



JSL Benefit*knews*

Johnson Schock Lowden Inc.

Spring Edition 2005

THE 2005 FEDERAL BUDGET

On February 23, 2005, Finance Minister Ralph Goodale delivered his second budget since the Martin Liberal Government came to power. The focus of his speech targeted low-income Canadians, the military, government savings, daycare and the environment.

We have reviewed Mr. Goodale's speech and highlighted the areas we believe will have some impact on your group benefits:

Federal health transfer payments

The government reinforced its \$41 billion September agreement for long-term federal funding for health care. As a result, federal cash transfers to provinces and territories in support of health care will rise from \$16.3 billion this year to \$19.6 billion next year.

Cash transfers will increase by six per cent annually, reaching \$30.5 billion in 2013-14. Of this, \$500 million will be provided through the transfer payments in 2005-06 to help progress on home care services and catastrophic drug coverage.

A ministerial task force will develop and implement a national pharmaceutical strategy. We'll watch this strategy closely as it could have an impact on group benefits plans.

Here is a breakdown of what monies the government promised on top of the \$41 billion:

\$300 million over 5 years for the Public Health Agency of Canada to promote healthy living and prevent chronic diseases, such as diabetes

\$170 million over 5 years to improve the safety and effectiveness of drugs and other therapeutic products

\$110 million over 5 years to the Canadian Institute of Health Information (CIHI) to collect and evaluate data on health-system performance, such as wait times for surgery.

\$90 million to Health Canada to research ways to reduce the risks associated with exposure to toxic substances.

\$75 million to relieve the doctor shortage by encouraging foreign-trained doctors to obtain their Canadian accreditation.

\$34 million over 5 years to enhance Canada's pandemic influenza preparedness.

\$15 million over 4 years to help reduce wait lists for surgery.

\$10.7 million through 2004-05 for Hepatitis C prevention and support for further research.

Medical Expense Tax Credit (METC)

The government regularly reviews and updates the list of eligible expenses in light of new medical developments and technologies. The list of eligible expenses for the METC and Personal Health Services Plan (PHSP) will be expanded to include – expenses incurred in operating an oxygen concentrator, medical marijuana, phototherapy equipment for skin disorders, deaf-blind intervening services, Braille note takers, devices and software enabling reading of print, and page turners. These new expenses are generally subject to certification by a medical practitioner and other detailed criteria.



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Registered Plans – Pension and RRSP Limits

The budget proposes to increase the contribution limits for RPPs, RRSPs, and DPSPs in order to encourage Canadians to plan and fund their retirement needs and to enable employers to provide more attractive compensation packages to attract and retain highly skilled employees.

	2005	2006	2007	2008	2009	2010	2011
Money Purchase RPPs – Annual Contribution limit							
Existing	\$18,000	Indexed					
Proposed	\$18,000	\$19,000	\$20,000	\$21,000	\$22,000	Indexed	
Defined Benefit RPPs – Maximum pension benefit (per year of service)							
Existing	\$2,000	Indexed					
Proposed	\$2,000	\$2,111	\$2,222	\$2,333	\$2,444	Indexed	
RRSPs – Annual Contribution Limit							
Existing	\$16,500	\$18,000	Indexed				
Proposed	\$16,500	\$18,000	\$19,000	\$20,000	\$21,000	\$22,000	Indexed

Note: The RPP limits are based on current-year earnings; the RRSP limits are based on prior-year earnings. Accordingly, the RRSP limits are lagged one year behind the corresponding RPP limits.

Elimination of the Foreign Content Limit

The 2005 Federal Budget also eliminates the 30% foreign content limit on pension and RRSP investments, *effective immediately*.

This proposal will help “expand the investing universe” for Canadians and offer them the potential to achieve greater diversification. It will also benefit pension funds by allowing broader international diversification opportunities for retirement investments.

We do not expect this to immediately have a significant effect on the way Canadians actually invest. In the UK there are not foreign content rules and average foreign content is 40%. We may see diversification in the fixed income area, as both Pension funds and investors move away holding only Canadian fixed income to a mixture of Canadian and foreign fixed income holdings.