put into context with CAF pay scales and promotion realities. Under normal circumstances, an officer cadet will be commissioned in the rank of Second Lieutenant (2Lt) after having completed the requirements for commissioning (normally completion of their degree program or basic training, depending on their entry plan into the CAF). They will then spend one year as a 2Lt before being promoted to Lieutenant (Lt). They would then spend an additional two years as a Lt before being eligible for promotion to Captain. If the member has met all requirements for employment in their trade, promotion to Captain is automatic.<sup>41</sup> Salaries from Officer Cadet to Captain increase exponentially with the latter having ten incentives that increase a Captain's salary 30% over that timeframe. Pay incentives are received annually.

<sup>41</sup> As per CFAO 11-6. CAF Liaison Officer to VAC, E-mail correspondence, January 21, 2010

The pre-release salary of a Veteran who has served for 20 years and releases as a Captain after 11 years at that rank is \$104,616.

For Officer Cadets in the Regular Officer Training Plan, whose initial salary is \$26,016, the Career Progression Factor will only take them to \$31,430. Thus, they will never see the Career Progression Factor increase on their IRB because their salary will always be below the minimum amount, currently set to \$54,000 (\$4,500 per month). Moreover, they will only be compensated for 52% of what they would have earned had they served for 20 years and reached the rank of Captain (52% of \$104,616).

The initial salary of a Second Lieutenant is \$57,288. If they release after four years (as in Scenario 6) the Career Progression Factor will only increase their salary to \$67,175, which is only 64% of what they would have received had they served for 20 years and reached the rank of Captain (64% of \$104,616).

Veterans who served 10 years and who served at least one of those years at the rank of Captain (initial salary of \$79,152) will see their IRB increase to \$87,433 with the CPF, amounting to 84% of what they would have received had they served a full 20-year career.<sup>42</sup>

In sum, the CPF does not fully compensate Officers for lost career progression. Officers who do not reach the rank of Captain are disproportionately disadvantaged, and Officers receiving the minimum IRB are further disadvantaged as they do not receive the CPF at all.

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42 CAF Pay Rate Table for officers. National Defence. [Pay rates for officers](#). October 17, 2019.

## SCENARIO 7: **NON-DEC, SERGEANT, AGE 44, WITH 50% DISABILITY AND 24 YEARS OF SERVICE**

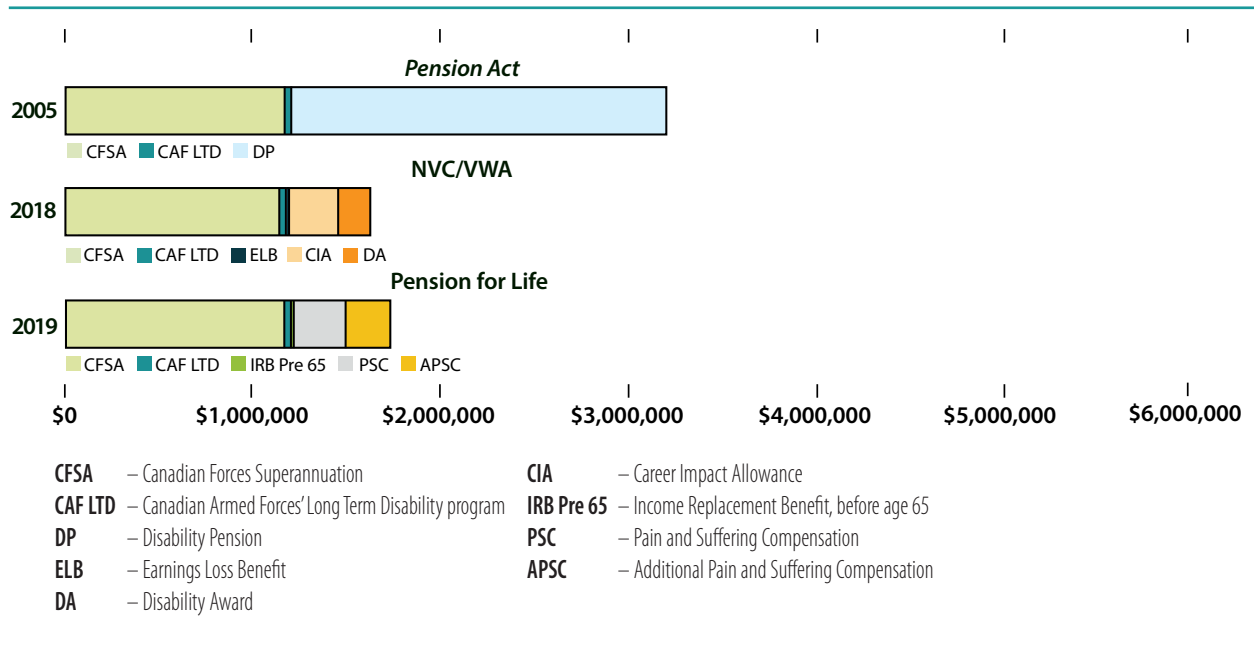
This scenario represents a 44-year-old single Veteran with no dependent children who medically released at the rank of Sergeant (salary of \$69,804) with 24 years of service. The Veteran has an assessed disability of 50% and does not have a DEC designation. The scenario illustrates a Veteran who medically releases with a severe impairment but is able to work in the civilian labour market, earning at least 66 2/3rds of their indexed pre-release salary. This Veteran has disabilities that preclude military service, but has the capacity to work in a civilian job.

### Benefits included in the analysis:

**Pension Act – 2005:** CFSA, CAF LTD (temporary), DP

**New Veterans Charter/Veterans Well-being Act – 2018:** CFSA, CAF LTD (temporary), ELB (temporary), DA, CIA (Grade 3)

**Pension for Life – 2019:** CFSA, CAF LTD (temporary), IRB (temporary), PSC, APSC (Grade 3)



The *Pension Act* is the most generous regime for this Veteran. The difference between the *Pension Act* and PFL is due to the base value of the Disability Pension calculation starting at a higher value than that of the PSC (e.g., 10% DP single Veteran = \$286; 10% PSC = \$115). The increase in compensation under Pension for Life, as compared to the NVC/VWA, can be explained by the PSC monthly lifetime payment.

## SCENARIO 8: NON-DEC, CAPTAIN, AGE 45, WITH 25% DISABILITY AND 25 YEARS OF SERVICE

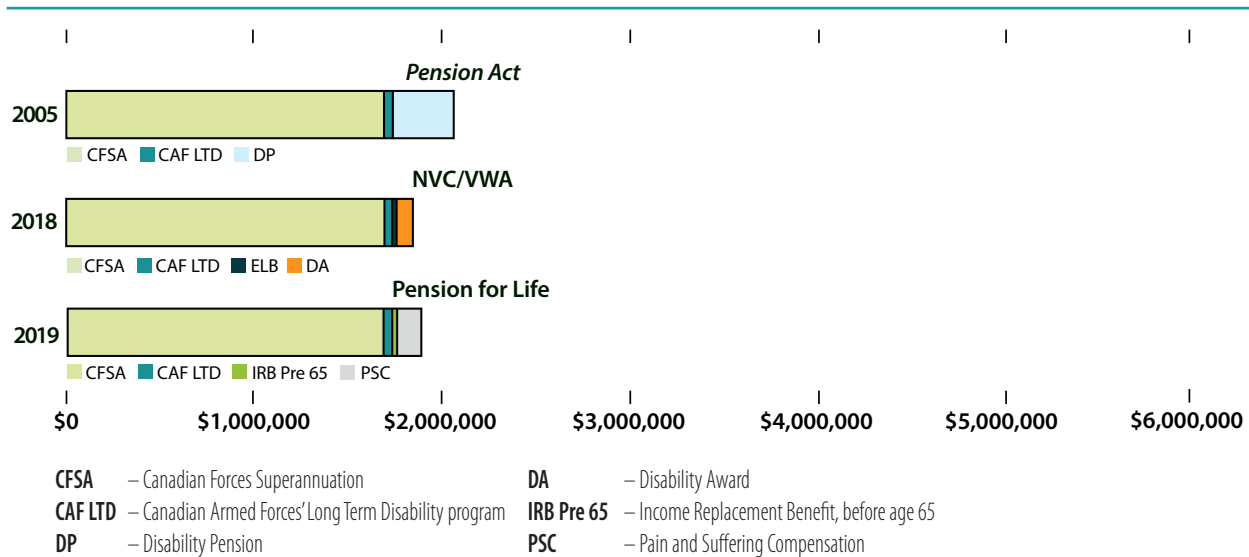
This scenario represents a 45-year-old single Veteran with no dependent children. This Veteran does not have a DEC designation and has an assessed disability of 25%. This Veteran medically released at the rank of Captain (salary of \$104,616) with 25 years of service. This Veteran has disabilities that preclude further military service, but which are not impeding the Veteran's ability to find civilian employment.

### Benefits included in the analysis:

**Pension Act – 2005:** CFSA, CAF LTD (temporary), DP

**New Veterans Charter/Veterans Well-being Act – 2018:** CFSA, CAF LTD(temporary), ELB(temporary), DA

**Pension for Life – 2019:** CFSA, CAF LTD(temporary), IRB(temporary) PSC



For this Veteran, the *Pension Act* is the most generous. The increase in compensation with the implementation of Pension for Life, as compared to the NVC/VWA, can be explained by the PSC monthly lifetime payment. The difference between the *Pension Act* and PFL is due to the higher starting base value of the DP calculation than the PSC calculation. However, as is evident in the chart, this Veteran's main source of lifetime compensation is an immediate, unreduced CAF Annuity (CFSA).

## SCENARIO 9: **NON-DEC, CORPORAL, AGE 28, WITH 15% DISABILITY AND EIGHT YEARS OF SERVICE**

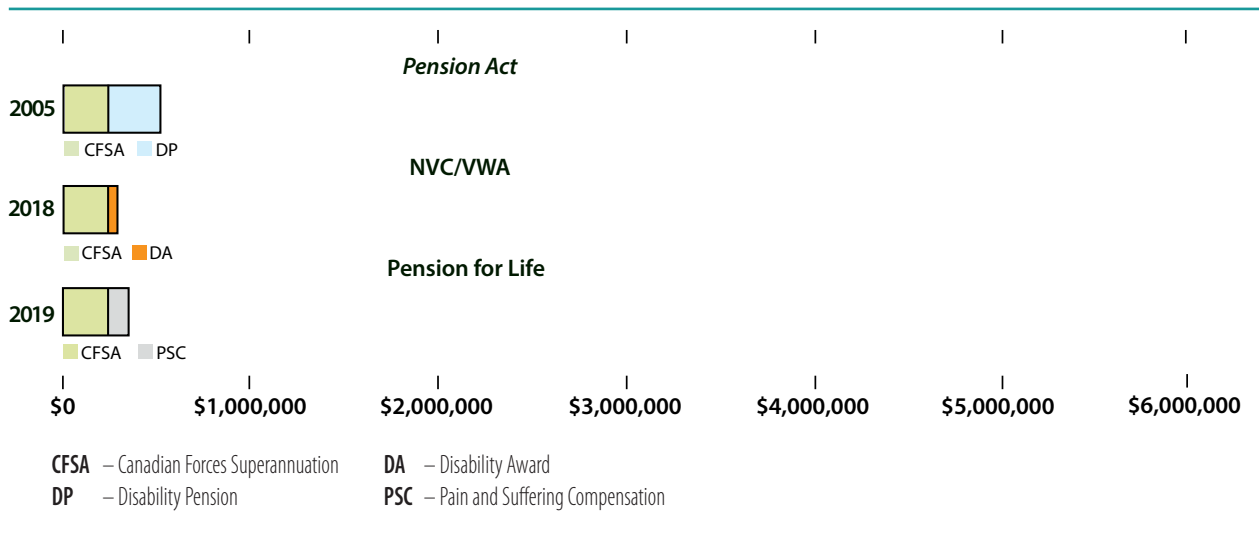
This scenario represents a 28-year old single Veteran with no dependent children who voluntarily released at the rank of Corporal (salary of \$62,808) with eight years of service. This Veteran has an assessed disability of 15% and does not have a DEC designation. This scenario illustrates a Veteran who released voluntarily with a minor disability that is not creating any barriers transition to civilian life. As a result, the Veteran receives benefits to support transition and to compensate for pain and suffering. The Veteran had no service-related need for rehabilitation, and therefore did not receive income replacement benefits (CAF LTD, ELB, nor IRB). The Veteran would not be in receipt of an immediate and indexed annuity.

### Benefits included in the analysis:

**Pension Act – 2005:** Deferred CFSA, DP

**New Veterans Charter/Veterans Well-being Act – 2018:** Deferred CFSA, DA

**Pension for Life – 2019:** Deferred CFSA, PSC



The *Pension Act* scheme is the most generous in this scenario. The increase in compensation with the implementation of Pension for Life, as compared to the NVC/VWA, can be explained by the PSC monthly lifetime payment. The difference between the *Pension Act* and PFL is due to the higher starting base value of the DP calculation than the PSC calculation.

# ANNEX C – HISTORY OF THE OVO ANALYSIS OF NEW VETERANS CHARTER

In 2013, the OVO produced a four-part series that analyzed the financial benefits available under the NVC. The two key reports in this series, *Improving the New Veterans Charter: The Report* and its accompanying *Actuarial Analysis*, showed that the financial needs of many Veterans were not being met.<sup>43</sup> The report made eight recommendations related to improving financial supports, and the actuarial analysis provided demographic and financial data on the effects of the programs. All eight of these recommendations have been implemented and incremental changes continued to be made to the NVC.

In 2014, the OVO published the report: *Supporting Severely Impaired Veterans: A Report on the New Veterans Charter Permanent Impairment Allowance and Permanent Impairment Allowance Supplement*. It examined two NVC financial support benefits provided to the most severely impaired Veterans.<sup>44</sup> The report made four recommendations to improve access to the PIA and the PIAS (subsequently the CIA and CIAS) for Veterans suffering from any service-related permanent and severe impairment affecting their employment and career progression opportunities, and their survivors. All four of those recommendations have been implemented.

In 2016, the OVO published *Fair Compensation to Veterans and their Survivors for Pain and Suffering*, which assessed the fairness of compensation provided under the NVC for non-economic loss.<sup>45</sup> The report provides details on VAC's non-economic benefits to CAF members, Veterans, and their survivors to compensate for the effects of service-related disability and death. The report also compares these benefits to what other Canadians would receive, either through federal and provincial/territorial programs, such as Worker's Compensation Boards, or through the Canadian courts for personal injury. While the report found that the compensation provided for pain and suffering through the Disability Award was fair, it made three recommendations, of which one remains outstanding:

- The Minister of Veterans Affairs amend NVC legislation and regulations to permit a single CAF member with no dependent children to designate a family member to apply for and receive the Death Benefit.

<sup>43</sup> Veterans Ombudsman, [Improving the New Veterans Charter: the Report](#), April 4, 2013; and Veterans Ombudsman, [Improving the New Veterans Charter: The Actuarial Analysis Follow-up Report](#), March, 2017.

<sup>44</sup> Veterans Ombudsman, [Supporting Severely Impaired Veterans: A Report on the New Veterans Charter Permanent Impairment Allowance and Permanent Impairment Allowance Supplement](#), June 2014.

<sup>45</sup> Veterans Ombudsman, [Fair Compensation to Veterans and Their Survivors for Pain and Suffering](#), July 2016.

# ANNEX D – EVOLUTION OF VETERANS FINANCIAL BENEFITS<sup>46</sup>

Pre-NVC	NVC 2006	NVC 2011	NVC 2015	NVC 2016	NVC / VWA 2018	Pension for Life 2019
CAF LTD - 75% of gross pre-release salary (2% cap per year)	CAF LTD - 75% of gross pre-release salary (2% cap per year)					CAF LTD - 75% of gross pre-release salary (2% cap per year)
Disability Pension						
Exceptional Incapacity Allowance						
Attendance Allowance						
War Veterans Allowance						
	Earnings Loss Benefit (ELB) - 75% of gross pre-release salary with min. salary provision of senior private (2% cap per year)	ELB - 75% of gross pre-release salary with min. salary provision increased to basic corporal (2% cap per year)	ELB - All Reserve Force Veterans who are eligible for ELB receive the same min. amount as a Regular Force Veteran	ELB - 90% of gross pre-release salary with min. salary provision of senior private and 2% cap removed		Changed to the Income Replacement Benefit (IRB)
	Disability Award /Death Benefit - \$250,000 max indexed to inflation	Disability Award - provided choice of lump sum or annual payments or combination		Disability Award /Death Benefit increased to max \$360,000 - indexed to inflation		Changed to the Pain and Suffering Compensation (PSC)
	Canadian Forces Income Support					

<sup>46</sup> For more information on these VAC Benefits, visit: <http://www.veterans.gc.ca/eng/services>.



Pre-NVC	NVC 2006	NVC 2011	NVC 2015	NVC 2016	NVC / VWA 2018	Pension for Life 2019
	Permanent Impairment Allowance (PIA)	PIA - provided access to certain Veterans in receipt of a Disability Pension	PIA - increased access by broadening the definition of severe and permanent impairment	PIA renamed to CIA	CIA expanded access to higher grades to better support Veterans and to reflect loss of career opportunity	Eliminated Former CIA recipients receive the APSC at the same grade level.
	Supplementary Retirement Benefit					Eliminated (Post-65 IRB)
		PIA Supplement (PIAS) introduced		Renamed Critical Impairment Allowance Supplement (CIAS)		Eliminated
			Critical Injury Benefit (CIB) introduced			
			Retirement Income Security Benefit (RISB) introduced			Eliminated (Post-65 IRB)
			Family Caregiver Relief Benefit (FCRB) introduced		Changed to the Caregiver Recognition Benefit (CRB)	
						Additional Pain and Suffering Compensation (APSC)
						Additional Monthly Amount (AMA)

# ANNEX E – PENSION FOR LIFE

The Pension for Life regime, implemented on April 1 2019, is part of an overall well-being package that includes financial benefits intended to provide recognition and compensation for economic loss and non-economic loss alongside programs to promote the well-being of ill and injured CAF members and Veterans as they transition to civilian life.<sup>47</sup> The legislated intent of Pension for Life is to:

- Streamline and simplify VAC's financial benefits programs and administration;
- Provide the choice of a lump sum or a monthly payment to eligible CAF members and Veterans with a service-related disability;
- Compensate and recognize Veterans for lost career progression potential;
- Provide additional recognition and compensation to Veterans experiencing barriers to re-establishment in post-service life due to a service-related permanent and severe impairment;
- Increase financial security for survivors and surviving dependent children; and
- Clarify that VAC provides income replacement and rehabilitation to Veterans with health problems resulting primarily from service, while recognizing that CAF Long Term Disability (CAF LTD) (also known as Service Income Security Insurance Plan, or SISIP), is the group disability insurance plan for all CAF members, and remains first payor for all medically releasing CAF members, whether their health problems result primarily from service or not.<sup>48</sup>

To compensate for the effects of service-related disability or death, benefits for economic loss and benefits for non-economic loss are both components of Pension for Life. These two types of benefits have different purposes.

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<sup>47</sup> This dual approach (separating compensation for economic loss from compensation for non-economic loss) was introduced with the NVC in 2006. Department of Veterans Affairs. [Regulatory Impact Analysis Statement](#). Regulations Amending Certain Regulations: SOR/2018-177; Canada Gazette, Part II, Volume 152, Number 18, August 23, 2018.

<sup>48</sup> Ibid.

## FINANCIAL COMPENSATION BENEFITS FOR NON-ECONOMIC LOSS

These benefits are non-taxable, lump-sum or periodic payments that recognize and compensate for the non-monetary impacts of illness, injury or death such as loss of or diminished body function, pain and suffering, emotional distress, limitations on daily activities, impact on quality of life, and loss of companionship and guidance.<sup>49</sup> In civil litigation cases involving personal injury, this type of compensation is referred to as non-pecuniary or general damages – money awarded to a plaintiff to provide reasonable consolation for intangible losses.<sup>50</sup>

### PAIN AND SUFFERING COMPENSATION (PSC)

Pension for Life introduced PSC to replace the NVC/VWA Disability Award (DA). Similar to the DA, the intent of this non-economic benefit is to recognize and compensate CAF members and Veterans for the pain and suffering experienced due to a disability caused by a service-related illness and injury. It is not intended to replace income, which is why the PSC is not taxable. Highlights include:

- Based on the CAF member's or Veteran's assessed extent of disability, the PSC provides Veterans up to \$1,150 a month for life (indexed);
- Veterans and members can also opt to cash out their payments as a lump sum at any time. The intent is to provide choice in how to receive this benefit;
- If a Veteran dies while receiving the monthly payments, the residual amount is cashed out as a lump sum to the survivor and/or surviving dependent children;
- The eligibility, entitlement, assessment and application requirements are unchanged from the DA; and
- Some Veterans who received a DA may be eligible to receive an Additional Monthly Amount (AMA).

#### *Survivors and surviving dependent children*

Survivors and surviving dependent children have the same eligibility for PSC as they had with the DA. The survivor and surviving dependent children can apply for any PSC that the CAF member or Veteran did not apply for when they were alive. There is no time limit to apply for the PSC. As highlighted above, if a member or Veteran in receipt of a monthly PSC payment dies, the survivor and surviving dependent children would receive the remaining balance as a lump sum.

<sup>49</sup> The Free Dictionary by Farlex. [Definition of Pain and Suffering](#). Last accessed January 24, 2019.

<sup>50</sup> Aikenhead Q.C., Ian. [General Damages for Pain and Suffering, or Non-Pecuniary Damages](#). AMJ Law. 2014.

### ***Additional Monthly Amount***

Some CAF members and Veterans who received a DA between April 1, 2006, and March 31, 2019, may also benefit from the PSC, by way of an Additional Monthly Amount (AMA). The AMA is a non-taxable, annually indexed, monthly payment to members and Veterans who previously received a DA, but would have received a higher amount under the new PSC benefit, had a monthly payment option existed when they received the DA prior to April 1, 2019.<sup>51</sup>

## **ADDITIONAL PAIN AND SUFFERING COMPENSATION**

With the implementation of Pension for Life on April 1, 2019, the Career Impact Allowance (CIA; economic benefit) was discontinued and the Additional Pain and Suffering Compensation (APSC; non-economic benefit) was introduced. The APSC is intended to recognize Veterans who are experiencing barriers to re-establishment in post-service life due to a service-related permanent and severe impairment. The permanent and severe impairment must be created by one or more disabilities for which the Veteran has received a DA, PSC, or Disability Pension.<sup>52</sup>

The APSC monthly amount payable is based on the extent of the Veteran's permanent and severe impairment. This non-economic benefit takes into consideration such things as a Veteran's mobility, requirements for supervision, and the need for assistance with activities of daily living (such as bathing and dressing). Payable at three grade levels, the APSC is not intended to replace income, which is why it is not taxable. Unlike the eligibility requirements for the Career Impact Allowance (CIA), it is not necessary to have a DEC designation, nor to have been approved for the rehabilitation program, to receive the APSC. Those who were receiving the CIA under the NVC/VWA were automatically ported over to the APSC and their grade levels were protected.

### ***Monthly amounts payable through Career Impact Allowance vs. Additional Pain and Suffering Compensation***

<b>Grade Levels</b>	<b>2018 CIA (taxable) NVC/VWA</b>	<b>2019 APSC (non-taxable) Pension for Life</b>
<b>Grade 1</b>	\$1,828.67	\$1,500.00
<b>Grade 2</b>	\$1,219.13	\$1,000.00
<b>Grade 3</b>	\$609.56	\$500.00

Survivors and surviving dependent children were not eligible for the CIA. Likewise, survivors and surviving dependent children are not entitled to receive the APSC under Pension for Life.

<sup>51</sup> According to a VAC briefing to OVO on March 6, 2019, approximately 40% of all Veterans who received a lump sum DA since 2006 did not receive an AMA with the implementation of Pension for Life, as they would not have received additional compensation had the monthly payment option been available. For those who do receive the AMA, it was automatically calculated and paid to anyone eligible, no re-assessment of the extent of disability was required, and they did not have to apply. The calculation considered the amount already received from VAC, the monthly amount they would have received had a monthly payment option been available, and a life annuity calculation, which took into consideration age, inflation, interest, and life expectancy by sex. The actuarial calculation used to convert lump sum amounts into monthly amounts incorporates mortality rates because life expectancy for each individual varies.

<sup>52</sup> Department of Veterans Affairs. [Regulatory Impact Analysis Statement](#). Regulations Amending Certain Regulations: SOR/2018-177; Canada Gazette, Part II, Volume 152, Number 18, August 23, 2018.

# FINANCIAL COMPENSATION BENEFITS FOR ECONOMIC LOSS

These benefits are usually taxable, periodic payments designed to compensate for lost earnings and earning potential, lost retirement pension potential and for expenses such as homecare, transportation, and clothing. In civil litigation cases involving personal injury, these are referred to as pecuniary or special damages – damages intended to compensate a plaintiff for a quantifiable monetary loss.<sup>53</sup>

## INCOME REPLACEMENT BENEFIT

The NVC/VWA Earnings Loss Benefit (ELB), Extended ELB and the Retirement Income Security Benefit (RISB) were replaced under Pension for Life by the Income Replacement Benefit (IRB). Veterans who were entitled to ELB, Extended ELB or RISB were automatically moved over to the IRB. The IRB recognizes and compensates Veterans, and in some cases, survivors and surviving dependent children, for the economic impacts that health problems resulting from service have on a Veteran's ability to earn income and save for retirement. The IRB's objective is to provide income support, "... to relieve financial pressures and allow for the Veteran to successfully complete rehabilitation and return to work."<sup>54</sup>

Participation in the Rehabilitation Services and Vocational Assistance Program is required to receive the IRB. Veterans receive comparable benefits and the amounts payable are not less than that which they received prior to April 1, 2019. Specific details of the IRB follow:

- This taxable benefit is 90% of a Veteran's salary at release, which is indexed annually.<sup>55</sup> However, if the military salary (before or after indexation) does not equal the minimum monthly income amount (\$4,500 in 2019), a Veteran will be eligible for 90% of the minimum, thus ensuring the minimum IRB threshold of \$4,050, which is comparable to the middle-class tax bracket. The minimum income amount will also be indexed annually. Indexation is based on annual changes to the CPI.
- Veterans can earn up to \$20,000 per calendar year in employment income before additional amounts become an offset.
- Offsets to the IRB include the *Canadian Forces Superannuation Act* (CFSA) benefits, Canadian Pension Plan, CAF LTD, and any annual employment income more than \$20,000.
- For medically releasing CAF members, the CAF LTD program will continue to be the first payor.<sup>56</sup>
- The IRB will continue to top up to 90% of pre-release salary for those Veterans receiving CAF LTD benefits.

### *Diminished Earning Capacity*

Veterans deemed to have a Diminished Earnings Capacity (DEC) have a permanent physical or mental health condition resulting primarily from service for which they have been made eligible for IRB and/or VAC's Rehabilitation Services and Vocational Assistance Program. For Veterans deemed DEC, the IRB continues for life; at age 65 it reduces to 70% of the pre-age 65 amount (less offsets). In these cases, there is no application required at age 65, the benefit is automatically extended.

### *Career Progression Factor*

For those deemed DEC, a factor of 1% is added to the IRB amount in order to recognize loss of potential career progression. This factor is added annually to the monthly military salary used in the calculation of the IRB until the Veteran reaches what would have been 20 years of service or age 60, whichever comes first.

53 Hosseini, Behdad. [Types of Damages in Civil Litigation](#). Hosseini Law Firm. 2015.

54 Department of Veterans Affairs. [Regulatory Impact Analysis Statement](#). Regulations Amending Certain Regulations: SOR/2018-177; Canada Gazette, Part II, Volume 152, Number 18, August 23, 2018.

55 Some who release from the Reserve Force may have their IRB calculated using a lower salary, depending on their injury. The OVO has conducted a separate investigation into this issue.

56 Department of Veterans Affairs. [Regulatory Impact Analysis Statement](#). Regulations Amending Certain Regulations: SOR/2018-177; Canada Gazette, Part II, Volume 152, Number 18, August 23, 2018.

## **SURVIVORS**

Just like Veterans, eligible survivors and surviving dependent children who were entitled to ELB or RISB prior to April 1, 2019, will automatically be transferred over to the IRB. If the IRB amount is less than what the survivors and surviving dependent children were receiving under ELB or RISB, they will receive a “protected amount” which will be indexed annually. This means they will not receive less as of April 1, 2019.

Under Pension for Life, there are changes in accessibility and the IRB amount paid to survivors and surviving dependent children.

### ***Service-related Death:***

- If a member or Veteran dies before age 65 of service-related causes, the survivor and surviving dependent children will be eligible for the same IRB for which the Veteran would have been eligible. The benefit will be split 50-50 between the survivor and the surviving dependent children. Previously, survivors and surviving dependent children received the same ELB that the Veteran would have been eligible for until age 65 but split 60-40 between the survivor and surviving dependent children, respectively.
- If a Veteran dies after age 65 of service-related causes, the survivor and surviving dependent children will receive 70% of the Veteran’s post-65 IRB, split 50-50. Previously, survivors were eligible for only 50% of the Veteran’s post-65 RISB and surviving dependent children were not eligible for the RISB. While the percentage of the benefit increases, the amount payable to the survivor is less, as not only is it now payable to both the survivor and the surviving dependent children, but also because the RISB included a portion of the CIA and CIAS in addition to ELB, which have all now been eliminated since April 1, 2019.

### ***Non-service-related Death:***

- If a Veteran in receipt of the IRB dies before age 65 of non-service-related causes, the survivor and surviving dependent children will be eligible for a lump-sum payment equal to 24 months times the amount the Veteran received in the month prior to their death. Previously, the survivor was only eligible for the Supplementary Retirement Benefit (SRB) if the Veteran had been in receipt of Extended ELB.
- If a Veteran in receipt of the IRB dies after age 65 of non-service-related causes, the survivor and surviving dependent children will be eligible for 70% of the Veteran’s post-65 IRB split 50-50. Previously, survivors were only eligible for 50% of the Veteran’s post-65 RISB, and dependent children were not eligible for the RISB. While the percentage of the benefit increases, the amount payable to the survivor may be less, as not only is it now payable to both the survivor and the surviving dependent children, but also because RISB included a portion of the CIA and the CIAS in addition to ELB, which have all now been eliminated since April 1, 2019.

## REHABILITATION SERVICES AND VOCATIONAL ASSISTANCE

VAC's Rehabilitation Services and Vocational Assistance Program provides access to medical, psychosocial, and vocational rehabilitation services to eligible Veterans with a health problem resulting primarily from service that is causing a barrier to re-establishment. According to VAC's Income Replacement Benefit policy, "... in order to relieve financial pressures and to increase the Veteran's chance for success" in rehabilitation, the IRB (formerly ELB) is available to provide the Veteran with economic support while participating in the program.<sup>57</sup>

CAF LTD is a two-year program available only to CAF members who medically release. In addition to providing a monthly income that is 75% of pre-release salary, it provides vocational rehabilitation. Previously, if a Veteran medically released and there was no service-related rehabilitation need, the Veteran could access all of VAC's Rehabilitation programs within 120 days of their release date, otherwise known as the "120-day medical-release gateway." While this gateway was eliminated effective April 1, 2019, Veterans with a non-service-related medical release may still access VAC's medical and psychosocial rehabilitation services until March 31, 2024, as a transitional measure.

Unless a Veteran has another health problem resulting primarily from service that is causing a barrier to re-establishment, but which was not the reason for their medical release, effective April 1, 2019:

- A five-year temporary gateway (from April 1, 2019 until March 31, 2024) has been created to allow non-service-related, medically-released Veterans to receive only medical and/or psycho-social rehabilitation benefits from VAC;
- Vocational rehabilitation and income support will only be provided through the CAF LTD (SISIP) program for all non-service-related medical releases; and
- Veterans already in receipt of VAC's Rehabilitation Program and Vocational Assistance as a result of the 120-day medical release gateway will continue to receive these benefits.

### Going forward:

- Medically-released Veterans without any health problems or barriers to re-establishment that resulted primarily from service will be provided benefits from the CAF LTD (SISIP) program at 75% of pre-release salary.
- Medically-released Veterans with a service-related rehabilitation need or service-related barrier to re-establishment will be provided benefits from the CAF LTD (SISIP) program at 75% of pre-release salary, and topped up by VAC to 90% of pre-release salary. These Veterans are also eligible to access the VAC Rehabilitation Services as well as VAC's Vocational Assistance program after CAF LTD's vocational rehabilitation program expires (2 years).
- Any Veteran with a health problem resulting primarily from service that causes a barrier to re-establishment can access VAC Rehabilitation Services and Vocational Assistance program, including the Income Replacement Benefit.

<sup>57</sup> Veterans Affairs Canada, [Income Replacement Benefit Policy](#), April 1, 2019.

## SUPPLEMENTARY RETIREMENT BENEFIT

The Supplementary Retirement Benefit (SRB) was a taxable lump sum payment designed to, “. . . make supplementary funds available to recognize the decreased ability of disabled Veterans or their survivors to save for retirement.”<sup>58</sup> The SRB compensated for a “. . . Veteran’s inability to work and therefore contribute to a pension plan because of [a] career ending or service related disability.” The SRB amount was, “. . . equal to 2% of the sum total of all [ELB] payable to an eligible Veteran or survivor before deductions.”<sup>59</sup>

With the implementation of Pension for Life, the Supplementary Retirement Benefit (SRB) was eliminated. Veterans and survivors who were eligible for the SRB will be paid out a taxable lump-sum amount, equaling 2% of the lifetime ELB entitled up to March 31, 2019.

### *Impact of the Elimination of the Supplementary Retirement Benefit*

The SRB was established in 2006 to provide compensation after age 65 when the Extended ELB ended. The SRB was the only financial compensation provided after age 65 and, as noted above, it was intended to recognize the decreased ability of injured Veterans or their survivors to save for retirement. However in 2015 the Retirement Income Security Benefit (RISB) was introduced with the following stated intent:

CAF Veterans and survivors will benefit by having greater financial security and peace of mind knowing that they receive this monthly benefit into their retirement years; and increased satisfaction because the Government of Canada recognizes that some veterans with a service-related disability have had a reduced capacity to sufficiently plan for a post-age 65 income.<sup>60</sup>

Further, with improvements to the ELB from 75 to 90% of pre-release income, and the most recent enhancements to the IRB, including the increased amount of compensation both before and after age 65, the new IRB benefit scheme meets the intent of the SRB.

<sup>58</sup> Government of Canada. [Regulatory Impact Analysis Statement](#). Canadian Forces Members and Veterans Re-establishment and Compensation Regulations. Canada Gazette, Part I, Volume 139, Number 51, December 17, 2005.

<sup>59</sup> Veterans Affairs Canada, [ARCHIVED Supplementary Retirement Benefits Policy](#), April 1, 2017.

<sup>60</sup> Government of Canada. [Regulatory Impact Analysis Statement](#). Regulations Amending the Canadian Forces Members and Veterans Re-establishment and Compensation Regulations. Canada Gazette, Part II, Volume 149, Number 15, July 29, 2015.