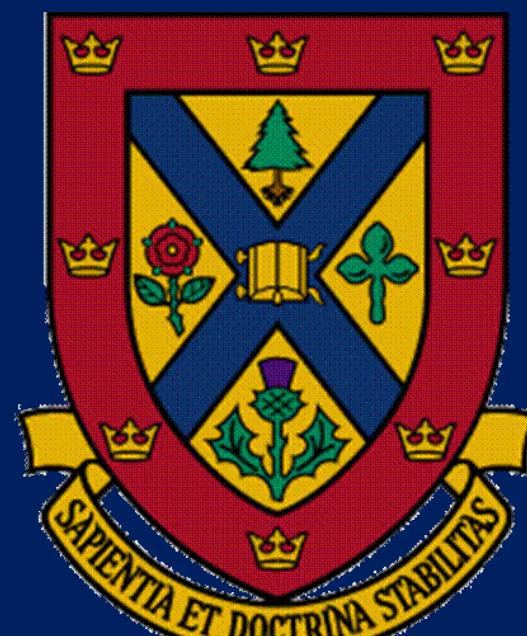


A comparison of financial programs offered to 'traditional' versus 'new' veterans with severe disabilities: a new class of veteran?



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Background

Until 2006, the **Pension Act** (PA) determined financial benefit eligibility of veterans with disabilities. Benefits consisted of several monthly pensions and allowances, the amount dependent on nature of disability, marital status, and number of children.

In 2006, the Canadian Forces Members and Veterans Re-establishment and Compensation Act, referred to as the **New Veterans Charter** (NVC) was enacted, changing the way that veterans with disabilities are compensated. Financial benefits now consist of some lump-sum payments and some monthly allowances, the amounts of which are based on eligibility for work, rank, and disability of the veteran.

For the purpose of this study, **veterans with severe disabilities** are those with a disability assessment of 80% or above. Currently, 4% (n=832) of veterans served by the NVC (n=20796) are assessed with a disability of 80% or greater.

Objectives

1. To conduct a direct comparison between the NVC and the PA with respect to the total amount of financial compensation for veterans with severe disabilities
2. To determine the effects of factors such as degree of disability, rank, and family status on the total financial benefits available from the NVC compared to the PA for veterans with severe disabilities

Methods

1. A case study of a male veteran with a disability assessment of 100% was created and the **net present value** of benefits under both the NVC and PA were calculated and compared.

FINANCIAL ASSUMPTIONS:

- Payments were discounting at a rate of 3%, compounded annually.
- Inflation was not included in this analysis.
- Income tax was deducted from all taxable allowances at federal and Ontario provincial tax rates.

2. A simple, single variable **sensitivity analysis** was completed by varying the following parameters: disability assessment, rank, number of children, age of death, eligibility for Exceptionally Incapacitated Allowance (EIA) and Permanent Impairment Allowance (PIA).

Results

Table 1: Assumptions made about the base-case veteran

Age of release	40 years old (medical release)
Disability Assessment	100%
Rank at release	Captain (yearly salary \$90,636)
Age of death	78 years old (est'd)
Martial status	Married, spouse dies at age 83 (est'd)
Family	2 children, aged 12 and 10 at release, both pursue post-secondary education
Place of residence	Ontario, Canada
Other	Totally and Permanently Incapacitated; eligible for Exceptional Incapacity Allowance and Permanent Impairment Allowance

Table 2: Benefits included in analysis

Pension Act	New Veterans Charter
•Disability pension	•Disability award (lump-sum, given at release, tax-free)
•Spousal pension	•Earning Loss Benefits
•Children's allowance	•Supplementary Retirement Benefit (lump-sum, given at age 65)
•Attendant allowance	•Permanent Impairment Allowance
•Exceptional Incapacity Allowance	*All paid monthly, taxable , until otherwise indicated
*All paid monthly, tax-free	
Excluded: SISIP Long Term Disability benefits, CPP Disability, CPP, OAS, GIS, Canadian Forces Income Supplement	Excluded: CPP Disability, CPP, OAS, GIS, Canadian Forces Income Supplement

Figure 1: Comparison of net present value of NVC and Pension Act, with program breakdown

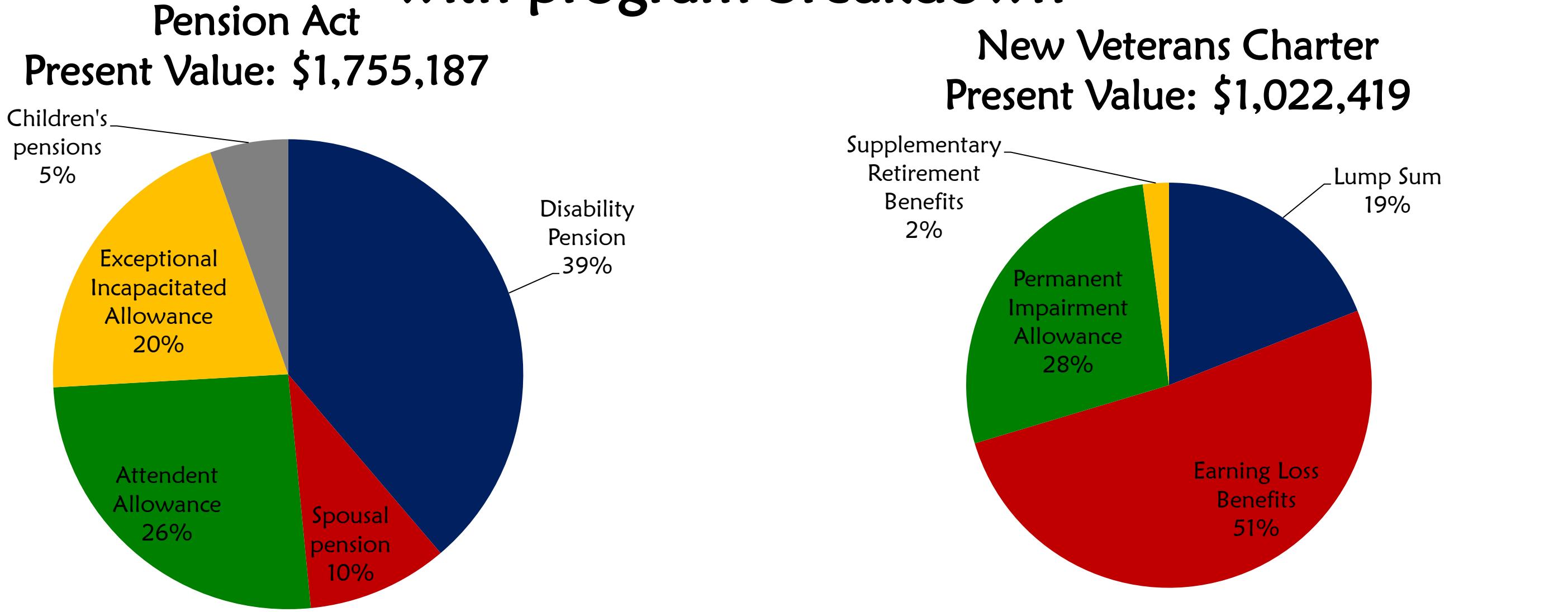


Figure 2: Sensitivity of net present value of policies to age of death

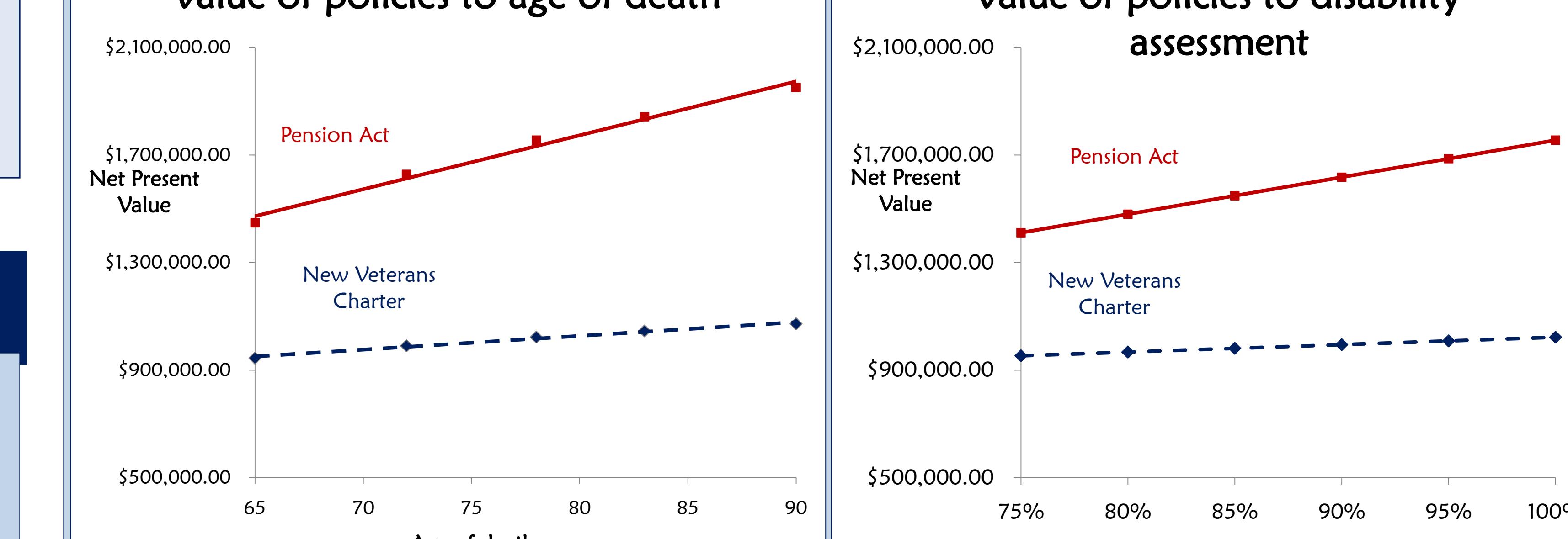


Figure 3: Sensitivity of net present value of policies to disability assessment

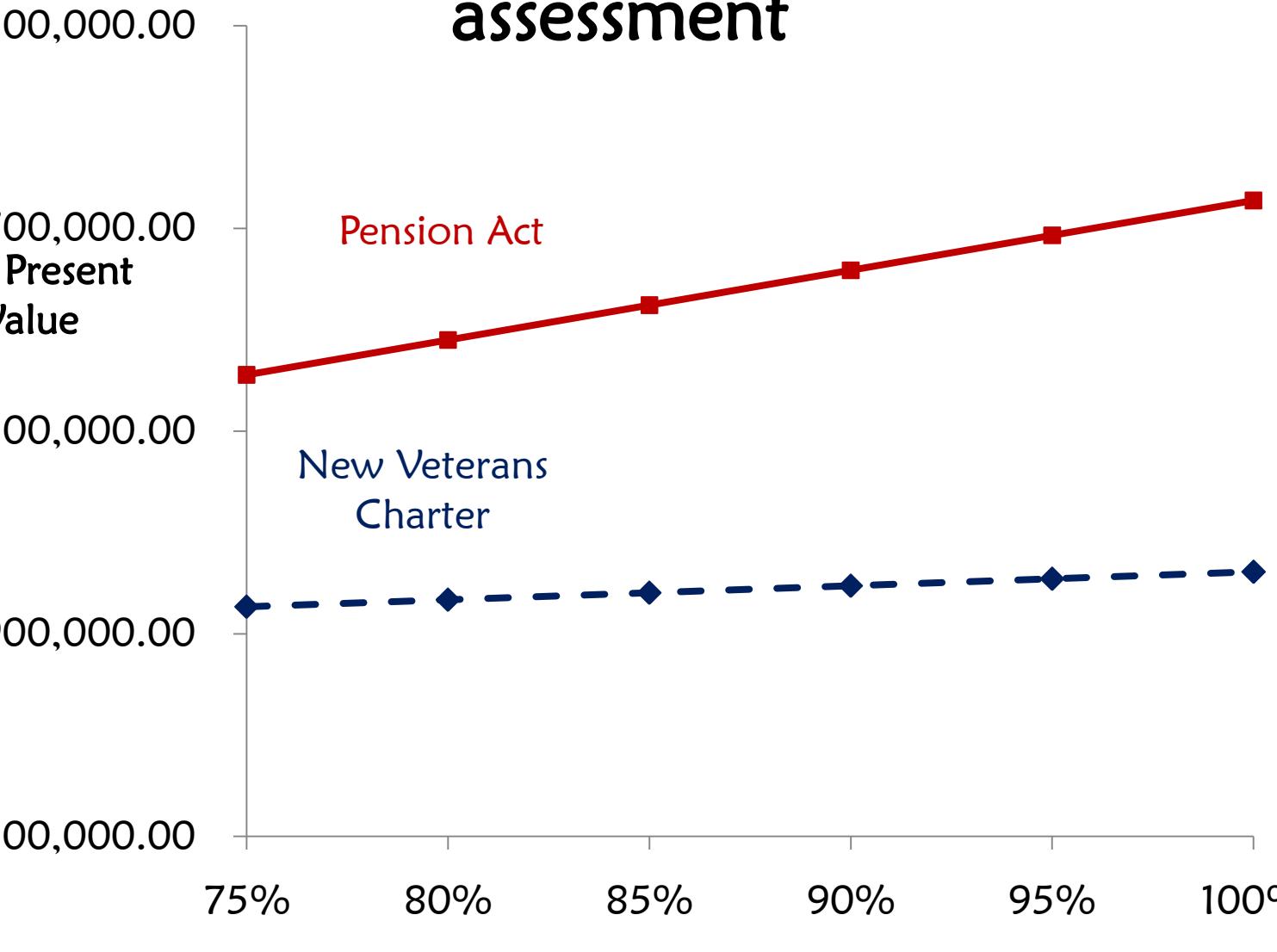


Figure 4: Sensitivity of Net Present Value of policies to number of children

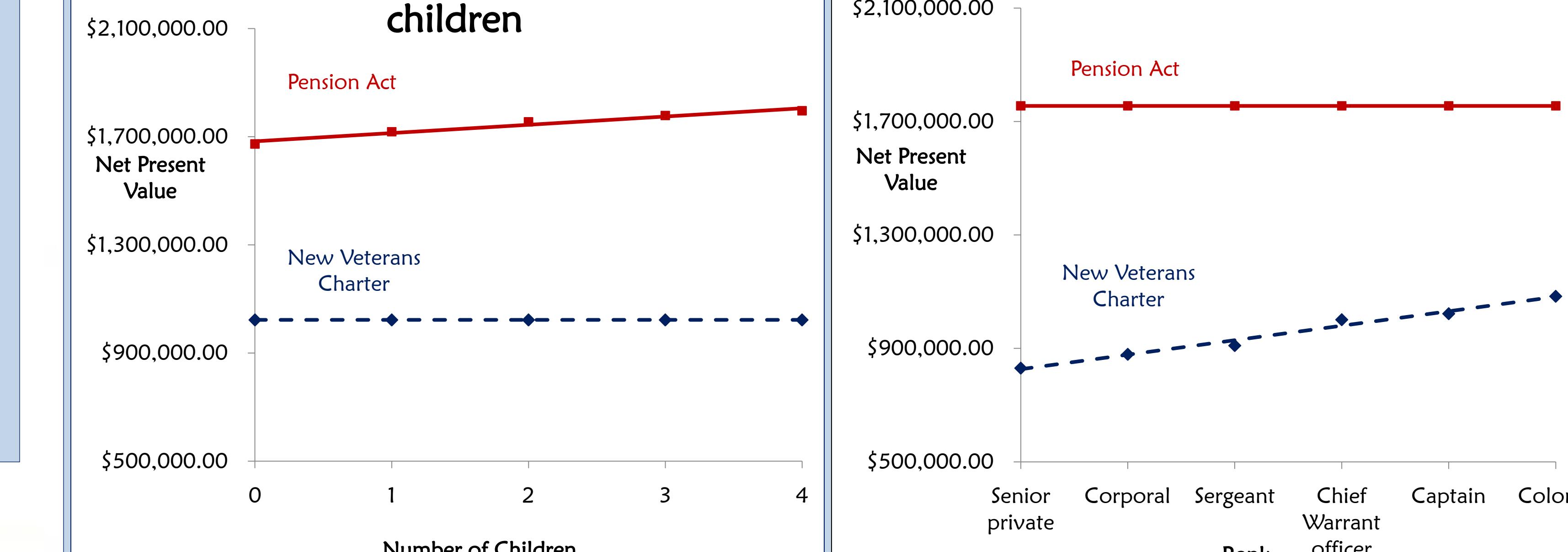
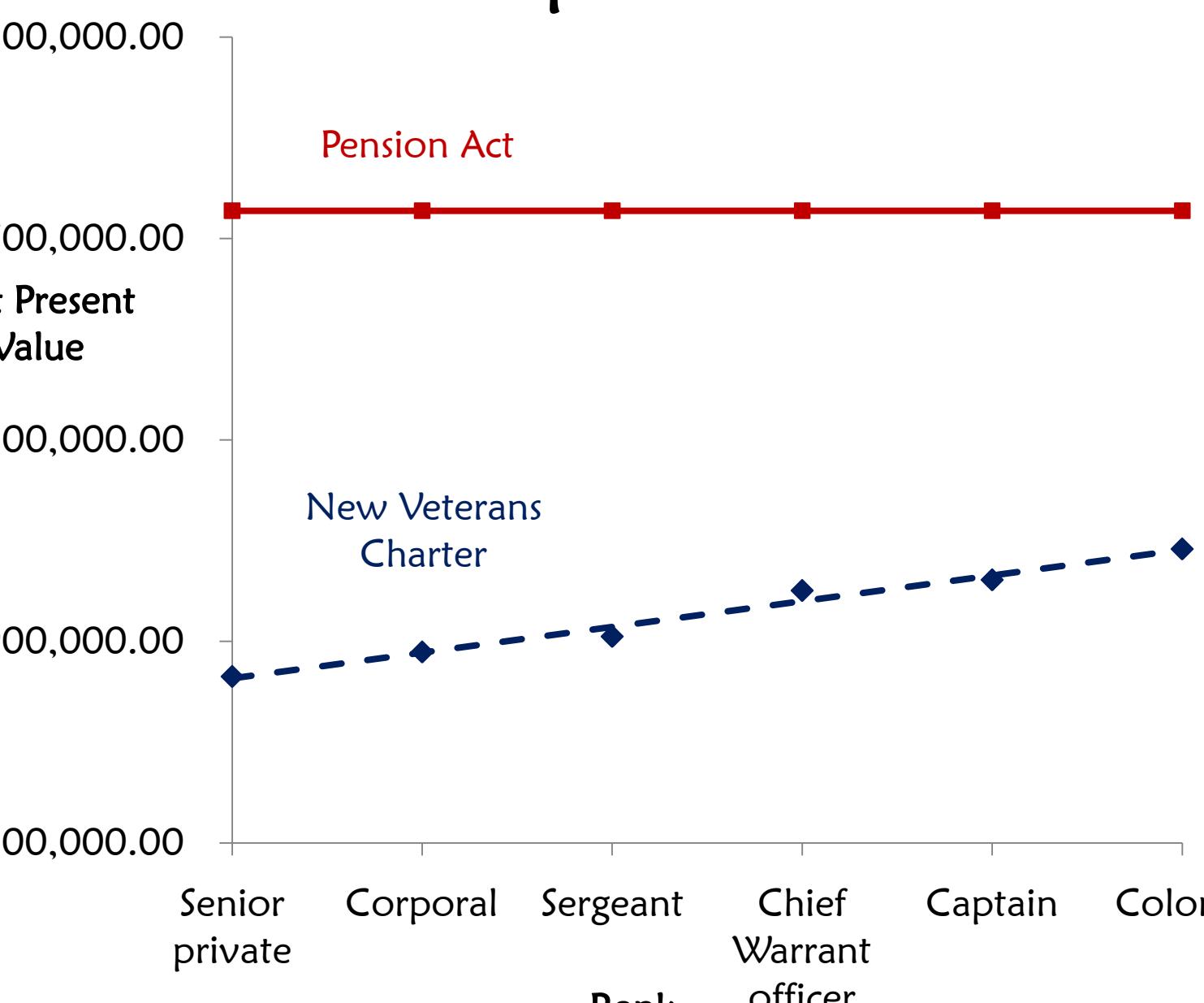


Figure 5: Sensitivity of Net Present Value of policies to rank



Discussion

For the base case severely disabled veteran, it was found that the **total worth of the NVC is significantly less (42%) than of that of the PA**, as seen in Figure 1.

The sensitivity analysis showed that the PA is more sensitive to factors that may increase the financial need of the veteran, such as longer life, greater number of children, and greater disability assessment.

Figure 2 shows that the PA provides more per year lived after age 65 than the NVC does.

Figure 3 shows that total worth per percentage of disability assessment is more for the PA than the NVC as well.

Figure 4 shows that the PA provides more for each additional child, while the NVC total worth is not affected by number of children.

Figure 5 shows an increase in rank provides additional money under the NVC where no such discrimination exists in the PA.

This analysis included the Permanently Incapacitated Allowance (PIA) under the NVC, which increased the value of the NVC. However, **only 0.1% (n=16) of veterans receiving financial allowances (n=20,796) are currently receiving PIA**, meaning it is likely that the case study veteran would not qualify for PIA.

An analysis excluding PIA from the NVC shows that the NVC is worth 61% less than the PA.

Conclusions

- Veterans are **financially disadvantaged** under the NVC compared to the PA.
- The difference between the PA and NVC compensations is greatest for veterans who live longer, veterans with more children, veterans with a higher disability assessment and veterans released at a lower rank.
- After age 65, the veterans **ceases to be veterans under the NVC** because their benefits are significantly scaled back once they receive CPP.
- Changes need to be made to the living New Veterans Charter in order to insure that severely disabled veterans (n=832) receive compensation equivalent to that under the Pension Act

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