



Canadian Benefits
Guide **2012**

Foreword

It is our privilege to present you with the 36th edition of our *Canadian Benefits Guide*. As Canada's leading integrated human capital consulting and outsourcing firm, Aon Hewitt partners with organizations to solve their most complex benefits, talent and related financial challenges, and improve business performance.

This reference tool provides comprehensive information on the main provisions of legislation affecting government and private benefits programs.

Throughout the year, you are invited to consult www.aonhewitt.com/canada for the latest updates on this information.

For a comprehensive in-depth look at how these issues affect your business, as well as leading industry advice, we invite you to contact Aon Hewitt Canada.

Aon Hewitt

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This guide should not be relied upon as rendering legal, accounting or other professional advice. If professional assistance is required, please contact your consultant or other professional advisors.

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Old Age Security

1. Old Age Security (OAS)

Any person (other than an incarcerated person) age 65 or older is entitled to the full OAS pension after 40 years of residence in Canada following age 18. A partial prorated pension may be payable after 10 years of residence.

Pensioners with an individual net income above \$69,562 must repay part or all of the maximum OAS pension amount. The repayment amounts are normally deducted from the monthly payments before they are issued. The full OAS pension is eliminated when a pensioner's net income is \$112,772 or above.

The table at the end of the *Canada Pension Plan/Quebec Pension Plan* section provides the maximum OAS monthly pensions since 1966.

OAS benefits are extended to spouses and to common-law partners, including same-sex partners. For the purposes of this section, the term spouse includes common-law partners.

2. Guaranteed Income Supplement (GIS)

To be eligible for the GIS, a person must receive the OAS pension and meet certain income and residency criteria. The GIS is reduced by a portion of income, excluding the OAS pension and other defined income amounts.

The reduction formula differs for a person with a spouse, taking their combined income into account.

3. The Allowance and Allowance for the Survivor

An Allowance may be provided to the spouse of an OAS pensioner. Any person age 60 to 64 whose spouse has died may be eligible for an Allowance for the Survivor. The Allowance and the Allowance for the Survivor are subject to certain residency criteria.

The maximum Allowance is equal to the OAS pension and the GIS at the married recipient's rate. The Allowance is reduced by a portion of the couple's combined income, excluding the OAS pension and other defined income amounts. The Allowance for the Survivor is also reduced by a portion of the survivor's income.

Old Age Security

4. Old Age Security – Monthly Benefits

	2011				2012
	January	April	July	October	January
Old Age Security Pension (age 65 and over)	\$524.23	\$526.85	\$533.70	\$537.97	\$540.12
Allowance (age 60 to 64)					
• Regular	\$961.18	\$965.98	\$1,013.54	\$1,021.65	\$1,025.73
• Survivor	\$1,065.45	\$1,070.78	\$1,134.70	\$1,143.78	\$1,148.35
Guaranteed Income Supplement					
• Single	\$661.69	\$665.00	\$723.65	\$729.44	\$732.36
• Spouse of					
– a Non-OAS pensioner	\$661.69	\$665.00	\$723.65	\$729.44	\$732.36
– an OAS pensioner	\$436.95	\$439.13	\$479.84	\$483.68	\$485.61
– an Allowance Recipient	\$436.95	\$439.13	\$479.84	\$483.68	\$485.61
Increase Over Previous Period¹	0.5%	0.5%	1.3%	0.8%	0.4%

¹ OAS, GIS and the Allowance are adjusted quarterly to reflect any increase in the Consumer Price Index (CPI).

Canada Pension Plan/Quebec Pension Plan

1. General

Both the Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP) came into effect January 1, 1966.

Employee contributions to the CPP are 4.95% and to the QPP are 5.025% of earnings in excess of the basic exemption, up to the Year's Maximum Pensionable Earnings (YMPE) which is currently \$50,100. The basic exemption is \$3,500 and is expected to remain frozen at this level indefinitely. The employer contribution is equal to the employee contribution. The contribution rate of a self-employed person is twice the employee rate.

Monthly benefits are taxable and are adjusted annually to reflect the increase in the CPI. CPP and QPP pensions already in payment will be increased by 2.8% in 2012.

	Contribution Rate		Maximum Contribution	
	Employee or Employer	Self-employed	Employee or Employer	Self-employed
CPP	4.95%	9.90%	\$2,306.70	\$4,613.40
QPP ¹	5.025%	10.05%	\$2,341.65	\$4,683.30

¹ Beginning in 2012, the contribution rate for the QPP will be increased by 0.15% a year, reaching 10.80% in 2017. As of 2018, an automatic mechanism will be established to align the contribution rate with the steady-state rate.

2. Retirement Pension

To be eligible for a retirement pension, a person must have contributed for the minimum required period: once for CPP and 12 months for QPP. The retirement pension is equal to about 25% of the contributor's average monthly pensionable earnings adjusted to reflect the average YMPE over the last five years.

A contributor may receive a CPP pension from age 60, regardless of employment, and under the QPP, from age 60, provided he has ceased or partially ceased employment,¹ or from age 65, regardless of employment. QPP and CPP contributions are required if a person receives a pension while working prior to age 65. A person receiving a pension may also elect to contribute while working on or after age 65. Pensions are increased as a result of such additional contributions being made after pension commencement.

The pension may also be deferred at the contributor's option, but payments must commence before age 70. A pension commencing after age 65 is increased by 0.57% (0.5% under QPP²) for each month between 65 and the actual pension date. A pension commencing prior to age 65 is decreased by 0.5%³ for each month between the actual pension date and age 65, and, starting in 2012, this reduction will increase gradually to 0.6% over a five-year period under the CPP.

¹ Effective for QPP retirement pensions that commence on or after January 1, 2014, the work cessation test will be removed.

² Starting on January 1, 2014, the monthly adjustment to QPP retirement pensions that commence after age 65 will be 0.7%.

³ Starting on January 1, 2014, the monthly adjustment to QPP retirement pensions that commence prior to age 65 will be gradually increased to 0.6% over a two-year period.

Canada Pension Plan/Quebec Pension Plan

3. Survivor Benefits

Survivors are eligible for benefits provided contributions were made by the deceased contributor for the lesser of one-third of the years in the contributory period (subject to a minimum of three years) or ten years.

The amount of pension payable to a surviving spouse or common-law partner depends on the age and situation of the surviving spouse or common-law partner and is payable for life. Both the CPP and QPP extend benefits to same-sex common-law partners.

In addition to the pension of the surviving spouse or common-law partner, benefits payable on the death of an eligible contributor include a lump sum death benefit and an orphan's pension. Since 1998, the lump sum death benefit under the CPP has been limited to six months of retirement benefits to a maximum of \$2,500. Under the QPP, the lump sum death benefit is fixed at \$2,500.¹

4. Disability Benefits

Contributors suffering from a severe disability of prolonged duration are eligible for disability benefits under the CPP, provided they have earned at least 10% of the YMPE in at least four of the last six years, or provided they have contributed to the CPP for twenty-five calendar years or more including in at least three of the last six years. Under the QPP, disabled contributors are eligible for disability benefits provided they contributed in two of the last three years, in five of the last ten years or in half of the years in the contributory period, subject to a minimum of two years.²

Disability benefits are payable monthly from the fourth month following the month in which the contributor becomes disabled.

Under the CPP, the retirement pension following disability will be based on the average YMPE at the date of disability, adjusted for inflation up to retirement (which is normally less than the increase in the YMPE). Under the QPP, the retirement pension will be reduced by 0.5% times the number of months during which a disability pension is paid after attaining age 60.

¹ Beginning January 1, 2013, if a contributor doesn't satisfy the eligibility criteria for survivor benefits under the QPP but has contributed at least \$500 and never received a retirement or disability pension under the QPP, a lump sum death benefit corresponding to the amount of contributions paid, up to \$2,500, will be payable.

² Starting in 2013, individuals under age 65 receiving a QPP pension will be eligible to obtain an additional amount if they become disabled after retirement and meet the eligibility criteria.

Canada Pension Plan/Quebec Pension Plan

5. Maximum Monthly Benefits

	CPP \$	QPP \$
Retirement pension starting at age 65	986.67	986.67
Disability pension		
• for the contributor	1,185.50	1,185.47
• for a contributor's child	224.62	224.62
Surviving spouse's pension¹		
• Under age 45		
– without dependent children	543.82 ²	484.09
– with dependent children	543.82	783.62
– disabled (with or without dependent children)	543.82	815.47
• Age 45 to 54	543.82	815.47
• Age 55 to 64	543.82	815.47
• Age 65 and over	592.00	592.00
Orphan's pension	224.62	224.62

1 Special rules apply when this pension is combined with a disability or a retirement pension.

2 The pension is reduced by 1/120 times the number of months between the age of the surviving spouse and age 45; no pension is payable before age 35.

Canada Pension Plan/Quebec Pension Plan

6. Summary Data – CPP, QPP and OAS

CPP and QPP numbers are identical unless indicated otherwise.

Year	Year's Maximum Pensionable Earnings (YMPE)	Annual Basic Exemption	Annual Maximum Employee Contributions ¹	Maximum Monthly Retirement Pension at age 65	Rate of Indexation CPP/QPP Pension	Change in CPI ² (December to December)	Maximum OAS Monthly Pension ³	
	\$	\$	%	\$	\$	%	%	
1967-68	5,100	600	1.80	81.00	20.97	2.0	4.3	76.50
1969	5,200	600	1.80	82.80	31.88	2.0	4.7	78.00
1970	5,300	600	1.80	84.60	43.33	2.0	1.0	79.58
1971	5,400	600	1.80	86.40	55.21	2.0	4.9	80.00
1972	5,500	600	1.80	88.20	67.50	2.0	5.2	82.88
1973 ⁴	5,600 ⁴	600 ⁴	1.80	90.00 ⁴	80.21 ⁴	2.0	9.4	82.88
1974	6,600	700	1.80	106.20	98.34 ⁵	8.2	12.7	108.14
1975	7,400	700	1.80	120.60	122.50 ⁶	10.4	9.4	120.06
1976	8,300	800	1.80	135.00	154.86	11.2	5.6	132.90
1977	9,300	900	1.80	151.20	173.61	8.2	9.4	141.34
1978	10,400	1,000	1.80	169.20	194.44	7.5	8.6	153.44
1979	11,700	1,100	1.80	190.80	218.06	9.0	9.8	167.21
1980	13,100	1,300	1.80	212.40	244.44	9.0	11.1	182.42
1981	14,700	1,400	1.80	239.40	274.31	9.9	12.1	202.14
1982	16,500	1,600	1.80	268.20	307.65	12.3	9.3	227.73
1983	18,500	1,800	1.80	300.60	345.15	11.2	4.6	251.12
1984	20,800	2,000	1.80	338.40	387.50	6.7	3.7	263.78
1985	23,400	2,300	1.80	379.80	435.42	4.4	4.4	273.80
1986	25,800	2,500	1.80	419.40	486.11	4.0	4.2	285.20
1987	25,900	2,500	1.90	444.60	521.52	4.1	4.2	297.37
1988	26,500	2,600	2.00	478.00	543.06	4.4	3.9	310.66
1989	27,700	2,700	2.10	525.00	556.25	4.1	5.3	323.28
1990	28,900	2,800	2.20	574.20	577.08	4.8	5.0	340.07
1991	30,500	3,000	2.30	632.50	604.86	4.8	3.8	354.92
1992	32,200	3,200	2.40	696.00	636.11	5.8	2.2	374.07
1993	33,400	3,300	2.50	752.50	667.36	1.8	1.7	378.95
1994	34,400	3,400	2.60	806.00	694.44	1.9	0.2	385.81
1995	34,900	3,400	2.70	850.50	713.19	0.5 ⁷	1.7	387.74
1996	35,400	3,500	2.80	893.20	727.08	1.8 ⁸	2.2	394.76
1997	35,800	3,500	3.00	969.00	736.81	1.5	0.8	400.71

Canada Pension Plan/Quebec Pension Plan

Year	Year's Maximum Pensionable Earnings (YMPE)	Annual Basic Exemption	Annual Maximum Employee Contributions ¹		Maximum Monthly Retirement Pension at age 65	Rate of Indexation CPP/QPP Pension	Change in CPI ² (December to December)	Maximum OAS Monthly Pension ³
	\$	\$	%	\$	\$	%	%	\$
1998	36,900	3,500	3.20	1,068.80	744.79 ⁹	1.9	1.0	407.15
1999	37,400	3,500	3.50	1,186.50	751.67	0.9	2.6	410.82
2000	37,600	3,500	3.90	1,329.90	762.92	1.6	3.2	419.92
2001	38,300	3,500	4.30	1,496.40	775.00	2.5	0.7	431.36
2002	39,100	3,500	4.70	1,673.20	788.75	3.0	3.8	442.66
2003	39,900	3,500	4.95	1,801.80	801.25	1.6	2.1	453.36
2004	40,500	3,500	4.95	1,831.50	814.17	3.2	2.1	462.47
2005	41,100	3,500	4.95	1,861.20	828.75	1.7	2.1	471.76
2006	42,100	3,500	4.95	1,910.70	844.58	2.3	1.7	484.63
2007	43,700	3,500	4.95	1,989.90	863.75	2.1	2.4	491.93
2008	44,900	3,500	4.95	2,049.30	884.58	2.0	1.2	502.31
2009	46,300	3,500	4.95	2,118.60	908.75	2.5	1.3	516.96
2010	47,200	3,500	4.95	2,163.15	934.17	0.4	2.4	516.96
2011	48,300	3,500	4.95	2,217.60	960.00	1.7	2.9 ¹⁰	524.23
2012	50,100	3,500	4.95 ¹²	2,306.70 ¹²	986.67	2.8	N/A ¹¹	540.12

1 Employer contributions are equal to employee contributions.

2 CPI 2002 = 100

3 As of January 1

4 QPP 1973 = \$5,900; \$700; \$93.60; \$81.66

5 QPP = \$100.00

6 QPP = \$124.37

7 QPP = 0.0%

8 QPP = 2.3%

9 QPP = \$750.69

10 November to November

11 Not available at the time of publication

12 QPP 2012 = 5.025%, \$2,341.65

Pension Plans

1. General

Pension plans must comply with pension legislation in effect in the Canadian jurisdiction(s) in which plan members are employed. A pension plan must be registered in the province where the greatest number of members are employed.

The Agreement Respecting Multi-Jurisdictional Pension Plans came into force on July 1, 2011 for pension plans with members in Ontario and Quebec, and applies to pension plans under the supervision of either government. It clarifies issues and sets out rules unique to multi-jurisdictional plans that are not addressed in existing pension statutes, and empowers a single supervisory authority to regulate such plans.

Pension legislation adopted by the federal government applies to federally-regulated organizations, such as banks, communication and transportation companies, as well as to employees in the Yukon, Northwest Territories and Nunavut.

Pension plans must also comply with the *Income Tax Act* and Regulations (see the *Tax Assistance for Retirement Savings* section). Appropriate implementation of governance principles for pension plans has also become very important.

Furthermore, supplemental pension plans, which provide a retirement income over and above tax limits, are becoming more prevalent. These plans generally are not subject to the legislation discussed in this section.

2. Minimum Provisions

Members must be informed in writing of their rights under the pension plan. In some jurisdictions, electronic communications to members may be acceptable under certain conditions.

The *Income Tax Act* and Regulations were amended effective January 1, 2008 to permit the payment of phased retirement benefits from a pension plan to members who are at least age 60, or at least age 55 and entitled to an unreduced early retirement pension. While phased retirement benefits are in payment, members continue to accrue additional pension. These provisions also apply to retirees who are re-employed and are subject to certain conditions, including that the employer and member enter into a phased retirement agreement, that benefits be limited to a maximum of 60% of the member's accrued pension, the plan is not a designated plan, and the member is not a connected person.

Employers are not required to offer phased retirement under their pension plan and members are not required to enter into this type of agreement if the plan offers it.

However, before phased retirement can be implemented, the legislation of the applicable jurisdiction must allow it and the pension plan text must be amended to provide for it. Currently, British Columbia, Alberta, Saskatchewan, Manitoba, Quebec and the federal jurisdiction are the only jurisdictions that permit phased retirement.¹

¹ Ontario (Bill 236) and Nova Scotia (Bill 96) have passed amendments to their pension legislation introducing phased retirement, but the relevant provisions in both provinces have yet to be proclaimed in force.

Pension Plans

Upon termination of employment or plan membership, a member's accrued pension credits are subject to vesting and locking in conditions in accordance with age, service or membership criteria which vary depending upon the applicable pension legislation.

However, in recent years, amendments to pension legislation in a number of provinces, as well as federally, allow for the unlocking of pension assets in some circumstances. These circumstances generally are: financial hardship, shortened life expectancy, temporary pension, lump sum withdrawals, or small pensions. British Columbia, Alberta, Manitoba, Ontario,¹ Quebec and New Brunswick pension legislation and the federal *Pension Benefits Standards Act, 1985* allow for the unlocking of pension entitlements of non-residents. Some jurisdictions allow for unlocking of up to 50% of a member's pension assets upon attainment of age 55, although the details and requirements regarding such unlocking vary from jurisdiction to jurisdiction.

All jurisdictions provide for a minimum employer contribution (the 50% rule) under a defined benefit plan. Under this rule, employee contributions accumulated with interest may not exceed 50% of the commuted value of pension credits earned after the application date (or effective date in Saskatchewan).

Any excess must be added to the member's entitlement. In New Brunswick, this rule applies only if the plan does not provide the maximum percentage of benefit value that may be financed by the member. For federally-regulated plans, the rule does not apply if deferred pensions are indexed annually by at least 75% of CPI increase minus 1%. In some jurisdictions, certain optional contributions under flexible pension plans and voluntary contributions to purchase past service benefits are exempt from the 50% rule.

Although the *Income Tax Act* and Regulations permit LIF-like payments to be made directly from the defined contribution provisions of a registered pension plan, British Columbia, Alberta, Saskatchewan, Manitoba and New Brunswick are the only jurisdictions that permit such payments to be made.²

An actuarial valuation of defined benefit plans must generally be performed at least once every three years³ to determine the financial position of the plan and establish the required employer contribution level. Some jurisdictions require more frequent valuations if the plan is not solvent. Unfunded liabilities and solvency deficiencies must generally be amortized over periods of up to 5 or 15 years.

Table 3 on the next page highlights some of the minimum provisions of each jurisdiction.

- 1 Unlocking of pension entitlements only available from LIRA, LIF or LRIF, not directly from pension plan.
- 2 This provision is contained in federal Bill C-9, Ontario Bill 120 and Nova Scotia Bill 96 (which have all been passed and have received Royal Assent) but has not been proclaimed in force yet.
- 3 Actuarial valuations have to be performed at least once a year in Quebec for most pension plans. May be partial valuation if the plan is both solvent and funded.

Pension Plans

3. Minimum Provisions for Pension Plans

Jurisdiction	Effective Date Application Date	Membership			Vesting and Locking in Requirements ²	Death Benefits		Unisex Pension Factors
		Service	Earnings ¹	Hours ¹		Before Retirement ³	After Retirement ⁴	
Federal	67-10-01 87-01-01	2 years	35% YMPE	—	Immediate vesting as at date of membership. Locking in requires 2 years' membership	100% ⁶ (to beneficiary or estate if no spouse)	60%	Optional
British Columbia	93-01-01 93-01-01	2 years	35% YMPE	—	2 years' membership ⁹	60% ² (to beneficiary or estate if no spouse)	60%	Mandatory
Alberta	67-01-01 87-01-01	2 years	35% YMPE	—	5 years' service ⁵ 2 years' membership after 99-12-31	60% ² 100% ¹⁰ (to beneficiary or estate if no spouse)	60%	Optional
Saskatchewan	69-01-01 94-01-01	2 years	35% YMPE	700	2 years' service ¹¹	100% ⁷ (to beneficiary or estate if no spouse)	60%	Mandatory
Manitoba	76-07-01 85-01-01	2 years (compulsory)	35% YMPE ¹²	700 ¹²	Immediate as at date of membership	100% (to beneficiary or estate if no spouse)	60%	Mandatory
Ontario	65-01-01 87-01-01	2 years	35% YMPE	700	2 years' membership ^{5, 13}	100% ^{2, 6} (to beneficiary or estate if no spouse)	60%	Mandatory ²
Quebec	66-01-01 90-01-01	January 1 after satisfying earnings or hours requirements	35% YMPE	700	Immediate as at date of membership	100% ² (to beneficiary or estate if no spouse)	60%	Prohibited
New Brunswick	91-12-31 91-12-31	2 years	35% YMPE	—	5 years' service or 2 years' membership after 2000-12-31	100% ⁶ (to beneficiary or estate if no spouse)	60%	Mandatory ²
Nova Scotia	77-01-01 88-01-01 ¹⁴	2 years	35% YMPE	700	2 years' membership ⁵	60% ^{2, 6, 8}	60%	Mandatory ²
Prince Edward Island	Not yet adopted ¹⁵ Not yet in effect ¹⁵	2 years	35% YMPE	700	2 years' membership ^{2, 16}	60% ^{2, 6, 8}	60%	Mandatory ²
Newfoundland and Labrador	85-01-01 97-01-01	2 years	35% YMPE	—	2 years' membership ⁵	100% ^{2, 7} (to beneficiary or estate if no spouse)	60%	Optional

- 1 For part-time employees only – except in British Columbia, Alberta and Quebec. Regarding the 35% of YMPE and the 700 hours thresholds, they apply in each of the 2 consecutive calendar years immediately preceding membership, except in Quebec where they apply in the previous year only.
- 2 Applies only to pension benefits earned after the application date.
- 3 The surviving spouse is entitled to a percentage of the actuarial present value of the vested pension payable as a lump sum or pension. Legislation may require locking in. In most jurisdictions, common-law partners have the same rights as spouses.
- 4 Pension payable to surviving spouse equal to a percentage of adjusted pension. In most jurisdictions, common-law partners have the same rights as spouses.
- 5 The “45 + 10” rule continues to apply to pension benefits earned after the effective date but before the application date. In Nova Scotia, Bill 96 (not yet in force) provides for immediate vesting and locking in.
- 6 May be reduced by an amount equal to the group life insurance benefit that has been partially (New Brunswick) or totally (other jurisdictions) provided by employer contributions; 60% rule does not apply if equivalent benefit is provided by a group life insurance, regardless of its financing (Prince Edward Island). In Nova Scotia, new rules could apply pursuant to the regulations to be adopted under Bill 96.
- 7 60% pension to the surviving spouse if member eligible for early retirement.
- 8 If no spouse, a return of member contributions, if any, with interest, to beneficiary or estate. In Nova Scotia, Bill 96 (not yet in force) provides for 100% of commuted value to spouse (to beneficiary or estate if no spouse).
- 9 Applies to vesting of all credits. Locking in requirements apply only to pension benefits earned after the application date.
- 10 For pension benefits earned after December 31, 1999.
- 11 The old rules are still allowed for pension benefits earned after the effective date but before the application date.
- 12 The plan must specify which of the legislated earnings and hours thresholds apply.
- 13 Under legislation (Bill 236) which has passed and received Royal Assent but has yet to be proclaimed in force, vesting and locking in will be immediate as of date of membership and grow-in rights will apply to most termines.
- 14 A new *Pension Benefits Act* (Bill 96) received Royal Assent on December 15, 2010, but is not yet in force.
- 15 Bill 30, which was to repeal a previous version of the *Pension Benefits Act* (1990) which was never proclaimed in force, was introduced in December 2010, but has expired. New pension legislation should be introduced in 2012.
- 16 Five years' service or three years' membership pursuant to the *Pension Benefits Act* (1990).

Tax Assistance for Retirement Savings

1. General

In Canada, access to retirement savings is provided by overall limits on tax-assisted retirement savings. The foreign property limit that formerly applied to deferred income plans was eliminated in 2005.

2. Pension Adjustment (PA)

Since 1990, employers who sponsor registered pension plans (RPPs) or deferred profit sharing plans (DPSPs) must report the pension adjustment (PA) amount on the T4/T4A slips of each employee who accumulates benefits under these plans.

The PA reduces the maximum allowed RRSP contributions for the following year.

Each year, the PA is generally calculated as follows:

- for Defined Benefit provisions of an RPP:
from 1990 to 1996 PA = (9 × accrued benefit) – \$1,000
since 1997 PA = (9 × accrued benefit) – \$600
where the accrued benefit is equal to the pension earned during the current year, based on that year's pensionable earnings;
- for Money Purchase provisions of an RPP:
PA = employee contributions
 + employer contributions
 + allocated amounts; and
- for a DPSP:
PA = employer contributions + allocated amounts.

3. Past Service Pension Adjustment (PSPA)

PSPAs (applicable to Defined Benefit RPPs only) are generally the result of improvements to pension benefits with respect to periods of past service after 1989 (benefit formula improvements, recognition of additional service, etc.).

The PSPA is equivalent to the deemed value of additional pension benefits and reduces RRSP contribution room, thereby ensuring that the overall limit on tax-assisted retirement savings is maintained.

The PSPA is generally calculated as the recalculated PA for the year, after improvement, minus the original PA for that year, before improvement. The PSPA is totalled for each year to which the improvement applies.

Special rules and conditions regarding the determination of a PSPA apply where an RPP has been amended to change the plan's maximum pension limit to mirror the increased maximum pension limit under the *Income Tax Act* and Regulation.

Tax Assistance for Retirement Savings

4. Pension Adjustment Reversal (PAR)

Upon termination of membership where a lump sum payment is made from an RPP, a pension adjustment reversal (PAR) amount must be reported.

For Defined Benefit RPPs, the PAR calculation usually corresponds to the sum of the declared PAs, minus the lump sum payment from the plan at termination of membership. In this calculation, only the portion of the lump sum payment for service after 1989 is considered since PAs were only introduced in 1990.

For Money Purchase RPPs, the PAR usually corresponds to the sum of non-vested employer contributions without interest. It also includes any amount allocated to the member's account that is not vested at the time of termination of membership.

Special rules apply in certain cases, in particular those involving a transfer agreement, past service buybacks or a transfer of entitlements. No PAR calculation is reported in the event of death or for deferred pensions or pensions-in-pay.

The reporting of a PAR increases the plan member's RRSP deduction room for the year in which the termination benefits are paid, by an amount equal to the PAR. This new deduction room is added to any deduction room the member already has and may be carried over to another year.

5. Registered Pension Plans (RPPs)

Money Purchase RPP [RPP (MP)] – The total limit for deductible contributions applicable to the sum of employee contributions (required and voluntary) and employer contributions (including DPSP contributions) is equal to 18% of annual earnings, subject to an annual maximum (see the *Maximum Contribution* table).

Defined Benefit RPP [RPP (DB)] – Subject to certain restrictions, employer contributions made on the recommendation of an actuary are deductible without any maximum, provided that the defined benefits do not exceed the maximum benefits allowed.

For pension adjustment purposes, the maximum benefit that can be accrued for 2012 is 2% of earnings or the current defined benefit limit (\$2,646.67), whichever is less. The defined benefit limit is one-ninth of the money purchase limit for the year (see the *Maximum Contribution* table). For past service buybacks regarding periods prior to 1990, the maximum benefit is generally reduced to two-thirds of the defined benefit limit (\$1,764.45 in 2012).

Except where specific authorization from the fiscal authority is obtained, employee contributions may not exceed the lesser of either 9% of annual earnings or the sum of \$1,000 plus 70% of the PA (50% of the PA if the plan provides a minimum benefit equal to double the employee contributions with interest upon termination of employment or death).

Combination RPP (DB + MP) – The maximum contribution for the MP provision is reduced by the PA for the DB provision.

Tax Assistance for Retirement Savings

6. Deferred Profit Sharing Plans (DPSPs) and Registered Retirement Savings Plans (RRSPs)

Employee contributions to DPSPs are not permitted. Employer contributions are limited to 18% of the employee's annual earnings, subject to an annual maximum (see the *Maximum Contribution* table).

The limit for deductible contributions to an RRSP is 18% of earned income in the preceding year, subject to an annual maximum (see the *Maximum Contribution* table).

However, if a taxpayer was a member of an RPP or a DPSP in the preceding year, the limit for deductible RRSP contributions in the current year is reduced by:

- the PA of the preceding year;
- the PSPA exempted from certification of the preceding year, if any; and
- the "certifiable" PSPA certified by the Canada Revenue Agency in the current year, if any.

Unused RRSP contribution room may be carried forward when actual contributions are lower than the limit.

RRSP contributions in excess of the deductible limit are restricted to \$2,000. A penalty applies to any additional amount in excess of this limit.

Maximum Contribution

Year	RPP (MP) (\$)	RRSP (\$)	DPSP (\$)
1991	12,500	11,500	6,250
1992	12,500	12,500	6,250
1993	13,500	12,500	6,750
1994	14,500	13,500	7,250
1995	15,500	14,500	7,750
1996-2002	13,500	13,500	6,750
2003	15,500	14,500	7,750
2004	16,500	15,500	8,250
2005	18,000	16,500	9,000
2006	19,000	18,000	9,500
2007	20,000	19,000	10,000
2008	21,000	20,000	10,500
2009	22,000	21,000	11,000
2010	22,450	22,000	11,225
2011	22,970	22,450	11,485
2012	23,820	22,970	11,910
2013	Indexed	23,820	Indexed

Tax Assistance for Retirement Savings

Tax-exempt transfers of retiring allowances to an RRSP are permitted, subject to a maximum of \$2,000 per year of service prior to 1996, plus \$1,500 per year of service prior to 1989 with respect to which no benefits were vested to the employee under the employer's RPP or DPSP. The amounts are not prorated for partial years, and the permitted transfer does not affect the RRSP contribution room otherwise available to the individual.

7. Tax-Free Savings Accounts (TFSAs)

The 2008 Federal Budget introduced a new savings vehicle, known as a TFSA, effective January 1, 2009. No tax is payable on investment earnings under, or on withdrawals from, a TFSA. Contributions to a TFSA are not tax deductible and are limited to a maximum of \$5,000 for 2012. This contribution limit will be indexed in later years. Unused contribution room can be carried over to future years and the amount of any withdrawal is added to contribution room in the following year.

Public Health Insurance Plans

1. Hospital Insurance

Every province and territory in Canada provides a universal hospital insurance program.

Generally, provincial programs cover ward accommodation, drugs, nursing care, use of operating rooms, anaesthetic facilities, laboratory and diagnostic services in a hospital, and emergency services provided on an outpatient basis.

The cost of a private or semi-private room varies by province and is summarized in the table below.

Daily Hospital Charges

Province	Semi-Private	Private
British Columbia	Charges can vary; market rates apply.	
Alberta ¹	\$24.00	\$40.00
Saskatchewan	Charges can vary; market rates apply.	
Manitoba ¹	\$44.00	\$80.00
Ontario	Charges can vary; market rates apply.	
Quebec ^{1, 2}	\$57.81 to \$81.57	\$93.42 to \$231.32
New Brunswick	Charges can vary; market rates apply.	
Nova Scotia	Charges can vary; market rates apply.	
Prince Edward Island ¹	\$120.00	\$149.00
Newfoundland and Labrador ¹	\$85.00	\$100.00

¹ Amounts regulated by legislation.

² In Quebec, the yearly increase is in line with the indexation of QPP benefits.

2. Out-of-Province Coverage

All provinces and territories participate in reciprocal agreements in which residents are covered for most medically necessary services, provided that these services are insured by the province or territory in which the individual is treated. Some restrictions may apply. Under a federal-provincial agreement, the cost of out-of-province care provided in Canada is reimbursed according to the fee schedule effective in the province where the person is treated. Quebec is part of these agreements, except with respect to professional expenses; they are reimbursed according to the fee schedule effective in Quebec. Claims are billed directly to the provincial medical plan (if a personal health care card is presented at the time of service), except in Quebec, where claimants are billed and later reimbursed by their own provincial medical plan if the professional does not accept payment under the schedule effective in Quebec.

Public Health Insurance Plans

3. Out-of-Country Coverage

For Canadian residents traveling outside Canada, costs for services rendered by eligible out-of-country hospitals and health care facilities will only be reimbursed for medically necessary emergency services. Some restrictions may apply. The costs of insured services may be considerably higher outside Canada and patients will be responsible for paying the difference between the fee charged and the amount covered by their own provincial medical plan. The following is a summary of the limits and restrictions applicable in each province for emergency hospitalization outside Canada.

Emergency Out-of-Country Benefits

Province	Hospital Daily Maximum Payment	Outpatient Daily Maximum Payment
British Columbia	\$75 plus physician fees up to B.C. rates	B.C. rates
Alberta	\$100	\$50
Saskatchewan	\$100	\$50
Manitoba	\$280 to \$570 ¹	\$100
Ontario	\$400	\$50
Quebec	\$100	\$50
New Brunswick	\$100	\$50
Nova Scotia	\$525 plus physician fees at N.S. rates and 50% of ancillary fees	N/A
Prince Edward Island	\$1,157	\$260
Newfoundland and Labrador	\$350 (community or regional hospital) \$465 (tertiary or specialized hospital)	\$62

¹ Amount varies according to the number of hospital beds.

4. Health Care

Exceptions may exist for particular groups in some jurisdictions that are not covered below.

Medical Expenses – Provincial plans essentially cover medically required services provided by physicians. Reimbursement (100%) is based on an approved fee schedule. In some provinces, certain paramedical services are also covered.

Dental Care – In Quebec, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador, some dental services for children under a certain age are covered. The maximum eligible age varies in each jurisdiction. Some plans may cover adults on social assistance and their dependents.

Eye Exams – In British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Nova Scotia, provincial plans cover eye exams for children and senior citizens. Some plans may cover adults on social assistance and their dependents as well as those with certain medical conditions. In the other provinces, eye exams are not covered.

Public Health Insurance Plans

5. Financing

Public plans are funded in part or solely by general tax revenues from the different provinces and territories.

The following tables summarize funding methods used by some provinces to supplement general tax revenues.

Employer Tax		
Manitoba	Gross annual payroll	(%)
	\$1,250,000 or less	0.00
	\$1,250,001 to \$2,500,000 (first \$1.25 million exempt)	4.30
	Over \$2,500,000 (from first dollar)	2.15
Ontario	Gross annual payroll	(%)
	\$400,000 or less	0.00 ¹
	Over \$400,000	1.95
Quebec	Gross annual payroll	(%)
	\$1,000,000 or less	2.70
	\$1,000,001 to \$4,999,999	From 2.70 to 4.26
	\$5,000,000 or more	4.26
Newfoundland and Labrador	Gross annual payroll	(%)
	\$1,200,000 or less	0.00
	Over \$1,200,000	2.00

¹ Applies to eligible employers only. Eligible employers generally include private sector employers and some Crown corporations; non-eligible employers are generally public-sector employers.

Premium Rates		
British Columbia (Monthly)	\$64 (single) \$116 (for a family of two) \$128 (for a family of three or more)	
Alberta	Alberta Health Care Insurance Plan (AHCIP) premiums were eliminated effective January 1, 2009.	
Ontario (Yearly)		Individual Taxable Income
	\$0.00	up to \$20,000
	phased in at 6%, to a max. of \$300	\$20,001 – \$25,000
	\$300	\$25,001 – \$36,000
	phased in at 6%, to a max. of \$450	\$36,001 – \$38,500
	\$450	\$38,501 – \$48,000
	phased in at 25%, to a max. of \$600	\$48,001 – \$48,600
	\$600	\$48,601 – \$72,000
	phased in at 25%, to a max. of \$750	\$72,001 – \$72,600
	\$750	\$72,601 – \$200,000
	phased in at 25%, to a max. of \$900	\$200,001 – \$200,600
\$900	from \$200,601	

Public Health Insurance Plans

6. Drug Insurance Plans

Unless otherwise indicated, plans are funded through the general revenues of each province and territory. Most jurisdictions refund drugs on the basis of the least cost alternative and, as a rule, offer a similar or more generous program to welfare recipients and low income individuals and families. Also, many jurisdictions cover at least part of the cost of high cost drugs, or drugs and supplies used by residents suffering from specific diseases and conditions.

Jurisdiction	Eligibility and Other Characteristics	Deductible	% Reimb.	Maximum Out-of-Pocket Expenses
British Columbia	Fair PharmaCare*			
	Net annual individual/family income:			
	Less than \$15,000	None (government assisted)	70%	2% of net income
	\$15,000 - \$30,000	2% of net income	70%	3% of net income
	Over \$30,000	3% of net income	70%	4% of net income
	Fair PharmaCare* : Enhanced Assistance for those born in 1939 or earlier.			
	Net annual individual/family income:			
	Less than \$33,000	None	75%	1.25% of net income
	\$33,000 - \$50,000	1% of net income	75%	2% of net income
	Over \$50,000	2% of net income	75%	3% of net income
	* Effective January 1, 2008, PharmaCare reimburses prescription expenses above a family's Fair PharmaCare deductible only if the expenses were incurred after the family registered for the plan. However, all eligible prescription costs will continue to count towards the family's Fair PharmaCare deductible. There is no charge to register and no premium to pay.			
Alberta	Albertans 65 years of age and older and all recipients of the Alberta Widows' Pension, and their dependents	None	70%	\$25/prescription
	Optional coverage for residents under age 65 and their dependents, with a premium: ¹	None	70%	\$25/prescription
	Taxable Income – Single person	Premium		
	Less than \$20,970	\$44.45/month		
\$20,970 or more	\$63.50/month			
Taxable Income– Family (no children)	Premium			
Less than \$33,240	\$82.60/month			
\$33,240 or more	\$118.00/month			
Taxable Income– Family with children	Premium			
Less than \$39,250	\$82.60/month			
\$39,250 or more	\$118.00/month			
Saskatchewan	Seniors' Drug Plan	\$15 or less/prescription	N/A	N/A
	For 2011, an individual senior's reported income in 2010 must be less than \$75,480.			
	Children's Drug Plan (available to children under 14)	\$15 or less/prescription	N/A	N/A
Others	Can apply through the Drug Plan Special Support Program if family prescription drug costs are greater than 3.4% of total family income.		Varies ²	N/A

1 A new seniors' drug plan was supposed to come into effect on July 1, 2010, but implementation of that plan has been delayed.

2 Percentage reimbursement varies according to prescription use.

Public Health Insurance Plans

Jurisdiction	Eligibility and Other Characteristics	Deductible	% Reimb.	Maximum Out-of-Pocket Expenses
Manitoba	Pharmacare Deductible			
	Adjusted Total Family Income			Once the income-based deductible is reached (minimum \$100), Pharmacare pays 100% of eligible prescription drug costs.
	Less than \$15,000	2.73%		
	\$15,001 - \$21,000	3.87%		
	\$21,001 - \$22,000	3.91%		
	\$22,001 - \$23,000	3.98%		
	\$23,001 - \$24,000	4.04%		
	\$24,001 - \$25,000	4.08%		
	\$25,001 - \$26,000	4.13%		
	\$26,001 - \$27,000	4.17%		
	\$27,001 - \$28,000	4.21%		
	\$28,001 - \$29,000	4.25%		
	\$29,001 - \$40,000	4.28%		
	\$40,001 - \$42,500	4.65%		
\$42,501 - \$45,000	4.77%			
\$45,001 - \$47,500	4.86%			
\$47,501 - \$75,000	4.93%			
\$75,001 and greater	6.17%			
Ontario	Trillium Program for individuals under age 65 where drug costs exceed approximately 4% of total household net income (second payer)	An amount based on income and number of dependents + \$2/prescription	100%	N/A
	Ontario Drug Benefit Program for seniors			
	Age 65 or over with low income	\$2/prescription	100%	N/A
	Age 65 or over – others	\$100/year + a maximum of \$6.11/prescription	100%	N/A
Quebec ¹	Mandatory for all adults from age 18 to 64 unless covered by a private group insurance plan (annual premium of \$563 or less, depending on income)	\$16/month	68%	\$963 (\$80.25/month)
	Individuals age 65 or over, not receiving any GIS (annual premium of \$563 or less, depending on income)	\$16/month	68%	\$963 (\$80.25/month)
	Individuals age 65 or over, receiving from 1% to 93% of GIS (annual premium of \$563 or less, depending on income)	\$16/month	68%	\$600 (\$49.97/month)
	Individuals age 65 or over, receiving from 94% to 100% of GIS (no annual premium)	N/A	100%	N/A
	Children under age 18 of persons registered for the public plan or children between age 18 and 25 who are full-time students, without a spouse and living with their parents (no annual premium)	N/A	100%	N/A

¹ Effective July 1, 2011 until June 30, 2012.

Public Health Insurance Plans

Jurisdiction	Eligibility and Other Characteristics	Deductible	% Reimb.	Maximum Out-of-Pocket Expenses
New Brunswick	Age 65 or over, receiving GIS, if no other plan	\$9.05/prescription	100%	\$250/year
	Age 65 or over, if no other plan (income based)	\$15/prescription	100%	N/A
	Seniors' Blue Cross (optional)	\$105/month + \$15/prescription	N/A	N/A
Nova Scotia	Age 65 or over; optional with annual premium of \$424 (less if low income) ¹	None	70%	\$382/year
	Family Pharmacare Program (payer of last resort)	Based on income	80% ²	N/A
Prince Edward Island	Age 65 or over	\$8.25/prescription + dispensing fee	100%	N/A
Newfoundland and Labrador	65Plus Plan (receiving GIS and OAS) The Assurance Plan	None Based on income. Annual out-of-pocket eligible drug costs capped as a percentage of income. \$0 - \$39,999 max. 5% \$40,000 - \$74,999 max. 7.5% \$75,000 - \$149,999 max. 10%	100%	Dispensing fee
Yukon	Chronic Disease Program	\$250/year	100%	\$500/family
	Pharmacare: Age 65 or more or aged 60 and married to a living Yukon resident who is at least 65 years of age	None	100%	N/A
Northwest Territories	Extended Health Benefits for specified diseases and conditions (Non-Native or Metis)	None	100%	N/A
	Seniors Benefit Program age 60 or over (Non-Native or Metis)	None	100%	N/A
Nunavut	Extended Health Benefits for specified diseases and conditions	None	100%	N/A
	Seniors Program age 65 or over (Non-Native or Metis)	None	100%	N/A

1 Effective until the end of the program year, which is March 31.

2 A family has to pay 20% of the cost of each prescription as a co-payment. The balance of the total will be applied against the annual family deductible. When the total deductible for the year has been paid, only the 20% co-payment is required.

Public Health Insurance Plans

7. Supplementary Benefit Practitioners Coverage

Jurisdiction	Chiropractor	Osteopath	Naturopath	Podiatrist/ Chiropracist	Physiotherapist ¹	Massage Therapist
British Columbia	Medical Services Plan (MSP) premium assistance patients only MSP pays \$23 per visit for a combined total of 10 visits per year to the following practitioners: physiotherapist, chiropractor, naturopath, massage therapist, podiatrist (non-surgical services) and acupuncturist.	No coverage unless osteopath is a physician	MSP premium assistance patients only MSP pays \$23 per visit for a combined total of 10 visits per year to the following practitioners: physiotherapist, chiropractor, naturopath, massage therapist, podiatrist (non-surgical services) and acupuncturist.	MSP premium assistance patients only MSP pays \$23 per visit for a combined total of 10 visits per year to the following practitioners: physiotherapist, chiropractor, naturopath, massage therapist, podiatrist (non-surgical services) and acupuncturist. Surgical podiatry insured for all MSP beneficiaries.	MSP premium assistance patients only MSP pays \$23 per visit for a combined total of 10 visits per year to the following practitioners: physiotherapist, chiropractor, naturopath, massage therapist, podiatrist (non-surgical services) and acupuncturist.	MSP premium assistance patients only MSP pays \$23 per visit for a combined total of 10 visits per year to the following practitioners: physiotherapist, chiropractor, naturopath, massage therapist, podiatrist (non-surgical services) and acupuncturist.
Alberta	No coverage	No coverage unless osteopath is a physician	No coverage	Maximum of \$250 payable each year for specific services	Coverage varies	No coverage
Saskatchewan	Not covered except for low-income individuals receiving Supplementary Health, Family Health or Seniors Income Benefits (up to 12 treatments a year)	No coverage	No coverage	No coverage for services provided by private podiatry clinics Co-payment plan for services. Coverage in regional health authority clinics for low-income individuals receiving Supplementary Health benefits.	Coverage in approved facilities only	No coverage
Manitoba	12 visits per year for specific treatments \$11.00 per visit (\$11.20 from April 1, 2012 to September 30, 2012; \$11.45 from October 1, 2012 to March 31, 2013)	No coverage	No coverage	No coverage	Coverage in hospital facilities only	No coverage

¹ In many jurisdictions, a physician's referral is required.

Public Health Insurance Plans

Jurisdiction	Chiropractor	Osteopath	Naturopath	Podiatrist/ Chiropodist	Physiotherapist ¹	Massage Therapist
Ontario	No coverage	Initial visit: \$12 Subsequent visits: \$9.50 X-rays: \$10 (max. of \$25 per year) Overall maximum of \$155 per year	No coverage	Coverage in approved facilities only Initial visit: \$16.40 Subsequent visits: \$11.45 Maximum of \$135 per year	Coverage for children, senior citizens, long- term care residents, some social assistance recipients (maximum 100 visits per year), those needing services after hospitalization (maximum 50 visits per year), and coverage in hospital and approved facilities \$12.20 per visit with physiotherapist registered with OHIP	No coverage
Quebec	No coverage	No coverage	No coverage	No coverage	Coverage in hospital facilities only	No coverage
New Brunswick	No coverage	No coverage	No coverage	No coverage	Coverage in hospital facilities only	No coverage
Nova Scotia	No coverage	No coverage	No coverage	No coverage	Coverage in hospital facilities only	No coverage
Prince Edward Island	No coverage	No coverage	No coverage	No coverage	Coverage in hospital facilities only	No coverage
Newfoundland and Labrador	No coverage	No coverage	No coverage	No coverage	Coverage in hospital facilities only	No coverage
Yukon	No coverage	No coverage	No coverage	No coverage	Coverage in hospital facilities only	No coverage
Northwest Territories	No coverage	No coverage	No coverage	No coverage	Coverage in hospital facilities only	No coverage
Nunavut	No coverage	No coverage	No coverage	No coverage	Coverage in hospital facilities only	No coverage

¹ In many jurisdictions, a physician's referral is required.

Group Insurance Plans

1. Taxation

Employer

Where group insurance plans comply with the *Income Tax Act* and Regulations, all related costs are tax deductible for the employer.

Employee

Taxable Benefit – Where the employer pays the cost of certain benefits, the contribution, including the applicable sales tax, may be a taxable benefit for the employee, as shown in the table below.

Taxable Benefit

Benefit	Employer Contribution	
	Federal	Quebec
Life		
– Employee	Yes	Yes
– Dependents	Yes	Yes
Accidental death and dismemberment	No	Yes
Critical illness	No	Yes
Disability	No	No
Health and dental care	No	Yes
Health care spending account	No	Yes ¹

¹ The taxable benefit is equal to the amount of credits used during the year plus administration fees and applicable taxes.

Benefit – No benefit is taxable except for disability benefits. Disability benefits are taxable unless they are received from an employee-pay-all disability insurance plan. The non-taxable status is maintained if the employer pays the related cost on behalf of the employees and treats it as salary.

Deduction – When a disability insurance plan is partially funded by an employer, insurance premiums paid by an employee can be deducted from the taxable disability benefits.

Group Insurance Plans

2. Taxes

For self-insured plans without stop-loss coverage, GST (5%) is calculated on administration fees and insurance tax. However, GST does not apply to fully insured group insurance plans or to self-insured plans with stop-loss coverage or any financial arrangement that provides a limitation of risk. QST (9.5% as of January 1, 2012) and HST (where applicable) apply in the same situations noted for GST. For Administrative Services Only (ASO) benefits, QST is applicable to administration fees, insurance tax and GST for Quebec resident employees.

Taxes

Jurisdiction	Insured Plans ¹		Self-insured Plans		
	Insurance Tax ² %	Sales Tax %	Insurance Tax ^{2,3} %	Sales Tax %	Harmonized Sales Tax %
British Columbia	2.00	N/A	N/A	N/A	12.00
Saskatchewan	3.00	N/A	N/A	N/A	N/A
Ontario	2.00	8.00	2.00	8.00 ⁴	13.00
Quebec	2.55	9.00	2.55	9.00 ⁵	N/A
New Brunswick	2.00	N/A	N/A	N/A	13.00
Nova Scotia	3.00	N/A	N/A	N/A	15.00
Prince Edward Island	3.50	N/A	N/A	N/A	N/A
Newfoundland and Labrador	4.00	N/A	4.00	N/A	13.00
Northwest Territories and Nunavut	3.00	N/A	N/A	N/A	N/A
Others	2.00	N/A	N/A	N/A	N/A

1 The sales tax is applicable to the premium (less any refund).

2 This tax is sometimes referred to as a "Premium Tax".

3 This tax applies to paid claims, administration fees and related interest. In Quebec and Newfoundland and Labrador, it applies to the paid claims, administration fees, interest and insurance tax (since insurance taxes are considered expenses like administration fees). However, for unfunded disability insurance plans in Ontario that are not fully paid by employees, the insurance tax does not apply.

4 In Ontario, the sales tax is calculated on the total claims.

5 In Quebec, the sales tax is calculated on the total claims, administration fees and insurance tax where there is stop-loss coverage. Where there is no stop loss coverage, the sales tax applies only to total claims.

Group Insurance Plans

3. Medical Expense Tax Credit

Some health and dental care expenses may be eligible to be claimed as a tax credit. These include expenses not covered by a group insurance plan as long as they are included in the statutory list of eligible medical expenses. Co-insurance and the deductibles paid by employees in regard to a private or government plan, insurance premiums and taxable benefits corresponding to the premium paid by the employer may also be claimed.

Medical Expense Tax Credit

	Non-refundable Tax Credit	Refundable Tax Credit
Federal	<p>15% of the total medical expenses for the family in excess of the lesser of \$2,052 and 3% of the net income of the taxpayer</p> <p>PLUS</p> <p>15% of the medical expenses for an adult dependent minus the lesser of \$2,052 and 3% of the dependent's net income</p>	<p>The lesser of:</p> <p>a) \$1,089; and</p> <p>b) the total of 25% of all medical expenses for the family used to establish the non-refundable tax credit, and 25% of the disability support deduction</p> <p>LESS</p> <p>5% of the net family income in excess of \$24,108</p>
Quebec	<p>20% of the total of all medical expenses for the family (including adult dependents) in excess of 3% of the net family income</p>	<p>The lesser of:</p> <p>a) \$1,074; and</p> <p>b) the total of 25% of all medical expenses for the family (including adult dependents), and 25% of the disability support deduction</p> <p>LESS</p> <p>5% of the net family income in excess of \$20,785</p>

4. Employment Insurance Premium Reduction

Private disability plans providing benefits equal to or greater than the Employment Insurance benefits may be entitled to a premium rate reduction under the Premium Reduction Program. Details can be found in the *Employment Insurance* section.

Workers' Compensation

1. General

In the area of workers' compensation, specific requirements relating to accident and disease prevention, benefits and funding of the system apply in each of the ten provinces and three territories. The government in each jurisdiction has legislated the administration of compensation for work-related injuries (industrial accidents and occupational diseases). Workers' compensation funds are managed by boards and agencies and are funded directly by contributions made by employers covered under the system. The contributions are payroll-related and are based on the employer's business activities and risk experience.

2. Benefits

Compensation principles are essentially the same from one jurisdiction to another, but amounts and terms of payment vary. The table at the end of this section shows the percentage of income replacement benefit by province and territory.

All jurisdictions provide benefits for permanent disabilities. These benefits generally consist of either a lump sum or monthly payments.

All health care expenses made necessary by work accidents and occupational diseases are covered by legislation as they relate to medical, dental, prescription and rehabilitative services.

The surviving spouse of a worker receives a pension calculated according to a number of factors which can include the surviving spouse's age, the deceased worker's earnings, number of dependent children, deceased worker's age, and date of death. The surviving spouse also receives a lump sum indemnity, except in Saskatchewan, New Brunswick¹ and the Yukon.

Dependent children may receive a monthly benefit until age 18² (or later if they are attending an accredited educational institution). In some jurisdictions dependent children are entitled to benefits only if there is no surviving spouse; in other jurisdictions benefits are payable even if there is a surviving spouse.

Funeral expenses vary from \$2,742.60 to \$11,860 depending on the jurisdiction.³

Quebec is the only province to offer a preventive withdrawal program for pregnant or breastfeeding workers whose physical working conditions pose a danger to themselves or their child.

Benefits are not taxable.

3. Funding

Workers' Compensation Boards are financed exclusively by employers whose contributions are calculated as a rate per \$100 of applicable assessable earnings.

Premium rates cannot be easily compared from one jurisdiction to another since each province has its own industry classifications and some have their own rating groups.

¹ Must select pension or lump sum.

² Until age 19 in Northwest Territories, Nunavut, Yukon, Ontario and British Columbia.

³ Ontario has a minimum amount payable of \$2,742.60 with a maximum of all expenses reasonably connected to burial or cremation.

Workers' Compensation

Almost all of the jurisdictions have experience rating programs, which can take into account an employer's actual claims experience in relation to that of the expected costs or performance of other employers in the sector. Workers' compensation systems in Canada are either prospective or retrospective depending on the jurisdiction. This means that positive performance yields either a rebate or rate discount, and negative performance a surcharge or rate increase. The possible variance in applied rates for any given employer differs significantly between each province and territory.

In Quebec, small- and medium-sized businesses can join Safety Groups (SGs). Employers in an SG must have prevention and rehabilitation programs. Those employers can obtain a substantial rebate on their CSST assessment based on the collective occupational experience of the employers participating in the SG.

Alberta offers a voluntary program called Partners in Injury Reduction (PIR) that rewards employers for taking a proactive approach in implementing health and safety and claims management programs to reduce workplace injuries and decrease claims costs. The maximum rebate available through this program is an additional 20% of the assessment rate.

Jurisdiction	Employer Assessment		Benefits	
	Estimated Average Rate (per \$100) \$	Maximum Assessable/ Insurable Earnings \$	% Earnings Payable	Waiting Period
British Columbia	1.54	73,700	90% net income	None
Alberta	1.22	86,700	90% net income	None
Saskatchewan	1.60	55,000	90% net income	None
Manitoba	1.50	104,000	90% net income ¹	None
Ontario	2.40	81,700	85% net income	None
Quebec	2.13	66,000	90% net income	None
New Brunswick	1.70	58,100	85% loss of earnings ²	3/5 of weekly benefits ³
Nova Scotia	2.65	53,900	75% net income ⁴	2/5 of weekly benefits
Prince Edward Island	1.99	49,300	80% net income ⁵	3/5 of weekly benefits
Newfoundland and Labrador	2.75	52,885	80% net income	None
Yukon	2.39	80,024	75% gross ⁶ income	None
NWT & Nunavut	1.77	82,720	90% net income	None

1 If average earnings are \$19,760 or less, entitled to 100%.

2 Loss of earnings defined as average earnings minus net estimated capable earnings.

3 If disabled for more than 20 work days or admitted to hospital, waiting period waived.

4 75% of net income for the first 26 weeks; rate increased to 85% thereafter.

5 80% of net income for the first 38 weeks; rate increased to 85% thereafter.

6 If earnings equal to or less than minimum compensation rate (25% of the maximum wage rate), entitled to 100%.

Employment Insurance

1. General

Employment Insurance (EI) provides temporary financial assistance for qualified unemployed workers while they look for work or upgrade their skills. Eligible Canadian citizens, permanent residents and temporary foreign workers who are sick, pregnant or caring for a newborn or adopted child, as well as those who must care for a family member who is seriously ill with a significant risk of death, may also be assisted by EI.

2. Basic Provisions and Premium Rates

Basic Provisions	
Maximum annual insurable earnings	\$45,900
Waiting period	Two weeks
Taxation	All benefits are taxable.

Premium Rates	
Employee premium rate	1.83% of insurable earnings (annual maximum of \$839.97)
Employer premium rate – without registered disability plan	1.4 times the employee premium rate of insurable earnings (annual maximum of \$1,175.96)

Quebec Premium Rates ¹	
Employee premium rate	1.47% of insurable earnings (annual maximum of \$674.73)
Employer premium rate	1.4 times the employee premium rate of insurable earnings (annual maximum of \$944.62)

¹ Quebec EI premium rates are lower than the rest of Canada because, effective January 1, 2006, the province began offering its own maternity and parental benefits (see Quebec Parental Insurance Program).

Each dollar of insurable earnings is subject to a premium up to the maximum annual insurable earnings of \$45,900.

Employment Insurance

3. Eligibility Criteria

Eligibility for EI benefits is based on the number of hours worked in the 52-week period which precedes the start of benefits or the period which begins at the last benefit period, if shorter (“qualifying period”). The number of hours of insurable employment indicated in the following table increases if a person has accumulated one or more violations under the *Employment Insurance Act* in the five years preceding an application for benefits.

Eligibility Criteria	
Regular benefit – general rule	From 420 to 700 hours, depending on the regional unemployment rate
Regular benefit – new entrants or re-entrants ¹	910 hours of insurable employment
Special benefits ²	600 hours of insurable employment

1 Individuals who have less than 490 hours of work in the last 52 weeks before their qualifying period.

2 Sickness, maternity, parental or compassionate care leave benefits.

Generally, no benefit is payable when an employee voluntarily leaves his or her employment without just cause, or loses his or her employment for misconduct.

4. Regular Benefit

Regular Benefit	
Benefit rate	55% of weekly insurable earnings
Maximum weekly benefit	\$485
Benefit period (if maximum number of hours of insurable employment)	14 to 45 weeks, based on regional unemployment rate or 19 to 50 weeks if the extended employment insurance benefits pilot project is applicable ¹

1 The extended benefit periods apply to claimants whose benefit periods are established on or after September 12, 2010 and end on September 15, 2012 or earlier in regions where there is sustained economic recovery.

5. Special Benefits

Sickness benefits are paid for a maximum period of 15 weeks.

Maternity benefits¹ are payable for a maximum period of 15 weeks. The benefits may be received at any time from the eighth week preceding the expected week of confinement or from the week of confinement, if earlier, to 17 weeks after the expected date of confinement or the week in which confinement occurs, if later.

Parental benefits¹ are payable for a maximum period of 35 weeks. The benefits may be received from the week of birth or arrival at home (in the case of adoption) to 52 weeks (104 weeks for parents of hospitalized children). Benefits may be paid to either parent or divided between them.

1 In Quebec, maternity and parental benefits are provided by the Quebec Parental Insurance Program (QPIP).

Employment Insurance

A woman’s maximum combined sickness, maternity and parental benefit entitlements are limited to 50 weeks (but may be extended to 65 if certain conditions are met); each week of parental benefit paid to her spouse is deducted from her own entitlement.

Compassionate care leave benefits are payable for a maximum period of six weeks. The benefits will be paid to workers who have to be away from work temporarily to provide care or support to a member of their family, or to someone who considers them like a family member, who is gravely ill with a significant risk of death within 26 weeks. A medical certificate must be provided.

Self-employed Canadians may be eligible for special benefits under certain conditions if they have reduced the amount of time devoted to their business by more than 40% because of birth, adoption, illness, injury or care to a gravely ill family member.

Quebec Parental Insurance Program (QPIP)

The QPIP provides for payment of benefits to all eligible workers who take maternity, paternity, adoption or parental leave.

To be eligible for QPIP benefits, a person must be a parent of a child born or adopted on or after January 1, 2006, pay premiums under the plan, have insurable earnings of at least \$2,000 during the reference period (usually 52 weeks), be a resident of Quebec at the beginning of the benefit period, have experienced an interruption of earnings and, in the case of a self-employed worker, have resided in Quebec on December 31 of the year prior to the start of the benefit period. For an employee, a reduction in earnings of at least 40% is considered an interruption of earnings. For a self-employed person, a reduction in time spent on business activities of at least 40% is considered an interruption of earnings. For a person who is both employed and self-employed, they must have reduced the time spent on business activities by at least 40% and have seen a drop of at least 40% in earnings to be considered as having experienced an interruption of earnings.

Quebec Parental Insurance Program (QPIP)

Basic Provisions	
Maximum annual insurable earnings	\$66,000
Waiting Period	None
Taxation	All benefits are taxable.
Premium Rates	
Employee contribution	0.559% of employee’s insurable earnings (annual maximum of \$368.94)
Employer contribution	0.782% of employee’s insurable earnings (annual maximum of \$516.12)
Self-employed worker contribution	0.993% of insurable earnings (annual maximum of \$655.38)

Employment Insurance

Plan Details				
Type of Benefit	Basic Plan		Special Plan	
	Maximum Benefit Weeks	% of Average Weekly Earnings	Maximum Benefit Weeks	% of Average Weekly Earnings
Maternity	18	70%	15	75%
Paternity	5	70%	3	75%
Parental (may be shared)	7 plus 25	70% 55%	25	75%
Adoption (may be shared)	12 plus 25	70% 55%	28	75%

Under the basic plan, the number of benefit weeks can reach 50 weeks for the mother, that is, 18 weeks of maternity benefits at 70% and 32 weeks of parental benefits (which can be shared between parents), with the first seven weeks at a rate of 70% and the remaining 25 weeks at 55%.

6. High Income Claimant

A claimant whose annual net income (including EI benefits) exceeds 1.25 times the maximum annual insurable earnings must refund the lesser of 30% of the benefits received or 30% of income exceeding \$57,375.

Benefit repayment does not apply to:

- special benefits (i.e., sickness, maternity, parental or compassionate care leave benefits); or
- regular benefits paid to claimants who received less than one week of regular benefits in the previous 10 years.

7. Coordination

For the purpose of determining EI benefits, earnings to be taken into account include severance pay, vacation pay, group disability benefits and pension payments.

However, only the portion of earnings in excess of the greater of \$50 per week and 25% of EI weekly benefits will reduce EI benefit payments at the rate of \$1 of benefits for each \$1 of excess earnings.

Employment Insurance

8. Employer Premium Reductions

An employer with a registered private disability plan providing benefits equal to or greater than EI sickness benefits may be entitled to a premium rate reduction.

Category	Employer Factor (100% Employees outside Quebec) ^{1, 2}	Employer Factor (100% Employees in Quebec) ²	Premium Reduction per \$100 of Insured Earnings (All)
Cumulative paid sick leave plans that allow for a minimum monthly accumulation of 1 day and a maximum accumulation of at least 75 days	1.252	1.216	\$0.27
Cumulative paid sick leave plans that allow for a minimum monthly accumulation of 1½ days and for a maximum accumulation of at least 125 days	1.181	1.128	\$0.40
Weekly indemnity plans with a maximum benefit period of at least 15 weeks	1.187	1.135	\$0.39
Weekly indemnity plans provided by certain public and parapublic employers of a province or territory with a maximum benefit period of at least 52 weeks	1.170	1.114	\$0.42

1 To determine the employer premium per \$100 of insured earnings, the number in this column should be multiplied by the employee premium rate which is 1.83% for 2012.

2 For employers with employees both in and outside Quebec, composite rates will be determined by the EI Premium Reduction Program based on 2011 employment information.

2012 Calendar

JANUARY

SUN	MON	TUE	WED	THU	FRI	SAT
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
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29	30	31				

MARCH

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MAY

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JULY

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SEPTEMBER

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JUNE

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OCTOBER

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DECEMBER

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Aon Hewitt Offices

225 King Street West • Suite 1600
Toronto • ON • M5V 3M2
Tel.: 416.225.5001

700, rue De La Gauchetière Ouest
Bureau 1800
Montréal (Québec) • H3B 0A7
Tel.: 514.845.6231

1111 West Georgia Street • Suite 2010
Vancouver • BC • V6E 4M3
Tel.: 604.683.7311

10025 – 102A Avenue • Suite 900
Edmonton • AB • T5J 0Y2
Tel.: 780.423.1010

1100 – 1st Street S.E. • 4th Floor
Calgary • AB • T2G 1B1
Tel.: 403.261.6056

105 – 21st Street East • 8th Floor
Saskatoon • SK • S7K 0B3
Tel.: 306.934.8680

2103 – 11th Avenue • Suite 1000
Regina • SK • S4P 3Z8
Tel.: 306.569.6749

1 Lombard Place • Suite 1800
Winnipeg • MB • R3B 2A3
Tel.: 204.954.5500

255 Queens Avenue • Suite 1400
London • ON • N6A 5R8
Tel.: 519.434.2114

2 Sheppard Avenue East
Toronto • ON • M2N 7A4
Tel.: 416.225.5001

333 Preston Street • Suite 600
Preston Square • Tower 1
Ottawa • ON • K1S 5N4
Tel.: 613.728.5000

2600, boulevard Laurier • Bureau 750
C.P. 9850
Québec (Québec) • G1V 4C3
Tel.: 418.650.1119

1969 Upper Water Street • Suite 1001
Halifax • NS • B3J 3R7
Tel.: 902.429.7310

www.aonhewitt.com

