National Association of Federal Retirees

Association nationale des retraités fédéraux

Advancing Inclusion and Quality of Life for Seniors

A brief by the National Association of Federal Retirees to the House of Commons Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities

About Us

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

On behalf of our 180,000 members, including more than 60,000 veterans and their families, Federal Retirees have advocated for improvements to the financial security, health and well-being of our members and all Canadians for more than 50 years.

We welcome the opportunity to assist the House of Commons Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities in its study, *Advancing Inclusion and Quality of Life for Seniors*, and its focus on increasing income security for vulnerable seniors, ensuring quality of life and equality for all seniors, and the development of a National Seniors Strategy.

We are also grateful to Marc Serré, Member of Parliament for Nickel Belt, for his successful motion in Parliament in May 2017 which led to this study. We believe Mr. Serré's motion and the Committee's study will be major steps in the creation of a much-needed National Seniors Strategy that will lead to better lives for our members, seniors, and all Canadians.

We would add that advancements in retirement security, accessible housing, and social and health care for seniors will also encourage Canada's productivity, economic growth, and competitiveness.

Introduction

There are now more seniors in Canada than children. And it is apparent this fast-growing demographic is changing the face of Canadian society and adding new challenges to policy at all levels of government.

Thanks to medical advances, the average Canadian life expectancy has advanced by 30 years over the past century, leading to staggering change to our census data.

The number of Canadian seniors has jumped by 20% since 2011, when the leading edge of the baby boom generation started reaching the standard retirement age of 65.

In the 2016 census, Canadians over the age of 85 had increased 19% and those over age 100 by 41%.

By 2031, it is expected that close to one-quarter (23%) of Canada's population will be over age 65 —something likely never envisioned when the law enacting our public health care system took effect in 1968 and the median age of Canadians was 27, compared to 40 in 2016.

The proportion of seniors in Canada could eventually equal the level now seen in Japan, which has the oldest population on Earth. Finance Canada has warned that our aging population will increase pressure on public finances due to higher health and social costs.

Seniors are already accounting for almost half of Canada's health costs even though many older Canadians are leading healthier and more active lifestyles than before.

People do not have greater needs for health and social services just because they are older. However, older adults are more likely to have complex, chronic conditions that place greater demands on health care and social services.

Chronic disease accounts for a significant proportion of heath care dollars. For example, those aged 85 or older who have no chronic diseases use half as many health services as people aged 65-74 who have three or more chronic diseases such as diabetes, hypertension or heart disease. The 24% of seniors who have at least three chronic diseases account for 40% of all health care use among seniors.

It is in all Canadians' interests, therefore, to facilitate active, healthy and economically stable lifestyles, with appropriate public and universal health care, for this growing cohort.

In a broader context, most of our policy was designed in an age with a mindset that retirement was something that occurred near the end of one's life. Today, with an average Canadian life expectancy of more than 80, physicians believe Canadians who reach 65 without major complications can realistically look forward to 20 more years of life, 17 of them in good health.

Clearly, retirement for Canadians is becoming something quite different and perceptions of age are changing with it. This is why the work of this committee is so important and its study is as much an opportunity as a challenge.

As Dr. Samir Sinha, chief of geriatrics at Mount Sinai Hospital in Toronto, has noted: "Aging is not a disease. It is a triumph."

Action on a National Seniors Strategy

Federal Retirees has long supported a National Seniors Strategy focused on homecare, housing, and community life. Such a strategy would provide the blueprint for an integrated continuum of care to meet the needs of a growing population of seniors as well as support a strong economy across generations.

And we are not alone: nine out of ten Canadians believe Canada needs a National Seniors Strategy, according to a poll conducted for the Canadian Medical Association in 2014.

Anyone not convinced might find a quick tour of any Canadian hospital interesting. They would likely find that as much as 15% of the beds are occupied by elderly patients who no longer require acute care but have no place to go because of long queues for long-term beds or a lack of home care services in their area.

The Canadian Institute for Health Information (CIHI) believes that on any given day 5,200 of more than 70,000 hospital beds in Canada or 14% are occupied by what are known as alternate-level-care (ALC) patients.

The ALC demand on the system is the prime reason long wait times have become a chronic problem in Canadian medicine. Some physicians believe public health care in Canada will not survive unless seniors care is intelligently redesigned.

Canadian hospitals increasingly go into what is known as "Code Gridlock," a situation in which beds are filled. Elective surgeries are being cancelled. Patients in emergency can't be admitted to beds upstairs. Ambulances in some cases have been turned away.

Dr. Chris Simpson, past president of the Canadian Medical Association (CMA), has described ALC as a euphemism for system breakdown. "Our system has been neglected. Our health care professionals have kept it afloat," he said in a speech to the Canadian Club in November 2014. "But increasingly, spectacular system failures like gridlock are becoming the norm."

But Canadian health care doesn't have to remain this way. In two decades, Denmark has closed thousands of hospital beds and even avoided adding new long-term care beds by investing strategically in home and community services.

A robust Canadian strategy that addresses the social determinants of health, includes access to preventive and primary care including at-home supports, support for informal caregivers, and access to palliative care, is the way forward.

The role of caregivers

Research and experience have long shown that addressing social determinants of health, including access to affordable and appropriate housing, retirement income security, homecare and long-term care, helps seniors remain active and independent contributors to economies. But gaps in Canada's social policies are becoming barriers to seniors' independence and the essential role they play in vibrant, healthy communities and economies.

These gaps increase pressures and demands on family caregivers, and impacts national productivity – a cornerstone of a solid economy. The Conference Board of Canada estimates the annual cost of lost productivity to be $1.3 billion to Canadian employers due to elder care needs that are not being addressed within the health care system.

Women are disproportionately affected by gaps in seniors care. They contribute significantly to the labour force, yet are more likely to provide family care, to face career impacts (such as lost opportunities and income), and to impact their employers due to family care demands.

More than 35% of Canada's workforce provides unpaid, informal elder care for up to 30 hours or more per week, while balancing job responsibilities. Most caregivers are 45 or older and are still in the workforce. Continuing to rely on unpaid caregivers to provide elder care – as our population ages – is not the visionary solution that Canadian seniors, families, or businesses are looking for.

Recent steps take by this government are positive, such as the $6 billion in funding over 10 years for home care, palliative care, and caregivers' needs within the bilateral health agreements between federal and provincial/territorial governments. Clear principles for the use of this funding are needed, and will help ensure caregiver supports are included in these investments.

With Canadians spending $33 billion annually in direct and indirect costs for providing care to aging parents, funding and vision on this priority cannot end here.

Family caregivers' contributions and their importance should be recognized. This government should improve awareness of the Canada Caregiver Credit and amend it to make it a refundable tax credit for caregivers.

Strategic investment and innovation in home care and home supports will also help address the needs of family caregivers and seniors.

Innovation in care models and delivery

We often associate home care with health care but seniors' independence is multifaceted and includes access to non-medical supports such as homemaking, meal preparation, transportation to appointments and/or social activities, snow removal, and more, such as wellness and travel opportunities. This represents unique opportunities for Canadian businesses. Measures to support businesses in gearing activities, products, and services to the seniors' demographic will help us all reap the rewards – financial and otherwise – and drive the economy.

We can also look to several countries that successfully address the social determinants of health and experience better health outcomes and better economies. In Sweden, for example, elder care services are part of social infrastructure and address the needs of persons needing the care, as well as families who provide care. Though causality is not assured, significant correlation is likely in effect.

And Canada has its own unique example in the Veterans Independence Program, administered by Veterans Affairs Canada and coordinated for veterans across provincial and territorial jurisdictions. The Veterans Independence Program provides funding to veterans and their survivors to meet certain home care and support needs. The New Horizons for Seniors grant similarly provides funding for senior-focused community projects.

In Canada, there have been successful experiments in home care that can and should be replicated. The town of Deep River, Ont. set up a system a decade ago based on an Australian model of using the main long-term care facility as a service hub so that more seniors can continue living in their homes. Services range from a shuttle bus for a weekly shopping trip downtown to massages and physiotherapy. The New Brunswick Association of Nursing Homes is introducing a pilot project based on this model in two communities in the north end of the province with the aim of making it province-wide.

Other Canadian regions have coordinated their paramedic services to provide in-home screening, wellness checks, and referrals for seniors, particularly those who are at-risk and rural-dwelling; regrettably, some of these programs have been cut or scaled back due to funding pressures on provincial health care budgets.

Health care is undergoing a digital revolution, which will make home care more viable for more seniors. For example, seniors suffering from hyper-tension can now wear a device on an arm that will notify a smart phone when a certain blood pressure is reached, or when the senior has encountered other difficulties and needs immediate support.

Canadian communities and providers are making health care delivery more innovative. But innovation is not only about having good ideas: it's also about what we can do with an idea and how an idea can be scaled to maximum effect for more people. We believe the innovation we are seeing in seniors' health care delivery should continue to be encouraged through investment and sharing, coordinated at a national level.

Community well-being for seniors

Too often, seniors experience isolation and mobility and accessibility concerns, because the unique needs of an older population are not considered in community planning and development. Age-friendly communities also contribute to better health outcomes for seniors, and enable safety, good health, and community involvement. We commend the government for allocating funding for senior housing in the 2017 federal budget and recommend an additional step: the adoption of Age Friendly Community (AFC) targeted funding to help promote age-friendly communities in our provinces and municipalities, and implementation of Universal Design standards as criteria for awarding funds for new infrastructure or renovations to existing infrastructure.

Infrastructure investments for accessible, safe and affordable long-term care housing for seniors are needed, and will add jobs and stimulate the economy. This need is becoming urgent: the

Canadian Health and Life Association estimates that long-term care costs will total $1.2 trillion dollars over the next 35 years. Even with governments contributing $595 billion in programs and funding, there will likely be a $590 billion deficit. Coordinated efforts along with innovative thinking and engagement of other sectors in how to fund and structure long-term care will be necessary to meet this challenge.

Retirement income security essential for seniors

To enable better health and more active, productive lifestyles that contribute to economic growth, income security – one of the most important social determinants of health – is essential for seniors.

Canada's low senior poverty rate was once considered one of the country's great public policy successes thanks to programs such as the Canada and Quebec Pension Plans, Old Age Security and the Guaranteed Income Supplement. But senior poverty rates have been on the rise in recent years, and women especially are impacted. Recent shifts in the retirement savings and income landscape could mean tomorrow's seniors will face increasing difficulties if governments fail to act.

Well thought-out fiscal policy that addresses all aspects of seniors' needs will contribute to Canada's ongoing growth. Simply put, seniors living healthy and active lives with predictable, adequate income will be able to continue to contribute to their communities and economies.

Adjusting policy to better serve Canadians' retirement needs

Adequate, secure, and predictable income – or a lack of it – is a major issue for older Canadians, requiring many to work well into their senior decades. With access to defined benefit pensions declining, more and more Canadians must rely on less predictable savings vehicles such as defined contribution plans or Registered Retirement Savings Plans (RRSPs). Individuals with only these options struggle to build adequate retirement security for several reasons.

One reason: mutual fund fees in Canada are some of the highest in the world. Hugh Mckenzie's 2014 study, Risky Business, concluded that a Canadian who contributes a regular percentage of their income to retirement savings vehicles such as RRSPs would lose an average 36% of their savings over a lifetime to management fees.

Additionally, RRSPs and similar vehicles do not offer the economies of scale and efficiencies of defined benefit pension plans — longevity risk, investment pooling, and inflation protection.

RRSPs eventually become Registered Retirement Income Funds (RRIFs), which are taxable and have mandatory minimum withdrawals that escalate with age. Though withdrawal factors were changed in 2015, these rules have not tended to keep pace with increasing longevity. The RRIF structure can cause some to more quickly spend their nest-egg than would be ideal, leaving them in a position of financial hardship, especially later in life when needs may be greatest.

These issues can and should be remedied by policy updates, such as adjusting the rules for RRIFs to keep pace with increasing longevity.

Recent improvements to the Canada and Quebec Pension Plans have come too late for the current generation of seniors. Some policy aspects that were dropped from the Canada Pension Plan's expansion, such as the drop-out provisions, should be reviewed and adjusted at the next plan review.

The current government has made improvements to protect the most financially vulnerable seniors, by increasing the Guaranteed Income Supplement top-up by 10%. Ongoing measures to ensure Old Age Security remains viable and adequate, and keeps pace with inflation, are recommended.

Importance of defined benefit pensions

Defined benefit pension plans are one of the most effective means of fueling retirement income security, but are increasingly rare, with coverage dropping from 87% of Canadian workers in 1993 to just 38% in 2011. This is a concern.

Pension income cycles back into the Canadian economy in the form of consumer spending and taxes, generating business growth and employment. Retirees with defined benefit plans are less likely to rely on government assistance such as the Guaranteed Income Supplement, and more likely to experience better health status and outcomes, which helps contain demands on the health care system. And, as David Dodge, former Governor of the Bank of Canada, and one-time Deputy Minister of Finance, wisely noted "defined-benefit plans have important positive attributes for economic efficiency allowing for a better allocation of savings.''

New reports are demonstrating that Canadians across generations want access to the secure, predictable retirement income available with defined benefit pensions, and they are willing to pay for it. Defined benefit pensions continue to help attract and retain employees. We have only to look at our own federal public service. It has an ongoing and healthy defined benefit pension plan, and our public service has been rated first in the world. It is no accident that Canadians enjoy a high quality of life because of good government and a professional, well-managed public service that attracts and retains Canada's best and brightest.

A potential barrier to retirement security and its far-reaching benefits is *House Government Bill C-27, An Act to Amend the Pension Benefits Standards Act, 1985.*

Introduced in October 2016, Bill C-27 would introduce a target benefit or shared risk pension plan framework in Canada's federal pension system. This type of plan shifts the inherent risk of capital markets to pension plan members, instead of the employer, as is the case with the defined-benefit model.

When markets are high, everybody wins with target benefit pension plans. But when markets decline significantly, as they invariably will, retirees will face something they can ill afford: income uncertainty, because target benefit pensions can be reduced – even for retirees.

A deeper problem with Bill C-27 is its treatment of accrued defined benefits. Bill C-27 is designed to effectively convert accrued or earned defined benefit pension plans to target benefit pension plans, which will be irresistible to employers with defined benefit plans, whether in the public or the private sector: employers may be able to simply walk away from pension promises already made to employees and retirees. Defined benefit pensions are deferred compensation, and employees have already provided their services in exchange for them.

Indeed, Prime Minister Trudeau publicly acknowledged that retroactive changes to accrued pensions should not be permitted and that it is unacceptable and wrong in principle to take away benefits that seniors have earned and accrued over years.

Done fairly and in the right way, as new plans on a go-forward basis only, target benefits could make retirement more secure for some Canadians. Unfortunately, Bill C-27 will enable target benefit plans to replace good defined benefit plans retroactively — affecting working and retired Canadians' existing earned retirement benefits.

Beyond the value pensions paid out by defined benefit plans bring to economies, individuals, and employers, these plans are also large institutional investors in the Canadian economy. Canadian pension plans invest in Canadian equities, but also in real estate and infrastructure such as roads, bridges, rail, airports, utilities, and pipelines. With their significant size and long-term focus on growth, pension funds are uniquely poised to invest in long-term, large-scale projects, including those envisioned by the *Investing in Canada* plan and the Canada Infrastructure Bank.

The shifts in the retirement landscape we have discussed will have longer-term impacts on local and national economies. Steps must be taken to improve Canada's retirement security landscape and to ensure the retirement savings measures created for an available to Canadians are effective, efficient, and realistic.

Supporting defined benefit plans and addressing inefficiencies in retirement savings tools will ensure that Canadian seniors, today and in the future, will be well-positioned to continue to contribute to economic and growth. Elements of a strategy to help do that may include review and improvement to personal savings vehicles such as RRSPs and RRIFs, tightening rules on aspects of defined benefit pension plans including contribution holidays, discussing solvency funding requirements, and rethinking how plan surpluses are dealt with. Federal Retirees further believes the government should withdraw Bill C-27 and review its plan to implement target benefit pension plans, in consideration of the significant concerns that have been raised.

Final Remarks

Seniors and their families play a critical role in a healthy, productive economy. Their ability to do so hinges on retirement income security and a focused health care system that efficiently responds to the demands of seniors.

This government differentiated itself in the 2015 federal election on a platform that included fair, open, and transparent government; evidence-based public policy; a focus on building better retirement security for Canadians through an improved Canada Pension Plan and changes to Old Age Security; measures including investments in affordable housing and seniors' facilities, and a new Health Accord with focus on home care and improved access to necessary prescription medications. Action has been taken on many of these issues. And the broad support across party lines of this committee's study and Mr. Serré's motion speak to a shared commitment and belief that together we can and will continue to do better for seniors in Canada.

A final recommendation by the National Association of Federal Retirees is an essential step that should be taken by this government: the appointment of a Minister responsible for seniors, much as we have a Minister for Youth. Canadians understand the need for a Minister Responsible for Youth: youth, after all, are Canada's future. But seniors, the largest growing demographic in Canada with more than ever before to contribute to their communities and economies, should have a dedicated voice advocating for their unique needs within government, ensuring we always view public policy decisions through a seniors lens.

The quick growth of seniors in Canada is often described as a grey tsunami; but this term implies bad tidings, and Canada's demographic shift does not have to be a catastrophe. We see an opportunity for stable economic growth and a badly-needed update of our aging health care system. With renewed focus and action on the above recommendations, Canada will move forward in a positive direction for Canadian seniors – and generations of Canadians stand to gain from it.

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