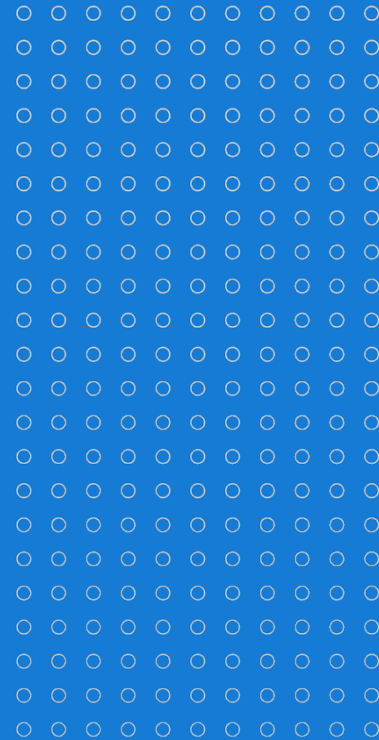


HUB Insights Budget 2023 - A Made-in-Canada Plan: Strong Middle Class, Affordable Economy, Healthy Future



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Risk & Insurance | Benefits & Retirement | Private Client





OVERVIEW

On March 28, the Federal government released its [2023 budget](#): A Made-in-Canada Plan: Strong Middle Class, Affordable Economy, Healthy Future.

The following budget proposals will be of particular interest to employers and sponsors of group benefit and retirement plans.

The New Canadian Dental Care Plan

Summary

Budget 2023 proposes to provide \$13.0 billion over five years, starting in 2023-24, and \$4.4 billion ongoing to Health Canada to implement the Canadian Dental Care Plan. The plan will provide dental coverage for uninsured Canadians with annual family income of less than \$90,000, with no co-pays for those with family incomes under \$70,000. The plan is to begin providing coverage by the end of 2023 and will be administered by Health Canada, with support from a third-party benefits administrator. Details on eligible coverage will be released later this year.

Plan sponsor perspective

This new Canadian Dental Care Program is the continuity of what was announced in last year's budget, however the timeline for full implementation of the program seems to have been moved up. As well, compared to what was announced in the 2022 budget, the cost has increased significantly. The budget reiterates the approach chosen by the government to only cover uninsured Canadians. Therefore, the new Canadian Dental Care Plan should not have any cost impact on private dental plans. The introduction of this program provides an opportunity for plan sponsors to reflect and re-evaluate their dental coverage with their advisor. There continues to be no mention by the government of employers being required to contribute financially towards this plan.

The interim Canada Dental benefit introduced last year will be replaced with a more formal program and the budget notes that an (as yet unknown) third party administrator will operate the program. Many questions remain as to how the program will be executed efficiently and effectively.

Note that the government will require employers and employer pension plans to report their employees or plan members who have dental coverage through T4/T4A reporting.



A new Leave for Pregnancy Loss for Federally Regulated Sectors

Summary

Budget 2023 proposes to amend the Canada Labour Code to create a new stand-alone leave for workers in federally regulated sectors who experience a pregnancy loss. The new leave will also apply to parents planning to have a child through adoption or surrogacy. According to the Public Health Agency of Canada, 15%-25% of pregnancies end in miscarriage and can have a profound effect on families.

Plan sponsor perspective

The existing benefits and resources available to workers who experience a pregnancy loss vary. Certain provinces including Alberta, Ontario and Prince Edward Island provide some benefits though there are restrictions. Workers elsewhere may be eligible for Employment Insurance sickness benefits, pregnancy/maternity leave benefits, sick days, bereavement leave, disability benefits and/or other kinds of employer provided leaves though the duration and amount of wage replacement varies along with the eligibility requirements. While this new leave will be limited to federally regulated sector workers, it will provide another resource.

The budget documents did not include details on the qualification requirements or benefits of the new leave. This new benefit may prompt other jurisdictions in Canada to consider adding a similar benefit of their own.

Even if this change doesn't affect an employer directly, periodically reviewing leave policies and other entitlements is a best practice. Organizations continue to increase their focus on diversity, equity and inclusion measures in their workplaces.

Universal National Pharmacare Program

Summary

Conspicuously absent from Budget 2023 is any mention of the Universal National Pharmacare Program. Last year's Federal Budget committed to tabling a Canada Pharmacare bill and working to have it passed by the end of 2023, as well as \$35 million of funding over four years for Prince Edward Island to advance the implementation of universal national pharmacare.

Plan sponsor perspective

While there is still plenty of time left in 2023 for the government to meet their commitment by year end, it is noteworthy that an update on such a high-profile program was not included in the budget. One thing is clear, that employers will have to wait a while longer to see if the federal government is going to offer any relief from the rising costs of employer-sponsored drug plans.



Strengthening the Federal Pension Framework

Summary

Budget 2023 proposes to amend the *Pension Benefits Standards Act, 1985* and the *Pooled Registered Pension Plans Act* to improve retirement security for plan members and retirees through new frameworks for variable payment life annuities (VPLAs) and technical housekeeping amendments.

Plan sponsor perspective

VPLAs were first proposed in Budget 2019 to amend the tax rules to permit defined contribution pension plans to provide a VPLA to members directly from the plan. Payments would vary based on the investment performance of the underlying fund and on the mortality experience of the VPLA annuitants. Budget 2019 indicated a minimum of 10 retired members would be required to participate in a VPLA and it must be reasonable to expect that at least 10 retired members will participate in the arrangement on an ongoing basis.

Federally regulated pension plan administrators interested in new decumulation options for their members should watch for amendments to the *Pension Benefits Standards Act, 1985* enabling VPLAs.

Launching the New Tax-Free First Home Savings Account

Summary

Budget 2023 confirmed that effective April 1, financial institutions can proceed to offer the Tax-Free First Home Savings Account that was proposed in last year's budget. The new tax-assisted savings vehicle will give prospective first-time home buyers the ability to save \$40,000 (maximum \$8,000 per year) on a tax-free basis. Contributions are tax-deductible like a Registered Retirement Savings Plan (RRSP) and withdrawals to purchase a first home would be non-taxable like a Tax-Free Savings Account.

Plan sponsor perspective

It is HUB's understanding that group retirement insurance carriers are reviewing this new savings vehicle, but we are not aware of any official announcements on whether it will be offered through a group plan.



Retirement Compensation Arrangement Tax Change (RCA)

Summary

Under the proposed tax changes, the Budget announced that premiums paid for the purpose of securing a letter of credit for an RCA that is supplemental to a registered pension plan will no longer be subject to the existing 50% refundable tax. The Budget also proposes that employers may request a refund from the CRA for previously remitted refundable taxes related to premiums paid for a letter of credit by an RCA.

Plan sponsor perspective

This represents a tax relief measure for plan sponsors that use letter of credit to fund their RCA trust.

Federally Regulated Pension Plans to Disclose Crypto Exposures

Summary

Budget 2023 announces that federally regulated pensions funds will be required to disclose their crypto-asset exposures to OSFI, the federal pension regulator. The government will also discuss crypto-related disclosures by Canada's largest pension plans with the provinces and territories.

Plan sponsor perspective

Federally regulated pension plan administrators with exposures to crypto-assets should monitor regulatory developments and legislative changes regarding the new proposed disclosure requirements to ensure they remain compliant.

Early Learning and Child care

Summary

While Budget 2023 did not announce any new funding or initiatives related to early learning and child care, it did provide an update on the progress of current initiatives. The historic 2021 investment has already delivered a 50 per cent average reduction in fees for regulated child care, brought fees down to just \$10 a day in six provinces and territories, with the rest on track to reach this milestone by 2026.

Plan sponsor perspective

Some employers provide on-site and/or subsidized daycare, so a reduction in the cost of childcare may make it more feasible for more employers to offer on-site childcare or reduce the need to provide a subsidy. Lower childcare costs may also make it more likely for employees to return to the workplace following a maternity leave, which is welcome relief for employers struggling with the current labour shortages.



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