

Notes on the 2018 Ontario Budget

On March 28, 2018, Ontario Finance Minister Charles Sousa presented the 2018 Ontario Budget, A Plan for Care and Opportunity (the “Budget”). In addition to following up on pension-related items from the previous budget, this pre-election budget is focused on health care, social benefits, seniors, and childcare. The proposed effective dates for a number of Budget items fall after the June 7, 2018, Ontario general election. This memo will highlight items that may be of interest to plan administrators, employers, and employees.

Pensions

The Financial Services Regulatory Authority (FSRA)

Ontario will be proposing legislative amendments to transition to a new pension regulator, the Financial Services Regulatory Authority (FSRA). As part of the new structure, the government will establish an advisory committee dedicated to overseeing issues related to the Pension Benefits Guarantee Fund (PBGF) and pension plans with distressed sponsors.

Protecting Ontario Pension Plans and Beneficiaries

The government will be consulting on the details of necessary regulatory amendments to support the following proposed legislative measures:

Disclosable Events Regime

The provincial government will propose legislative amendments to implement a disclosable events regime, similar to comparable regimes in the United Kingdom and the United States. Mandatory disclosure of certain corporate or plan events would increase transparency and alert the pension regulator to potential issues, such as significant asset stripping or the issuance of extraordinary dividends.

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 the transition to the new framework will also be implemented this spring.

Distressed pension plan workout scheme

This proposed scheme would give the pension regulator the appropriate tools to respond to pension plans with a distressed sponsor.

Target Benefit Multi-employer Pension Plans Framework

The government remains committed to developing a new regulatory framework for eligible multi-employer pension plans (MEPPs) to offer target benefits. It is planning to consult on its key design features this spring. Additionally, the government intends to extend the temporary funding rules currently in place for specified Ontario multi-employer pension plans (SOMEPPs) to allow time for plans to transition to the proposed new framework.

Partial Asset Transfers for Ontario Public Sector Plans

The government will propose amendments to the Pension Benefits Act to facilitate partial asset transfer between plans in the Ontario Public Sector and commuted value transfers due to reorganizations and divestments.

Pooled Registered Pension Plans (PRPP) Act

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

Retirement Security for Personal Support Workers (PSWs) – Pilot Program

The government will invest \$65 million over the next three years to help PSWs who work in publicly funded home care to save for retirement. The pilot program will provide an initial contribution to a group Tax-Free Savings Account on behalf of eligible PSWs. PSWs who make additional contributions would have their contributions matched to a maximum of 2.5 per cent of their earnings.

Health

Health sector expense is projected to be higher than in the previous budget by \$357 million, primarily due to additional investments in hospitals to reduce emergency department wait times, and in-home and community care to expand services to meet rising demand from seniors and clients with complex needs. The Budget includes a total of \$1.3 billion over the next 3 years for health care.

Hospital Funding

The government promises to invest an additional \$822 million in 2018–19 in hospitals to improve wait times and increase the number of critical services and procedures such as MRIs, cancer and cardiac surgeries, organ transplants and other life-saving supports. This expense also covers new medical and surgical beds, and adult critical care beds, as well as support to pediatric and psychiatric hospitals.

OHIP+

The government promised in the Budget that the OHIP+ program will be expanded to include seniors aged 65 and older as of August 1, 2019. This change is budgeted at \$1.0 billion over 3 years.

Under the current Ontario Drug Benefit (ODB) program, seniors pay an annual deductible and co-payment. The government's proposals would eliminate those costs for eligible medicines.

New Ontario Drug and Dental Program

The government announces \$0.8 billion in spending to reduce prescription drug and dental costs.

The Budget proposes a new drug and dental plan to reimburse 80 per cent of costs for those with no workplace benefits and not covered by OHIP+ or other government programs that would start in the summer of 2019.

Maximum spending would be of \$400 per year for a single person, \$600 for a couple, plus \$50 for each child in a family.

Mental Health and Addictions Services

The government has budgeted an additional \$2.1 billion over the next four years, in addition to the \$3.8 billion per year in ongoing support for mental health and addiction, to improve access to a full range of mental health and addictions services for children, youth, and adults. This cost includes publicly funded psychotherapy, supportive housing and increased support for all who need it, with targeted services for Indigenous, racialized and LGBTQI2S communities.

Services to individuals with developmental disabilities

The Budget announces \$1.8 billion in spending, over three years, to expand services and enable choice, independence, and inclusion for individuals with developmental disabilities

Seniors' Healthy Home Program

The government proposes to spend over \$1 billion over three years to support independent living for seniors.

The proposed Seniors' Healthy Home Program would begin in 2019–20 and have the goal of providing up to \$750 for every eligible household led by a senior who is 75 years or older, to help offset the costs of maintaining a home.

Welfare

Childcare

The Budget proposes to spend \$2.2-billion to increase access to affordable child care and provide free child care for preschoolers (i.e. from age two-and-a-half until eligible for kindergarten) starting September 2020.

Reforming Income Security

The government proposes to spend \$2.3 billion on a multi-year plan to reform income security. This includes increasing income support, reducing the burden of complex rules and simplifying benefits for those accessing social assistance.

Increasing Social Assistance Rates

The government is increasing Ontario Works and Ontario Disability Support Program (ODSP) benefit rates for everyone by three per cent annually for the next three years starting fall of 2018.

Training and Education

Apprenticeships

The government proposes to invest \$170 million over three years in a new apprenticeship system. This investment includes:

- Expanding the Ontario Youth Apprenticeship Program (OYAP) to provide more high school students with trades-related hands-on learning opportunities;
- Improved guidance counselling resources and local labour market information for students, parents, and educators;
- A grant to promote pooled group sponsorship models for apprentices;
- A Local Apprenticeship Innovation Fund to increase opportunities for apprentices and encourage engagement within the apprenticeship system across Ontario, as well as support regional, local or sector-specific pilots where there is demonstrated market need; and
- Continuing education opportunities for trade professionals

Taxes

The budget does not include any new major sources of tax income.

Personal Income Tax

The Budget introduces a plan to restructure the province's tax brackets and eliminate Ontario's surtax and to introduce new rates and brackets.

Tobacco Tax

The Budget proposes to hike tobacco taxes again, continuing a three-year plan to increase the price per carton by \$10 by 2019-2020. Cigarette taxes will be rising \$4 a carton this year and in 2019.

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