National Association of Federal Retirees

Association nationale des retraités fédéraux

Pre-Budget Consultations in Advance of the 2026 Federal Budget

Submitted by the National Association of Federal Retirees

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Recommendations

On behalf of its members, the National Association of Federal Retirees submits the following recommendations to the Finance Committee, in its study and deliberations in advance of the 2026 federal budget:

- Recommendation 1: Safeguard and improve retirement security by protecting pension independence, strengthening public pensions and supporting expanded access to defined benefit pensions.

- Recommendation 2: Act on equitable outcomes for veterans with stable investments in veteran supports, staffing, housing and implementation of recommendations affecting under-represented veterans.

- Recommendation 3: Fix shortfalls impacting federal retirees, including retiree health and dental benefits, PSHCP issues and Phoenix impacts.

- Recommendation 4: Commit to positive, healthy aging through investments in long-term care, caregiving, aging in place and health supports.

National Association of Federal Retirees
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Introduction

The National Association of Federal Retirees is the largest national advocacy organization representing active and retired members of the federal public service, Canadian Armed Forces, Royal Canadian Mounted Police and retired federally appointed judges, as well as their partners and survivors. Federal Retirees has advocated on behalf of our members and all retirees since 1963. In collaboration with our volunteers and close to 170,000 members from coast-to-coast, we continue to advocate for good policy that improves the lives of all Canadians in their retirement, and to protect our members' hard-earned pensions and benefits.

Over eight million Canadians (8.1 million) are aged 65 and older and Canada's population over 65 is expected to reach 11 million within two decades. Canada is strongest when we move forward together and when no generation is left behind in our response to escalating global economic risks. Investments and policies that support retirement security and healthy aging strengthen communities, reduce future costs and improve the economy.

Safeguard and improve pensions

Ensuring stable retirement income is essential for dignity, independence and economic stability, yet affordability remains a top concern among older adults. This government must continue strengthening the framework for secure retirements, including effective, sustainable public pensions; protecting the investment independence of pension funds; and expanding access to defined benefit pension plans.

According the 2024 Power of Pensions study, in 2021, workplace pension earnings in Canada contributed $84 billion to the economy, representing five per cent of all income received by Canadians that year – more than the Canada Pension Plan, Quebec Pension Plan and Employment Insurance contributed to the economy. A $1 increase in pension income returned 41 cents in tax revenue and reduced need for seniors' supports. Government contributions to their employee pension plans provide results – every $1 contributed to worker's pensions generates $2.38 in returns. The 2025 budget proposal that could reduce public sector pension contributions to adjust for recent CPP/QPP changes is concerning. Strong pensions don't just support individuals; they also boost local economies and government revenues.

Proposals that could fragment Canada's public pension framework, such as the calls for an Alberta Pension Plan threaten the CPP's independence and unity, putting the retirement security of millions of Albertans and Canadians at risk. Canadians depend on secure, independent and sustainable public pensions, such as the CPP, which must be carefully guarded. Programs like Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) should be strengthened to ensure no senior is left living in poverty.

Proposals to mandate pension funds to invest in Canadian equities have increased. This would benefit shareholders while risking the retirement income security of working and retired Canadians, and those with disabilities. Pensions must remain independent and focused on supporting Canadians' retirements for decades to come and cannot be used as political bargaining chips.

Defined benefit (DB) pensions are the most reliable source of guaranteed retirement. Research shows that DB pension plans reduce the GIS by $2 to $3 billion each year, eliminating a substantial financial commitment from the federal government.

Canada needs a strong policy environment that encourages DB pension innovation. Models like OPTrust and CAAT Pension Plan allow employers to offer DB pensions to employees, extending retirement security to more Canadians. With the right policies, Canadians will be able to retire with security and to continue to contribute to the communities they have helped build.

Act on equitable outcomes for veterans

With Canada's renewed focus on defence, investment in veteran well-being is crucial. Canada cannot credibly advance its defence strategy without investing in support for those who have served. That means sufficient staffing, access to appropriate care, and action for equitable outcomes for all veterans including in retirement. The government's planned 15 per cent reduction over three years is concerning and risks worsening service delays, backlogs and outcomes at a time when Canada is increasing defence commitments and seeking to improve recruitment and retention.

Veterans Affairs Canada remains underfunded and understaffed, with serious backlogs. The average veterans-to-case manager ratio has reached 32:1, with previous reports as high as 50:1– an untenable case load resulting in harm to veterans. Despite a significant backlog, funding for the Bureau of Pension Advocates, which provides free support for disability benefit appeals, is set to expire.

While investments starting in 2026-27 aim to stabilize processing capacity for disability benefits applications and to modernize operational processes and IT infrastructure for the disability benefits program, stable, permanent funding is needed.

A 2024 report from ACVA on women veterans included 42 recommendations to improve outcomes for women veterans, including research, medical needs, recognition and removing systemic barriers. True progress depends on meaningful, veteran-led recommendation implementation to ensure equitable support and recognition for all veterans.

Veterans are two to three times more likely to experience homelessness than the general population. Targeted investments for veteran- and women-specific housing that includes support for dependents[1], and housing insecurity and homelessness prevention measures are needed. A study from McGill University highlights recommendations that could be implemented to address this issue.

A credible national defence strategy must include a well-resourced, inclusive and equitable system for veterans and their families: one that reflects the diverse faces of modern service and addresses systemic issues that have created lasting challenges. Canada cannot fund defence without appropriate investments for veterans' well-being. Changes to RCMP disability pension indexation and veterans long-term care funding are moves in the wrong direction.

[1] Women are more likely to have dependents.

Fix shortfalls impacting federal retirees

Federal retirees earned their pensions, health and dental care benefits through years of public service. These programs are essential to maintain health and well-being.

The Pensioners' Dental Services Plan (PDSP) has not been enhanced since it was established in 2001. As dental care costs have increased and the gap in coverage between employees and retirees has grown, the government must negotiate the PDSP with the National Association of Federal Retirees and fund overdue plan enhancements.

The renewed Public Service Health Care Plan (PSHCP) introduced a new physiotherapy cap, which reduced support for those with profound needs to support chronic conditions or disability. The 2024 report from the Standing Committee on Government Operations and Estimates recommended that the government revisit physiotherapy services and bring in line with previous coverage.

The government must work with the PSHCP Partners Committee to establish a mechanism to increase the annual maximum for physiotherapy for this small population of higher-need plan members, based on medical evidence and evaluation.

Phoenix pay system issues impact the retirement security of federal retirees. Over a decade since implementation, problems persist. A 2018 Federal Retirees survey found over 70 per cent of respondents experienced a Phoenix Pay System problem – including under or over-payments (36.88 per cent), unpaid severance (42.86 per cent), deduction errors (22 per cent), and pension miscalculations (19.48 per cent). Nearly one third of respondents were contacted about an overpayment after retirement. The federal government must increase staffing to address backlogged cases and create a clear, compassionate appeals process for retirees dealing with overpayments.

In November 2024, the Public Service Pension Fund (PSPF) had a surplus of $1.9 billion followed by another surplus of $0.9 billion in December 2025. These funds were moved to the government's Consolidated Revenue Fund with a promise to consult on further actions. The government should meaningfully consult stakeholders on future use of pension surpluses and reinvest these funds in initiatives that benefit those who helped generate them. Instead, the PSPF became responsible for covering the cost of the Early Retirement Incentive which increased liabilities.

Compensation was negotiated as part of employment agreements, and employees trust their employer to uphold that bargain.

Commit to positive, healthy aging

A strong, reliable public health care system focused on health and well-being is crucial to help Canada meet economic challenges. This includes a positive and healthy aging agenda that prioritizes the social inclusion and safety of older Canadians, and better access to supportive care and services. That means implementing, funding and enforcing national long-term care standards, and legislation and policy to eliminate ageism.

Voluntary national long-term care standards are not enough to improve quality of care and address the tragic failures exposed during the global pandemic. This federal budget must deliver on the commitment to improve long-term care – including a *Safe Long-Term Care Act* and national standards, with implementation, funding, accountability and enforcement.

Gaps in care, housing and social policies undermine older Canadians' independence and limit their contributions to vibrant, healthy communities and economies. The 2025 NIA Ageing in Canada Survey found positive feelings toward aging have declined. Forty-three per cent of Canadians 50+ experience or are at risk of social isolation, and 57 per cent report loneliness – relatively unchanged since 2022. In 2021, 1.6 per cent of Canadians had unmet homecare needs, mainly among Canadians aged 65 and older. The NIA reports cost and wait times are barriers to home and community-based care.

This requires a pivot from institutional care to services in homes and communities – where most Canadians want to age. Aging in place is less costly and leads to better health outcomes and quality of life. A comprehensive approach with measurable goals and investments in retirement income security, affordable housing, age-friendly communities, and a dependable continuum of care will enable Canadians to age with dignity.

Caregivers are an essential part of this shift, yet caregiving in Canada is nearing crisis point. One in four Canadians is a caregiver, and one in five caregivers are over the age of 65. Researchers estimate caregivers contribute 5.7 billion unpaid hours annually with economic value of roughly $97.1 billion.Caregivers lack adequate support and recognition, including training, financial support and opportunities for respite. For older caregivers, it can be especially difficult to access support.

A National Caregiving Strategy in collaboration with caregivers and people with lived experiences is overdue. Concrete action must follow, including converting the Canada Caregiver Credit into a refundable tax benefit.

Healthy, active retirements depend on a reliable universal health care system that includes universal pharmacare, yet recent progress is at risk. The government must continue to work with provincial/territorial governments to implement and fund national pharmacare program in a way that complements existing public and private prescription drug coverage, so that all Canadians can afford the medications they need, without diminishing anyone's current coverage. Uneven implementation deepens inequities in access to affordable medication. Pharmacare agreements with the remaining provinces and territories for contraception and diabetes medications coverage must be delivered. The Parliamentary Budget Officer projects savings of at least $2.2 billion annual savings through national pharmacare, with other estimates even higher.

In uncertain times, one thing remains clear: Canada is strongest when it is united, and a strong economic future demands the full participation of all Canadians, including older adults. A federal budget that safeguards and strengthens retirement income security, improves veteran well-being, and builds a strategy for healthy and positive aging is an investment in Canada's economic future. Supporting older Canadians is not only good social policy; it strengthens communities, and helps ensure no Canadian is left behind.