



# Information Bulletin

April 12, 2019

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## In this issue

### Ontario Budget 2019

- 1 Target Benefit Plans
- 2 Contribution Holidays
- 2 FSRA
- 2 Other Pension Matters
- 2 Digital Communications
- 2 Health & Benefits
- 3 Capital Markets
- 3 Financial Planners and Advisors

## Ontario Budget 2019

On April 11, 2019, the 2019 Ontario Budget was released along with the related Bill 100, *Protecting What Matters Most Act (Budget Measures), 2019*. The Budget and Bill 100 include a number of measures that are of interest to pension and benefit plan sponsors.

### Target Benefit Plans

Aon has been a champion of the target benefit plan model, as it combines the best features of defined benefit plans and defined contribution plans. Target benefit plans provide a monthly pension, with pooling of investment and longevity risk like a defined benefit pension plan. However, target benefit plans also provide a predictable contribution rate for plan sponsors like a defined contribution plan.

Currently, Ontario does not have a permanent target benefit framework in place; at present there is only temporary solvency funding relief for Specified Ontario Multi-Employer Pension Plans (SOMEPPs), which are multi-employer plans that meet certain criteria (i.e., unionized members and employers contributing at fixed rates set out under collective bargaining agreements).

The previous government had proposed a more permanent target benefit plan framework, but the proposals were still limited to multi-employer plans with unionized members.

The Ontario Budget affirms the government's intent to work with stakeholders to implement a permanent framework for target benefit plans, including an expansion of the eligibility criteria to include non-unionized members in the not-for-profit sector, in addition to those that are collectively bargained. The Ontario government indicates that it will continue to work with stakeholders as it develops further elements of the target benefit framework, including the funding framework.

Schedule 48 of Bill 100 addresses this proposal.

## Contribution Holidays

In early 2019, FSCO indicated that the 2018 changes to the *Pension Benefits Act* (PBA), related to the new funding regime, affected the use of the prior year credit balance (PYCB) to offset or reduce contributions for the normal cost.

The PYCB refers to the amount of contributions made in excess of the minimum contribution requirements. A plan sponsor may choose to set up a PYCB when an actuarial valuation is performed and it can be used to reduce future contribution requirements.

FSCO indicated that a PYCB could still be used to offset or reduce contributions for special payments only. However, FSCO took the position that the normal cost and provision for adverse deviations (PfAD) on normal cost contributions could only be reduced through the application of available actuarial surplus.

Bill 100 clarifies the operation of these rules. In particular, Section 55.1 of the PBA is amended so that the PYCB can continue to be used to offset or reduce contributions for the normal cost and the PfAD on the normal cost contribution, which had been expressly permitted under Regulation 909 prior to the 2018 changes to the PBA.

## Financial Services Regulatory Authority (FSRA)

The Ontario Budget affirms the Ontario government's commitment to launch the new Financial Services Regulatory Authority (FSRA) of Ontario in June 2019. The FSRA amalgamates the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO) and it will be responsible for the regulation of not only pension plans, but also insurance, credit unions, trust companies, and mortgage brokers.

The focus of the FSRA will be to reduce red tape and find more efficient and effective ways to deliver regulatory services. Unlike its predecessor organizations, the FSRA will have rule-making authority, to give it additional flexibility to address gaps and be more responsive to stakeholders. To that end, the government is considering legislative and regulatory changes that would provide the FSRA with additional rule-making authority in the pension sector.

Schedule 27 of Bill 100 makes various amendments to the *Financial Services Regulatory Authority of Ontario Act, 2016*.

## Other Pension Matters

Although not mentioned in the Ontario Budget, Bill 100 also amends the PBA to:

- provide that the assets of the PBGF are not public money for the purposes of the *Financial Administration Act* and do

not form part of the Consolidated Revenue Fund (it also authorizes the FSRA to collect and enforce payments to the PBGF)

- require the FSRA to give the Minister such records and information related to a pension plan or pension fund, or both as the Minister requests (no notice will be required to be given to an individual in respect of personal information that may be collected by the Minister in this regard)

## Digital Communications

### Pension Plans

On December 6, 2018, the PBA was amended to allow for the electronic designation of pension plan beneficiaries.

The Ontario Budget proposes further amendments to the PBA to provide for electronic communication to be the default method, with appropriate safeguards, to provide pension plan information to plan members. Members would be given the option to continue to receive paper documents. These proposed changes are not addressed in Bill 100.

### Group Benefits Plans

The Ontario Budget also proposes amendments to the *Insurance Act* that, if passed, would clarify that insurers may accept electronic beneficiary designations, subject to any requirements that may be prescribed in a rule by the FSRA. This is addressed in Bill 100.

## Health & Benefits

On the health care front, changes are proposed to various programs including suggestions about rationalization of Ontario Health Insurance Plan (OHIP) services and the introduction of dental services to seniors under the poverty line. There is also a reference to a change in the reimbursement of the mark-up for Ontario Drug Benefit drugs but it is unclear whether this change will have any impact beyond the interactions between the Government and pharmacists.

The Ontario government also proposes to provide certain health care providers with an expanded scope of services in an effort to improve efficiencies (e.g. by reducing wait times for patients). In addition, as part of their "Digital-First for Health Strategy" there is a proposal to allow for virtual visits and digital supports for integrated care. These initiatives may alleviate some absences from work.

Little detail of these changes is provided at this time.

## Capital Markets

The Ontario Securities Commission (OSC) is currently working with the Ontario government to make burden reduction a priority through its dedicated Burden Reduction Task Force (Task Force).

To support the OSC's efforts to address unnecessary regulatory burden and foster economic growth, the Ontario Budget indicates that the government intends to move forward with a five-point plan for creating confidence in Ontario's capital markets. The plan consists of the following elements:

- the OSC's Burden Reduction Task Force
- establishing the Office of Economic Growth and Innovation
- improving the investor experience and protection
- ensuring economically focused rule-making; and
- ensuring competitiveness and clear service standards

Schedule 55 of Bill 100 purports to enable some of these proposals.

In addition, the Ontario Budget discusses Ontario's participation in the Cooperative Capital Markets Regulatory System (CCMR). Currently, Canada is the only G20 country without a national capital markets regulator. The Ontario Budget indicates that the Ontario government is pleased that the recent decision of the Supreme Court of Canada has confirmed the constitutionality of key elements of the CCMR. As a member of the CCMR, Ontario works collaboratively with other participating jurisdictions

(current participants British Columbia, New Brunswick, Nova Scotia, Ontario, Prince Edward Island, Saskatchewan and Yukon as well as the federal government), to further the implementation of the CCMR. Ontario will continue to encourage other jurisdictions to join the CCMR.

## Financial Planners and Advisors

There is currently no "title protection" for financial planners and financial advisors in Ontario.

Individuals receiving financial planning and advisory services may not be receiving assistance from appropriately qualified professionals. The Ontario Budget indicates that the lack of title protection undermines professionalism and confidence in those offering financial planning and advisory services.

The Ontario Budget proposes legislation to protect titles for financial planners and financial advisors in Ontario. The proposed new framework is being developed for the financial services industry to require that individuals using the financial planner and financial advisor titles have an appropriate credential. It is intended that the new title protection framework will take a measured approach to enhance consumer protection without introducing unnecessary regulatory burden. The Ontario government indicates that it will also be mindful of the current regulatory oversight of licensees and registrants when developing the new framework.

Schedule 25 of Bill 100 purports to enact the *Financial Professionals Title Protection Act, 2019* to enable these proposals.

# Contact Information

Should you wish additional information on this topic, please contact your local Aon consultant, or send an email to [canada.retirement@aon.com](mailto:canada.retirement@aon.com).

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