

Proposed Changes to Ontario Registered Pension Plans

In our July 2010 Employee Benefits Bulletin we looked at the changes detailed in Bill 236, Pension Benefits Amendment Act 2010. These changes will affect all Ontario registered pension plans. Group registered retirement savings plans (Group RRSPs) and deferred profit-sharing plans (DPSPs) are not subject to the Ontario Pension Benefits Act.

Further to this amendment, which is still awaiting regulations to bring many of the provisions into force, the Ontario government released its pension proposals on August 24, 2010. The details will be released sometime this fall in a bill to be tabled in the legislature. Proposed effective dates have not yet been announced. Below is a list of the proposals.

Defined Contribution (DC) Pension Plans

The only proposal related to DC pension plans is to allow plans to pay life income payments directly from the plan, rather than forcing plan members to transfer account balances on retirement to a financial institution. We do not think many plan sponsors will be in a position to offer this to their plan members due to its complexity and cost of administration. Financial institutions can spread the cost of the administration of life income funds over a larger asset pool and for most plans sponsors this is not an option. Perhaps some of the larger defined contribution pension plans may consider adding this provision to their plans.

Defined Benefit (DB) Pension Plans

Funding – The Government intends to make a number of changes to restrict the number of ways assets and liabilities are valued. Plans that are less than 85% funded on a going-concern basis will be considered at risk and plan sponsors will be required to prepare and file an annual valuation.

Benefit Improvements – Funding the cost of benefit improvements will probably be amortized over a shorter period as opposed to the current 15-year period. The period of time could be as short as five or up to eight years depending on the plan's transfer ratio and will require a lump sum payment to the pension fund. Transfer ratio is the ratio of solvency assets to solvency liabilities.

Contribution Holidays – Plan sponsors will be allowed contribution holidays subject to certain conditions:

- Plan documents do not prohibit a contribution holiday
- Disclosure is provided to plan members, retirees, and other beneficiaries
- Transfer ratio is 105% or greater
- Annual statements are filed with Regulator to support continuing contribution holidays

Surplus Entitlements – Many issues surround this topic and the government intends to provide more legal certainty regarding the distribution rights for surplus remaining in the fund when a plan is terminated and will introduce a binding arbitration process which may address conflicting stakeholder rights. What is not known is how much of an improvement these measures will make when details are released and whether they will apply to existing situations.

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More Changes Coming to Ontario Registered Pension Plans *(cont'd from page 1)*

Permanent Solvency

Exemptions – Multi-employer plans (MEPPS) and jointly sponsored plan (JSPPs) will be exempt from solvency funding requirements, subject to certain conditions.

Pension Benefits Guarantee

Fund (PBGF) – The proposed reforms increase premium assessments for pension plan sponsors. However, benefits are not increased.

Additional items – The proposals also include temporary solvency funding relief for public sector plans, pension

fund investment rules, and target benefit pension plans. For further information please see the link to the government of Ontario press release.

<http://www.news.ontario.ca/mof/en/2010/08/mcguinty-government-taking-additional-steps-to-strengthen-ontarios-pension-system.html>

If you have any questions regarding this article or how it might affect your pension plan please contact your Cowan consultant.

Quebec Moves to Cover IVF Services

Quebec has announced that, effective August 5, 2010, the province will fund in-vitro fertilization (IVF). All women of child-bearing age will qualify for up to three stimulated cycles or six natural cycles of IVF. Quebec is the first province to move in this direction; however other provinces, including Ontario have indicated their interest in similar arrangements.

In comparison, a very limited number of services are currently available to Ontario women through the Ontario Health Insurance Plan, but Quebec has moved to include most expenses, including drugs which are not covered in any other province. The impact on women needing these services in Quebec will be substantial since the costs for IVF can easily exceed \$10,000 per cycle. Drug costs alone can run in the range of \$3,500 to \$5,000, per cycle.

Quebec has a unique approach to drugs under its medicare program

(RAMQ), in that employers with group accident and sickness plans must cover medication mandated by RAMQ. This includes employers based outside of Quebec but with employees in Quebec. For many IVF treatments this means that plan sponsors will actually be picking up the cost of drugs under the new program, not the province. Some employers already include IVF medications in their drug plans but most do not.

At the moment, there are no maximums permitted under the legislation but the insurance industry, through the Canadian Life & Health Association (CLHIA), is trying to get Quebec to permit maximums, to mitigate the risk of catastrophic claims for employers with Quebec employees. The outcome is still undecided.

Insurers are still trying to calculate the actual financial impact on employers with Quebec employees but an

Change in Coverage for Cosmetic Procedures

In the March 2010 federal budget, the Government announced it would exclude purely cosmetic procedures – such as liposuction, teeth whitening, botulinum toxin injections (botox), and hair replacement procedures – from eligibility for the Medical Expense Tax Credit (METC). The METC is part of the federal Income Tax Act.

As a result, a majority of carriers we have heard from are following suit and are adjusting their HealthCare Spending Accounts (HCSA) and related programs to exclude expense reimbursement for purely cosmetic procedures.

Cosmetic services necessary for medical or reconstructive purposes may still be eligible. Examples include surgery for a deformity related to a congenital abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease. A doctor's referral outlining the nature of the illness and reason for treatment will be required for submitted claims.

For more information, please contact Canada Revenue Agency at www.cra.gc.ca.

authoritative appraisal is still illusive. Estimates seem to vary from .05% to 3% of health costs. Currently, it is too early to be definitive. *If you have any questions, please contact your Cowan consultant.*

Countdown to Retirement – A Timeline

As a plan sponsor, you understand the importance of planning for retirement. It's a major milestone that requires forethought if those post-work dreams are to become a reality.

However, the reality is that the majority of Canadians are concerned about funding those dreams. A recent study* found:

- 52% of Canadians are afraid they have not saved enough money for a comfortable retirement.
- 20% said that instead of contributing to a Registered Savings Plan (RSP), they are counting on their Canada Pension Plan (CPP), an inheritance, or winning the lottery.
- 36% said they can't wait to stop working and enjoy life.

To help your employees understand some key pre-retirement steps, we have put together a quick reference guide. These are just some of the points we cover in two of our more popular seminars: Countdown to Retirement and Estate Planning.

Five Years Before Retirement

- Continue to pay down debt – Credit cards, mortgages etc.
- Review your investment portfolio with your financial advisor.
- Understand your sources of retirement income – This includes personal savings, pensions, CPP, Old Age Security (OAS).
- If you want to take government benefits early, understand the implications

- Evaluate your lifestyle – Do you have a bucket list? How much will it cost to fund?
- Evaluate your residence needs – Do you want to stay in your home? Downsize? Relocate?
- Become familiar with the general tax implications of the income streams.
- Consider life insurance, critical illness and your long-term care needs.



- Talk with your financial advisor about how to convert your pot of savings into a monthly income.
- Review your insurance needs – If your company does not offer post-retiree health benefits, where can you access this? And will you need the same level of home and auto insurance?

- Think about estate planning – Do you have a will? And if so, has it been updated to reflect any major life changes.

One Year or Less Before Retirement

- Apply for CPP and OAS at least six months in advance.
- Update beneficiary information for company pension plans, insurance policies etc.
 - Consider consolidating your various assets into one source for ease of purchasing income streams.
 - Ensure you have set up automatic deposits for each income source prior to commencement.

In our seminars, we also talk about the importance of planning for the emotional and mental changes that retirement can bring. Do you have a hobby? Will you volunteer? Will you work part time or go back to school? What's on your "bucket list"?

"Don't simply retire from something; have something to retire to."

~Harry Emerson Fosdick

If you have any questions or are interested in learning more about our Countdown to Retirement or Estate Planning seminars, please contact your Cowan consultant or **Vice President Teresa Norris-Lue at: 519-650-6363 ext. 51304 or teresa.norris-lue@cowangroup.ca**

*Source: TD Retirement Savings Poll – January 2010 – conducted by Angus Reid Public Opinion

Fraud Hurts Us All

At a recent seminar, Sun Life indicated that 95% of all their Canadian plan sponsors were the victims of fraud or abuse. Up to 10% of total health benefits were inappropriately paid, costing us all millions of dollars in higher claims and premiums. Despite the best efforts of insurance companies, deception, claim embellishment, and outright fraud still takes a big bite out of your benefit dollars in this lucrative form of white collar crime.

Fraud can take the guise of simple embellishment of claimed expenses for orthotics or large scale manipulation of prescriptions for street drugs. Just recently the CBC reported a perfect example of fraudulent insurance claims coming out of the spa industry. The item noted the abuse is widespread, particularly in the Greater Toronto Area. The insurance industry confirms the existence of fraud and is working to stop the fraud whenever they identify abuse but it can be tough to weed out the fraud artists. Often plan members know what is happening and just turn a blind eye to the activities of their colleagues.

Key Steps

As part of your overall communication to employees, we recommend including a reminder to employees that insurance fraud is an offence under the Criminal Code of Canada and is subject to the full force of Canadian law. All insurance fraud is subject to prosecution and offenders will be charged when the insurance company finds out.

If you know of anyone that is a participant in this, or any fraud, please contact us or your insurance company. Fraud drives up the expenses to the insurance company which, in turn, forces up premiums paid by you and your plan members. In the end we all pay the price of fraud. Let your employees know that manipulating insurance claims is a crime. Let's all do our part to end it.



Heather McLachlin –Cowan Insurance Group's New President

We are pleased to announce the recent appointment of Heather McLachlin to the position of President of Cowan Insurance Group. Heather has more than twenty years of experience in financial services working in a variety of senior executive roles.

She has a breadth of experience in business development, distribution, corporate marketing and communications, as well as consulting, wealth management and human resources. Heather is looking forward to the opportunity to meeting with Cowan clients, and will be working with our Account Representatives to help ensure we are meeting your needs.

Please join us for a...

Not-for-Profit Seminar

Date: November 23, 2010
Time: 8:00 a.m. to 10:30 a.m.
Location: Cowan's Cambridge Office
705 Fountain Street N., Cambridge

Please visit www.cowangroup.ca/seminars to rsvp and for more details

This bulletin is produced by the Benefits and Retirement Consulting Division of Cowan Insurance Group and its subsidiary, Wentworth Financial Services. We help public and private-sector clients manage their group benefits, retirement and health and disability management plans.

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This article was originally published in the Cowan Connection Newsletter, and may be of interest to your employees.

November 2010

Auto Insurance Has Changed – You now have more choice

On September 1, 2010, the Ontario Government implemented reforms to automobile insurance. The new changes provide you with more options to purchase coverage that best meets your protection needs and budget.

If you are buying a new policy or renewing an existing one, you have several options. The following chart summarizes these changes effective as of your renewal date.

	Under Existing Policy	Under New Policy	New Options
Medical & Rehabilitation Expenses	Non-catastrophic injuries: \$100,000 Catastrophic injuries: \$1 million	Non-catastrophic injuries: \$50,000 Catastrophic injuries: \$1 million	Non-catastrophic injuries: You can increase the limit to \$100,000 Catastrophic injuries: You can add an additional \$1 million
Attendant Care Benefits	Non-catastrophic injuries: \$72,000 Catastrophic injuries: \$1 million	Non-catastrophic injuries: \$36,000 Catastrophic injuries: \$1 million	Non-catastrophic injuries: You can increase the limit to \$72,000 Catastrophic injuries: You can add an additional \$1 million
Caregiver Benefit	For all injuries: \$250 per week for first dependant plus \$50 for each additional dependant	For catastrophic injuries only: \$250 per week for first dependant plus \$50 for each additional dependant	You have the option to purchase this non-catastrophic injuries
Housekeeping and Home Maintenance Expenses	For all injuries: Up to \$100 per week	For catastrophic injuries only: Up to \$100 per week	You have the option to purchase this for all injuries
Income Replacement Benefit	80% of net income up to \$400 per week	70% of gross income up to \$400 per week	The weekly limit can be increased to \$600, \$800 or \$1,000
Death and Funeral Benefits	\$25,000 lump sum to the eligible spouse; \$10,000 to each dependant; \$6,000 maximum for funeral benefits	Same	You will have the option under the new policy to double the sums payable to spouse (\$50,000) and dependants (\$25,000), and up the funeral benefits to a maximum of \$8,000
Deductible associated with court-awarded compensation for pain and suffering	\$30,000	\$30,000	You have the option to reduce the deductible to \$20,000
Deductible for Family Law Act claims	\$15,000	\$15,000	You have the option to reduce the deductible to \$10,000

The new standard auto insurance policy will also allow you to customize the deductible for coverage to repair the vehicle of the driver who is not-at-fault. Options include \$500, \$300 or no deductible at all.

Why the Changes?

The goal of these changes is to achieve rate stabilization by keeping the costs incurred by insurers in check with emphasis placed on Accident Benefits coverage.

Without these reforms, major rate increases would be required.

Leading up to these changes, the cost of claims was increasing significantly each year ultimately causing insurance companies to pay out far more than premiums covered. For every \$1 collected in Accident Benefits premium, \$1.24 was paid out in claims costs. That is why many have experienced significant price increases in the past few years. By making these changes, future claims costs should

be reduced or stabilized. This helps to stabilize the need for large rate increases.

When your policy comes up for renewal, the new Standard Auto Insurance Policy will apply. If you prefer to move to the new Standard Auto Insurance Policy before your next renewal date, contact us. We will explain your options and help you make an informed choice.