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AT A GLANCE ...

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New medical marijuana rules impair easy plan administration

Medical marijuana gained greater legitimacy as a medical treatment this April with the passage of the Marijuana for Medical Purposes Regulations law.

Under the terms of the new legislation, Canadians requiring marijuana for medical treatments will now be able to legally purchase the drug from one of 12 government-approved growers.

While the use of marijuana has been approved to relieve symptoms of a number of medical conditions since 2001, licensed users of the drug have often found themselves in conflict with police and other law enforcement agencies. The result was that many of the 40,000 individuals licensed to use the drug for medical purposes found themselves in limbo. While they were allowed to use the drug, they often found themselves facing drug trafficking or drug possession charges when they attempted to buy it.

Medical marijuana has been used to treat nausea and vomiting resulting from chemotherapy, muscle spasticity in diseases such as multiple sclerosis, epilepsy, chronic pain and as an appetite stimulant for HIV and cancer patients.

Under the new rules, medical marijuana will now be available legally under the following conditions:

- an individual must obtain a prescription from a licensed physician (there are no restrictions on the medical conditions the prescription may involve);
- the prescription must be forwarded to one of the 12 federally licensed growers of the product;
- the marijuana producers must consult with the patient on the appropriate strain of marijuana required;
- the product must be delivered by courier to the patient; and
- the amount dispensed must not exceed 150 grams per month.

While the new regulations will make life easier for users of medical marijuana, they still present challenges for benefit plan sponsors and administrators.

The product still does not have a drug identification number (DIN) from Health Canada, which could result in it not being considered an eligible medication under many group drug plans. Claims involving marijuana could be declined. As a result, plan sponsors or administrators should expect to receive enquiries or feedback from plan members using medical marijuana.

Costs of government-licensed medical marijuana range from $4 to $12 per gram. Based on the 150 gram per person per month maximum, out-of-pocket costs for the medication could range from $7,200 to $21,600 per year. ❧

New Ontario pension plan one step closer to reality

The re-election of the Ontario government and the rapid passage of its provincial budget in July have re-affirmed the province's commitment to introduce its own universal defined benefit pension plan.

According to the budget document, the new Ontario Retirement Pension Plan (ORPP) will be similar to the Canada Pension Plan (CPP). It will provide a defined income payment at retirement based on a plan member's contributions, years of service and final average income.

The province plans to introduce the new pension plan in stages beginning in 2017.

The ORPP would be the first of its kind in Canada and will expand pension coverage to more than three million working Ontarians who currently rely on the CPP, OAS and their own savings for retirement income.

If adopted, the ORPP would include the following features:

- The pension will replace 15 per cent of an employee's income to a maximum annual earnings threshold of $90,000.
- Employees will contribute 1.9 per cent of their earnings to the pension to a maximum salary level of $90,000.
- Employers will contribute a matching 1.9 per cent of earnings.
- Self-employed persons will contribute 3.8 per cent of their earnings, but participation will likely not be mandatory.
- Contribution rates will be phased-in over two years.
- The ORPP maximum earnings threshold of $90,000 will increase each year consistent with increases to the CPP's maximum earnings threshold.
- Employees with comparable workplace pension plans will not be required to join the plan. It is not clear whether group registered retirement savings plans would qualify as workplace pensions.
- Employees in federally regulated industries may be exempt from the ORPP.

- An independent board will oversee investment of ORPP contributions, which are expected to be approximately $3.5 billion annually.

Under the province's budget illustrations, the ORPP would generate the following incomes at age 65 after 40 years of employment:

- **A worker earning $45,000 per year would collect $6,410 annually ($534 per month)**. With a CPP benefit of $10,680, his/her total retirement income, excluding Old Age Security (OAS), would amount to $17,090 or 40 per cent of his/her pre-retirement income.
- **A worker earning $70,000 per year would collect $9,970 annually ($831 per month)**. The CPP benefit would add an additional $12,460, for a total income of $22,430, excluding the OAS, or 34 per cent of pre-retirement income.
- **A worker earning $90,000 per year would collect $12,815 annually ($1,068 per month)**. With the CPP of $12,460, he/she would earn a pension income of $25,275, excluding OAS, or 30 per cent of pre-retirement income.

While the plan will help address the fact that not enough people have saved for retirement, it is expected to be strongly opposed by business and tax-payer groups.

For businesses, the new pension will amount to an additional — and significant — payroll tax that may squeeze profit margins and reduce reinvestment.

For individuals living in Ontario, the ORPP will mean another payroll deduction. Already 4.9 per cent of each individual's yearly maximum pensionable earnings are channelled to the CPP. The addition of the ORPP will mean that 6.8 per cent of each working person's earnings will be directed to the two government pension plans. The new tax will likely impact individual spending and savings patterns, at least in the short-term.

The impact of new pension may not be confined to Ontario. Manitoba, Prince Edward Island, British Columbia and Alberta have expressed some interest in joining the scheme. ❧

Avoid genetic testing for insurance, Privacy Commissioner says

The Office of the Privacy Commission of Canada has urged Canada's life insurers to avoid asking life insurance applicants to provide results of any genetic tests they may have taken.

"We are calling on the industry to refrain from asking for existing test results to assess insurance risk until the industry can clearly show that these tests are necessary and effective in assessing risk," says Privacy Commissioner Daniel Therrien. *"This would allow people to undergo genetic testing for various purposes without fear that the results may have a negative impact if they apply for insurance."*

Currently, life insurance companies do not require applicants undergo genetic testing before issuing life insurance policies. However, they may ask to see the results of genetic tests when an insurance prospect discloses that he or she has taken such tests.

As genetic testing has become more common and less expensive, more people are using the tests to assess or confirm their predisposition to genetic diseases. The tests are also used to verify individuals' ethnic or racial heritage.

"It is not clear that the collection and use of genetic test results by insurance companies is demonstrably necessary, effective, proportionate or the least intrusive means of achieving the industry's objectives at this time," Mr. Therrien says.

The Commissioner's statement has been forwarded to the Canadian Life and Health Insurance Association (CLHIA), the organization representing Canada's life insurers.

The statement has also been endorsed by the privacy commissioners of British Columbia, Alberta, and Quebec. ❧

New Brunswick unveils drug plan for rare diseases

The government of New Brunswick has established a new drug plan to cover the costs of medications for specific rare diseases.

Under the New Brunswick Rare Diseases Plan, the cost of the following five drugs will be provided at no cost to the patients:

- *Aldurazyme* for the treatment of Hurler and Hurler-Scheie forms of Mucopolysaccharidosis I;
- *Elaprase* for the treatment of Hunter's Syndrome;
- *Ilaris* for the treatment of Cryopyrin-Associated Periodic Syndrome;
- *Myozyme* for the treatment of Pompe disease; and
- *Zavesca* for the treatment of Niemann Pick Type C.

Drug treatments for these illnesses can sometimes reach $1 million per year per patient.

The plan became effective on August 1, 2014. ❧

Quebec's public drug plan leads the country

Quebec's public drug plan provides the best access to newly approved drugs, the Canadian Health Policy Institute (CHPI) says.

In a review of federal and provincial public drug plans, the CHPI found that while both Quebec and Ontario each provided coverage for the most number of new drugs introduced to the Canadian market, Quebec had the shortest delays to listing new drugs on its public drug plan. In addition, Quebec, along with New Brunswick, also had the highest number of new drugs listed for full reimbursement.

In contrast, Manitoba, Alberta and British Columbia provided coverage for the fewest number of new drugs. When it came to listing delays, Ontario, Prince Edward Island and New Brunswick experienced the longest delays in listing new medications. Ontario, Saskatchewan, Manitoba and British Columbia had the lowest number of new drugs receiving full reimbursement.

"Overall, Quebec appears to provide the best access to new drugs under its public drug plan," the CHPI report concludes.

Approximately 11 million Canadians are eligible to be covered under public drug insurance plans. ❧

Quebec's voluntary retirement savings plan favoured by small businesses

Nine out of 10 small businesses in Quebec favour the province's new voluntary retirement savings plan (VRSP), an Ipsos Reid survey conducted for Manulife Financial shows.

The strong support for the VRSP among small business owners confirms other polling data suggesting that most business owners believe their employees have not taken adequate steps to save for retirement.

Quebec was the first province to adopt the VRSP concept. Quebec legislation requires employers with five or more employees to offer the workplace savings plan to employees with one or more years of service. However, the plan itself would be administered by a third party organization such as a bank or insurance company.

In this sense, the VRSP will function similar to a multi-employer pension plan. Employees could contribute to the plan but would have the right to opt out of it. Meanwhile, employers would be freed from the administrative complexity and costs associated with running a pension plan.

The Quebec plan mirrors the pooled registered pension plan (PRPP) scheme proposed by the federal government (see the January 2011 edition of the *Coughlin Courier* for details).

"People don't contribute enough into their RRSPs because they need to make a conscious effort to put money into it," says Marie-Andrée Colgan, spokesperson for the Régie des rentes du Québec, the agency responsible for overseeing and registering the province's VRSPs. *"An automatic deduction from their paycheque would make saving much easier."*

Quebec employers with 20 or more employees have until the end of 2016 to establish a VRSP in their organization. Those with 10 to 19 employees have until the end of 2017 to implement the retirement savings plan. The target date for employers with fewer than 10 employers is still to be set.

Alberta, Saskatchewan and British Columbia have also passed legislation similar to Quebec's. While Ontario has said it will develop its own version of the VRSP, it appears to be more focused on the development of the Ontario Retirement Pension Plan, a defined benefit pension plan similar to the Canada Pension Plan. ❧

With rising markets, the popularity of employee stock plans returns

Another sign that equity markets have rebounded from the 2008-09 market crash: company stock option plans are popular again.

According to information released by Fidelity Investments, 86 per cent of respondents it surveyed under the age of 40 say they would want a company stock purchase plan if they changed jobs. Another 40 per cent consider a stock plan a *"must have"* in any decision involving a change of employment.

With the tightening of labour markets, stock plans can be useful in attracting or retaining employees.

"The availability of a company stock plan can tip the scale in a company's favour when employees are evaluating job opportunities, especially in industries that demand highly skilled or specialized workers," says Fidelity Investment Executive Vice-President Kevin Barry.

The Fidelity survey also indicated that 57 per cent of employees feel that equity-based compensation plans contribute to their feeling of loyalty to their employer. Fifty-four per cent felt that stock plans *"provide incentives to work harder and be rewarded for the company's performance."*

Employee stock plans became popular employee benefits during the equity booms of the mid-1980s and late 1990s. However, they quickly fell out of favour during crises such as the 1987, 2001 and 2008-09 market crashes, when the value of many stock plans shrank or disappeared.

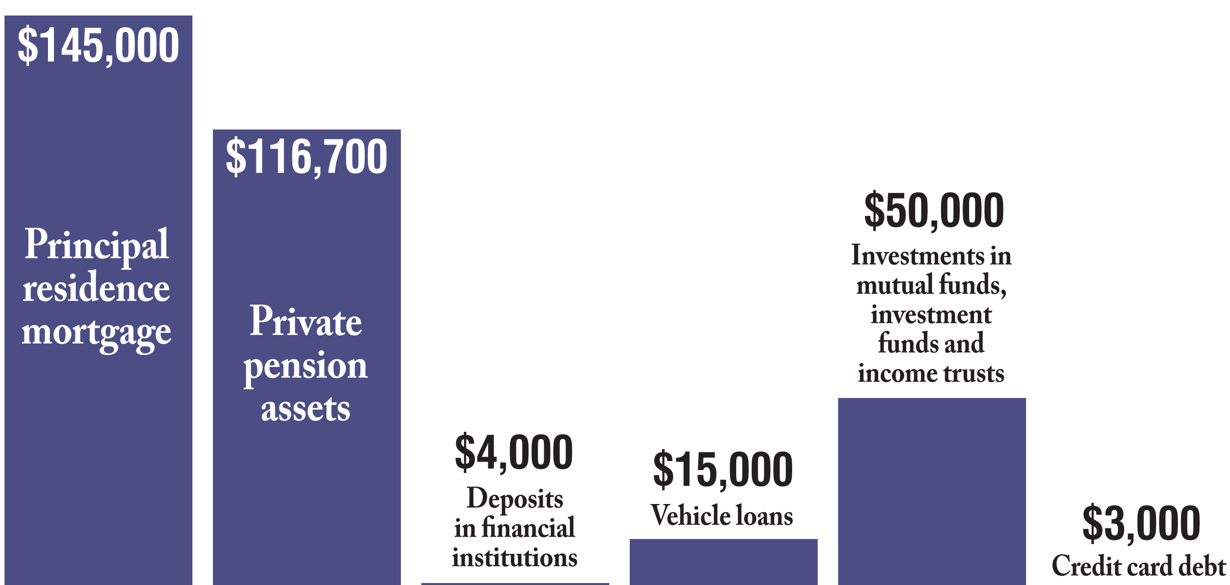
Median family assets exceed $243,000

The median net worth of Canadian families is now $243,800, according to Statistics Canada's *2012 Survey of Financial Security.*

Adjusted for inflation, that amount represents a growth rate of 44.5 per cent from 2005 and 78 per cent from 1999, the government agency says. *Net worth* is the amount that families would have left if they sold all their assets and paid off all their debts.

Median is the value at the midpoint of a measure where there is an equal number of units falling above or below it.

Other median values per Canadian family unit include the following:



Living to 100 becoming normal

There was a time when a person living to age 100 would be featured in newspapers and receive a congratulatory letter from the Queen.

While still relatively rare, more people than ever are living to celebrate their centennial year. Life expectancies are increasing. Today, 6,000 people are age 100 or older, according to Statistics Canada. By 2061, the number of centenarians will increase more than 10-fold to 78,000, the government agency predicts.

Increasing lifespans will soon present new social challenges for the country as well as financial and health challenges for a large segment of the population, according to BMO Wealth Institute's *Living to Age 100* report.

According to the report, since 1970, male life expectancies have increased by 10 years to age 79.3 while women's life spans have risen by more than seven years to age 83.6.

"It's clear there is a major demographic shift happening in our country," says BMO Senior Manager of Wealth Planning Chris Buttigieg. *"As Canadians' longevity improves, they should account for the health and financial issues that come with the possibility of living a longer life."*

More than 15 per cent of the Canadian population is already age 65 or older, the BMO report notes.

According to the report, few Canadians have considered the impact that health care expenses will have on their lifestyle in later years. The BMO study suggests that out-of-pocket medical costs alone for those age 65 and older amount to an average of $5,391 per year. Over the 35-year span to age 100, that can be a significant amount of money.

Other "extra" costs of living longer, such as housing, food, clothing or other special expenses such as home care, also should be factored in retirement planning decisions, the BMO says.

"Few seem to appreciate the extent of the health care expenses they will incur," Mr. Buttigieg says.

The Living to Age 100 report's findings mirror those published by the chief actuary of Canada. According to Chief Actuary Jean-Claude Ménard, advances in life expectancy include the following:

- In the past decade, life expectancy has increased by an average of two years. *"Over the past decade alone, life expectancy at age 65 has increased by two years, a rate of growth of about twice that observed over previous decades,"* Mr. Ménard says.
- The chances of a newborn reaching age 65 have increased from 57 per cent in 1925 to 87 per cent in 2010. By 2075, that probability will increase to 93 per cent. ❧

Two out of three couples avoid "the talk"

Two out of three working couples age 50 or older have not had "the talk" about retirement with their partner, according to the annual *RBC retirement myths & realities poll.*

Among issues being avoided: how to finance their retirement (avoided by 64 per cent couples); what activities to do when retired (avoided by 65 per cent of respondents); how to manage if one partner dies (81 per cent avoided that discussion); and how either person will manage if his/her partner develops health problems (86 per cent.)

"Couples often have more conversations about what they'll be doing over the summer or winter holidays than what they hope their retirement together will be like," says RBC National Retirement Planning Consultant Bill Hill. *"Yet, one of the most important discussions you can have as a couple in your 50s or older is around the future lifestyle you're hoping to have when you're no longer working."* ❧

Workplace safety can trump the need to accommodate disabilities

A Nova Scotia teacher found that an employer's need to accommodate a disability is not unlimited, particularly if accommodation could affect the safety of others in the work place.

The case involved a teacher with a 15-year record of good work experience. However, in the summer of 2008, he began to correspond with a grade 10 student. His email correspondence included messages urging her to kill her parents and to participate in other erratic behaviours.

The parents found the messages and reported them to the school's principal. The day after being confronted by the school officials, the teacher called in sick and went to his family physician, who then referred him to a psychiatrist. In the meantime, his employment was terminated.

The psychiatrist diagnosed him with bipolar disorder with periods of hypomania involving drastic mood changes.

The case then went to arbitration.

In supporting his case, the teacher's union took the position that the emails were a manifestation of untreated bipolar disorder and that he did not have control over his actions at the time.

To support its argument, the union produced an independent psychiatric report stating that he could return to work in the classroom, provided his mood was subject to monitoring. The report contained a number of warning signs that would indicate the onset of hypomania and suggested specific actions the principal could take to monitor the teacher for those signs, including measuring the teacher's blood levels and having the principal and other teachers observe him constantly.

The arbitrator ruled in favour of the employer. In reviewing the case, the arbitrator ruled that the teacher was guilty because he knew his conduct was wrong and therefore, could be terminated with cause. Alternatively, the arbitrator said, if the teacher's judgement was impaired due to his disability, the school board still could not be expected to provide enough supervision to constantly monitor his behaviour.

The teacher appealled the decision but the Appeal Board agreed with the original decision, adding that requiring the school board to accommodate the teacher would *"constitute undue hardship as it would be impractical to have the principal monitor him."* In addition, it said, since the email exchange with the student took place in the summer, when no supervision would be available, reinstating him to his position would pose an unacceptable risk to students.

He appealled again and the case ultimately was heard by the Supreme Court of Nova Scotia and the Nova Scotia Court of Appeal. Both courts upheld the employer's decision to terminate the teacher's services. Specifically, the courts noted that accommodation measures proposed by the independent psychiatrist, such as constant monitoring, were impractical.

In addition, the courts said, the teacher's abuse of his authority, the need for safe schools and the possible impact if other students were drawn into similar scenarios presented risk levels *"sufficient to establish undue hardship"* for the employer.

While this case illustrates the potential difficulties of addressing disabilities involving mental illnesses, it also shows that while the need to accommodate an individual's disability is a primary consideration, the safety of others who share or participate in the workplace must also be considered when managing or adjudicating a mental illness.

In certain circumstances, these factors can override an employer's need to accommodate a disability.

Fast facts

- Effective July 1, 2014, the Old Age Security (OAS) benefit increased by 1.3 per cent to $558.71 per month from its previous payment level of $551.54 per month.

- Health care insurance costs rose by 53.3 per cent from 2004 and 2014, according to a Fraser Institute study on the price of public health care insurance. The 53 per cent cost hike easily exceeded the 40.7 per cent increase in the cost of shelter or the 33.4 per cent and 15.6 per cent increases respectively in the cost of clothing and food. The typical family will pay almost $12,000 for public health care in 2014, primarily through taxation, the Institute says.

- The Régie de l'assurance maladie du Québec (RAMQ) has changed its member co-insurance limit to 32.5 per cent to a maximum of $1,006 annually from 32.0 per cent.

- The Canadian Institute of Actuaries has introduced the first-ever mortality tables based on Canadian pensioner mortality experience. Until now, pension actuaries used US-based mortality tables to establish their pension assumptions. In recent years, Canadian life expectancy has improved significantly while US life expectancy levels have remained relatively stable.

- Canada is about to experience the greatest inter-generational transfer of wealth in history. According to BMO Investorline, up to $1 trillion is expected to be transferred through inheritances over the next 20 years. The average inheritance totals $96,377.

- While Canadians are saving, most are not saving for retirement, according to data published in *Benefits Canada.* The top savings goals are: holidays and trips; emergencies; home renovations and repairs; children's education; and down payments for housing.

- The state of the financially troubled Stelco pension plan has improved significantly since 2012. From a deficit of $978 million at the end of 2012, the plan now has a deficit of only $573 million. Based on that, the company's pensioners would now face a 27 per cent reduction in their pension if their parent company, US Steel Canada, went bankrupt. That compares to 40 per cent two years ago.

- The Manulife Investor Sentiment Index survey indicates that tax-free savings accounts (TFSAs) are approaching registered retirement savings plans in terms of contributions. TFSAs allow individuals to contribute up to $5,500 per year. Unlike RRSPs, money in TSFAs can be withdrawn on a tax-free basis. However, contributions to the plans are not tax-deductible.

- A group representing 13,000 retired public servants in New Brunswick has launched a Charter of Rights challenge against that province's plan to eliminate their pension's automatic cost-of-living adjustment. The group alleges that the elimination of the cost-of-living benefit *"violates each pensioner's right to life and security of their person, contrary to Section 7 of the Canadian Charter of Rights and Freedoms."*

- US President Barack Obama says it's time the United States joined the rest of the industrialized world and passed legislation allowing mothers to receive paid maternity benefits. *"There is only one developed country in the world that does not offer paid maternity leave and that is us,"* Mr. Obama says. *"Many women can't even get a paid day off to give birth."* The president compared his country's maternity leave policies to those seen on Mad Men, a popular television series that takes place in the male-dominated workplace of the early-to-mid 1960s.

- The active and retired members of the city of Detroit's workforce have voted in favour of reducing their pension benefits. As part of a financial reorganization following its 2013 bankruptcy, the city has had to cut its retirement benefits. Retired city workers, excluding police and firefighters, will see their pensions reduced by 4.5 per cent. They will also lose their annual cost-of-living adjustments. Retired police and firefighters will only lose the cost-of-living adjustment.

- The former head of the California Public Employee Retirement System (CalPERS) has pleaded guilty to conspiracy to commit fraud and corruption. Former CEO Fred Buenrostro admitted to receiving approximately $250,000 in gifts, travel, entertainment and meals from ARVCO Capital Research from 2005 to 2008. He also admitted to attempting to influence the pension plan's investment decisions to favour ARVCO. CalPERS is a major US pension plan, with more than 1.6 million active and retired members and $283.5 billion in assets.

- Only one-third of American women feel they are on track in saving for retirement, according to a Prudential Insurance study. That compares to 46 per cent prior to the 2008 market crash. Coincidently, almost the same proportion of women say they use the services of a financial professional. The study noted that 31 per cent of study respondents use a financial professional compared to 48 per cent in 2008. ❧

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