

# Cost Estimate of Election Campaign Proposal

---

Publication date: 2019-09-22

Short title: Veterans' pensions

Description: Increasing payments to veterans under the *Pension for Life* regime to equal compensation that was previously provided under the *Veterans Well-Being Act*.

Operating line(s): Other Transfer Payments

Data sources:	<u>Variable</u>	<u>Source</u>
	Demographic information about the veteran population	Veterans Affairs Canada
	Number of affected veterans	PBO, Office of the Chief Actuary
	Discount Rate	PBO

Estimation and projection method: Using detailed microdata about the veteran population, a sample of veterans was isolated as a representative population of future applicants. Using that sample, the percentage of future applicants who would receive lower benefit payments under *Pension for Life* than they received under the *Veteran's Well-Being Act*, was calculated. The average monthly amount necessary to close the gap between *Veteran's Well-being Act* benefits and *Pension for Life* benefits was calculated for veterans with and without diminished earning capacity. The total lifetime cost of the compensation for veterans who would receive lower benefit payments under *Pension for Life* was determined using the demographic information of the identified sample and the number of projected new entrants.

Uncertainty assessment: The estimate has moderate uncertainty. The historical data on veterans is detailed and precise. The number of new entrants is demand driven and therefore difficult to predict. In addition, the amount to be paid to each veteran depends on many personal factors (age, specific type of disability, etc.). There is no expected behavioral response to this policy.

### Cost of proposed measure

\$ millions	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Cost of new policy	-	103	51	50	50	50	49	49	48	48
Interaction effect	-	small	small	small	small	small	small	small	small	small
Total cost	-	103	51	51	50	50	50	49	49	48

**Notes:**

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost

### Supplementary information

Operating line	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Total costs on cash basis Other transfers	-	5	5	6	8	10	12	13	15	17