

# FYI<sup>®</sup> Alert

## For Your Information<sup>®</sup>

### 2019 Ontario Budget: Will the devil be in the details?

The 2019 Ontario Budget: Protecting What Matters Most (Budget), was tabled by Minister of Finance Victor Fideli on April 11, 2019. The Budget contained several announcements of interest to pension and benefit stakeholders, including:

- Upcoming legislative amendments to facilitate the use of electronic communication and beneficiary designations by pension and insurance plans,
- Increasing the availability of target benefit pension plans (TBPPs) to the not-for-profit sector and to non-unionized multi-employer pension plans (MEPPs),
- Status update regarding the Financial Services Regulatory Authority (FSRA), and
- Possible changes to the Ontario Health Insurance Plan (OHIP) and the Ontario Drug Benefit (ODB) Program.

This *FYI Alert* provides details on the above announcements and discusses what they may mean for employers and plan sponsors.

#### Pension measures

The Budget contained proposals to expand the use of electronic communication by plan administrators, and the availability of the TBPP framework to non-unionized multi-employer plans. It also hinted that future changes to Ontario's contribution holiday rules are on the horizon. Details are provided below.

- **Electronic communications and designations:** The Budget states that the government is considering additional amendments to the *Pension Benefits Act* (PBA) to allow plans to make electronic communication the default communication mechanism, except for members who opt out. These changes will be subject to appropriate safeguards. The Budget also states that the government will propose amendments to the *Insurance Act* (IA) consistent with the PBA amendments effective December 6, 2018. The PBA amendments allow pension plan administrators to accept electronic beneficiary designations (after following requirements to be prescribed). The IA amendments will clarify that insurers may accept electronic beneficiary designations, subject to any requirements that may be prescribed by FSRA.

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- **TBPP framework expansion:** The government intends to introduce legislative proposals to expand TBPP eligibility to non-unionized MEPPs. TBPPs fix the employer’s contribution obligation and are able to address deficits by reducing accrued benefits, including pensions in pay. Currently, only unionized MEPPs can become TBPPs. The goal of the proposed changes is to give the non-unionized plans in Ontario’s not-for-profit sector the ability to participate in the framework. The Budget notes that the government will continue to work with stakeholders on other elements of the TBPP framework, including funding rules. The last consultation on TBPP funding rules took place in April 2018. It included proposals that permanently exempted such plans from solvency funding, instead requiring 15-year amortization of going concern deficiencies, plus funding of a provision for adverse deviation (PfAD) in respect of a plan’s normal cost.
- **Contribution holiday rules:** In the summary of additional proposed legislative measures, the Budget states that the government plans to amend the PBA to “to clarify the operation of the rules regarding contribution holidays.”

### Thoughts and questions

Most plan administrators will welcome the ability to commute electronically with plan members and beneficiaries without needing to obtain advance consent, subject to opt-out rights. The extent to which administrators use electronic communication will depend on the characteristics of plan membership, and the nature and extent of the “appropriate safeguards” that must be observed. In addition, expanding pension coverage by making the TBPPs available to a broader group of employers is a positive step.

### FSRA update

The launch of FSRA is still expected to take place in June 2019. This new regulatory authority is designed to improve consumer and pension plan beneficiary protections, and will regulate pension plan administrators, as well as property and casualty insurance, life and health insurance, health service providers (related to auto insurance), mortgage brokers, loan and trust companies, and credit unions and caisses populaires. FSRA will also be amalgamated with the Deposit Insurance Corporation of Ontario.

The Budget also states that the government is considering legislative and regulatory changes that would provide FSRA with additional rule-making authority in the pension sector.

### Thoughts and questions

Plan sponsors and administrators are eager to work with the new regulator to ensure efficient oversight, clear rule-making and to support innovation for Ontario’s pension sector. Bill 100, *Protecting What Matters Most Act (Budget Measures), 2019*, introduced April 11, 2019, provides the following additional information:

- FSRA will be authorized to collect and enforce employer contributions to the Pension Benefits Guarantee Fund;
- FSRA will be required to provide a notice of any new rule, containing an analysis of its anticipated costs and benefits; and
- The *Financial Services Commission of Ontario Act* will be repealed on a date to be proclaimed.

## Health care measures

The Budget contains a number of health-related announcements but does not provide much in the way of detail on the majority of them. As a result, their ultimate impact on employers, plan sponsors, and other stakeholders, is difficult to predict at this point. Notable announcements include:

- **OHIP changes:** The government will propose changes to OHIP’s current billing and payment rules. These include ones designed to ensure that OHIP only pays for “appropriate, delivered services,” and ones that improve the ability of the government to recover funds when there are incorrect billings to OHIP.
- **ODB program review:** The government is continuing its review of the ODB Program. The Budget states that the review will look at measures to improve access to proven medicines while lowering drug costs, and reduce the administrative burdens faced by clinicians and the red tape faced by the pharmaceutical industry. The government also plans to strengthen and modernize the oversight of payments to pharmacies, including potential changes to the way the program pays pharmacies for filling prescriptions for long-term care home residents.
- **Competitive pricing for home oxygen:** The government plans to reduce home oxygen prices by approximately 17% through the implementation of more competitive pricing. The savings will go to eligible clients who pay a 25% co-payment for home oxygen, while individuals on social assistance will continue to receive the benefit at no cost.
- **Scope of practice expansion:** Certain health professions, including nurse practitioners, pharmacists, and optometrists, will have their scopes of practice expanded. The expansion is designed to improve convenience and continuity of care, while giving other providers more time to focus on patients with more complex care needs.
- **Dental care for low income seniors:** By late summer 2019, the Budget states that province will roll out a program to provide free dental care for eligible seniors. Residents age 65 and over who do not have dental coverage, and who meet required annual income thresholds (up to \$19,300 for singles and up to \$32,300 for couples), can receive dental services in public health units, community health centres, and Aboriginal Health Access Centres.
- **Funding for mental health and addiction care:** Over a 10-year period, the government will provide \$3.8 billion in funding for mental health, addictions, and housing supports. In 2019-20, \$174 million will be invested to support community mental health and addictions services, mental health and justice services, supportive housing, and acute mental health inpatient beds.

## Thoughts and questions

The announcement with the greatest potential impact on employers and plan sponsors is that of possible OHIP changes. To the extent that the changes lead to reductions or eliminations in covered services, as has been suggested, the changes may result in a shifting of costs from OHIP to employer-sponsored plans. If services are delisted, employer plans will be under pressure to fill the gap. However, as a result of historic offloading, most plans have contract wording that prohibits the automatic assumption of additional benefits. Plan sponsors should review their policies to ensure they include this protection — this will give

sponsors the opportunity to consider the impact of extending coverage and determine the response that is consistent with their benefit strategy.

While the Budget proposes expanding the scope of practice for pharmacists and other health care practitioners, it does not state whether those expanded services will be covered by OHIP — this will be something to watch for as the proposal moves forward.

## In closing

With the detail currently available, it is too soon to know the exact impact the Budget will have on employers, plan sponsors, and individuals. The government will hopefully provide additional information soon, particularly on the use of electronic signatures for pension and insurance plans, and on possible changes to OHIP and the ODB Program. For more details on the Budget, and information on how to answer the questions it raises for you, talk to your Buck consultant or contact the Knowledge Resource Centre at [talktous@buck.com](mailto:talktous@buck.com) or +1 866 355 6647.

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