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## CANADA'S 2019 BUDGET INCLUDES BENEFIT, EMPLOYMENT INITIATIVES

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22 Mar 2019

Canada's [2019 budget](#), the last before the expected October general election, features a number of initiatives aimed at helping the middle class, including a pharmacare program, skills training incentives and two new annuities to increase retirement savings flexibility. Mercer's [response](#) offers insights on potential implications for employers.

### KEY PROPOSALS

Highlights of the budget include:

- *Pharmacare.* The government reaffirmed its plan to move forward with a national pharmacare program, but the budget offers no details beyond what was already announced in the [interim report](#) of the Advisory Council on the Implementation of National Pharmacare. The lack of specifics leaves many questions unanswered, including whether the program will be a universal, single-payer public prescription drug plan or a gap-filling model centered on closer collaboration between public and private plans on prescription drug coverage.
- *Training incentives.* A new training program would support the modernization of workers' skills, reinforcing the trend of assigning responsibility to employees for their own career development. The new nontaxable Canada Training Credit would provide eligible workers between 25 and 64 with up to \$250 a year (capped at a lifetime limit of \$5,000) to fund up to half the cost of taking a course or enrolling in a training program. A new Training Support Benefit, expected to launch in late 2020, would complement the credit by providing up to four weeks of income support to workers on training leave through the Employment Insurance system. Provincial governments would need to adjust employment standards to ensure job protection during these training leaves.
- *Pensions.* For defined benefit plans, the 2019 budget proposes a full discharge on the purchase of annuities from federally registered plans, in line with current rules for plans registered in most provinces. It also intends to make insolvency proceedings more transparent and allow courts to review payments made to executives in the lead up to the insolvency of a defined benefit plan sponsor. Two new types of annuities aim to provide greater retirement savings flexibility:
  - An Advanced Life Deferred Annuity (ALDA) could begin payments as late as age 85 (current rules require payments to start at age 71). An ALDA could be purchased from plans such as a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan, pooled registered pension plan (PRPP) and defined contribution registered pension plans (RPP), subject to a lifetime dollar limit of \$150,000.

- A Variable Payment Life Annuity (VPLA) would be a variable annuity provided from PRPPs and defined contribution RPPs. Payments under a VPLA would vary based on investment performance and mortality experience of annuitants. A separate fund would have to be established under the plan to receive transfers from members' accounts and provide VPLAs.
- *Stock options.* Changed tax treatment of some stock options issued by “large, long-established mature firms” would align Canada with current US rules for similar options. This would put an annual cap of \$200,000 on stock options eligible for preferential tax treatment, calculated on the value of the underlying shares at the time of granting. The changes would apply to future employee stock options and not retroactively to employee stock options granted prior to the legislative announcement. Significantly, these changes would not apply to start-ups or “rapidly growing Canadian businesses.”
- *Health and welfare trusts.* The government's confirmed its intention to proceed with the income tax measures announced in the [2018 budget](#) that would facilitate the conversion of Health and Welfare Trusts to Employee Life and Health Trusts.

## MERCER RESPONSE

The government hopes many elements of the 2019 budget will appeal to voters, but employers will feel the effects. While some measures would require immediate action, the impact of others — and therefore the implications for employers — will depend on how such measures are ultimately implemented. Mercer has provided insights in its [response](#) and will continue to monitor and provide advice throughout the budget process.

## RELATED RESOURCES

### Non-Mercer Resources

- [2019 Budget](#) (Government of Canada, 19 Mar 2019)
- [Interim Report of the Advisory Council on the Implementation of National Pharmacare](#) (Government of Canada, 6 Mar 2019)

### Other Mercer Resources

- [Mercer's Response: 2019 Budget](#) (20 Mar 2019)
- [Mercer's Response: 2018 Budget](#) (1 Mar 2018)

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