

MERCER'S RESPONSE: 2018 ONTARIO PROVINCIAL BUDGET

On March 28, 2018, the government of Ontario tabled its 2018 budget.

Named "A Plan for Care and Opportunity," the budget – the last to be tabled before the provincial election – is an ambitious document that serves as a statement of the government's vision for Ontario.

While many of these proposals are sure to be debated in the coming election, we at Mercer believe that, election or not, the proposals within merit close observation.

HEALTH BENEFITS EXPANSION

Pharmacare for Seniors

One of the landmark items to come out of this budget is the expansion of the government's OHIP+ program to Ontarians 65 years and older by removing the deductible and copay from the Ontario Drug Benefit (ODB).

This will be welcome news for seniors, who will no longer have to pay for drugs on the ODB formulary. But it will also be welcomed by some plan sponsors, who currently cover ODB deductibles and co-payments in post-employment plans. These plans could see cost savings, estimated to be 15 per cent of post-65 drug costs in Ontario.

The beginnings of a drug and dental plan

The government also proposed a new dental and drug benefit for those Ontarians not presently covered by either OHIP+ or an employment-based plan. While the government has only committed to consultations with stakeholders and has only sketched out a potential plan design, this initiative should still be monitored closely.

Should this plan eventually become reality, some employers may stop offering their private plans in favour of the public plan. However, those employers who continue to offer benefits will remain employers of choice.

Improved access to mental health services

The government also laid out a plan to improve access to mental health and addictions services, including publicly funded psychotherapy.

Ontario firms will welcome these developments, as companies in every sector are seeing an increase in mental health and wellness issues with their workforce. Bolstering access to mental health support services should have a positive impact on the productivity of, and reduce absenteeism within, workforces across the province.

PENSION FUNDING AND REGULATORY REFORMS

Regulations for new funding regime coming soon

The government made an effort to re-emphasize its commitment to implementing its new funding framework for defined benefit (DB) pension plans in Ontario.

While it has not yet released the regulations to implement the new funding regime, DB plan sponsors should be confident that they are coming, irrespective of the upcoming election.

The government is also committed to finalizing the review of new funding rules for target benefit multi-employer pension plans (MEPPs), including a consultation on key features this spring. In the meantime, the solvency funding exemption for Specified Ontario MEPPs which was scheduled to expire in August 2018 will be extended.

New structures for regulating distressed sponsors of DB plans

The budget also contained new details about the transition to the new pension and insurance regulator, the Financial Services Regulatory Authority (FSRA).

These details include the creation of an internal advisory committee dedicated to overseeing issues related to the Pension Benefits Guarantee Fund and pension plans with distressed sponsors, as well as implementing a “disclosable events regime” that would mandate disclosure to the regulator of certain corporate or plan events that may impact benefit security.

This new structure will allow FSRA to connect and engage with distressed plan sponsors and deal with issues before potential bankruptcy.

Plan sponsors who are concerned about potential regulatory action should be aware that this structure will allow the pension regulator to be much more proactive than in the past.

Changes to Regulation of Insurance

The government is amending the Insurance Act to make several changes modernizing the regulation of insurance. While most of the measures are targeted at the auto industry, provisions around electronic policies and communications, such as e-signatures, will provide employers with much-needed clarity.

It remains to be seen how the FSRA will behave with regard to life, accident and health insurance benefits, as it assumes the responsibilities of the Financial Services Commission of Ontario.

GENDER EQUITY IN WORKPLACES AND ON BOARDS

Pay transparency and workforce composition

The budget includes measures to require greater public transparency when it comes to pay and the state of equity within an organization. These measures include:

- Requiring employers to report aggregate pay gaps and workforce composition by gender and other diversity characteristics, and
- Requiring publicly-posted jobs to have a public associated salary range.

These proposals align with the government’s stated intention to reduce the gender wage gap in Ontario, as women, and other marginalized populations, will be in a better position to negotiate their starting rates of pay, and there may be greater public pressure on organizations to resolve inequities.

More details are required, but all employers need to consider the state of their HR programs, analytics and information systems, whether they are up to the task of meeting the province’s new transparency requirements, and how employees and the talent market will react to the new information.

As Mercer wrote in our white paper [When Women Thrive, Canada Thrives](#), employers looking to ensure gender parity must apply rigorous workforce analytics, to ensure that their gender strategy is rooted in proof and that data is driving decisions. Employers that take a proactive approach to understanding the state of their current workforce and drives of inequity will be better positioned to manage these new transparency requirements.

Gender diversity on boards

The government continues to be consistent in urging organizations to seek a higher representation of women on corporate boards. In this budget, the government commits to using its procurement process to encourage large firms that sign contracts with Ontario to not only reach this target but to develop written policies on gender equity on their boards and C-Suites, and to consider and introduce board renewal strategies.



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*.

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