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Highlights of the federal, provincial and territorial budgets for 2012

Every year we publish an overview of the federal, provincial and territorial budgets, with an emphasis on measures that could potentially affect group benefits plans. This year, the focus of all budgets has been on sustaining the momentum for economic recovery and introducing measures to return to balanced budgets, while maintaining or enhancing vital public services.

Here's a look at the 2012 budgets, by jurisdiction.

The federal budget – March 29, 2012

Employer contributions to a Group Sickness or Accident Insurance Plan

The budget proposes that employer contributions to a group sickness or accident insurance plan be included in an employee's income for tax purposes. Subject to a number of exceptions, if an employer contributes to a group sickness or accident insurance plan in respect to an employee, an amount will be included in the employee's income when the employer contributions are made to the plan.

It appears this proposed legislation will include products such as accidental death & dismemberment, critical illness insurance and long term care Insurance, but not wage loss replacement plans that are payable on a periodic basis or products that meet the definition of a private health services plan.

This proposed measure is effective for employer contributions made after March 29, 2012 relating to coverage in place after 2012.

We are monitoring the development and implication of this proposed legislation. More details will be provided when it becomes available.

Protecting Long-Term Disability Plans

The government announced its commitment to introduce legislation requiring federally regulated private sector employers to insure, on a go-forward basis, the long-term disability benefit coverage offered to employees.

This proposed legislation will impact our group benefit plan sponsors who are considered federally regulated private sector employers, those who currently have their long-term disability benefit plans with Sun Life on an administrative services only (ASO) basis.

We are monitoring the development and implication of this proposed legislation. More details will be provided when it becomes available.

For more information you can visit the [Government of Canada](http://www.gc.ca) website.

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Here's a look at the British Columbia, Manitoba, Nova Scotia, Ontario, PEI, Quebec and Saskatchewan budgets:

British Columbia – February 21, 2012

Reinstating Provincial Sales Tax (PST)

British Columbia confirmed its plans to reintroduce the PST at a rate of 7% plus federal goods and services tax (GST) by April 1, 2013. This proposed change will impact group benefits goods and services where the harmonized sales tax (HST) currently applies.

We will communicate the impact of this proposed change closer to the effective date.

For more information you can visit the [Government of British Columbia](#) website.

Manitoba – April 17, 2012

Insurance Premiums subject to provincial sales tax

Manitoba announced in its budget that the provincial sales tax of 7% will apply on premiums of certain insurance contracts, including group life insurance. The proposed effective date for this application of provincial sales tax is July 1, 2012.

We are reviewing the implications of this announcement and seeking further clarification. We will provide you with updates as soon as possible.

Drug announcement

As part of the government's goal to strengthen health care, the budget included an announcement with respect to providing free cancer drugs for all patients, allowing more patients to remain at home.

We will monitor any new information as it becomes available and will inform you accordingly.

For more information you can visit the [Government of Manitoba](#) website.

Nova Scotia – April 3, 2012

Harmonized Sales Tax

Nova Scotia announced its plans to reduce the current HST rate of 15% by 1% in 2014 and another 1% in 2015. These proposed changes will impact group benefits goods and services where the HST applies.

The impact of these proposed changes will be communicated closer to the effective date of each change.

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Fair Drug Pricing program

In their budget, the government mentioned their “fair drug pricing” program which started effective April 1, 2011. With this program, the province states that it is aiming to protect families and seniors from unfair drug prices. As of July 1st 2012, prices payable under the program, will go down to 35% of brand-name drugs, which is where the government is planning to keep them.

For more information you can visit the [Government of Nova Scotia](#) website.

Ontario – March 27, 2012

Changes are being implemented to the Ontario Drug Benefits (ODB) program

The ODB program helps seniors with the cost of their prescription drugs. All seniors are eligible for the ODB, regardless of their income level.

The 2012 budget announced changes to ensure the program is effective, properly administered and provides the most help to those in the greatest need. The fairness of the program will be improved by asking the highest-income seniors to pay more of their own prescription drug costs.

Starting August 2014, high-income seniors will pay a new income-tested deductible. The change will affect only about 5% of senior ODB recipients — those seniors with the highest incomes and greatest ability to pay their own drug costs.

The new deductible will increase gradually with net income:

- For high-income single seniors with income over \$100,000, the deductible amount will be \$100 plus 3% of income over \$100,000
- For high-income senior couples with a combined income of over \$160,000, the new deductible for the couple will be \$200 plus 3% of their family income over \$160,000
- These seniors will also continue to pay a co-payment of \$6.11 per prescription after the deductible amount
- Income thresholds will not be indexed for inflation

These changes will not increase drug costs for seniors with net incomes below the \$100,000 or \$160,000 thresholds who already obtain their drugs under the ODB program:

- These seniors will continue to pay only the first \$100 of their drug costs each year, plus a co-payment of \$6.11 for each prescription after the \$100 amount

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- The \$100 deductible will continue to be waived for lower-income seniors. Lower income seniors who currently pay the \$2 co-payment will continue to pay \$2 per prescription

Based on data from Statistics Canada, it's estimated that approximately 5% of the population in Ontario aged 65 and older will likely have an income over the \$100,000 / \$160,000 income threshold by 2014.

Most Ontario residents over the age of 65 will therefore be unaffected by the new deductible. As a result, most plan sponsors of retiree health drug coverage will not see any material impact to their plan costs as a result of this measure.

However, further analysis regarding the impact on specific groups can be provided on request.

Review and update Ontario's Insurance Act:

The Ontario budget also noted the government's intention to review and update Ontario's Insurance Act. Further to this, the government is:

- proposing amendments to the life insurance and accident and sickness insurance parts of the Insurance Act to enhance consumer protection, reduce regulatory burden; and harmonize with other Canadian jurisdictions; and
- enhancing the effectiveness of its insurance regulation by proposing amendments to give the Superintendent of Financial Services the authority to impose administrative monetary penalties in the insurance sector.

We are actively monitoring the Insurance Act amendments through our participation in the Canadian Life and Health Insurance industry (CLHIA), and will report further on these amendments and the impact on group plans.

For more information visit the [Ontario Ministry of Finance](#) website.

Prince Edward Island – April 18, 2012

P.E.I. announced it is entering into formal negotiations with the federal government to implement a harmonized sales tax (HST), effective April 2013. The combined HST rate will be 14%. The provincial rate will be 9% plus the federal goods & services tax (GST) rate of 5%. It is anticipated these proposed changes will impact group benefits goods and services where HST applies.

The impact of this proposed harmonized sales tax will be communicated closer to the effective date.

For more information visit the [Government of PEI](#) website.

Quebec – March 20, 2012

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Quebec reconfirmed their plan, as announced in September 2011, to adopt many of the harmonized sales tax (HST) attributes. In addition, as a result of the Quebec Sales Tax (QST) harmonization, the Quebec premium tax rate will be reduced in a phased approach.

The impact of these proposed changes will be communicated closer to the implementation date.

For more information visit the [Government of Quebec](#) website.

Saskatchewan – March 21, 2012

Expanding their diabetes program

The Saskatchewan government announced the expansion of its diabetes program which includes covering insulin pumps for residents up to the age of 25. The cut-off for the program was previously age 18.

Residents will first need to meet the provincial diabetes program criteria in order to qualify for coverage of an insulin pump. For residents with insulin pump coverage under their Sun Life Financial group plan, claims for these expenses not covered first by the provincial plan can be submitted for reimbursement.

For more information visit the [Government of Saskatchewan](#) website.

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Other budgets

Although the remaining provinces and territories are directing money to health care initiatives, committing to decreasing wait times, and increasing access to health professionals, their budgets do not contain any issues relevant to group benefits.

More to come

We will send out updates as we work through the impact and implementation of the changes included in each budget listed above.

Questions?

Please contact your Advisor.