

# Information Bulletin

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## 2018 Ontario Budget

The 2018 Ontario Budget (Budget) was tabled on March 28, 2018. The next Ontario election is in June, which means that items proposed in this Budget are likely contingent upon the current government maintaining power.

This pre-election Budget contains a number of proposals of interest to pension and benefit plan sponsors. With respect to retirement income security, plan sponsors may be interested in the proposals for a disclosable events regime and a distressed pension plan workout scheme, along with continued efforts to implement a new funding regime. Benefit plan sponsors may be interested in the expansion of OHIP+ to seniors and a drug and dental program for Ontarians without extended health plans.

### Retirement Income Security

#### Ontario Pension Funding Reforms

Following the announcement of a new funding framework for Ontario defined benefit pension plans in May 2017, related amendments to the *Pension Benefits Act* (PBA) are awaiting proclamation and details of key components of the new framework have been posted for stakeholder comment. The Budget notes that the feedback is now being reviewed as part of the process for developing the regulations that will implement the new funding regime.

## **Pension Benefits Guarantee Fund**

The Pension Benefits Guarantee Fund (PBGF) provides protection for members of underfunded defined benefit pension plans that are wound-up due to employer insolvency. Ontario is the only jurisdiction in Canada with a pension guarantee fund.

As part of the new funding framework in Ontario, unproclaimed amendments to the PBA would increase PBGF maximum protections from \$1,000 per month to \$1,500 per month and would also increase PBGF assessment fees. The increase in coverage was originally intended to be effective on the proclamation of these amendments. However, the government now intends to make the coverage increase retroactive to May 19, 2017 (when the new pension funding framework was first announced).

In addition, the government plans to introduce amendments to require a periodic review of the provisions governing the PBGF.

## **New Pension Regulator – Financial Services Regulatory Authority**

The Financial Services Regulatory Authority (FSRA) is a new, independent regulatory agency created in an effort to improve pension plan beneficiary protections in Ontario.

The FSRA was established following the recommendation of an independent expert advisory panel which reviewed the mandates of the Financial Services Commission of Ontario (FSCO), the Financial Services Tribunal (FST) and the Deposit Insurance Corporation of Ontario (DICO).

The 2017 Ontario Budget addressed a number of matters with respect to the establishment of the FSRA, including the appointment of a board of directors to oversee the management of FSRA's affairs. These directors have been appointed, and legislative changes setting out the FSRA's initial parameters, as well as its mandate and governance structure have received royal assent. These provisions are slated to come into effect following a transition period following which pension oversight would transition from FSCO to FSRA.

The Budget provides that Ontario will continue to take steps towards the transition from FSCO to FSRA. As part of this transition, the government intends to establish an advisory committee within FSRA that would be dedicated to overseeing issues related to the PBGF and pension plans with distressed sponsors.

## **Target Benefit Multi-Employer Pension Plans**

In June 2017, the government announced a new framework for target benefit multi-employer pension plans (TBMEPPs). These would replace the rules that currently apply to specified Ontario multi-employer pension plans (SOMEPPs). As a result, amendments to the PBA to include rules governing the conversion of benefits to target benefits provided by MEPPs are awaiting proclamation. Going forward, the government plans to consult on the key design features of the new framework this spring. As well, the government intends to extend current temporary funding rules for SOMEPPs to allow time for MEPPs to transition to the proposed new framework.

## **Disclosable Events Regime**

The Budget introduces the government's intent to implement a disclosable events regime, similar to other regimes in the UK and the US. Under this proposed new regime, plan sponsors would be required to disclose certain corporate or plan events to the pension regulator, with the intent to increase transparency and alert the pension regulator to potential areas of concern. Disclosable events specifically mentioned in the Budget include significant asset stripping or the issuance of extraordinary dividends.

## **Distressed Pension Plans**

The Budget indicates the government's intention to introduce a distressed pension plan workout scheme. The purpose of this new scheme is to provide the pension regulator with appropriate tools to respond to pension plans with a distressed sponsor.

## **Pooled Registered Pension Plans**

Pooled Registered Pension Plans (PRPPs) are simplified defined contribution pension plans. PRPPs are intended to be a low-cost option available to small employers, employees and the self-employed.

PRPPs have been available in Ontario since 2016, but employers are not required to provide PRPPs to employees.

Ontario's PRPP legislation is highly harmonized with the federal PRPP legislation. The Ontario PRPP regulations incorporate by reference most of the provisions of the federal PRPP regulations.

The government intends to amend the *Pooled Registered Pension Plans Act, 2015*, to further harmonize Ontario's PRPP legislation with the federal PRPP legislation. The proposed amendments would incorporate the federal process for entering into or amending an existing agreement set out in the federal PRPP legislation.

## **Proposed Expansion of OHIP+ to Seniors**

The Budget confirms a previously announced initiative to expand OHIP+ to seniors beginning in August 2019. Currently, Ontarians age 65 and over are eligible for prescription drug coverage through the Ontario Drug Benefit (ODB) program, which requires seniors to pay deductibles and co-payments based on their income and other factors. The proposed OHIP+ expansion would eliminate the ODB's deductible and co-payments for all seniors regardless of income. Should this initiative be brought into effect, plan sponsors who provide drug coverage for populations over age 65 or retiree drug coverage would see cost savings.

## **Proposed Ontario Drug and Dental Program**

The Budget proposes a new Ontario Drug and Dental Program beginning in summer 2019 that would be available for those without extended health plans. This program would reimburse participants for up to 80 per cent of eligible prescription drug and dental expenses, up to an annual maximum of \$400 for singles and \$600 for couples, plus \$50 for each child in the family.

Very little detail was released on the proposal and final program design will hinge on the results of consultations that will be scheduled at some point in the future.

# Contact Information

Should you wish additional information on this topic, please contact your local Aon consultant, or send an email to [info@aonhewitt.com](mailto:info@aonhewitt.com).

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