Manion Magazine

VOLUME 5 ISSUE 2
APRIL 2018

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RETRACTED! Saskatchewan Provincial Sales Tax (PST)

We are pleased to announce that the Saskatchewan government has retracted their previous decision to apply provincial sales tax (6%) to all insurance premiums including life, accident, critical illness and health and dental insurance products. It would appear that the Saskatchewan government will now reinstate the previous PST exemption, retroactive to August 1, 2017.

As a result of this retraction, Manion will be refunding affected clients for the PST collected on premiums retroactive to August 1, 2017 once we receive the funds back from the Province.

MANION

We Care,
You Benefit.

Manion Claims Corner

REMINDER! Express Scripts Canada (ESC) Prior Authorization Process Update

When you are prescribed a prior authorization drug you or your physician may be required to complete and submit a Prior Authorization Form. The form, along with a list of prior authorization drugs can be found at www.express-scripts.ca. The completed form can be mailed or faxed directly to Express Scripts Canada Clinical Services (details are on the form).

Completion and submission of this form is not a guarantee of approval. The decision for approval versus denial is based on pre-defined clinical criteria, primarily based on Health Canada approved indications(s) and on supporting evidence-based clinical protocols. You do have the right to appeal the decision made by Express Scripts Canada.

You will be notified whether your request has been approved or denied. The decision will also be communicated to the prescribing doctor by fax, if requested.

Manion Pension Corner

Ontario Defined Benefit Funding Reform

On December 14, 2017 Ontario released its proposed regulations relating to the new funding framework for defined benefit pension plans announced by the government on May 19, 2017. The proposed regulations include:

- **New rules for solvency payments**
    - Requiring funding (special payments) on a solvency basis if needed to improve the plan's funded status to 85 per cent on a solvency basis. Currently, a solvency deficiency (100 per cent) must be amortized over five years and under the new rules a solvency deficiency (85 per cent) must be amortized over five years.
- **Modifications to rules for letters of credit**
    - The proposed framework would recognize the new requirement to fund 85 per cent of solvency liabilities, rather than 100 per cent of solvency liabilities.
- **New going concern rules**
    - Shortening the amortization period from 15 years to 10 years for funding a going concern shortfall in the plan.
    - Consolidating going concern special payment requirements into a single schedule when a new report is filed.
- **Provision for adverse deviations (PfAD)**
    - A PfAD would be a percentage used to determine additional contributions in respect of normal cost and in respect of the going concern liability of the plan.
    - The PfAD would depend on the proportion of assets that are not considered fixed income in the target asset mix that will be required to be set out in its Statement of Investment Policies and Procedures (SIPP).

- The PfAD would depend on whether the plan is open or closed to new members.
- The PfAD would depend on the plan's going concern discount rate, added only if the discount rate exceeds a benchmark discount rate (BDR) defined in the Regulations.

- **Enhanced funding rules for benefit improvements**
  - Restrict benefit improvements unless a plan has a solvency ratio of at least 85% and a going concern funded ratio of at least 90% after the improvement. A lump sum contribution would be permitted to satisfy these requirements.
- **Transition rules**
  - If a plan's total contribution requirements under the new rules are greater than the total contribution requirements under the current rules, the transitional rules would allow the increase to be phased in over a three-year period.
  - For the first report filed after the new rules take effect a plan is permitted the use of any solvency excess to reduce either the amount of solvency amortization payments or the length of the solvency amortization period, provided there are less than six years left in the payment schedule.
- **Surplus**
  - Stricter rules on the use of surplus for plan improvements and contribution holidays.
  - The plan's transfer ratio must be at least 1.05 after reducing the solvency assets by the amount of surplus used to lower contribution requirements.
  - A cost certificate must be filed each year a contribution holiday is taken.
  - Notice of a contribution holiday must be provided to plan participants, any unions representing members, and the plan's advisory committee (if there is one).
  - The value of assets that could be used to take a contribution holiday for a year would be limited to 20 per cent of the plan's actuarial surplus.

Other matters that are part of the new framework are:

- **Funding and Governance policies**
  - A need to reassess plan investment policies and de-risking strategies that might be in progress.
  - A need to continue to improve governance policies and practices.
  - A need to review member communications – disclosure of the funding rule changes, including a description of the reduction in solvency funding requirements from 100 per cent to 85 per cent and a description of the requirement to fund a PfAD on a going concern basis.
- **Administrator discharge of liabilities on annuity purchase**
  - Discharge of liabilities when annuities are purchased for retirees or deferred plan members.

- **Changes to the Pension Benefits Guarantee Fund (PBGF)**
    - Increasing the guarantee provided by the PBGF from $1,000 per month to $1,500 per month.

The new funding rules would not apply to listed jointly sponsored pension plans (JSPPs) or to specified Ontario multi-employer plans (SOMEPPs), but would apply to multi-employer plans that are not SOMEPPs.

The proposed amendments to the Regulations would be applied to valuation reports dated on or after December 31, 2017 (that are filed after the new framework comes in force).

CPP Enhancements

On February 27, 2018 the Minister of Finance announced the 2018 Federal Budget. The federal government will introduce legislation to implement five changes to the CPP effective January 1, 2019:

1. **Death Benefit**

   Currently the death benefit is a one-time, lump sum payment made to a CPP contributor's estate. It is equal to six months of the deceased contributor's CPP retirement pension at age 65, up to a maximum of $2,500.

   The proposed death benefit will be a one-time flat-rate payment of $2,500 for all eligible CPP contributors, regardless of actual earnings. This will benefit families of lower-income workers.

2. **Child rearing drop-in**

   Parents who stop working or reduce their work hours to become the primary caregiver to their children under the age of seven, the CPP Enhancement would "drop-in" an amount equal to the parent's average earnings during the five years prior to the birth or adoption of the child (if that amount is higher than their actual earnings during that period).

   The current child-rearing "drop-out" provision will still apply fully to any periods of child-rearing before 2019, and it will still apply to child-rearing periods after 2018 for the base CPP retirement pension.

3. **Disability drop-in**

   People with severe and prolonged disabilities, the CPP Enhancement would "drop-in" an amount equal to 70 per cent of their average earnings in the six years prior to the onset of the disability.

   The current disability "drop out" provision will still apply fully to any periods of disability before 2019, and it will still apply to disability periods after 2018 for the base CPP retirement pension. The "drop-in" provision will not apply to anyone who is currently receiving a CPP disability pension. It will only apply if you have earnings in 2019 or later, and become disabled after that time.

4. **Elimination of reductions in survivor's pension for survivors under age 45**

   Currently, CPP survivor's pension is paid when their spouse or common-law partner died (reduced by 10 per cent for each year they were under the age of 45 unless they are disabled or have dependent children). This reduction lasts until age 65, when the survivor's pension is recalculated.

   The proposed survivor pension would no longer be reduced or eliminated due to their age at the time they become widowed. Anyone receiving a reduced survivor pension will automatically have their survivor pension increased in 2019. Anyone denied survivor pension because they were under age 35 when their spouse died can reapply for the survivor pension to start effective in 2019.

5. **Provide disability protection for retirement pension recipients under age 65**

   Currently, a recipient of the CPP retirement pension who became disabled cannot receive the larger CPP disability pension; even if they are still under age 65 and otherwise meet eligibility requirements.

   The proposed disability protection would provide an additional payment to a recipient of the retirement pension who develops a severe and prolonged disability while under the age of 65.

These changes will not result in an increase to contribution rates. Quebec announced reforms to the Quebec Pension Plan (QPP), similar to the CPP enhancements in November 2017.

Ontario Target Benefit Multi-Employer Pension Plans (TB MEPPs)

On April 4, 2018 Ontario released its proposed regulations relating to the new funding framework for TB MEPPs. The TB MEPP framework would replace the temporary funding rules in place for SOMEPPs, and extend the application of these rules to TB MEPPs that would not have previously satisfied the SOMEPP criteria. The proposed TB MEPP framework for eligible MEPPs includes:

- **Permanent exemption from solvency funding**
  - SOMEPPs have been exempt from solvency funding requirements on a temporary basis since 2007. Under the proposed TB MEPP funding framework, a pension plan that offers target benefits would not be required to fund on a solvency basis.
  - A plan amendment would be required to convert DBs provided by MEPPs to TB MEPPs. Upon conversion to target benefits, the obligation to make special payments related to past solvency deficiencies identified in prior valuation reports for the benefits converted would be cancelled.
- **Amortization period from 12 to 15 years for funding a going concern deficiency**
  - The amortization period required to fund going concern unfunded liabilities would be 15 years. Administrators would have a one-time opportunity to consolidate existing going concern special payments established in previous valuation reports into a new 15 year payment schedule.
- **Provision for adverse deviations (PfAD)**
  - A PfAD would be a percentage used to determine additional contributions in respect of normal cost and in respect of the going concern liability of the plan.
  - The PfAD would have a fixed component of 4 per cent to help reduce the risk of future benefit reductions if plan experience is unfavorable.
  - The PfAD would depend on the proportion of assets that are not considered fixed income in the target asset mix that would be required to be set out in its Statement of Investment Policies and Procedures (SIPP).

   - The PfAD would depend on the plan's going concern discount rate, added only if the discount rate exceeded a benchmark discount rate (BDR) defined in the Regulations.

- **New basis for calculating commuted values on member termination and plan wind-up**
   - The commuted value in TB MEPPs would be based on the value of a member's benefit entitlement determined using the plan's going concern assumptions and the plan's going concern funded ratio.
   - It is anticipated that the new basis for calculating commuted values would only be used for members with a termination date on or after the new standard has been incorporated into the regulations.
   - Further consideration may be given to legislative amendments to provide retirees with the option to receive the commuted value of the pensions on plan wind-up.

- **Rules for determining benefit reductions when funding requirements are not met**
   - A new contribution sufficiency test would require minimum contributions to the pension plan. If TB MEPPs negotiated contributions are less than the plan's required contributions, the TB MEPP would not satisfy the contribution sufficiency test and benefit reduction rules would apply.

- **Funding and Governance policies**
   - Requirement for plans to develop policies on funding and governance.
   - Opportunities for retirees to participate in plan governance.
   - Enhanced disclosure to plan beneficiaries regarding the status of their plan.

- **Transition**
   - Recognizing that contributions to TB MEPPs are made pursuant to collective bargaining agreements, transitional rules would allow the contribution increase to be phased in over a three year period following conversion.
   - The temporary SOMEPP funding regulations will be extended to expire one year after the proclamation of the TB MEPP framework, allowing time to complete collective bargaining and negotiate higher contributions, if necessary.

Ontario's approach to TB MEPP funding is similar to Alberta and British Columbia.

Pension & Benefits Statistics – 2018 vs 2017

	2017	2018
Employment Insurance		
Maximum Insurable earnings (MIE)	$51,300.00	$51,700.00
Premium Rate (EE)	$1.63 per $100	$1.66 per $100
Premium Rate (ER)	$2.282 per $100	$2.324 per $100
Maximum Annual EI Premium (EE)	$ 836.19	$ 858.22
Maximum Annual EI Premium (ER)	$ 1,170.67	$ 1,201.51
Canada Pension Plan		
Yearly Maximum Pension Earnings (YMPE)	$55,300.00	$55,900.00
Yearly Basic Exemption	$ 3,500.00	$ 3,500.00
Contributory Earnings	$51,800.00	$52,400.00
Contribution Rate	4.95%	4.95%
Maximum Annual Contribution each EE & ER	$ 2,564.10	$ 2,593.80
Maximum Pension for New Retiree:		
- Retiring at age 65	$ 1,114.17	$ 1,134.17
- Retiring at age 60	$ 713.07	$ 725.87
- Retiring at age 70	$ 1,582.12	$ 1,610.52
Maximum Monthly Benefit Amounts:		
- Disability	$ 1,313.66	$ 1,335.83
- Survivor's Pension Under Age 65	$ 604.32	$ 614.62
- Survivor's Pension Age 65+	$ 668.50	$ 680.50
- Disabled/Deceased Child	$ 241.02	$ 244.64
- Death	$ 2,500.00	$ 2,500.00
Quebec Pension Plan		
Yearly Maximum Pension Earnings (YMPE)	$55,300.00	$55,900.00
Yearly Basic Exemption	$ 3,500.00	$ 3,500.00
Contributory Earnings	$51,800.00	$52,400.00
Contribution Rate	5.4%	5.4%
Maximum Annual Contribution each EE & ER	$ 2,797.20	$ 2,829.60
Maximum Pension for New Retiree:		
- Retiring at age 65	$ 1,114.17	$ 1,134.17
- Retiring at age 60	$ 713.07	$ 725.87
- Retiring at age 70	$ 1,582.12	$ 1,610.52

Old Age Security

Maximum Monthly OAS Pension	$ 578.53	$ 586.66

Guaranteed Income Supplement

Maximum Monthly GIS Pension – SINGLE	$ 864.09	$ 876.23
Maximum Monthly GIS Pension – MARRIED		
- Partner not receiving OAS	$ 864.09	$ 876.23
- Partner receiving OAS	$ 520.17	$ 527.48