

NOTES ON ONTARIO'S 2015 PROVINCIAL BUDGET

On April 23, 2015, Minister of Finance Charles Sousa presented the 2015 Ontario budget titled Building Ontario Up. With a projected deficit of \$8.5-billion in 2015-16 to eliminating the deficit by 2017-18, the Budget includes limited program enhancements and spending cuts all around, with the exception of major transit and other infrastructure investments. Building Ontario Up also confirmed the upcoming implementation of initiatives first announced in the 2014 Budget, including many on retirement matters.

RETIREMENT MATTERS

Ontario Retirement Pension Plan

With the goal in mind to improve retirement income security for middle-income Ontarians without workplace pensions, the provincial government announced in the budget the plan to introduce **legislation** that would finalize details of the Ontario Retirement Pension Plan **before January 2017**. The ORPP will be a first-of-its-kind mandatory provincial pension plan.

This Budget also proposes the introduction of legislation that would create an entity to administer the ORPP.

Target Benefit Multi-Employer Pension Plans

The government announces in the Budget that it will be releasing a consultation paper on a proposed **regulatory framework for target benefit MEPPs**. The framework would replace the time-limited funding regulations that are currently in place for certain MEPPs, known as specified Ontario multi-employer pension plans (SOMEPPs).

Regulating Financial Advisors

The government has appointed an expert committee to enhance **regulation of the financial advice sector**.

Reforms to Pension Regulation

Amendments to the Pension Benefit Act (PBA)

The Budget announces the introduction of legislation that would enable the **payment of variable benefits directly from DC plans**, including permitting increased portability and withdrawal options. It would also extend the deadline for certain pension plans to complete the process of implementing the transfer of past pensions to new plans, consistent with the “split pension” provisions of the PBA. By doing so, the government hopes to improve the portability and withdrawal options for DC plan members and retirees.

Contribution holidays

The government is looking for feedback on its intent to implement a **framework for contribution holidays** that specifies eligibility conditions and ensures affected pension parties are appropriately informed.

Benefit improvements

The government is looking for feedback on requiring the **acceleration of the funding** of certain pension benefit **improvements**.

Pension Investments

Currently, the “30 per cent rule” limits the ability of pension plans to take large voting interests (over 30%) in a corporation. The Budget states that a proposed regulation is being drafted to **exempt pension investments from** the application of the “30 per cent rule” in respect of **Ontario infrastructure**. The draft regulation will be posted for feedback and comments in the coming months.

Pension Plan Reporting rules

As announced in the 2015 Budget, possible amendments to the **rules around pension fund reporting** could include:

- **Increasing the threshold** at which an auditor’s report must be filed respecting the financial statements of a plan, from \$3 million to \$10 million in assets;
- Identifying an alternative to the requirement for the filing of **audited financial statements**;
- Extending the requirement to file an Investment Information Statement to **DC plans**; and
- Easing the requirement for detailed information about **individual investments** exceeding 1% of the value of the pension fund.

Split Pension Consolidation

The Budget announced that it will extend the **deadline** for consolidating “split pensions” **from July 1, 2016, to July 1, 2017**.

Changes to the Pension Benefits Act and related regulations concerning asset transfers that came into effect on January 1, 2014 made it easier for certain pension plan members to consolidate assets into one plan. Plan members who were given the opportunity to consolidate their split pensions will now have one more year to decide if they would like to keep their pensions separate or transfer all of their assets and have it in their newest pension plan.

Facilitating the Creation of Pension Advisory Committees

The Budget announced the development of regulations to facilitate the creation of pension advisory committees (PACs) to further **enhance transparency for pension beneficiaries**. PACs' role will be to monitor plan administration, make recommendations to the administrator regarding the pension plan, and promote awareness and understanding of the pension plan among plan members.

Public Sector Pension Plans

Jointly Sponsored Pension Plans

The PBA was amended in 2014 to provide a legislative framework for the voluntary conversion of public-sector employer-sponsored SEPPs into jointly sponsored plans.

The 2014 Budget committed the government to developing criteria, in consultation with stakeholders, for **exempting new public-sector, multi-employer JSPPs from solvency funding requirements**. Recently, the government released proposed criteria to be used in determining whether new JSPPs receive a solvency exemption for consultation and feedback.

HEALTH AND WELFARE MATTERS

Since launching Ontario's Action Plan for Health Care in January 2012, the government has **reduced growth in health care spending to about 2% annually** from about 6 to 7% per year.

IVF Costs Coverage

The government proposes in the Budget to **contribute to the costs of one in vitro fertilization (IVF) cycle** per patient for all eligible forms of infertility. Families or their health plans will continue to pay for associated drugs and ancillary services.

Travel Vaccines in Pharmacies

The government is considering allowing Ontarians to **receive travel vaccines in pharmacies**.

Ontario Works and the Ontario Disability Support (ODSP) Program

The government **increased social assistance rates by 1%** for adults receiving Ontario Works and people with disabilities receiving ODSP benefits. The government will also provide an additional top-up for single adults without children.

Ontario Child Benefit (OCB)

Beginning in July 2015, the OCB's maximum benefit and the income threshold at which it starts to be reduced **will be indexed to the inflation**. The maximum annual OCB per child will be \$1,336, and the income threshold will be \$20,400 in July 2015.

WORK TRAINING

Apprenticeship Training Tax Credit

The government proposes to **return the Apprenticeship Training Tax Credit to the level of support offered prior to the 2009 enhancements**.

The following changes would apply to eligible expenditures related to apprentices who commenced an apprenticeship program after April 23, 2015:

- A general tax credit rate decrease from 35% to 25% and a decrease in the rate for small businesses with salaries or wages under \$400,000 per year from 45% to 30%;
- A decrease in the annual maximum per apprentice from \$10,000 to \$5,000;
- A reduction of the eligibility period from the first 48 months of an apprenticeship program to the first 36 months of an apprenticeship program.

Youth Job Strategy

The government first announced the Youth Jobs Strategy (YJS) in 2013. The YJS was a two-year, \$295 million investment into creating jobs for young people by creating employment opportunities and promoting entrepreneurship and innovation. The 2015 Budget **renews this program with \$250 million in funding over 2 years**.

PUBLIC INFRASTRUCTURE

Ontario is investing more than **\$130 billion in public infrastructure over 10 years**, including \$31.5 billion in dedicated funds available for projects in public transit, highways, schools, health facilities, post-secondary institutions and other.

The Province's announcement included a commitment to dedicate nearly \$29 billion of the funds to invest in transit, transportation and other priority infrastructure within and outside the Greater Toronto and Hamilton Area.

In total, these investments would support over 110,000 jobs per year, on average, in construction and related industries.

ABOUT PBI

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