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AT A GLANCE ...

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Ontario may start its own pension plan

The Ontario government has signalled that it is prepared to launch its own provincial pension plan.

According to reports published in the *Hamilton Spectator,* the province is developing plans to introduce a supplementary pension plan that would allow it to enhance the retirement benefits of its middle class residents without getting mired in protracted inter-provincial negotiations to enhance the Canada Pension Plan (CPP.)

While details on contribution levels, enrolment requirements, pension pay-outs and portability are still to be revealed, the pension program could potentially be "massive," reports suggest. With more than 13 million residents and 45 per cent of Canada's gross domestic product, a separate Ontario pension plan could easily rival the Canada Pension Plan in terms of funding and plan membership.

The key question in the Ontario pension plan proposal is whether the concept is real or a political bargaining tool.

Since 2010, the province has supported expanding the Canada Pension Plan's income replacement ratio from the current level of 25 per cent of career average earnings to 35 per cent. The benefit expansion would be supported by higher contribution levels. Today, the maximum CPP pay-out at age 65 is $12,150. Current contribution levels are 9.9 per cent of members' yearly maximum pensionable earnings ($51,100 in 2013.) The Ontario plan would enhance the CPP benefit to roughly $18,000 per year in return for a joint employer-employee contribution level of 12.1 per cent.

The Ontario scheme has received a cool reception from the federal government, which has tended to favour its pooled registered pension plan (PRPP) as a voluntary supplementary pension enhancement. The PRPP is designed to allow self-employed individuals and those working for smaller companies to contribute to a national defined contribution plan administered through accredited financial institutions. (See the December 2010 and January 2011 editions of the *Coughlin Courier* for background.)

Ontario's original plan to enhance the CPP would require the agreement of two-thirds of the provinces representing two-thirds of the Canadian population. In practical terms, developing a supplementary Ontario Pension Plan modelled loosely on the CPP may be easier to do than aligning so many competing political and provincial interests to support an enhanced CPP. However, media reports say Ontario's Premier, Kathleen Wynne, is meeting her Alberta, Manitoba and Prince Edward Island counter-parts to discuss CPP expansion.

She has repeatedly expressed concern about the lack of retirement savings among Ontario residents.

Will Ontario develop its own pension plan? The first hints may be revealed in coming provincial finance ministers' meetings and the 2014 first ministers meetings.

Watch the *Coughlin Courier* for more information when it becomes available. ❧

PEI floats proposal for CPP expansion

The province of Prince Edward Island has presented a proposal for the expansion of the Canada Pension Plan (CPP.)

Speaking at the Atlantic Provinces Economic Council in September, PEI Finance Minister Wesley Sheridan presented a plan that would expand both the pension benefits and contribution levels of CPP members earning between 50 per cent and 200 per cent of the average wage.

The PEI plan attempts to address one of the major obstacles to the reform of the national public pension plan; namely, current benefit levels appear to be adequate for people at the opposite ends of the income ladder. Specifically, the combination of CPP and Guaranteed Income Supplement benefits replaces a large portion of the incomes of those earning less than 50 per cent of the average wage. (The average Canadian income is approximately $45,000 per year.) For those earning 200 per cent of the average wage, roughly $100,000 or more, personal savings, investments and other assets in combination with the CPP, the Old Age Security (OAS) benefit and other pension incomes often provide adequate replacement income at retirement.

However for the middle income group, those earning between $25,000 to $100,000 annually, the maximum CPP benefit of $12,150 and OAS benefit of $6,611 may not be enough to adequately replace their former income after they retire.

Under the PEI proposal, those earning less than 50 per cent of the average wage would not have to make additional contributions to the CPP. However, the province's plan would increase the yearly maximum pensionable earnings (YMPE) limit from today's level of $51,100 to $100,000, effectively doubling the income range from which CPP deductions would occur. As well, contribution levels would increase from 9.9 per cent of pensionable income to 12.1 per cent.

In return, pension benefits for this group would increase from 25 per cent pensionable earnings to 40 per cent, moving the maximum CPP benefit from $12,150 to $23,400 per year.

The province suggests implementing the new regime within a two to three year period.

While the PEI proposal does not mirror Ontario's proposal to enhance the CPP benefit, they appear to share the same objectives and strategies: increasing individual CPP contribution levels in return for larger benefit pay-outs at retirement.

With other pension reform initiatives under consideration in the Atlantic provinces, an Ontario-Atlantic coalition to encourage the renovation of the CPP is a possibility. Together, they comprise five provinces representing 50 per cent of the Canadian population, almost enough constitutionally to change the national pension plan. ❧

Public pension reforms now focusing on retirees

Recent announcements by provincial governments indicate that the focus of public sector pension reform is shifting to include retirees.

To address growing pension deficits and funding shortfalls, provincial governments across the country are introducing measures to reduce or freeze the pension benefits of public sector retirees. The reforms mark a noticeable change in pension restructuring which, until now, has tended to focus on changing the entitlements of active employees. Provinces that are considering changing their retirees' pension plans include the following:

Alberta: The provincial government says it plans to introduce a moratorium on benefit improvements until January 2021. As well, beginning January 1, 2016, the province will no longer subsidize early retirement benefits. Cost of living adjustments will also be reduced from 60 per cent of the Alberta inflation rate to 50 per cent. The potential reforms affect 120,000 retirees. Alberta's four public sector pension plans have a combined unfunded liability of $7.4 billion.

Prince Edward Island: Canada's smallest province plans to increase the age its public service members may retire with full pension from age 60 to age 62. It will also move its final average earnings calculations from a "best of three years" or "best of five year" formula to a career average earnings regime. The province has a pension deficit of $400 million.

New Brunswick: Following public consultations, the government says it will introduce a career average earnings calculation formula for its public service pensions. It also says it will only provide cost of living allowances when there are sufficient funds in its pension plan. It also warns that pension benefits could be reduced if its pension plan has insufficient funds.

Nova Scotia: The province plans to review the funding of its pension programs every five years, beginning in 2015. As well, cost of living adjustments will not be permitted, unless the public sector pension plan is 100 per cent funded. Even then, the adjustment may vary based on the plan's surplus. ❧

40 per cent say a major illness will result in financial problems

A Sun Life survey of 2,400 Canadians indicates that four in 10 people experience serious financial difficulties following a major illness.

The study, conducted by Ipsos Reid in the spring of 2013, says that while 82 per cent of those surveyed recognize that a major illness can impact their personal budget, fewer than 13 per cent have set aside money to cover the expenses associated with illnesses such as cancer, heart attack, chronic diseases, degenerative disorders, terminal illnesses or serious accidents. More than one in five people have no group or personal insurance to offset some unexpected health care costs.

The most affected are those between the ages of 45 and 54, who often care for both children and elderly relatives while still having large finanncial obligations such as mortgages and other debts. In total, 53 per cent of those in that age group said they struggled to make ends meet following a health crisis.

According to the survey, 22 per cent of respondents used credit cards to pay for expenses following a major illness. An additional 22 per cent turned to their savings to support them during the recovery period, while 12 per cent borrowed money from family members and loved ones.

Coughlin & Associates Ltd.'s *Privileged Selection* products offer insurance protection to help meet the expenses associated with major critical illnesses. As well, our Individual Financial Services department also offers individual health, dental and disability insurance coverage to supplement your existing group insurance program. See the Coughlin website at www.coughlin.ca for details. ❧

E-cigarettes spark claims debate

Question: When is a smoker not a smoker?

Answer: When he/she smokes an electronic cigarette.

The growing popularity of electronic cigarettes (also known as e-cigarettes) is creating debates among insurance underwriters and consumers alike.

Are they a smoking device, like a pipe, or the latest smoking cessation product? The answer is unclear.

E-cigarettes are electronic inhalers designed as a substitute for tobacco smoking. The mechanical devices use heating elements to vaporize a liquid solution, usually composed of propylene glycol, liquid nicotine and flavouring. Powered by small batteries, the liquid solution is heated, creating a steam-like vapour, which is then inhaled, like a cigarette.

In United States, some large employers, including Wal-Mart and UPS, consider e-cigarettes to be just another smoking device and charge their group plan members higher premiums for their group health and life insurance, arguing that the dangers and addictive qualities of nicotine are well documented.

However, advocates of e-cigarettes counter that the devices can be used to gradually wean nicotine addicts from smoking. Users can gradually reduce the nicotine content at each fill-up, opening the potential for them to kick the nicotine habit altogether. As well, e-cigarettes do not contain harmful tar and chemicals associated with the consumption of tobacco products.

The devices have received a mixed reaction worldwide. In Austria and Denmark, they are considered safe medical products to help curtail smoking. Most European countries allow them to be sold in the same manner as cigarettes, with strict limitations on public usage and sales to minors. Other countries, including Brazil, Estonia, Australia, Egypt and others have either banned them or restricted their sale, maintaining that, with the exception of proven replacement therapies, any form of nicotine is potentially poisonous.

Canada's position to date is similar to Europe's. While not endorsed by Health Canada, the products may be sold and used without penalty.

For plan sponsors, electronic cigarettes will likely prove to be a claims challenge, at least in the short term. Until their status is clarified by Health Canada or similar agency, claims for reimbursement of the costs of e-cigarettes or their components are likely to be declined. ❧

Youngest and oldest workers most impacted by illness and disability

Lack of benefits coverage is making people at the beginning or end of their working lives most vulnerable to effects of illnesses and disability, according to a Conference Board of Canada study.

In its review entitled *Disability Management: Opportunities for Employer Action,* the Conference Board warns that only a third of workers age 18 to 24 have any paid sick days or short-term disability coverage. Only a quarter, 26 per cent, have long-term disability (LTD) coverage.

Similar data were found among older workers age 65 or older, with less than half having coverage for sick days and only 41 per cent having coverage for LTD.

The lack of protection for those at the beginning and the end of their careers reflects the transitory nature of jobs attracting the two demographic segments, the study suggests.

"As a country we need to be conscious of sick leave and disability management programs on vulnerable groups of employees," says Conference Board Director of Leadership and Human Resources Karla Thorpe. *"Both young people and seniors are more likely to have casual, contract or part-time jobs that can be less secure and offer fewer benefits."*

The Conference Board director warns that, as the economy improves and unemployment reduces, plan sponsors will have to do more to encourage the two population segments to remain healthy and productive at work.

More than $16.6 billion is lost every year to workplace absenteeism, including illnesses and disabilities, the Conference Board says. ❧

Employee absentee rates in Canada

Following are the average number of unplanned sick days taken per employee by category, according to the Conference Board of Canada's report *Missing in action: Absenteeism trends in Canadian organizations* released in September 2013:

Employee group	Sick days taken
Sector	
Private sector	8.2
Public sector	12.9
Industry	
Health care and social assistance	14.0
Public administration	12.8
Transportation and warehousing	12.3
Business, building, and support services	10.1
Educational services	9.4
Manufacturing	9.1
Information, culture, and recreation	8.6
Finance, insurance, and real estate	8.5
Trade	7.9
Accommodation and food services	7.6
Construction	7.6
Utilities	7.3
Primary	7.2
Other services	6.5
Services — professional, scientific, technical	5.8
Organization size	
Fewer than 20 employees	7.5
20–99 employees	9.3
100–500 employees	10.6
More than 500 employees	11.1

Employee group	Sick days taken
Union status	
Non-unionized	7.5
Unionized	13.2
By employee age	
20-24	5.9
25-34	7.9
35-44	8.4
45-54	10.3
55-64	13.2
65 and older	10.0
By gender	
Males	7.7
Females	11.4
By province	
Saskatchewan	11.0
Quebec	10.8
New Brunswick	10.8
Nova Scotia	10.8
Manitoba	10.2
Newfoundland & Labrador	10.2
Prince Edward Island	9.9
British Columbia	9.9
Ontario	8.3
Alberta	7.9
Canada overall	**9.3**

Individual debt load increasing

The debt load of Canadians is increasing, an RBC poll says.

Results of an August 2013 survey of more than 2,100 Canadians conducted for RBC says that the per capita debt load of Canadians has increased to $15,920, an increase of more than $2,779 from 2012.

While the results suggest that Canadians appear to be comfortable in increasing their debt load, they also have a bright side. One in four people report they have no personal debt.

The results exclude mortgage obligations.

The RBC poll says that younger people, those age 18 to 34, are most worried about their debt load. Those age 55 or older had the fewest worries about their debts.

Nationally, Albertans experienced the biggest increase in their personal debts, averaging $24,000 per person compared to only $14,881 per person last year. Those results may be a result of that province's record floods in June. Many residents there may have borrowed money to repair damage from that natural disaster.

At $10,458, Quebec had the lowest debt ratio per person, an increase of $287 over 2012.

A reminder: As personal debt loads grow, life insurance coverage should increase to keep pace with those obligations. An unexpected death could leave an estate or an individual's family members with unexpected debt.

For more information, contact Coughlin Individual Financial Services Consultant **Richard Seguin** (rseguin@coughlin.ca) or **Matt Picciano** (mpicciano@coughlin.ca). ❧

Moody's gives cautious OK to provincial pension funding

Despite being hit hard in its manufacturing sector during the 2008-09 market crash, Ontario is the only province with a pension surplus, according to Moody's Investors' Service.

The credit rating agency reports that Saskatchewan and Newfoundland & Labrador have the largest pension deficits, with an unfunded liabilities to revenues ratio of 55 per cent each. Quebec followed with ratio of 49 per cent.

While Saskatchewan shares the top spot with Newfoundland & Labrador, the rating service notes that the prairie province has taken steps to reduce its pension funding exposure by changing its public pension plans from defined benefit arrangements to defined contribution.

As a result, both Quebec and Newfoundland & Labrador are a greater concern, it says.

"In both Quebec and in Newfoundland & Labrador, relatively large unfunded pension liabilities pose a challenge, as they are likely to continue to rise for multiple reasons," says Moody's analyst Michael Yake.

Prolonged low interest rates and the increase in life expectancy will continue to strain provincial pension funding, the agency says.

However, the outlook for provincial pension plans is cautiously optimistic, it notes.

"*We believe that credit risk tied to pensions is manageable because of the relatively small size of unfunded liabilities as a share of revenue,"* Mr. Yake says. *"We expect the provinces that are facing the highest liabilities to enact reforms. If they do not, then credit risk could rise."* ❧

Cancer now the leading cause of work-related deaths

Cancer has become the leading cause of occupational fatality claims in Ontario, the *Canadian Medical Association Journal* (CMAJ) reports.

According to research published in the CMAJ, occupational cancers now account for 63 per cent of all work-related fatalities in the province. Traumatic injuries, such as accidents in the workplace, accounted for only 23 per cent of death claims.

The 2012 data almost reverses traditional mortality statistics. For example, in 1997, 51 per cent of work-related fatality claims in Ontario were a result of traumatic injuries or disorders. Occupational cancers totalled 30 per cent of death claims in the workplace.

While the CMAJ article focuses on Ontario, the increase of occupational cancer rates should be of concern to employers and plan sponsors in other jurisdictions. Occupational cancers generally occur as a result of exposure to carcinogens at work. The sharp increase in occupation-related deaths from cancer is particularly worrisome, as many of today's cancer diagnoses may be a result of carcinogenic exposures that occurred as long as 30 years ago, according to the Occupational Cancer Research Centre (OCRC) at Toronto's York University.

"Accepted occupational cancer claims represent only a small fraction of the actual number of work-related cancers," the OCRC says. *"This is thought to be primarily a result of under-reporting…The actual number of occupational cancers is therefore grossly under-represented by accepted claims statistics."*

The OCRC says it is especially concerned about the increase in the cases of mesothelioma, a rare form of cancer that attacks the protective lining of some internal organs.

Workplace carcinogens such as industrial chemicals, asbestos, metals, engine exhaust, fibres, dust, radiation and second hand smoke are suspected of being contributors to the increased rates of occupational cancer.

"To change these trends, it is important to further strengthen and enforce occupational exposure limits and reduce the use of both known and suspected carcinogens and other toxic substances," the OCRC says. ❧

Work site accident rates triple at night, study says

If you're going to get injured through an accident on the job, chances are it will occur at night or in the early morning, according to Institute for Work & Health (IWH).

In its review of workplace accidents and injuries, published in the January 2013 edition of *Occupational & Environmental Medicine,* the IWH says that working non-traditional hours results in an increased risk of workplace accident or injury.

Data from its study indicates that, between the hours of 6:00 a.m. and 4:00 p.m., injury rates generally averaged two incidents per 200,000 hours worked. However, those rates increased sharply from 5:00 p.m. onwards, ranging as high as 5.5 to 6.5 injuries per 200,000 hours worked from 9:00 p.m. to 2:00 a.m. They then drop steadily from 3:00 a.m. to 6:00 a.m.

"The confirmation of an increased risk of injury during non-traditional work hours is important," says IWH President Dr. Cam Mustard. *"This information has not been readily available in the past."*

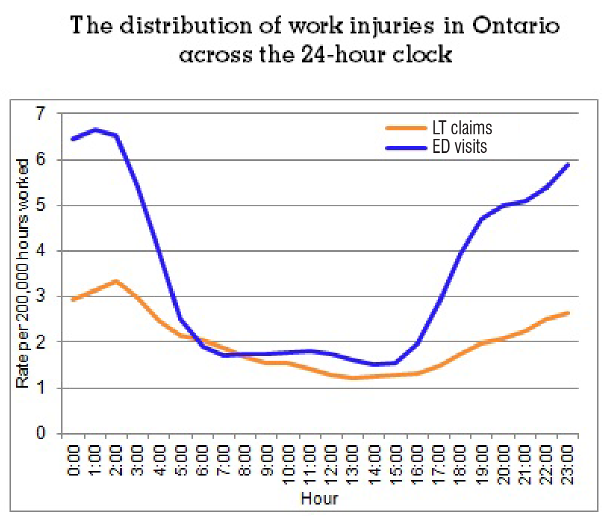
Considering that 25 per cent of the Canadian workforce works outside the traditional 9:00 a.m. to 5:00 p.m. work week, the increased risk of accident or injury for shift workers or those who work at night should be addressed, he suggests.

"The risk of working non-standard hours is relatively invisible," he says. *"A risk unrecognized is a risk unmanaged."*

The IWH research indicates that the increased incidents occurred among all age groups and both genders during the late night and early morning hours. However, incident rates were higher among women and workers age 35 to 64.

"The study shows that the increase in work injury during non-standard working hours is not due to the nature of the work, but due to time of day," Dr. Mustard says.

Fatigue from sleep disturbance as well as reduced levels of worksite supervision may account for the increased accident and injury rates during non-traditional work hours, the IWH says. ❧



The line graph above shows the rate of work injuries per 200,00 hours worked, against the time of injury. Data used came from emergency department visits in Ontario (the National Ambulatory Care Reporting System) and Ontario Workplace Safety & Insurance Board's recorded of lost-time claims, over a five-year period from January 2004 to December 2008.

From: *Occupational & Environmental Medicine, January 2013 edition.*

Saskatchewan increases pension filing fees

The province of Saskatchewan has increased its fees to register new pension plans and for filing annual information returns. The fee increases are as follows:

- for each active plan member: from $5 to $7;
- for former members: from $0 to $3.50 each;
- minimum filing fee: from $100 to $150; and
- maximum filing fee: from $5,000 to $15,000.

In addition, the province has changed its policies for calculating pension solvency deficiencies. When calculating a solvency deficiency and a pension's solvency ratio, the estimated wind-up expenses of the plan will no longer be added to its solvency liabilities. Instead, these expenses will be deducted from the plan's solvency assets.

As well, pre-retirement death benefits will no longer be held back when a pension plan has a solvency deficiency. The entire death benefit amount must be provided to the beneficiary in one payment.

The changes bring Saskatchewan in line with the rest of the county. ❧

Fast facts

- Almost half of all employees that are considering working beyond retirement are not interested in working in traditional arrangements with fixed hours or work weeks, a Ceridian survey conducted for the Canadian Association of Retired Persons (CARP) says. According to its survey of 5,330 Canadians, 46 per cent of potential retirees favour flexible hours, job-sharing and phased-in retirement options over fixed work schedules.
- The market value of Canada's employer-sponsored pension funds amounts to $1.2 trillion, Statistics Canada reports. More than six million Canadians are members of employer-sponsored pension plans.
- Effective October 1, 2013, the basic Old Age Security benefit was increased from $549.89 per month to $550.99 per month.
- Premiums for the Employment Insurance (EI) program will be frozen at $1.88 per $100 of insurable earnings until 2016. For Quebec residents covered under the Quebec Parental Insurance Plan, the rate will be $1.53 per $100 of insurable earnings. The maximum insurable earnings will increase to $48,600 in 2014 from $47,400 today.
- A Blackrock Asset Management survey of Canadian investors says that 18 per cent of investors don't save anything for retirement. Another 11 per cent don't know what they save. More than half of those surveyed, 56 per cent, believe their retirement savings will have to last at least 25 years following their retirement.
- According to the Office of the Superintendent of Financial Institutions (OSFI) 2012-2013 annual report, 1,234 private pension plans were registered under the Pension Benefits Standards Act, 1985 (PBSA), covering over 639,000 employees in federally regulated areas of employment, such as banking, interprovincial transportation and telecommunications. Between April 1, 2012 and March 31, 2013, federally regulated private pension plan assets increased by nine per cent, to a value of approximately $155 billion. OSFI regulates approximately seven per cent of private pension plans in Canada.
- A Canadian Payroll Association survey of 2,863 Canadians indicates that 42 per cent of respondents feel they would be in financial difficulty if their paycheque was delayed even by a week. In total, 40 per cent of employed people say they are spending 100 per cent or more of their pay.
- Employers say that sedentary lifestyles and work-related stress are the largest health risks among their employees, according to the Sun Life-Buffet National Wellness survey.
- The amount most baby boomers believe they will need to save to feel secure financially, according to a BMO Wealth Institute survey: $658,000. The average amount saved per boomer to date: $228,000. Average shortfall per person: $430,000. Percentage of respondents that aren't confident that they will have enough funds at retirement: 46 per cent. ❧

PPN update

- The former Zellers Pharmacy at 300 Eagleson Road in Kanata has become a **Target Pharmacy**. Its phone number is: 613-270-2001.
- The former Zellers Pharmacy located at 2277 Riverside Drive in Ottawa has become a **Target Pharmacy**. It can be reached at: 613-260-4131.
- **Mooney's Bay Pharmacy**, located at 743 Ridgewood Drive in Ottawa, has joined the Coughlin & Associates Ltd. Preferred Provider Network. Phone: 613-680-2900. ❧