

# THE 2017 ONTARIO BUDGET – PENSIONS AND BENEFITS PLAY A CENTRAL ROLE

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On April 27, 2017, the Government of Ontario put forward its 2017 Budget and introduced legislation – Bill 127, *An Act to implement Budget measures and to enact and repeal various statutes* – to implement the measures contained in the Budget.

Among the many features of the 2017 Ontario Budget were a number of provisions relating to pensions and benefits, a number of which appear to continue the push to expand the pension options available to Ontario workers and enable greater certainty for both pensioners / retirees and employers. The 2017 Budget measures include:

## **Changes to Defined Contribution Plans**

Ontario intends to develop regulations before the summer legislative break to facilitate the implementation of variable benefits, which are periodic payments made upon termination or retirement from a specified variable benefit account.

The province has also stated that it will examine decumulation (the process of converting pension savings into retirement income) and engage with stakeholders on potential changes to defined contribution plan annual statements, with a view to increasing transparency and plan member understanding.

## **Establishing the Financial Services Regulatory Authority (FSRA) Changes to the Financial Services Tribunal (FST)**

Ontario announced that it expects to appoint the FSRA's board of directors in Spring 2017. The province also plans to introduce legislation to formally establish the FSRA's mandate and governance structure by the end of 2017. In the meantime, the province has introduced amendments through Bill 127 to permit the FST to manage its caseload by combining procedure or hearings.

## **Missing Beneficiaries**

In an effort to ease the burden on employers / pension administrators in dealing with missing beneficiaries,

Ontario will instruct the Superintendent of Financial Services (Superintendent) to establish a policy providing direction to administrators on how to locate beneficiaries. The Superintendent will also have authority to waive periodic statement requirements where an administrator can demonstrate that a beneficiary is, in fact, missing. There was, however, no mention in the Budget of plans to create a fund into which the monies of missing beneficiaries could be transferred.

### **Solvency Funding**

Following up on 2016 consultations in response to pressure on plan solvency, caused mainly by years of very low interest rates, Ontario plans to announce guiding principles of a new solvency funding framework later this spring. The province's goal is to release draft regulations for public comment in Fall 2017. We will keep you abreast of the draft regulations as they become available.

### **Pooled Registered Pension Plans (PRPPs)**

Ontario used the Budget to announce recent legislation to permit Ontario employers to offer PRPPs and to make Ontario part of the Multilateral Agreement Respecting PRPPs.

### **Target Benefit Plans**

Ontario will announce a proposed framework for target benefit multi-employer pension plans (MEPPs) this Spring and plans to release draft regulations for public comment in the Fall. The MEPP framework is meant to replace regulations for specified Ontario MEPPs (SOMEPPs), whose members are unionized. Ontario is also exploring options for a target benefit MEPP framework for plans that do not presently meet SOMEPP criteria.

### **Expanding the Superintendent's Powers**

Following up on [amendments to the Pension Benefits Act proposed in 2016](#), Ontario plans, in Spring 2017, to post regulations that would allow the Superintendent to issue administrative monetary penalties (AMPs). Bill 127 includes further amendments that will boost the Superintendent's authority, including providing authority to direct administrators to provide beneficiaries with specified information and to require administrators hold a meeting to discuss matters specified by the Superintendent (though the parameters of such meetings remain unclear).

### **Prescription Drug Coverage**

Finally, the most prominent feature of the 2017 Ontario Budget was the plan to provide drug coverage for all individuals under the age of 24 in Ontario. In doing so, the province will cover the cost of medications funded through the Ontario Drug Benefit Program.

Benefits providers may be notably impacted by the changes, including in the area of benefits for immediate family members, and should closely monitor the roll-out of the drug coverage changes.

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**A Cautionary Note**

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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