



NOTES ON THE 2017 ONTARIO BUDGET

On April 27, 2017, Ontario Finance Minister Charles Sousa presented the 2017 Ontario Budget, A Stronger, Healthier Ontario (the “Budget”). This budget is the first balanced budget since 2008, yet it includes new programs and additional spending focused on health, infrastructure, and housing affordability matters. The Budget also includes some equivocal announcements on pension matters. This memo will highlight a number of items that may be of interest to plan administrators, employers, and employees.

PENSIONS

Ontario Retirement Pension Plan (ORPP)

In the Budget, the Ontario government summarizes its role in achieving the CPP enhancement. In late 2013, Ontario worked on the development of the Ontario Retirement Pension Plan (ORPP). Since the legislation to implement the enhancement came into force in March 2017, the Ontario government no longer sees the need to implement the ORPP.

Implementing Pooled Registered Pension Plans (PRPPs)

The Budget states that the agreement to harmonize the administration and supervision of PRPPs across various jurisdictions took effect in Ontario on March 31, 2017, making it now possible for this new voluntary tax-assisted savings vehicle to be available in Ontario.

Solvency Funding Framework

The solvency funding framework under the Pension Benefits Act forms part of the funding requirements defined benefit pension plan sponsors must comply with. The government intends to announce the guiding principles of the new framework later this spring, with draft regulations released for public consultation in the fall of this year. Measures to support transition to the new framework will also be implemented this spring.

Target Benefit Multi-employer Pension Plans Framework

The government announced in the Budget that it remains committed to developing a regulatory framework for target benefit multi-employer pension plans (MEPPs) to replace the funding regulations in place for specified Ontario multi-employer pension plans (SOMEPPs), whose members are unionized. It intends to announce its proposed target benefit MEPP framework later this spring and release draft regulations for public consultation in the fall of this year. The new framework will provide a transition period for plans to make necessary adjustments. The government will also continue to explore options for a target benefit MEPP framework for plans that currently do not meet the SOMEPP criteria.

Expanding the Framework for Defined Contribution Pension Plans

The government announced that it is introducing amendments to facilitate the implementation of variable benefits, and intends to develop regulations later this spring. It is considering enabling the payment of variable benefits so that payments can be made directly from defined contribution (DC) plans.

The government will engage DC plan sponsors, the financial services industry, and pension experts on potential changes to the annual statements that could help DC plan members prepare more effectively for retirement, modernize member communications, and create regulatory efficiencies. The Province also promised to engage the federal government, the financial services industry and pension experts to explore new avenues for Ontarians to manage investment and longevity risk.

Expanding the Powers of the Superintendent

In the Budget, the government explains that amendments are being introduced to give the Superintendent new powers, including the authority to direct a plan administrator to provide plan beneficiaries with information specified by the Superintendent, and to hold a meeting to discuss matters specified by the Superintendent.

Missing Beneficiary Requirements

Currently, there are no guidelines in Ontario for locating missing plan beneficiaries and no ability to deal with monies owed to plan beneficiaries if they do not come forward to claim their benefits. The government will instruct the Superintendent to develop a policy to provide direction to administrators on steps they should take to locate beneficiaries. Some measures the government will take include introducing an amendment to the PBA providing authority to the Superintendent to waive the requirement of providing periodic pension statements (where plan administrators demonstrate a member is missing), and having a registry where employers or administrators could post information regarding missing beneficiaries.

HEALTH

The government is investing an additional \$7 billion in health care over the next three years, compared to the 2016 Budget Plan. These investments will improve access to care and enhance the patient experience.

Children and Youth Pharmacare

Starting in January 1, 2018, Ontario will launch OHIP+: Children and Youth Pharmacare — providing universal drug coverage to all children and youth aged 24 and under across the province and regardless of family income. It will fully cover the cost of all medicines funded through the Ontario Drug Benefit Program: this represents 4,400 drugs, including some treatment for most acute conditions, common chronic illnesses, as well as certain pediatric cancers. There will be no deductible and no co-payment.

Expanding the Scope of Practice of Health Care Providers

Recently, the government has taken steps toward expanding the scope of practice of registered nurses so they can independently prescribe some medications to patients. In the Budget, the government promises that, starting in 2017, Ontario will further improve access by expanding or enhancing the scope of practice for additional health care providers.

Modernizing and Enhancing Cancer Screening

The Province promises to work with Cancer Care Ontario to modernize two primary cancer screening tests and develop a new screening program for those at high risk of developing lung cancer. In addition, the Province will launch a lung cancer screening project for people at high risk at three pilot sites: The Ottawa Hospital, Health Sciences North and Lakeridge Health.

Increasing Access to Stem Cell Transplant Treatment for Blood Cancers

In 2017, the government will focus on continuing to build capacity to provide stem cell transplant treatment for complex blood cancers within the province by investing an additional \$32 million. This means that up to 150 more Ontarians will receive life-saving stem cell transplants. As additional capacity is developed, fewer patients will require transplants in the United States.

Publicly Funded Psychotherapy Program

The government is investing close to \$73 million over three years to provide greater access to publicly funded structured psychotherapy for Ontarians living with conditions like anxiety and depression. Therapy will be provided either online or in-person, through individual or group sessions.

Respite Care

The Province will invest an additional \$20 million in 2017 for respite care. This builds on the 2016 investment to offer respite to the unpaid caregivers (family and friends) of seniors, people living with dementia and other home care patients. This funding is used for personal support services or nursing support at home, allowing caregivers to schedule breaks from the crucial work of caring for a loved one. With these new investments in respite care, the Province's three-year investment for respite care will total \$120 million.

Tobacco Tax Rates

The government continues to build on the strategy's progress by increasing tobacco tax rates by \$10 per carton of cigarettes over the next three years, beginning with an immediate \$2 per carton increase. Tobacco taxes are a proven method of supporting smoking cessation and prevention efforts.

Ontario Drug Benefit Act

The government states in the Budget that it is proposing amendments to the *Ontario Drug Benefit Act* that, if passed, would enable it to adjust pharmacy payments and would support its work with the pharmacy sector since 2015 to obtain greater value for money.

WELFARE

Introducing a Basic Income Pilot

In March 2017, the government released the *Basic Income Consultations: What We Heard* report. The report indicated that many participants supported a basic income pilot that includes a representative sample of Ontarians, lifts people out of poverty, reflects the province's diversity, runs efficiently and measures specific outcomes. In addition, through a separate but parallel process, a basic income pilot for First Nations is being co-created and designed.

Participants aged 18 to 64 from three communities across the province — Hamilton, Thunder Bay, and Lindsay — will be eligible. Through this pilot, people earning below a specified amount will receive regular payments that will help them better afford basic needs like housing or food, and participate in the community. Enrollment will be voluntary and based on informed consent. Work will continue with experts and communities to ensure delivery of a Basic Income Pilot that is fair, effective, and based on a representative sample.

Improving Social Assistance Benefits

To help improve Ontario Works and the Ontario Disability Support Program (ODSP), the government is investing more than \$480 million over four years to raise asset limits, increase income exemptions for cash gifts, and provide a rate increase that will benefit more than 900,000 people across Ontario.

Raising Social Assistance Asset Limits and Gift Exemptions

Effective September 2017, the income exemption for cash gifts will be increased from \$6,000 up to \$10,000 per year in both ODSP and Ontario Works. In addition, gifts in any amount will not reduce the amount of social assistance people receive if the funds are used to pay for first and last month's rent, purchase a principal residence, or buy a vehicle that they may need.

Effective January 2018, the government is increasing limits on cash and other liquid assets for single individuals receiving Ontario Works from \$2,500 to \$10,000, and from \$5,000 to \$15,000 for couples. For ODSP recipients, the cash and other liquid asset limits will be increased from \$5,000 to \$40,000 for single individuals, and from \$7,500 to \$50,000 for couples.

Increasing Social Assistance Rates

The government is increasing Ontario Works and ODSP benefit rates for everyone by two per cent. This change will include increases to other social assistance benefits and allowances, such as the Personal Needs Allowance, which is available for those residing in institutions and emergency shelters. These rate increases will take effect in September 2017 for ODSP, and in October 2017 for Ontario Works.

In addition, the Comfort Allowance provided by the Ministry of Health and Long-Term Care to low-income residents of long-term care homes will be raised by two per cent.

INFRASTRUCTURE

The government has budgeted \$20.3 billion in total infrastructure expenditures in the 2017-18 Plan. Over the next 10 years, the Province plans to invest about \$156 billion. Examples of infrastructure investments include transit (the biggest single sector), highways, hospitals, and schools.

The Province plans to release the Long-Term Infrastructure Plan by the end of 2017.

TAX CREDITS

Ontario Caregiver Tax Credit

Ontario proposes to replace the provincial caregiver and infirm dependant tax credits with a new Ontario Caregiver Tax Credit (OCTC). Beginning in the 2017 taxation year the following changes would apply:

- The non-refundable OCTC, at the rate of 5.05 per cent, would be available in respect of relatives who are infirm dependants, including adult children of the claimant or of the claimant's spouse or common-law partner.
- Dependants would not be required to live with the caregiver claiming the new credit.
- The maximum amount received in respect of dependants who do not live with the caregiver would be increased to remain consistent with the amount that could have been claimed in respect of dependants under the caregiver tax credit.
- The maximum amount of taxable income for which this credit is available would be \$4,794 in 2017. The OCTC would begin phasing out at the dependant's net income over \$16,401.

Clarifying the Treatment of Fertility-Related Expenses under the Medical Expense Tax Credit

The 2017 federal budget proposed to clarify the application of the federal medical expense tax credit so that individuals who require medical intervention to conceive a child are eligible to claim the same expenses that would generally be eligible for individuals on account of medical infertility.

Ontario will adopt the federal changes once they have been approved by the federal government. This would allow Ontarians to claim tax relief for eligible fertility treatment costs that are not directly covered by the Province. These changes will apply to the 2017 and subsequent taxation years.

Ontario Seniors' Public Transit Tax Credit

As of July 1, 2017, the government is proposing a new Ontario Seniors' Public Transit Tax Credit for all Ontarians aged 65 or older, covering eligible public transit costs. The credit would be available to claim on the 2017 taxation year returns. Further details about the credit will be announced in time for implementation.

ABOUT PBI

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