

# HOW Your Income Replacement Benefit is Calculated

The **Income Replacement Benefit (IRB)** is a monthly, taxable payment that replaces income for Canadian Armed Forces (CAF) Veterans participating in the Veterans Affairs Canada (VAC) Rehabilitation Services and Vocational Assistance program and who have a barrier to re-establishment resulting from service. It may be extended for life if VAC determines you have a Diminished Earning Capacity (DEC) prior to age 65 due to a permanent health problem primarily resulting from your military service.

## GOOD TO KNOW

In some cases, surviving spouses and dependent children may receive IRB after a Veteran or serving CAF member passes away. However, the rules for calculating their IRB are different from Veterans' IRB. **Contact VAC** for further information.

## BASIC IRB FORMULA

**90%** of **MONTHLY MILITARY SALARY OR MINIMUM AMOUNT INCLUDING ADJUSTMENTS** = **GROSS MONTHLY IRB**

**GROSS MONTHLY IRB** - **OFFSETS** *E.G. CAF LTD, EMPLOYMENT EARNINGS* = **IRB AMOUNT BEFORE TAX**

## HOW DOES VAC DETERMINE MY MONTHLY MILITARY SALARY?

- Your monthly military salary is provided to VAC by the Department of National Defence.
- Benefits, overtime and allowances are not included in the determination of your monthly military salary.
- If your final release was from the Reserves, VAC will use the higher of your salary when you released or when you completed the period of service during which the event leading to a qualifying health problem occurred.

### Annual IRB Adjustments

- VAC adjusts your monthly military salary every January, beginning the year after your release or completion of service, to reflect the annual percentage increase to the Consumer Price Index.
- If VAC determines you have a DEC, you may also receive the Career Progression Factor, a 1% increase applied to your monthly military salary for every year after your release or completion of service until you reach what would have been 20 years of service or 60 years of age.

## HOW IS MY IRB PAYMENT AMOUNT DETERMINED?

- VAC compares a set minimum amount with your applicable monthly military salary, including adjustments, and calculates 90% of the greater number.
- VAC then subtracts other sources of income – called offsets.
- Common offsets include CAF Long Term Disability (LTD), retirement pensions, and employment earnings.
- VAC disability benefits are **not** offsets from IRB.
- After age 65, which is considered retirement age, the formula for the calculation of the IRB changes to 70% of your previous gross IRB amount. VAC then applies any offsets.



**VAC may suspend your IRB if you fail to comply with certain requirements, including participating in your Rehabilitation plan (unless you have been determined to have a DEC).**

## HOW DOES MY CAF LTD AMOUNT AFFECT MY IRB?

- The IRB is a separate benefit and calculation from CAF LTD.
- CAF LTD is based on 75% of your monthly pay in the CAF and has its own offsets.
- IRB is based on 90% of your monthly military salary, with CAF LTD as one of its offsets.

### Changes to Your CAF Salary

- The re-calculation of your IRB following a change to your CAF salary can be a lengthy process. VAC must wait to receive the changes to your CAF pension and CAF LTD amounts before they can re-calculate your IRB.
- VAC will obtain the necessary information directly from the CAF and Public Services and Procurement Canada.
- If you have updated information about your CAF pension and CAF LTD benefits, you should provide it to VAC.

## HOW DO MY EMPLOYMENT EARNINGS AFFECT MY IRB?

- You need to notify VAC of any employment earnings while you receive IRB. This includes salary, wages, self-employment income, commissions, bonuses, and tips.
- You can make up to \$20,000 in gross employment earnings per calendar year before VAC will subtract your employment income from your IRB.
- VAC will track your employment earnings by using a monthly forecast. Once VAC has determined you have reached the \$20,000 in allowable earnings, your employment income will be offset, dollar for dollar, for the rest of that calendar year.

## WHAT IS AN OVERPAYMENT?

- An overpayment occurs when you receive a higher IRB amount than you are entitled to, resulting in a recoverable debt.
- Inaccurate or outdated information about your income can result in an overpayment. VAC needs up-to-date information to accurately apply your offsets.
- **To avoid overpayments, notify VAC as soon as possible if your income changes.**

## WHAT HAPPENS WHEN I HAVE AN OVERPAYMENT?

- VAC typically recovers overpayments from your monthly IRB over a set period of time at a maximum rate of 50% of your payment before taxes. If you are not in receipt of a monthly IRB payment, VAC can recover your overpayment from other sources.
- At least 30 days before VAC begins any deductions, they will notify you in writing of:
  - the overpayment amount
  - your option to pay it back as a lump sum
  - how and when they will recover the overpayment
  - how to request an alternate payment arrangement or review

If you feel you have been treated unfairly, use our **Online Form** or call our office.

Telephone (toll-free): **1-877-330-4343** TTY (toll-free): **1-833-902-9399**

Mail: **Office of the Veterans Ombud P.O. Box 66 Charlottetown, PE C1A 7K2**

Web: **[www.ombudsman-veterans.gc.ca](http://www.ombudsman-veterans.gc.ca)**

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