



Special Notice

12 April 2019

Ontario Budget 2019: Targeting Modest Reforms

The Ontario government released its [2019 Budget](#), “Protecting What Matters Most” (Budget) on April 11, 2019. The Budget proposes to expand the eligibility for target benefit pension plans in the province and provides for a number of changes to health care for Ontarians, including streamlined services and aid for seniors, lower-income individuals, and children. Highlights of the Budget include:

- Initiatives in the pension plan sector, including changes to the criteria for target benefit pension plans;
- Health care measures, including a new dental care program for low-income seniors; and
- Other measures of interest, including support for low-income individuals and families.

This *Special Notice* provides a summary of the key Budget measures, and their impact on employer-sponsored pension and benefit plans.



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Initiatives in the Pension Plan Sector

Changes to the Criteria for Target Benefit Pension Plans

Target benefit pension plans (TBPs) provide plan members with retirement pensions based on a target formula set in advance, similar to a defined benefit (DB) plan, but with fixed contributions, as with a defined contribution (DC) plan. Multi-employer plans like this have been in place for many years for unionized employees in a variety of industries. The Budget states that the government is committed to introducing a permanent framework for TBPs in Ontario that will include multi-employer pension plans in the non-unionized not-for-profit sector, in addition to collectively bargained multi-employer pension plans. The government says it will continue to work with stakeholders to develop further elements of the TBP framework, including introducing the funding rules.

Eckler's take

Expanding the TBP framework to allow for additional pension plans to participate as TBPs will appropriately bring some existing pension plans, that are effectively governed and operated in the same way as unionized multi-employer plans, under the TBP framework. Now we await the legislation, including the funding rules, to see the details of what will be enacted for the TBP framework.

Enhancing Digital Communications in the Pension and Insurance Sector

The Budget notes that the government is considering further legislative changes to the *Pension Benefits Act*, permitting plans to use electronic communications as the default method of communication with plan members. This is in addition to changes made to the *Pension Benefits Act* in 2018, allowing pension plan administrators to permit electronic beneficiary designations. The Budget notes that legislation will still allow plan members to choose to receive communications non-electronically if preferred.

The Budget also proposes amendments to the *Insurance Act*, clarifying that insurers in Ontario will be allowed to accept electronic beneficiary designations as well, subject to any requirements introduced by the Financial Services Regulatory Authority (FSRA).

Eckler's take

Paperless communications with pension plan members could result in significant cost reductions for plan administrators and allow for more immediate, effective communication with members. However, it could also result in additional administrative effort to determine a member's preferences and to ensure that electronic communications are handled in a way that secures Personally Identifiable Information (PII), especially in email communications.

Launching the Financial Services Regulatory Authority of Ontario (FSRA)

The Budget commits the government to continuing to work towards full operation of FSRA, targeted for June 2019.

FSRA's mandate for its first year will include:

- Reviewing current guidance, data collection, and filing requirements;
- Prioritizing regulatory effectiveness;
- Protecting public interests; and
- Modernizing systems and processes.

Pension Contribution Holidays

The Budget mentions proposed amendments to the *Pension Benefits Act* to clarify the operation of the rules regarding contribution holidays but does not offer any further details.



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Health Care Measures

Dental Care Program for Low-Income Seniors

The Budget acknowledges the financial pressures faced by Ontario's seniors and proposes a new dental program for low-income seniors. Seniors aged 65 and up with a single income of \$19,300 or less, or a combined income of \$32,300 or less for senior couples – and without dental coverage – will be eligible for a number of dental services and treatment for oral health issues under a new subsidized senior dental program. It's scheduled to begin in the summer of 2019 with additional treatments to be made available before the end of the year. The services will be in public health units and community health centres.

Eckler's take

While the provision of dental services to low-income seniors without access to dental coverage is a welcome relief, there is no anticipated impact for plan sponsors who do provide coverage to seniors.

Further Review of Ontario's Publicly Funded Drug Benefit Program

The Budget states that the government intends to continue to review the Ontario Drug Benefit Program, in addition to changes introduced on April 1, 2019 amending the OHIP+ and Ontario Drug Benefit Program criteria for children and youth under the age of 25. Further changes to the Ontario Drug Benefit Program include:

- Providing access to new clinically proven medicines and lowering drug costs;
- Modernizing and improving the oversight of payments to pharmacies, including how pharmacies are paid by the Ontario Drug Benefit Program; and
- Reducing administrative issues and red tape for the pharmaceutical industry and clinicians.

Eckler's take

The Budget lacks details regarding future changes to the Ontario Drug Benefit Program. Reducing pharmacy fees under the public drug plan could potentially lead to a balancing of pharmacy revenue through increased fees under private plans. Eckler will continue to monitor further developments in this area and communicate their implications for plan sponsors' benefit programs as further details become available.

Measures Intended to Improve Health Care Efficiencies

The Budget proposes a number of initiatives to improve health care efficiencies in the province, including:

- Continued progress towards the integration of health care professionals and organizations through the consolidation of six existing provincial health agencies and Local Health Integration Networks into Ontario Health, and establishment of 10 regional public health entities and 10 new regional boards of health under a common governance model by 2020-2021;
- Development of a strategy to modernize the province's public health laboratory system to reduce laboratories and increase efficiency;
- Development of digital tools for patients including virtual visits and online access to health records as part of the Digital-First for Health Strategy;
- Introduction of changes to OHIP's billing and payment system to address long-standing weaknesses and improve oversight, including clarifying what OHIP will and will not pay for;
- Investment of an additional \$384 million in hospitals and an additional \$267 million in home and community care in an effort to prevent overcrowding in hospitals and reduce wait times for services;



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- Creation of 15,000 new long-term care beds over the next five years, and upgrading 15,000 older long-term care beds to provide more appropriate care to patients with complex health conditions;
- Investment of \$3.8 billion for mental health, addictions, and housing supports over 10 years, with an initial \$174 million investment in 2019-2020 to support acute mental health inpatient beds, supportive housing, and mental health and addiction services, and focus on priority populations such as Indigenous peoples and Francophones; and
- As has been going on for some time, the Budget outlines expanding the scope of practice for certain regulated health professionals, such as pharmacists, nurse practitioners, dental specialists, and optometrists.

Eckler's take

The above changes are expected to have a positive trickle-down effect on plan sponsor benefit programs to the extent that they introduce improved health outcomes in general, unless there is any delisting of services currently provided by the public plan. Eckler will continue to monitor these developments and communicate their implications when more details are known.

Other items of Interest

Support for Low-Income Individuals and Families

The Budget states that for the 2019 tax year, a new Low-income Individuals and Families Tax (LIFT) credit and the Ontario Childcare Access and Relief from Expenses (CARE) tax credit will be introduced for low-income working individuals and families.

The new CARE credit will offer families a refundable tax credit of up to 75% of their eligible child care expenses, depending on income.

Changes to Estate Administration Tax

The Budget proposes changes to the current Estate Administration Tax regime. Estate Administration Tax, also known as a probate fee, is charged on the value of an estate when an estate certificate is issued granting legal authority to the executor to deal with the assets of the estate. The Budget proposes to eliminate the current Estate Administration Tax on the first \$50,000 of the value of the estate, down from a \$5 administrative tax on every

\$1,000 up to \$50,000. The current rate of \$15 for every \$1,000 on any value exceeding \$50,000 would remain in effect. The new calculation would apply to any estate certificate application filed on or after January 1, 2020.

Eckler's take

The revised tax calculation will reduce the amount of tax charged to the estate by up to \$250, for estates valued at \$50,000 or more. For members of employer-sponsored pension and benefit plans who have designated named beneficiaries other than the estate to receive death benefits, the plan will pay the death benefit directly to the beneficiaries without passing through the estate, and no Estate Administration Tax will apply to the death benefit. The only situation where the Budget would affect death benefits from an employer-sponsored plan would be for a member who has not designated a named beneficiary, and whose other assets in the estate are valued at less than \$50,000.



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Adopting Title Protection for Financial Planners and Financial Advisors

The Budget proposes legislation to protect titles for financial planners and advisors in Ontario. The proposed framework would enhance consumer protection by requiring individuals using the title of financial planner or advisor to have appropriate credentials.

Eckler's take

A framework to ensure that only those with appropriate qualifications can use the title of financial planner or advisor will help consumers select qualified advisors and have confidence when following their advisor's advice. Eckler applauds this development and its impact to improve the financial security and wellbeing of Canadians.

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