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Inside This Issue

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Employment Insurance (EI) Change Could Impact Benefits

While the federal budget will reduce the waiting period for Employment Insurance (EI) benefits from two weeks to one week starting January 1, 2017, it does not specify whether the change applies to benefits for both unemployment and sickness, says an Eckler "GroupNews". It also does not specify whether the maximum payment period is being extended by one week. Eckler assumes that the change does cover both types of benefits, and that due to financial implications, an extension to the maximum payment period is not being considered. This means plan sponsors will have to reduce their waiting period for short term disability (STD) benefits in order to preserve any EI premium reduction. This may result in an increase in the number and dollar amount of STD claims. Plan sponsors who integrate the expiry of EI benefits or EI-equivalent STD benefits with their privately sponsored long term disability (LTD) programs will need to reduce the waiting period for LTD benefits.

Why Plan Benefit Communication Is So Important!

Many plan members do not fully understand their benefit coverage and as such do not fully appreciate the true cost of that coverage unless they incur a significant expense for which they receive reimbursement. They may also not realize the value of their benefit plan until their coverage terminates and they have to either pay the premium cost to maintain the same level of coverage or source out alternative coverage in the retail market.

Merely providing a benefit booklet when they start their employment and perhaps hosting "benefits information sessions" may not be sufficient. Many leading corporations are now producing "Total Rewards" statements for their employees to help them appreciate the value of what is included in their overall compensation package.

These "Total Rewards" statements often include monetary values of compensation, bonuses, pensions, benefits, and vacation time allotment.

Communicating the full value of what is included in an employment contract is a win/win for both the employee and the corporation. The employee has a much better understanding of the investment that the corporation is putting into their employees and they are better equipped to plan for retirement. From the corporation's standpoint, this provides for better employee retention and job satisfaction.

Manion Claims Corner

High Amount Pooling – How the Industry is Responding to Catastrophic Claims

Manion is committed to keeping our clients apprised of important developments within the industry. Increasing High Amount Pooling costs have been a challenge faced by the entire industry in recent years, and we have customarily seen the industry react with increased premiums. Here are excerpts from some related articles that speak to this issue:

> ***Sustainability of Benefit Plans In Question – Benefits and Pension Monitor Oct 2, 2015***
>
> *Ten years ago, there was only one prescription which cost more than $75,000. Today, there are more than 600 and while pooling arrangements are designed to share the cost of new, expensive drugs, the cost of this protection is now going up with some plans facing increases ranging from 20 per cent to 150 per cent.*
>
> ***ASO Groups Need To Accept More Risk – Benefits and Pension Monitor Sep 30, 2015***
>
> *The challenge for the industry is that it needs to find ways of reducing the cost of drugs. With more expensive drugs, some costing in the high six figures, some sort of pooling is needed as plans could see 30 to 50 per cent increases in stop loss premiums in the next 12 months.*
>
> ***Can stop-loss coverage be optimized for ASO plans? - Benefits Canada September 18, 2014***
>
> *.................in my inbox was an email from a plan advisor highlighting the premiums a mutual client was facing as of this coming October for stop-loss at a level of $10,000 had risen to nearly 16%. And I received another email today highlighting premiums increasing to 20% for another ASO plan at renewal.*

Unfortunately, the ongoing introduction of new specialty, biologic and bio-similar drugs is leading to Insurers implementing cost controls. These include restrictions on some new specialty and biologic drugs, and – more commonly – increases to the level at which the High Amount Pooling/Stop Loss will kick in (in other words, the Plan Sponsor will be responsible for a larger portion of claims for high claiming individuals).

While most insurers are increasing their pooling attachment points quietly, Sun Life has gone public with their changes – indicating they will be increasing the level at which the High Amount Pooling will kick in to $15,000 or more for their policies outside of Quebec.

With overall claims activity on the rise and the insurers' desire to maintain the solvency of their plans, we anticipate there will likely be other insurers delivering similar messages as we progress through 2016-17. **Manion** will continue to work with our clients to ensure they are moving towards solutions such as increasing their Stop Loss attachment point and/or implementing Prior Authorization, as necessary on a case-by-case basis, in an effort to mitigate renewal increases. If we can be of further assistance in explaining any of the preceding information, please contact your **Manion Account Executive.**

Increase to Provincial and Territorial Dental Fee Guides

Most of the Provincial and Territorial dental associations have now advised what adjustments will apply to their fee guides for services 2016. Fees for various services either increase or decrease at different rates, however, the overall weighted average increase for 2016 for each of the provinces or territories is as follows.

If Your Plan is Based on the Fee Guide for:

A Pre-Determined Year (if using a lagging fee guide)

For Example: The 2014 Ontario Fee Guide is approximately 104.19% of the 2012 Ontario Fee Guide (102.14% x 102.01%), or a 4.19% increase to rates.

Province	2010 Average Increase	2011 Average Increase	2012 Average Increase	2013 Average Increase	2014 Average Increase	2015 Average Increase	2016 Average Increase
Alberta*	6.00%	4.93%	4.50%	4.00%	3.40%	3.70%	2.90%
British Columbia	2.42%	1.80%	2.38%	2.40%	1.80%	2.00%	3.20%
Manitoba**	3.36%	3.49%	3.30%	3.20%	3.10%	2.90%	2.40%
New Brunswick	2.00%	2.00%	3.00%	2.00%	3.00%	2.00%	2.00%
Nfld. & Labrador	N/A	6.00%	4.50%	5.00%	1.80%	1.75%	1.50%
NWT / Nunavut	N/A	N/A	N/A	2.44%	2.00%	2.50%	2.50%
Nova Scotia	2.04%	2.50%	2.52%	2.63%	2.03%	2.23%	3.50%
Ontario	2.40%	2.00%	2.50%	2.14%	2.01%	1.53%	2.00%
Prince Edward Island	2.07%	2.27%	2.00%	2.73%	2.04%	2.25%	2.60%
Quebec	2.90%	1.60%	2.40%	3.10%	2.00%	2.10%	2.60%
Saskatchewan	4.07%	3.00%	3.01%	4.17%	2.30%	2.00%	1.90%
Yukon	N/A	N/A	N/A	N/A	N/A	N/A	2.30%

* The Alberta Dental Association (ADA) has not published an annual fee guide since 1997. As a result, insurers must determine their own reimbursement benchmark for Alberta - see the section below for more information.

**** Northern Manitoba (north of the 53rd parallel) will continue to have a higher differential fee of 10% greater than their overall average annual increase.**

If Your Plan is Based on the Fee Guide for:

The Current Year

The increase from the 2015 to the 2016 fee guide, depending upon your Province or Territory of residence, is as follows:

Province	Average Increase
Alberta*	2.9%
British Columbia (Feb. 1, 2016)	3.2%
Manitoba**	2.4%
New Brunswick	2.0%
Newfoundland & Labrador	1.5%
Northwest Territories/Nunavut	2.5%
Nova Scotia	3.5%
Ontario	2.0%
Prince Edward Island	2.6%
Quebec	2.6%
Saskatchewan	1.9%
Yukon	2.3%

* The Alberta Dental Association (ADA) has not published an annual fee guide since 1997. As a result, insurers must determine their own reimbursement benchmark for Alberta - see the section below for more information.

**Northern Manitoba (north of the 53rd parallel) will continue to have a higher differential fee of 10% greater than the overall average increase for 2016.

Manion Pension Corner

Ontario: Filing of Statement of Investment Policies and Procedures (SIPP)

Effective January 1, 2016, plan administrators for pension plans registered in Ontario are required to file their SIPP and SIPP amendments, with the Financial Services Commission of Ontario (FSCO) and it is now a legislative requirement that the plan's assets are invested in accordance with the SIPP. The SIPPs for all of **Manion's** client pension plans were restated and/or amended by Gord Lewis and his team at Proteus to ensure that:

- the document contains information about investment policies and procedures in respect of a plan's portfolio of investments and loans; the diversification of the investment portfolio; asset mix and rates of return expectations; and the liquidity of investments;
- it complies with the federal investment regulations (FIR), as amended;
- states whether environment, social and governance (ESG) factors are incorporated into the plan's investment policies and procedures, and if so how.

Going forward any amendments made to the SIPP must be filed within 60 days after the date the amendment is made.

Quebec: New Pension Funding Rules for Private Defined Benefit Pension Plans

Bill 57, took effective on January 1, 2016 and removes the requirement to fund private defined benefit pension plans on a solvency basis. Under the new rules, employers will have to fund their plans on a going-concern basis. A going-concern valuation assumes the plan will exist indefinitely and therefore lessens the impact of short-term market fluctuations on its funded status. With the elimination for solvency funding, plan sponsors will have to put assets in a reserve as per the "stabilization provision", the size of which is based on several aspects including investment risk. It also eliminates, in certain circumstances, the need for annual actuarial valuations.

As Quebec deals with this new law and its regulations, **Ontario** is considering changes to its own pension rules. The Ministry of Finance announced on its website that it intends, on an accelerated basis, a review of the current solvency funding rules for defined benefit pension plans, focusing on sustainability, affordability and benefit security.

Pension Plan Governance

Governance demonstrates that there is accountability in administration of a pension plan. As written in the Benefits Canada article by Vawn Himmelsbach on February 3, 2016, "It is no longer nice to have; it's mandatory." The legislation and regulations in Alberta and B.C. emphasize disclosure and require a written Governance Policy. Alberta also requires a funding policy; Quebec will also upon release of the related regulations. Recognizing current legal and legislative trends with respect to pension plan governance including the January 1, 2016 FSCO Policy A300-101, Administrator Role and Responsibilities, **Manion** will be working with our clients to modernize their governance policies: ensuring that they comply with common law, relevant statutes and industry best practices; and, that it clearly states how the plan administrator will respond to conditions and events which impact the prudent management of the pension plan.

Ontario: Eliminating 30 Per Cent Rule under Consideration

In the 2015 Ontario Economic Outlook and Fiscal Review, the Ministry of Finance has announced its intention to eliminate the rule that restricts a pension plan from investing in more than 30 per cent of the voting shares of a corporation, known as the "30% rule". In conjunction with the elimination of the 30% rule, the government is proposing to require additional disclosure requirements and undertakings from both the plan administrator and the applicable corporation, if the plan invests in more than a threshold percentage of that corporation's voting shares. Stakeholders can make submissions on or before April 29, 2016. We have asked our clients' Investment Consultants and Investment Managers to share their submissions, as applicable.

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