

# MERCER'S RESPONSE: 2019 ONTARIO BUDGET

On April 11, 2019, the Doug Ford government tabled its first budget, entitled "Protecting What Matters Most". During his budget speech, Minister Vic Fedeli promised that the measures contained within would increase efficiencies and reduce both taxes and spending. He also promised to do this while protecting core services like healthcare and education, with an eye towards ensuring that services can be delivered sustainably.

At Mercer, we are pleased to see the emphasis on sustainability: it is in keeping with the advice we deliver to our clients, who are dealing with an aging population and rising healthcare costs.

If employers and plan sponsors are to meet these challenges, it is imperative to have a partner in government, to give them the flexibility that they need.

The proposals included in the budget therefore merit close observation.

## EXPANDING TARGET BENEFIT PENSION PLAN ELIGIBILITY

We support the government's move to expand the eligibility criteria for Target Benefit Pension Plans to include non-union multi-employer plans. This move will help broaden the range of options available to both employers and employees, which is especially welcome in an environment where pension plan coverage is falling.

But this reform, while welcome, does not go far enough. It is critical that the government expand the eligibility criteria further, to include single employer pension plans, in order to allow more plan sponsors the flexibility they need to confront rising costs.

In 2018, the previous government unveiled sweeping changes to the [Pension Benefits Act](#) – the most substantial change to funding rules since the 1980s. In any ambitious package of reforms, however, certain items will need revision or clarification. In this budget, the government promised to clarify rules around contribution holidays to defined benefit pension plans. We hope to see further clarifications made, to provide certainty to plan sponsors.

We also welcome the certainty the government provided around the establishment of the Financial Services Regulatory Authority (FSRA) of Ontario, set to open in June of 2019. We look forward to working with FSRA as they set their priorities.

The government is also considering legislative changes to permit use electronic communications as the default method of providing information to pension plan members. We are excited about the opportunities these changes create. Not only will they reduce administration costs and streamline delivery of effective communication, they will enable plan sponsors to transform what are essentially compliance documents into something much broader.

## EXPANDING DENTAL BENEFITS

One of the top-line items in the budget, widely reported in the days prior to April 11, was the provision of dental benefits to low-income seniors. The budget itself provided more clarity: single Ontarians over 65 with under \$19,300 in annual income, or senior couples with under \$32,300 in joint annual income, will be able to receive dental benefits in public health units, community health centres and Aboriginal Health Access Centres.

The proposed plan mimics OHIP+ in that it will only cover those Ontarians without private plan coverage. But to properly gauge the impact this change will have on your plan, much more detail is required.

Further measures announced in the budget include a continuing focus on expanding mental health supports and reforming drug programs for efficiency and sustainability.

The government promised to expand the scope of practice for health professionals, including pharmacists, dental specialists, optometrists and nurse practitioners. While few details are yet available, these changes will increase Ontarians' access to health services. Plan members will welcome this change, but it could potentially increase plan sponsors' costs.

## ELECTRONIC BENEFICIARY DESIGNATIONS

We applaud the government's move to clarify acceptance rules around electronic beneficiary designations.

In a digital-first world, this is a move that just makes good sense and is particularly good news for plan sponsors. Moving to digital records will not only reduce administrative loads, it could also reduce risks, so long as proper record retention policies are in place.

## BUILDING THE WORKFORCE FOR THE FUTURE

Consistent with our [Global Talent Trends](#) research, the budget has recognized the importance of training, reskilling and building the workforce for the future in several ways.

Whether through general programs (e.g. tuition reductions, apprenticeship programs) or through focused initiatives such as those aimed at the automotive sector (e.g. talent roadmaps and online learning, reskilling), it is clear that the government recognizes the need to equip Ontario's workforce with the skills they will need to compete in the modern job market – now and in the future.

In addition, the budget indicated that the government is applying key HR principles in the management of publicly-funded agencies and its own workforce:

- Performance/outcome based program funding incentives for the province's publicly assisted colleges and universities, and
- Performance based pay adjustments for public sector executives where the cost of incremental compensation will effectively be self-funded by the outcomes achieved.

While there remains much more work to be done with respect to ensuring that Ontario's workers have the skills they need to compete in tomorrow's economy, these initial steps are a good start.

## MORE TO COME

Many of the proposals included in this budget are welcome, but to properly gauge their impact on your plan, much more detail is required.

And if plan sponsors are to truly to succeed, they need a partner in government: to help them control costs, to help them anticipate change, and to provide them with flexibility to meet their business and talent needs.

We note that the government has already introduced draft legislation with respect to some of the budget initiatives and we will provide you with more information once we have completed our analysis. We expect that other proposals in this budget will be fully realized in the coming months, as the government tables and passes further legislation. We will continue to watch closely, to gauge the impact on your organization and to ensure that whatever the future brings, you will be ready.

[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 115 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 *Make Tomorrow, Today*.

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