

MERCER'S RESPONSE: 2018 FEDERAL BUDGET

On February 27, the federal government tabled its 2018 Budget. With a strong focus on the middle class and gender equity the government laid out its agenda, but largely stayed-the-course on large investments or commitments.

We believe these policy priorities present a clear challenge and opportunity to employers to recognize these societal issues, and play a leadership role in addressing them. Ultimately, recognizing what is good for society, and your employees, is good for business.

They also pose many questions for employers that won't be answered until more consultation is done.

GENDER EQUITY: CHALLENGING EMPLOYERS TO CREATE CULTURAL CHANGES

Recognizing the financial impacts of gender inequality and overall diversity in the workplace, the government outlined several specific measures to encourage both employers and employees to address systematic issues around gender equality.

Key initiatives include:

- Proposals to introduce proactive pay-equity legislation for federal government and federally-regulated sectors. These would draw from current policies in Ontario and Quebec, to ensure men and women receive equal pay, while also looking to add further innovative approaches.
- June 2019 changes to parental leave encourage the second parent to take parental leave and support equal partnership in parenting. These changes include:
 - Under Employment Insurance, an additional 5 weeks for the 35-week option or 8 weeks for the 61-week option.

- There are no restrictions on how these are allocated between the parents if each takes the required minimum.
- Employers should review policies to ensure they are documented clearly and equitably.

These are critical first steps, but insufficient to achieve gender parity. Mercer's report, [When Women Thrive in Canada](#), shows women make up only 20% of the average company's workforce at the executive level and only 35% at the professional level and above.

Employers must look at their current employment policies to ensure they create and reward a culture that guarantees all employees have the same opportunity to succeed and lead.

PHARMACARE: BIG CHANGES COMING, BUT DECISIONS TO BE MADE

The creation of an advisory council to explore options to proceed with a national pharmacare program leaves many questions for employers and employees.

Over the next year, the council, headed by Ontario's former Minister of Health, Dr. Eric Hoskins, will consult with industry, stakeholders and the public to look at different funding and program options. This could include options ranging from the adoption of a model similar to Quebec's which blends private and public-payer system, to a complete first-payer program.

While the specific details of the plan are yet to be decided, we do know changes to how pharmaceutical benefits are delivered and provided will reshape employers' benefit cost structures.

Who benefits?

Millions of Canadians currently do not have prescription drug coverage. This includes precarious, part-time, and “gig-economy” workers. These moves could solve systemic issues these workers face in accessing complete universal healthcare coverage and recognizes the shift in the delivery of primary care from doctors and hospitals to more drug-based therapies for chronic conditions.

What is the challenge?

Funding and implementation models create a great deal of uncertainty for employees and employers.

Mercer will play an active role in these discussions and recommends clients examine their current benefits program. During the year Mercer will ensure clients understand options presented to the government, and how these options will affect employers and industries.

The advisory council will consult over the next year before making recommendations.

PENSION REFORM: LITTLE ACTION ON BIGGEST CHALLENGE

In the pension space, we had hoped the government would act on two pressing policy concerns.

- The governments of Quebec and Ontario have shown they recognize the realities of defined benefit pension plan funding. As with last year, the federal government has failed to undertake its own review. As we outlined last year, these rules can create financial challenges for federally-regulated employers, and prevent them from making the capital investments they need to innovate.

- The government has also failed to progress on Bill C-27, which would enable federally-regulated employers, and crown corporations, to mitigate risk by implementing target-benefit pension plans, and to fully discharge obligations by purchasing annuities. The bill has continued to lay dormant for more than a year. These measures are critical to ensuring pension sustainability, and it would be a shame to see the Bill die on the order paper.

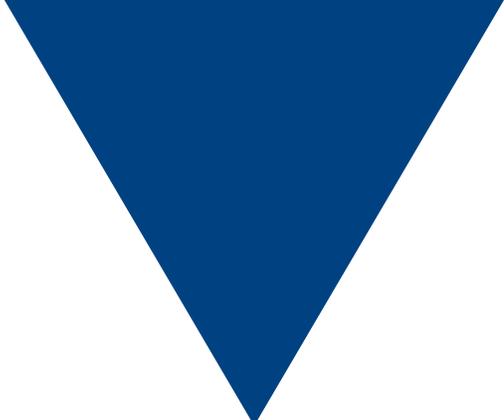
Mercer continues to advocate for progress on both fronts.

In light of the Sears bankruptcy, the government did commit to undertake a consultation on pensioners’ rights when companies enter the insolvency process with unfunded pension liabilities. This consultation will include pensioners, workers and businesses, lenders and other creditors, with the goal of finding a better balance. This outcome could potentially rewrite the current bankruptcy legal framework.

HEALTH AND WELFARE TRUSTS: THE END

In order to provide more certainty and greater consistency in the tax treatment of the Health and Welfare Trusts (HWTs) and Employee Life and Health Trusts (ELHTs), the government announced that the CRA will discontinue the HWT regime at the end of 2020. The government will consult with stakeholders in 2018 on transitional rules to facilitate the conversion of existing HWTs to ELHTs. This change could have impacts on HWTs, requiring imminent action.

Contact your Mercer consultant today to discuss what this means for your organization.



ABOUT MERCER

At Mercer, we make a difference in the lives of more than 110 million people every day by advancing their health, wealth, and careers. We're in the business of creating more secure and rewarding futures for our clients and their employees – whether we're designing affordable health plans, assuring income for retirement or aligning workers with workforce needs. Using analysis and insights as catalysts for change, we anticipate and understand the individual impact of business decisions, now and in the future. We see people's current and future needs through a lens of innovation, and our holistic view, specialized expertise, and deep analytical rigour underpin each and every idea and solution we offer. For more than 70 years, we've turned our insights into actions, enabling people around the globe to live, work, and retire well. At Mercer, we say we *Make Tomorrow, Today*.

For further information, please visit:

www.mercer.ca

Join the conversation:

On Twitter: @MercerCanada

On LinkedIn: www.linkedin.com/company/mercer-canada