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COURIER

AT A GLANCE ...

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Ontario multi-employer plans avoid axing benefits

More than 700,000 members of 60 Ontario-based multi-employer pension plans (MEPPs) were spared payment reductions and other severe plan adjustments this past September.

The plans, which primarily cover members and beneficiaries in the construction trades and supermarkets, did not meet the required 80 per cent funding ratio requirement under Pensions Benefits Act (PBA) regulations. As multi-employer plans, they have no government-backed guarantees and could legally cut benefits to meet funding shortfalls.

Effective September 1, 2007, MEPPs plans facing the solvency requirement can transfer their plan to a new pension category called the Specified Ontario Multi-Employer Pension Plan (SOMEPP). As a SOMEPP, a multi-employer plan will be excluded from consideration of any new solvency deficiencies from actuarial valuations occurring between September 1, 2007 and August 31, 2010. The amendment to the PBA also allows SOMEPP plans to:

- continue any going-concern special payments that have been filed with the Financial Services Commission of Ontario;
- fund any new shortfalls over a period of 12 years, instead of the usual 15 years; and
- continue to provide plan improvements if the funding ratios remain under 80 per cent, provided they are funded over a period of eight years.

However, a multi-employer plan seeking SOMEPP protection must advise all its members, unions and contributing employers that it has now been registered as a SOMEPP. As well, SOMEPP pensions must allow plan trustees to reduce pension benefits and conform to applicable Income Tax Act regulations.

A plan's trustees can elect to become a SOMEPP on a one-time basis any time between September 1, 2007 and August 31, 2010.

The revision to the PBA is considered temporary until the provincially appointed Ontario Expert Commission on Pensions has had a chance to review the issues facing multi-employer plans and their funding arrangements in detail.

The new rules were published in the September 8, 2007 edition of *The Ontario Gazette,* which appears at www.e-laws.gov.on.ca. ❧

TMJ class action suit against Health Canada a first

The Ontario Superior Court has cleared the way for 2,600 people to file a class action suit against Health Canada for allowing faulty jaw implants to be imported into Canada.

The members of the suit allege that they suffered months of intense, chronic pain when their Vitek® temporomandibular joint (TMJ) implants disintegrated, potentially exposing bone and soft tissue in the jaw to rapid deterioration and major damage.

The plaintiffs allege that the government agency failed to warn doctors and patients of the device's potential risks and ignored warnings from at least a half dozen junior members of the department who expressed concern about the product.

If the action is successful, it will be the first time Health Canada will held liable for faulty medical devices. The judge hearing the case dismissed Health Canada's argument that allowing the suit to proceed would open it to a flood of future litigation.

The suit's potential settlement costs are estimated in the hundreds of millions of dollars. ❧

GM adopts "revolutionary" benefits model

Automobile production in General Motors plants throughout Canada and the United States ground to a halt for two days this past September as the North America's leading car and truck manufacturer and the United Auto Workers union grappled with the issue of extended health care benefits.

Faced with growing multi-billion dollar health care liabilities for both its current and retired workforces, GM and its union's ultimate solution was to abandon its traditional employer-sponsored extended health care model in favour of a joint trusteed arrangement.

Under the new benefit arrangement, GM will channel $36 billion to the newly formed Voluntary Employees' Benefit Association, a health care trust with union and management representatives that will be responsible for the management of the benefit program.

The deal will remove $51 billion in liabilities from GM's books and allow the company to focus more on cost control, production and marketing issues rather than being *"a health care provider masquerading as a car maker"*, as described in recent edition of the *Globe and Mail.* As with other joint trusteed benefit plans, union representatives will also have a direct stake and voice in the management of the benefits plan.

The new arrangement has been described as *"revolutionary"* by auto industry analysts and is expected to be watched or copied by other automakers and suppliers throughout the continent.

According to reports, up to $1,600 of every car sold by GM goes toward funding its employee health care costs. That compares to $200 by its Japanese rival, Toyota. Its ratio of retirees, who are also covered under its benefits plan, to existing workers is 4:1, compared to 2:1 for Ford and 1:1 for Chrysler. Since Japanese auto plants are much newer to North America, the ratio of retirees is much lower than any of the *"big three"* North American manufacturers. ❧

Sub-prime worries spark mixed signals on pension markets

The market meltdown resulting from the worries in the sub-prime mortgage market in the US has fostered mixed signals in Canadian pension markets.

According to an SEI poll of 100 plan sponsors published in the September issue of *Benefits Canada* magazine, 55 per cent report they are re-evaluating their investment management approach, thanks to market volatility. The survey of various Canadian plan sponsors noted that almost 70 per cent of respondents who used pension investment managers felt that managing pension investments has become too complex. In contrast, only eight per cent of organizations that handle investments internally felt the same way.

If plan sponsors were shaken by this August's weak equity markets, investment managers were buoyed by the uncertainty. According to the *Business Investment Manager Outlook,* also published in *Benefits Canada,* 42 per cent of managers remain bullish on Canadian equities. Some market sub-indices such as high-tech and consumer staples, had bullish ratings of 60 to 70 per cent.

With plan sponsors turning more cautious and their pension fund managers turning bullish on equities, the pension investment management scene could be in for some exciting times, especially if the sub-prime market worries re-emerge.

Compounding the problem is growing uncertainty with market interest rates. In an effort to stop the bleeding on world equity markets, the US Federal Reserve cut its overnight interest rates by 50 basis points in early September, while the Bank of Canada held its rates steady. Until August, both central banks had been gradually increasing rates to stem inflationary pressures. In addition, the sudden weakness in the US dollar and the elevation of the Canadian dollar to parity with the US currency, has made US and other foreign equities more attractive, adding yet more uncertainty to pension funds based on Canadian equities.

These varying factors could come together in the fourth quarter, when investment managers tend to sell off equities to lock-in the year's gains for their funds, and result in more uncertainty. ❧

What do you do when your parents end up on your doorstep?

Without long-term care insurance, you may not have a lot of choice. Chances are good that, at some point, one or both of them will need long-term care. Have you thought about this happening to yourself in the future as well?

What is long-term care insurance?

Long-term care insurance provides the help needed if the insured person becomes functionally dependent. In long-term care, the term, *"functionally dependent"* means, in part, that the insured requires substantial assistance to perform two of the six *activities of daily living* or substantial supervision because of a cognitive impairment such as Alzheimer's disease. The six a*ctivities of daily living* are: bathing; eating; dressing; toileting; transferring; and maintaining continence.

As you can imagine, the need for long-term care can have a significant impact on the quality of retirement years. Long-term care services can be expensive, whether you are receiving help at home or in a facility. Here are some examples:

Typical home service

	British Columbia	Ontario	Quebec
Meal delivery (per meal)	$5.43	$5.18	$4.47
In-home meal preparation (per hour)	$24.18	$20.77	$15.52
Laundry/housecleaning (per hour)	$23.52	$19.93	$15.31
Personal care (bathing/dressing) (per hour)	$25.06	$21.13	$16.39
Companionship/supervision (per hour)	$24.05	$20.47	$16.09
Skilled nursing (per hour)	$33.00 - $65.00	$29.45 - $69.00	$26.00 - 85.00
Occupational therapy (per hour)	$94.62	$98.31	$80.00

Typical facility care (monthly) by room type

Semi-private	N/A	$2,040 - $4,950	$700 - $2,750
Private	$2,300 - $7,600	$2,130 - $6,550	$800 - $3,800
One-bedroom suite	$4,295 - $8,460	$3,775 - $6,000	$1,193 - $3,409

Cost of care source: *Best in Care*

Spend time with your parents because you want to, not because there is no other choice. Long-term care insurance is an affordable solution.

For further information on long-term care insurance solutions, contact Individual Financial Services Consultant **Jackie Moulton** at jmoulton@coughlin.ca ❧

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Thinking of retirement? A little planning can go a long way

If you're thinking about retirement, look before you leap.

While the lure of sleeping in and following your own daily schedule has its obvious benefits, the retirement picture is not as clear, nor as easy, as it once was. Expect to face some tough issues along the way.

The first problem is, ironically, that you may live a long, happy life. Today, males have an average life expectancy of age 76. Women can expect to live to age 82. Can your combined savings, pensions and government benefits support you for that long? The earlier you retire, the more money you'll need to finance your life after work.

The second problem may be your pension, or lack of one. According to data published by the International Foundation of Employee Benefit Plans, 38 per cent of Canadian workers are members of a pension plan. That compares to 43 per cent 10 years ago. Plus, with low interest rates and market uncertainty eroding the values and sustainability of defined benefit plans, an increasing number of plans are converting to either defined contribution arrangements or group registered retirement savings plans (RRSPs), which do not guarantee a specific income at retirement.

That leads to the third problem: how do you know how much you'll need to live at retirement? Traditionally, retirement planners suggested that, to maintain your lifestyle after retirement, your total post-retirement earnings should total 70 per cent of your income while employed. However, unless you have a defined benefit pension, estimating the income you'll receive at retirement can be extremely difficult.

If you have difficulty estimating the income you will receive after retirement, try using the retirement income calculator on the Service Canada website at: www.fcac-acfc.gc.ca. Click on *On-line services and forms* and look for the link to *Calculate retirement income.* Answering the questions in this easy-to-use calculator can result in a reasonable estimate of what you'll earn at retirement.

Once you have the estimate, the next step is preparation. Following are some suggestions as published by *Canadian Business* magazine and the *Toronto Sun.*

1. After you have estimated your retirement income, try living off it for a while. If it's too tight now, you may have to go to Plan B — working and saving for a longer period.
2. Start early. The earlier you start, the more you'll save in the long run.
3. Contribute regularly to an RRSP and maximize your contributions, whenever possible. Regular monthly payments result in greater savings over time than one-time annual contributions.
4. If you're planning to retire to another province or country, be sure to check its tax rates. A variation of even one or two per cent could result in a difference of hundreds, even thousands of dollars to your after tax income.
5. Don't expect to receive an inheritance. Parents can live a long while and often need extensive funding, especially during protracted illnesses. Plus, settling an estate can be a long and difficult process. Consider any inheritance you receive as a bonus.
6. Diversify. Try to establish income streams from as many sources as possible, including pensions, RRSPs, savings, equities, even part-time employment.
7. Be sure to have a safety net for unexpected expenses.
8. Keep your will up-to-date and place key documents such as bank books, insurance policies, major receipts and tax files in a place that your survivors will be able to find and access.
9. Save taxes by pension splitting, rather than living off one pension income.
10. If you have an employee benefit plan from work, check to see what, if any, benefits continue after retirement. *Remember, most benefit plans terminate at retirement or age 65.* That means you may have to pay for most — or all — of your dental, vision, life insurance, medical or other coverages after you retire.

For more information on saving for your retirement, contact Coughlin Individual Financial Services Consultant **Jacques Poirier** at jpoirier@coughlin.ca or **Jackie Moulton** at jmoulton@coughlin.ca. ❧

CRA revokes pensions transferred to small businesses

The Federal Court of Appeal has backed a Canada Revenue Agency (CRA) ruling revoking the registration of pension plans transferred to small businesses.

The case involved a former St. Catherines teacher and a Sault Ste. Marie police officer who took leaves of absence from their jobs to form small businesses. In the process, both individuals transferred their government pensions to their new companies and attempted to withdraw surplus funds from the plans once they gained control of the pensions.

According to the CRA, the plans did not meet their primary purpose under tax law, the provision of a lifetime pension in respect of service as an employee. As well, neither of the small businesses established by the individuals earned enough to provide incomes for them. In effect, based on the CRA's ruling, the individuals involved established the businesses for the primary purpose of gaining access to the surpluses in their government pensions.

The revocation of the plans' registration could have serious tax consequences. Valued at $755,000 and $564,000 respectively, the applicable taxes on each will likely amount to hundreds of thousands of dollars.

According to the *Toronto Star,* investment fund advisors may have promoted the pension transfer concept without encouraging the members to first seek legal advice or an advance tax ruling.

Plan members considering transferring their pensions to newly formed small businesses following retirement should seek independent legal and financial advice before doing so. ❧

Lose weight or lose benefits, US employees told

The differences between American and Canadian approaches to employee benefits management were again seen this summer when an Indiana hospital chain announced that it will dock the salaries of employees it considers to be overweight.

Starting in 2009, Clarian Health Partners will charge employees as much as $30 every two weeks if they fail to meet specified weight, cholesterol and blood pressure guidelines.

Like many employers, the hospital is attempting to reduce health care costs by providing incentives or penalties to force employees to consider healthier lifestyles. Other US employers, including a major Los Angeles area school board, have introduced variable plan deductibles where smokers, or those who are obese, face extended health plan deductibles of up to $5,000, compared to the $500 to $1,000 paid by physically fit individuals.

According to articles published in the *Los Angeles Times,* many employers who have implemented such plans have experienced health claims reductions of as much 30 per cent. As well, employees working under such regimes now tend to opt for more healthy foods at lunch and special functions in the workplace.

While privacy and human rights advocates slam such plans as Draconian, no company has been charged or faced major court action so far. ❧

Could you work there?

At Indiana's Clarian Health Partners, employees' salaries are reduced if they smoke and/or fail to meet the following criteria:

Body mass index: 29.9

Blood pressure: 140/90

LDL cholesterol level: 130 or more. ❧

You need a holiday

Paid time off is arguably the most basic employee benefit. For most people, vacation time is not only the time used to relax from work pressures and re-connect with family, it is also the time we set aside to handle personal emergencies or handle errands that can only be done during the work day.

But an employee's legislated right to such time varies wildly by jurisdiction. Most Europeans are awarded four to six weeks of paid vacation each year. That doesn't include public breaks such as Christmas or national holidays. The United States trails the industrialized world with *no* legislated time off for annual leave or paid public holidays (although, the average American does take nine days of paid holidays and six statutory holidays per year.)

While Canadian vacation entitlements vary according to the Employment Standards Act of each province, on average, Canadians do better than their US colleagues but lag their European cousins, receiving a minimum two weeks of paid vacation per year and eight paid statutory holidays.

The statutory minimum leaves and paid public holiday times of various members of the Organization for Economic Co-operation and Development (OECD) follow:

Country	Statutory minimum annual leave (days)	Public holidays
Australia	20	7
Belgium	20	19
Canada	10	8
France	25	9
Germany	24	10
Greece	20	6
Ireland	20	9
Italy	20	13
Japan	10	0
Netherlands	20	0
Portugal	22	13
United Kingdom	20	0
United States	0	0

Fast facts

- Time *isn't* money. A recent survey of 2,000 Canadians by Environics Research reports that 38 per cent of men and 42 per cent of women would accept a 20 per cent pay cut for an extra 20 per cent of time off. Workers age 50 or more were least willing to make the trade, with only 43 per cent in favour, while 65 per cent of those age 18 to 29 wanted the extra break.

- If they haven't done so already, the leaders of organized labour will soon have to get in touch with their feminine side. According to the September 2007 Statistics Canada *Labour Force Survey,* more women are now represented by labour unions than men. A total of 2,248,000 women belong to unions compared to 2,237,200 men.

- An increasing number of workers are opting to take their Canada/Quebec Pension Plan benefits at age 60, the youngest qualification for the government benefit. According to Statistics Canada, 38 per cent of women workers chose to take the benefit at age 60 in 2003 compared to 31 per cent in 1995. Just over 35 per cent of men took the benefit at that age in 2003 compared to 34 per cent in 1995.

- While a greater number of older workers may be opting to take their Canada/Quebec Pension Plan benefits at an earlier age, it doesn't mean they intend to stop working. Statistics Canada's *Participation of older workers* study released this past August indicates that workers age 55 to 64 now account for 12 per cent of the workforce compared to 10 cent per cent three decades ago. The number of people in that age range who were either employed or looking for work has more than doubled in that time.

- Number of "traditional" married couple families in Canada, according to the 2006 census: 6.10 million. Number of common-law couple families: 1.37 million. Number of lone parent families: 1.41 million. Number of married same sex couples: 7,465.

- The top five high risk drugs prescribed to seniors in public drug plans in Alberta, Saskatchewan, Manitoba and New Brunswick, according to the Canadian Institute for Health Information: oral estrogens (hormone replacement); Amitriptyline (anti-depressant); Digoxin (heart disease); Oxybutynin (incontinence) and Temazepam (sleep disorders.)

- A Conference Board of Canada study released this past summer says that 24 per cent of defined benefit pension plan sponsors intend to make a change to their plans within the next 12 months. Private sector plans with pension deficits were most likely to be in line for a change, the study indicated, with most contemplating a conversion to a defined contribution arrangement or group registered retirement savings plan.

- The government of New Brunswick has passed legislation requiring plan sponsors of defined benefit pension plans to fully fund their plans on wind-up. The legislation will force plan sponsors to fund the difference between the market value of their investments and their liabilities as of the wind-up date. Sponsors will have five years to fund any shortfalls after the wind-up. The new rules do not apply to plans where sponsor contributions are fixed, such as collective agreements or trust agreements.

- The average annual cost of group medical coverage in the United States, as reported by United Benefit Providers: \$6,881. The average amount paid by an employee: \$3,110, or 45 per cent.

- It is estimated that 16,000 individuals diagnosed with cancer are permanently disabled. A total of 40 per cent have life threatening cancer.

- The percentage probability of developing cancer within the next 10 years, according to Statistics Canada:

Age	30-39	40-49	50-59	60-69	70-79	80-89
Male	0.6	1.7	6.1	15.5	21.9	20.3
Female	1.2	3.0	6.3	10.1	13.6	13.5

PPN update

Wal-Mart Super Centre of 1444 Quinn Drive (Highway 40 & Exmouth Street) in Sarnia, Ontario, has joined the Coughlin & Associates Ltd. Preferred Provider Network. Their telephone number is 519-542-0787.

The Medical Arts Dispensary, of 160 Elgin Street, Ottawa, is no longer a member of the Coughlin PPN. ❧

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