

MERCER'S RESPONSE: 43RD CANADIAN GENERAL ELECTION

On October 21, 2019, Canada elected its 43rd Parliament. Although no party commands an outright majority, Justin Trudeau's Liberals command a plurality of seats, with Andrew Scheer, leader of the Conservative Party, leading the second-largest delegation.

Prime Minister Trudeau remains in office, and in the coming weeks will test the confidence of the House of Commons with a Throne Speech. Multiple avenues are open to the government: the Liberals could enter into a formal coalition with another party, they could negotiate a confidence and supply arrangement, or – like Stephen Harper before him – the Prime Minister could govern alone, negotiating confidence on a vote-by-vote basis.

Only one thing is certain: whatever direction the government takes, employers and plan sponsors will feel the effects.

AVOIDING THE RETIREMENT CLIFF

On Monday, Mercer released the [2019 edition of the Melbourne Mercer Global Pension Index](#). Canada maintained its B rating, but this rating belies risks on the horizon. We presently have a \$3.27 trillion gap between existing retirement savings and future retirement needs, reflecting not only the impact of demographic forces, but also workers' limited access to corporate retirement plans and a challenging long-term investment environment.

The scale of this challenge calls for bold ideas and evidence-based solutions, but neither were on the agenda, either in the parties' platforms or in the national debate.

At a minimum, the government should consider reversing its decision to lower the Old Age Security eligibility age to 65.

PHARMACARE FOR ALL?

At Mercer, we are pleased to see a cross-party consensus emerge around the need for a national rare disease strategy. Such a strategy – in line with our proposed model of Pharmacare – would help insulate your organization from the debilitating costs of rare disease treatments. It would also help support your employees as they deal with the financial burden of healthcare.

At present, drugs to treat rare diseases are covered at varying levels from province to province. A national rare disease strategy would help to equalize coverage as well as insulate you, as a plan sponsor, from the decision-making process.

There is less consensus around National Pharmacare itself – its design, its level of funding, and its timetable for implementation. The NDP has made a single payer model – similar to the model suggested by the Advisory Council on the Implementation of National Pharmacare – a condition of its support in Parliament.

Should the government continue to pursue Pharmacare as a priority, we hope to see further definition around design and implementation timeframe in the Throne Speech and Budget.

As [we wrote in June](#), we believe that the Council's model is very generous: perhaps too generous to be sustainable. Further, because healthcare is in the provincial jurisdiction, implementing Pharmacare would require potentially contentious negotiations with provincial and territorial governments, adding further complexity to an already challenging file.

A HIGHER FEDERAL MINIMUM WAGE

Following moves in Ontario and Alberta to raise the minimum wage, and following an extended pressure campaign in the United States, the federal Liberals promised a \$15 minimum wage for federally regulated industries – an area of common ground they have with the New Democrats. This new minimum wage would take effect in 2020 and be indexed to inflation thereafter.

While most employers are subject to provincial jurisdiction, low-margin industries in federal jurisdiction – such as transportation and logistics – should begin to plan for higher labour costs in areas of their business. Employers should also watch provincial movements on this file closely, as the federal government has a powerful agenda-setting ability and the \$15 federal target is higher than all provincial and territorial minimum wages, with the exception of Alberta.

The Trudeau Liberals also promised to implement unspecified 'greater labour protections for people who work through digital platforms.' These rules would protect those who are not covered by provincial or federal labour laws.

While this is clearly targeted at disruptors like ride-share and delivery apps, other companies could be caught in the crossfire. Organizations who have contingent and contract workers as part of their overall talent strategy could potentially be affected and could face higher costs.

Finally, the Liberals took a page from France and promised workers the 'right to disconnect' from their offices. While the platform offers little to hint at the details of implementation, these provisions are clearly inspired by similar laws in Europe. This could create potential challenges for organizations which offer flexible work schedules in response to business or employee demands.

CAPITAL GAINS

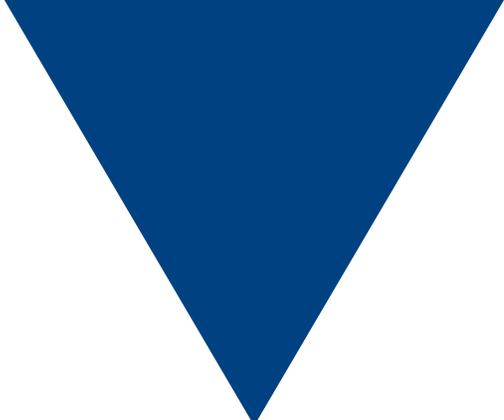
The results of the federal election do not give us a reason to think the government will change course with regards to planned changes to the taxation of capital gains on stock options. We anticipate further details regarding these changes ahead of the 2020 tax year.

CLIMATE CHANGE IN FOCUS

With the carbon tax the centrepiece of Conservative messaging on the cost of living, climate change was one of the few issues seriously engaged with during this election.

At Mercer, we are pleased to see all parties take the challenge posed by the warming planet seriously. We also know that climate action is a public-private partnership, with institutional investors increasingly turning towards Responsible Investment (RI) principles to ensure that they are delivering against their social responsibilities.

Pension plans, and other investors with multi-decade investment timeframes, should also begin to grapple with this problem seriously. In [Investing in the Time of Climate Change: The Sequel](#), we detailed several climate scenarios – ranging from 2 to 4 degrees of warming – and the risks posed to investors by each. It is in all of our interests that government, and civil society, take climate change seriously and act appropriately.



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 we *Make Tomorrow, Today*.

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