IGP Country Profile 2019

Canada

Prepared by:
Manulife Financial Corporation

Preface

This Country Profile has been prepared by **Manulife Financial Corporation** for the International Group Program (IGP).

The International Group Program (IGP) is a network of major life insurance companies (Network Partners) operating throughout the world, who work together to meet the group insurance and pension needs of international corporations and their affiliates, branches, and subsidiaries.

Since 1967, the International Group Program has been an industry leader in the field of international benefits management, serving more multinational companies than any other network. IGP is represented in around 70 countries throughout the world and is known for the flexibility and quality of service we provide to our clients.

Working closely with our headquarters' staff in Boston, our regional offices in Brussels, Singapore and Tokyo, as well as our Regional Coordinator in Mexico, IGP Network Partners offer corporate clients the advantages of experienced local insurance management coupled with the resources of a professionally trained staff that specializes in international employee benefits.

IGP is part of John Hancock Life Insurance Company (U.S.A.), the U.S. operation of Manulife Financial Corporation, a leading financial services group based in Toronto, Canada. Manulife offers its clients a diverse range of financial protection products and wealth management services. Both Manulife Financial and John Hancock are internationally recognized brands that have stood for financial strength and integrity for more than a century.

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Your Local Link to IGP in Canada
Manulife Financial Corporation

The Canadian Division of **Manulife Financial Corporation** provides life, health and savings plans to more than one in five Canadians and is one of the largest group insurers in Canada. It is also a leading provider of life, health, disability, and travel insurance to professional, alumni, and retiree associations as well as retailers and financial institutions.

Manulife Canada's Group Benefits Division offers businesses of all sizes a range of traditional and flexible benefits programs that includes life, critical illness, disability, health, and dental coverages. More than 30,000 Canadian businesses have entrusted their employee benefits programs to Manulife Group Benefits. It provides coverage for businesses of all sizes, from two employees to Canada's largest employers. An industry leader in electronic services and transactions, Manulife Group Benefits provides a broad range of coverage including health and dental care, emergency travel assistance, short and long-term disability, absence management solutions, life insurance, and accidental death and dismemberment coverage.

Incorporated in 1887 as The Manufacturers Life Insurance Company, Manulife and its worldwide affiliates have grown to become a leading Canadian-based financial services group with millions of customers in 22 countries and territories worldwide.

In September 2014, Manulife acquired the Canadian-based operations of Standard Life plc, and is the largest life insurance company in Canada, the largest in North America and one of the largest in the world as measured by market capitalization.

Key Products

Life

- Basic (Employee and Dependent)
- Optional (Employee and Dependent)
- Accidental Death and Dismemberment
- Waiver of Premium
- Life Coverage for Retirees

Disability

- Long-Term Disability
- Short-Term Disability (Weekly Indemnity)
- Absence Management Solutions (Fee-for-Service)
- Early Intervention
- Critical Illness

Medical

- Supplemental Health (extended health care)
- Dental
- Prescription Drugs
- Vision Care (Preferred Provider Network)
- Health and Dental Conversion
- Inpatriate and Expatriate Coverage
- Emergency Out-of-Country Medical
- Preferred Hospital Accommodations (semi-private & private)
- Pharmacy Benefits Strategy (PBS) – external clinical review process for determining eligibility of new drugs

Your Local Link to IGP in Canada
Manulife Financial Corporation

Pensions

- Managed Funds

Other

- Administrative Services Only (ASO)
- Cost Plus Arrangement
- Benefits Administration Solutions
- Emergency Travel Assistance
- Employee Assistance Programs
- Employee Communication Services
- Health Care Spending Accounts
- Taxable Spending Accounts
- Internet Solutions
- Secure On-Line Informational Services for Members, Plan Sponsors, and Advisors
- On-Line Claims Submission by Members
- On-Line Claims Submission by Providers
- Health Services Navigator
- Personal Health Assessments

Manulife Financial Corporation is located on the internet at: http://www.manulife.ca
(Information is available in English and French.)

Social Security Benefits and Customary Private Employee Benefits

Government Sponsored Benefits:

- Canada/Quebec Pension Plan*
- Old Age Security
- Employment Insurance
- Worker's Compensation Benefit
- Medicare

** Quebec has opted out of the Canada Pension Plan (CPP) and have Quebec Pension Plan (QPP) instead*

Social Security Contributions:

	EMPLOYER	EMPLOYEE
CPP Contribution Rate	5.10%	5.10%
QPP Contribution Rate	5.4%	5.4%
CPP & QPP: Maximum Annual Pension Earnings		CAD 57,400
CPP & QPP: Basic Exemption		CAD 3,500
CPP & QPP: Maximum Contributory Earnings		CAD 53,900
CPP: Annual Maximum Contribution	CAD 2,748.90	CAD 2,748.90
QPP: Annual Maximum Contribution	CAD 2,991.45	CAD 2,991.45
Employment Insurance	2.268%	1.62%

- 79% of working Canadians/families are covered by Private Group Benefits plans (up 8% from a decade ago)
- Group Benefit plan costs ~ CAD 8,000/employee per year
- Private Payer plans (Group Plans) are designed to complement the services provided through the provincial Public Group plans. Examples:
  - Provincial Drug Benefit Programs at age 65 are first payer
  - Government disability payments are an offset to the LTD benefit
- When an employee has access to more than one group plan, we follow the Canadian Life and Health Insurance Association's (CLHIA) Coordination of Benefits Guideline to determine order of benefit payment.

Private group employee benefit plans are designed to complement the services provided through the government plans.

Approximately 79% of working Canadians and their families are covered by private group benefit plans.

GROUP LIFE BENEFITS	
Social Security Benefits	**Customary Private Employee Benefits**
Benefits Death and survivor benefits are benefits paid to the eligible survivors or to the estate of a deceased contributor who has made enough contributions to either the Canada Pension Plan or Quebec Pension Plan. *Please see the section on Survivors' Benefits for more information.*	Benefits • Most employee benefit plans include group life insurance that provides a lump sum benefit equal to one, two, or three times annual salary. Multiples of $10,000 or $5,000 are also common. • Medical evidence almost always required • Hourly-paid unionized employees, particularly in the construction, lumber, and trucking industries, are often insured for a flat amount rather than a salary-related figure. • Employee paid through payroll deductions. • Coverage usually ends at age 65 or 70. • Retiree coverage is sometimes provided. Amounts are modest and typically decrease with age. • Dependent life benefits are sometimes included: Fixed amounts with fixed premiums per family. • Paid-up life option available – lower amounts and no termination age. • All amounts of current Life insurance are transferred on a non-evidence basis, based on regulations set forth by the Canadian Life and Health Insurance agency. "Open enrolment conditions" to a non-evidence maximum are often implemented in change of carrier situation to incent participation.

DISABILITY BENEFITS

Social Security Benefits

Disability Benefits

Eligibility

To qualify the contributor must:

- Be under age 65;
- Have earned a specified minimum amount and contributed to the CPP while working for a minimum number of years (must have contributed to CPP for at least four of the last six years on earnings that are at least 10% of the years maximum pensionable earnings); and
- Have a severe and prolonged disability as defined by the CPP legislation. According to CPP, the definition of disability can be physical or mental.

A qualifying contributor must wait four months before benefits will be paid.

Benefits

In 2018, the disability pension is a fixed amount of CAD 485.20 (CPP), or CAD 485.17 (QPP) per month, plus 75% of the contributors retirement pension. The disability benefit will automatically change to a CPP retirement pension when the recipient turns 65.

Subject to certain conditions, the disabled contributor may claim benefits for dependent children under the age of 18 or up to age 25 if they are in full-time attendance at school or university. The benefits end when the child turns 25.

If someone is receiving a CPP disability pension, their dependent children may be eligible for a children's pension of CAD 244.64 per month. If someone is receiving a QPP disability pension, their dependent children may be eligible for a children's pension of CAD 77.67 per month. This amount is added to the disabled person's pension.

Benefit Maximums

In 2018, the maximum monthly disability pension for the disabled contributor is CAD 1,335.83 for the CPP, and CAD 1,335.80 for the QPP.

Customary Private Employee Benefits

Short-Term Disability

Employment Insurance

Because of the Employment Insurance (EI) disability benefits available, employers have taken a number of different approaches in providing short-term disability insurance.

Some employers:

- Do not provide the insurance and allow EI to provide these benefits.
- Provide a plan that will cover part of the first two weeks of disability and that will again provide benefits if an employee is disabled for more than 17 weeks.

  This approach, "carve out", will not provide any benefits during the 15-week period that EI benefits are normally payable.
- Provide a plan that is integrated with EI.

  That is, if an employee does not qualify for full EI benefits but is disabled, the insurer would provide benefits during those weeks that EI does not pay.
- Provide a full plan that qualifies for a premium rebate from the EI. Under this type of plan, benefits commence after a maximum two-week waiting period and are payable for 15 or more weeks.
- The benefit level must be 60% of income or greater. In all cases, the maximum benefit must be at least equal to the current years EI maximum.

Benefits Under Weekly Indemnity Plans

Typical plans provide from 60% to 70% of salary, commencing on the first day for disabilities due to accident and on the fourth or eighth day for disabilities due to sickness.

Some plans have a two-week waiting period for both accident and sickness. Common benefit periods are 15 weeks, 17 weeks, and 26 weeks, with a few 52-week durations.

Contributions

If an employer contributes to the cost of a Weekly Indemnity Plan, benefits are taxable in the hands of the employee.

Long-Term Disability

Coverage is usually designed with a benefit period extending to age 65 after a waiting period of 17 weeks to one year depending on the duration of the short-term disability plan (or EI benefits) that an employer has in force.

Benefits follow the same tax considerations as applicable to Weekly Indemnity plans and range from 60% to 70% of income. Benefits are integrated with CPP/QPP and all other government or employment-related disability benefits.

Maximum benefits range from CAD 1,000 to CAD 12,000 or higher per month, with CAD 5,000 being very common.

Accidental Death & Dismemberment

- Basic amount often equal to Basic Life amount
- Basic or optional coverage
- Employee, Spouse and Dependent coverage available
- Payable under covered loss (i.e., limb, hearing, sight) or loss of life due to accidental injury

Critical Illness

Group Critical Illness insurance is a relatively new product in Canada. While it is not yet considered an integral part of a comprehensive group plan, the overall market continues to grow.

- Tax-free lump sum pay-out
- Basic or optional coverage
- Employee, Spouse and Dependent coverage available
- Payable if diagnosed with one of 22 covered critical conditions

There is a trend towards more comprehensive products with an increasing number of covered conditions, typically between 16 and 22 conditions, with some plans as high as 29. Recent innovations include continuing coverage for alternative or even the same condition once a successful claim has been made.

Most Group Critical Illness plans are provided on an employer-paid mandatory basis with no medical questionnaire, although as employers are increasingly challenged to fund additional benefits, voluntary employee-paid plans requiring a medical questionnaire are becoming more common.

SURVIVORS' BENEFITS

Social Security Benefits

Benefits

Survivor benefits are benefits paid to the eligible survivors or to the estate of a deceased contributor who has made enough contributions to the CPP or QPP.

There are three types of CPP/QPP survivor benefits:

- The **death benefit** is a one-time payment to, or on behalf of, the estate of a deceased CPP contributor.
- The **survivors pension** is a monthly benefit paid to the surviving spouse or common-law partner of a deceased contributor.
- The **childrens benefit** is a monthly benefit for dependent children of a deceased contributor.

Eligibility

For survivors to be eligible for **CPP** survivor benefits, the insured must have contributed in:

- One third of the calendar years in their contributory period, or 10 calendar years, whichever is less,

  but

- Not less than three years.

For survivors to be eligible for **QPP** survivor benefits, the insured must have contributed:

- for at least one third of the period during which he or she could have contributed and for at least three years,

  or

- for 10 years.

Three Types of Survivor Benefits

- Death Benefit

  As with most CPP benefits, the amount of the death benefit depends on how much and for how long, you paid into the CPP.

  First, the CPP calculates your CPP retirement pension (or what it would have been if you had been 65 at the time of your death). The death benefit is equal to six months worth of this "calculated" retirement pension, up to a maximum of CAD 2,500.

  Under QPP, the death benefit is a lump-sum payment of CAD 2,500. It is paid if the deceased contributed sufficiently to the QPP.

Customary Private Employee Benefits

Benefit Levels

Most employee benefit plans include group life insurance, which provides a lump sum benefit equal to one, two, or three times annual salary.

Hourly-paid unionized employees, particularly in the construction, lumber, and trucking industries, are often insured for a flat amount rather than a salary-related figure. These flat amounts vary from about CAD 5,000 to CAD 50,000.

Contributions

Employers contribute from 50% to 100% of the premiums.

Disability

Waiver of premium is normally provided should an employee be totally disabled prior to age 65.

Optional Life Insurance

Optional term life insurance on a contributory basis is quite often available for salaried employees.

Other Benefits

Accidental death and dismemberment benefits equal to the life benefit usually accompany a life insurance plan with employer contributions on the same basis as the life insurance.

Retiree life insurance is sometimes offered on a non-contributory basis in nominal amounts. Union employees often have this provided to them in the form of a single premium paid-up policy.

A dependent life benefit is sometimes included, providing nominal amounts of insurance for an employees spouse and children.

- Survivor's Pension

The amount of your surviving spouses/common -law partners monthly pension depends on:

- How much, and for how long, you have paid into the Plan;
- His or her age when you die;
- Whether he or she is also receiving a disability benefit or retirement pension;
- Whether he or she has dependent children; and
- Whether he or she has a disability.

First, the CPP calculates your CPP retirement pension (or what it would have been if you had been 65 at the time of your death). Then, a further calculation is done based on the survivors age at the time of your death. The chart below provides further details.

Under CPP, the 2019 maximum survivors pension is CAD 692.75 per month for people 65 and over, and CAD 626.63 per month for people under 65.

Calculating CPP Survivor Benefits

- If the surviving spouse/common-law partner is age **65 or more** and is not receiving a CPP disability benefit or retirement pension, then the amount is 60 percent of the insured's retirement pension. If the surviving spouse/common-law partner is receiving a CPP disability benefit or retirement pension, the survivors pension will be lower.

- If the surviving spouse/common-law partner is **aged 45 to 64** or under 45 and has a disability (according to the CPP definition) or is raising a dependent child, the benefit is a flat-rate amount plus 37.5 percent of the insured's retirement pension, if the surviving spouse or common-law partner is not receiving other CPP benefits.

- If the surviving spouse/common-law partner is **under age 45** and does not have a disability (according to CPP) and is not raising a dependent child, the benefit is a flat-rate amount plus 37.5 percent of the insured's retirement pension minus 1/120 for each month the spouse/common-law partner is under 45 at the time of insured's death.

- If the surviving spouse/common-law partner is **under age 35** and does not have a disability (according to CPP) and is not raising a dependent child, a benefit is not paid until the spouse/common-law partner reaches age 65 or becomes disabled.

The **QPP Surviving Spouse's** benefit is a fixed monthly amount plus 37.5% of the deceased's retirement pension. The 2019 maximum amounts are as follows:

QPP Monthly Payments		
Age	**Situation**	**Maximum Amount of Surviving Spouses Pension**
under 45	without any dependent children	CAD 562.22
under 45	with one or more dependent children	CAD 895.95
under 45	disabled, with or without dependent children	CAD 931.43
between 45 and 64		CAD 931.43
65 or over	The spouse is not receiving a retirement pension	CAD 696.15

- Childrens Benefit (Orphan 's Pension Under QPP)

Under CPP, a child who has lost at least one parent who was a CPP contributor may qualify. For the benefit to be paid, the deceased parent must have met the contributory requirements.

The monthly childrens benefit is a flat rate that is adjusted annually. The maximum monthly payment for 2019 is CAD 250.27 per month for each child.

A child may get two benefits if both parents paid into the CPP and both have died, or if one parent has died and one is receiving a disability benefit under the CPP. (Children with both parents getting CPP disability benefits can also receive two childrens benefits.)

Under QPP, the amount of the orphans pension is CAD 250.27 a month for each child in 2019.

MEDICAL BENEFITS

Social Security Benefits

Government-financed hospital insurance came into effect on a nationwide scale in 1961. The federal government introduced the Medical Care Act (Medicare) in 1968, and by 1972, all ten provinces and three territories signed on.

The provinces, not the federal government, have constitutional authority to carry out these programs, and the methods of administration and financing, and the provision of services varies from province to province.

- Provinces/Territories provide access to medically necessary hospital and physician services
- Federal funding support but plans must meet the "Canada Health Act" standards
  - Operate on non-profit basis
  - Provinces must cover "medically necessary" services provided by hospitals, physicians and dentists when performed in hospital
  - Must cover all residents based on need and not ability to pay
  - User charges and extra billing are not permitted
  - Coverage is portable across provinces
- National drug coverage over age 65 (provincially managed)

Financing

Federal Funding

For hospital services, 25% of the per capita cost of in-patient services in Canada plus 25% of the per capita cost of in-patient services in the particular province is provided to the province by the federal government.

Out-patient services have the same effective percentage.

For medical care, the federal government provides 50% of the per capita cost of insured services multiplied by the number of people covered in a province.

The federal government provides funding through cash and tax transfers to the provinces and territories to help pay for health care services, but the actual delivery of services, is a provincial/territorial responsibility.

Customary Private Employee Benefits

Group Health Plans

Typical Plan Features

Group health plans are provided with or without annual deductibles. If a plan includes deductibles, they are usually quite low: CAD 10 per individual and CAD 10 or CAD 20 per family, or CAD 25 per individual and CAD 25 or CAD 50 per family.

A coinsurance feature may be included, but the insured generally does not have to pay more than 20% of a covered expense. Lifetime maximums are usually unlimited.

Benefits

Covered benefits include semi-private or private hospital room and board for an unlimited period of time. The various government plans cover expenses up to the ward level.

Physicians and surgical expenses are only covered to the extent that Medicare does not cover them for treatment outside of Canada on an emergency, non-elective basis.

Other covered expenses include prescription drugs, private duty nurses, rental or purchase of braces, crutches, prosthetic devices, convalescent hospitals, and paramedics such as physiotherapists, speech therapists, osteopaths, and chiropractors.

Some plans also include eyeglasses and eye refractions and hearing aids. Certain dollar limitations may be applied to any of the above items, and where an item is covered under a provincial Medicare scheme, it is not offered in a private plan in that province.

Contributions

Contributions on the employers part are usually 50% to 100% of the premium.

Group Dental Plans

Typical Plan Features

Deductibles are similar to those for medical plans. Coinsurance on the part of the insured ranges from 50% to 100%, the most common being 80%. Often a plan will provide 100% coinsurance on basic services and a lower benefit on major services. If orthodontia is provided, it is usually covered at 50% to a lifetime maximum of CAD 1,500 or CAD 2,500.

Provincial Funding

British Columbia

Medical Services Plan (MSP) monthly premiums are paid by residents based on family size and income. Single residents earning over CAD 26,000 pay between CAD 11.50 and CAD 37.50, depending on income. Premiums for families with two adults earning over CAD 26,000 are between CAD 23,000 and CAD 75,000, depending on income.

Subsidies are available for low-income residents.

As of January 1, 2020, British Columbia residents will no longer be charged monthly premiums for MSP. However, enrollment in MSP will still be mandatory for all residents.

Ontario

Health services are funded by the Ontario Health Premium (OHIP) and are paid for by residents through personal income tax. The premium ranges from CAD 0 if the individual's taxable income is CAD 20,000 or less and CAD 900 if the individual's taxable income is more than CAD 200,600.

Employers having permanent establishments in Ontario pay an employer health tax of 0.98% on payrolls of less than CAD 200,000 up to 1.95% on payrolls in excess of CAD 400,000.

Quebec:

Quebec Health Services Fund Employer Rates are based on total worldwide payroll while the amount payable is based on the total Quebec payroll.

Primary and manufacturing sectors:

- Payrolls of less than CAD 1,000,000 will be assessed at 1.25%
- Payrolls between CAD 1,000,000 and CAD 5,999,000 are based on the following formula: 0.648% + (0.602% × TP/1,000,000) TP = Total Payroll
- Payrolls greater than CAD 6,000,000 remain at 4.26%

Service and construction sectors:

- Payrolls of less than CAD 1,000,000 will be assessed at 1.70%
- Payrolls between CAD 1,000,000 and CAD 5,999,000 are based on the following formula: 1.1880% + (0.5120% × TP/1,000,000) TP = Total Payroll
- Payrolls greater than CAD 6,000,000 remain at 4.26%

Manitoba:

Health care in Manitoba is financed via the Health and Post-Secondary Education Tax Levy (HE Levy), which is a tax

Benefits are provided with maximums based on the current fee schedule developed by the provincial Dental Association.

In addition, an individual cannot be reimbursed in any one year for more than a stated amount ranging from CAD 250 to CAD 2,500.

A lifetime maximum of CAD 1,500 for orthodontia is common, although sometimes, it will range up to CAD 2,500.

Benefits

An employer may often institute a basic maintenance plan at first and later add more expensive procedures as funds become available and as the utilization of the plan increases.

A basic plan normally includes diagnostic, preventive, and restorative services along with oral surgery.

Periodontics, endodontics, and removable prosthetics either together or as separate units are usually included.

Fixed prosthetics, crowns, and inlays will then provide a total package.

Orthodontia is sometimes included in a total plan but is limited to dependent children.

Sample Schedule of Group Dental Benefits

- Basic – examinations, x-rays, fillings, extractions
  - Typically, 80% to 100% reimbursed
- Periodontic and Endodontic (root canal)
  - Typically, 805 to 100% reimbursed
- Bridgework, crowns and dentures
  - Typically, 50% to 100% reimbursed
- Orthodontics often not included
  - Typically, 50% covered
  - Lifetime maximum per person
- Provincial dental associations establish fee guides annually
  - Fee guides usually used for reimbursement limits

Contributions

The employer usually contributes 50% to 100% of the premium.

imposed on remuneration that is paid to employees by employers having a permanent establishment in Manitoba.

Total Yearly Payroll	Tax Rate
$1.25 Million or less	Exempt
Between $1.25 million and $2.5 million	4.3% on the amount in excess of $1.25 million
Over $2.5 Million	2.15% of the Total Payroll

Newfoundland and Labrador:

The employer contributions for the Health and Post-Secondary Education Tax are calculated at 2% of the gross annual payroll that is in excess of CAD 1.3 million in a calendar year that are not related to the renewable resources industries.

Payrolls related to the fishing, forestry, and agriculture (renewable resource) industries that exceed CAD 1.2 million are calculated at 1%.

Employers with annual payrolls of up to 1.2 million are exempt from the tax.

Nova Scotia:

Residents age 65 and over pay an annual premium for prescription drug coverage of up to CAD 424 (waived for GIS (Guaranteed Income Supplement) recipients). They are required to pay 30% of the total cost of each prescription as a copayment.

Once copayments reach a total of CAD 424 for the year, Seniors' Pharmacare will pay the full cost of prescriptions that are covered under the program until the end of the program year, which is March 31.

Saskatchewan, New Brunswick, Prince Edward Island, Northwest Territories, Nunavut and Yukon Territory:

Premiums are not charged directly. General revenues of the province provide funding. New Brunswick, Saskatchewan, and Prince Edward Island offer prescription drug expense assistance for low income and/or seniors.

In-Hospital Benefits

In all provinces, expenses for ward care are covered.

Insured Services

Some of the covered items (a number of which have specific limitations) are as follows:

a) Medically required services rendered by a medical practitioner including diagnostic x-ray and laboratory services, anesthetic services, surgical services, maternity and obstetrical services, preventive medical service (e.g., examinations, inoculations).

b) Physiotherapy on a limited basis in British Columbia and Saskatchewan. In Alberta, any coverage available for services received in Alberta is provided by the patient's health region's Community Rehabilitation Program. c) Licensed ambulance services with user fees being applicable in most provinces. d) Chiropractors on a limited basis in British Columbia and Manitoba. e) Naturopaths and Acupuncture Services on a limited basis in British Columbia. f) Podiatrists (including chiropodists) on a limited basis in British Columbia, Alberta, Ontario, and Saskatchewan. g) Osteopaths in British Columbia when referred by a Physician. h) Nursing home services, chronic care services, and home care services on a limited basis in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia, and Yukon. i) Prosthetic and orthotic devices in most provinces under special programs. j) Eye exams are covered on a limited basis in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Nova Scotia. k) Specific oral surgical procedures when rendered in a hospital are covered in all provinces. A children's dental care program with restrictions is provided to residents of Quebec, Ontario, Prince Edward Island, Manitoba, Nova Scotia, Newfoundland, Alberta, British Columbia, and the Yukon. The Yukon also provides a dental care program for seniors. l) Prescription Drugs/Pharmacare British Columbia, Saskatchewan, Manitoba, New Brunswick, and Quebec offer provincial drug programs. Premiums, deductibles, and co-pay amounts vary. In all other provinces, Pharmacare programs for seniors are provided with varying co-pays and deductibles. Other provinces offer Pharmacare benefits to lower income families, seniors, and selected members of the population.	

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<tr><th>Social Security Benefits</th><th>Customary Private Employee Benefits</th></tr>
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Old-Age Security (OAS):

First introduced on January 1, 1952, this scheme is payable to all Canadians commencing at age 65.

Due to changes to seniors’ benefits announced by the Federal Government in Budget 2012, the age of eligibility for OAS will be increased from 65 to 67 beginning in 2023.

The pension is a flat amount that is increased quarterly with the Consumer Price Index. As of October 2019, the maximum monthly benefit is CAD 613.53 per month, regardless of marital status.

Pensioners with an individual net income above CAD 75,910 (for income year 2018) must repay part or the entire maximum Old Age Security pension amount.

The repayment amounts are normally deducted from their monthly payments before they are issued. The full OAS pension is eliminated when a pensioners net income is CAD 123,386 or above.

Canadian Pension Plan/ Quebec Pension Plan:

Qualifying Criteria

The Canada Pension Plan (CPP), which came into effect on January 1, 1966, is applicable in all provinces except Quebec. The Quebec Pension Plan (QPP) provides similar benefits to residents of Quebec.

With a few exceptions, participation in the CPP and QPP is compulsory for the majority of the labor force. Well over 90% of the labor force in Canada is now covered by the CPP or QPP.

Eligibility

The usual age for contributors to apply for a pension is age 65. However, since January 1, 1987, an employee can apply for a pension anytime between age 60 and 70.

The adjustment will be a 0.6% decrease for each month prior to age 65 for early retirement, and a similar adjustment to increase the benefit by 0.7% for each month retirement is delayed beyond age 65.

Benefit Formula

Retirement pensions are equal to 25% of ½ of the average year’s maximum pensionable earnings (YMPE) for the last 5 years. To calculate adjusted earnings for a given year, the earnings on which contributions are based for that year are multiplied by the ratio of (i) to (ii):

(i) = The average of the Maximum Pensionable Earnings
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Private pension plans are widely offered in Canada. A major reason for this is that the Canada/Quebec Pension Plan (CPP/QPP) provides a basic pension related to a modest earnings ceiling. The normal retirement age is generally 65. Separate plans are often provided for non-union (or salaried) and union (or hourly-paid) employees.

There are two principal types of employer pension plans – defined benefit plans and defined contribution plans. In recent years, a DC plan is more favorable to employers.

Defined Benefit Plan

In a defined benefit plan, one is promised a monthly pension income that is determined (or "defined") by a formula, such as a combination of earnings, job classification, and the length of time worked for the employer.

The three most frequently used funding formulae are mentioned later. It is generally the employers responsibility to ensure that sufficient funds are available to pay the pension when the employee retires. The employer assumes the risk of investing all contributions wisely to guarantee the future value of the pension.

Defined Contribution Plan

In a defined contribution plan, the amount of the pension is not set in advance. Instead, an employee and his/her employer contribute a set (or "defined") amount to the plan, usually determined as a percentage of earnings.

Registered Retirement Savings Plans (RRSPs) are plans with DC features. They can be set up as individual retirement saving plans or provided as a group RRSP by the employer.

Savings in an RRSP receive tax assistance – contributions are tax deductible, and investment income is not taxed as it is earned. Taxes are paid when funds are withdrawn from these plans.

RRSP funds may be invested in a range of financial products and investment vehicles, including savings accounts, Canada Savings Bonds, and mutual funds. RRSPs can be arranged through most financial institutions – banks, mutual fund companies, brokerage firms, and insurance companies.

Benefit Formula: For a Defined Benefit Plan
• Final earnings – pension for each year is a percentage of final average earnings or best average earnings
• Career average – pension for each year is a percentage of earnings in that year
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of the year of retirement and the four preceding years.

(ii) = The Maximum Pensionable Earnings of the year of contribution.

To calculate the average adjusted earnings, the total adjusted earnings are divided by:

1. If the pension begins before January 1, 1976: 120 months less the number of months in which the contributor receives a CPP or QPP disability pension.

2. If the pension begins on or after January 1, 1976: the difference remaining after subtracting (c) from the greater of (a) or (b), where:
   - (a) = 120 months
   - (b) = The number of months from January 1, 1966, or age 18 if later, to retirement (not exceeding 47 years) excluding the lowest 15% of months of earnings
   - (c) = The number of months of disability or the child rearing drop-out provision

Benefit Maximum

As of October 2019: The CPP maximum monthly pension for retirement at age 65 is CAD 1,154.58. The QPP maximum monthly pension for retirement at age 65 is CAD 1,154.58.

Indexation of Benefits and Contributions

All CPP/QPP benefits in course of payment increase annually to reflect increases in the Consumer Price Index.

Contributions and benefits are based on an earnings index. Contributions are made from age 18 on earnings between the Basic Exemption (BEX) and the years Maximum Pensionable Earnings (MPE) at a rate of 4.95% by both the individual employee and the employer.

Self-employed people pay at a rate of 9.9%. These contribution levels provide for death and disability benefits as well.

- Flexible pension – employer provides a basic level of benefit and employee contributions accumulate until retirement
- Flat benefit – for union (or hourly-paid) employees, the benefit provided is frequently a flat dollar amount of monthly pension per year of service

Defined Contribution Plan

- Money purchase – employer contribution is a fixed percentage of earnings
- Profit sharing – employer contribution depends on profits of the company subject to a minimum of 1% of earnings

Contributions

Employee contributions are tax deductible, and therefore, many plans are contributory.

Government Regulations

All registered plans are subject to various federal and provincial laws and regulations. Federal regulations are concerned primarily with the tax status of pension plan contributions.

Provincial legislation focuses on the protective standard of eligibility, vesting requirements, minimum funding standards and more recently, human rights.

Where a pension plan has been established, it must provide for all employees in the classes covered, whether part-time or full-time, to be eligible to participate once they meet minimum service and/or earnings requirements.

Group Supplemental Benefits:

- Health Care Spending Account
  - Tax free spending account, like a bank account for benefits
  - Plan sponsor allocates "credits" for each employee
- Employee can use credits towards health-related expenses
  - Taxable Benefit/Wellness Account
  - Taxable income to members
  - Use for gym memberships, fitness equipment
- Employee Family Assistance Program
  - Counselling, Legal Services
- Medical Second Opinion Services
- Self-Insured Short Term Disability adjudication and management

Trends:

- Great awareness of mental health benefit, social & economic impacts:
  - ~40%+ of sick leave & disability claims related to mental health (1 in 5 Canadians)
  - Introduction of web educational tools and subject matter experts
  - Link between financial wellness and physical/emotional health
- Prescription drug costs at forefront
  - Makes up ~65% of the overall health claims
  - Introduction of oversight programs for drugs
  - Specialty Drug program focus: Who pays? Public or Private?
  - Preferred Provider Networks
  - Nurse case management
  - Opioid crisis
- Focus on prevention/presenteeism
  - Digital disease prevention programs
  - Wellness education and guidance
- Virtual health care
- Continued increase in mobile traffic and paperless claims
- Extending disability coverage beyond age 65 for active employees and other benefits to a much later age.
- Ending Retiree Benefits
- Member preference for plan flexibility continues to grow
- Insurers becoming more of an extension of the customer's HR team

Workers' Compensation:

Qualifying Criteria:

The Workers Compensation Acts provide protection for all employees who work in industrial operations. However, in most provinces, when the employee is working in a clerical job, he/she is not required to be covered but may be so covered by the employer.

Each province and territory in Canada has its own exclusive Workers' Compensation Board/Commission (WCB), except for the Northwest Territories and Nunavut, which have a combined Workers' Compensation Board. Not all employers pay into workers compensation; this depends on each province/territorys legislation.

Compensation is made with respect to job-related injury or disease and includes cash awards, medical aid, hospital care, rehabilitation, and death benefits. Disability benefits are based on a percentage of average weekly earnings depending on the province. The scheme is financed by employer contributions and administered by the provincial governments Workers ' Compensation Boards.

Benefits:

Compensation includes cash awards, medical aid, hospital care, rehabilitation, and death benefits. Monetary benefits are not subject to personal income tax. Disability benefits are based on a percentage of average weekly earnings depending on the province.

Financing and Administration:

The scheme is financed by employer contributions and administered by the provincial governments Workers ' Compensation Boards.

* Note: In Ontario, it is referred to as the Workplace Safety and Insurance Board (WSIB). In Newfoundland, Labrador, and New Brunswick, it is referred to as the Workplace Health, Safety and Compensation Commission.

Unemployment Benefits:

Introduction:

Employment Insurance (EI) provides regular benefits to people who have lost their job, through no fault of their own, while they look for work or upgrade their skills. In order to qualify for Employment Insurance, an applicant must satisfy an hours-based system.

In addition, Employment Insurance includes the following features: family supplement, annual maximum on insurable earnings, and elimination of weekly minimum and maximum earning requirements, and higher entrance requirements for past fraud.

The Employment Insurance (EI) Act took effect on July 1, 1996. The final provisions came into force January 5, 1997 and replaced the Unemployment Insurance Act. The major changes include: a new hours-based system, new family supplement, new annual maximum on insurable earnings, and elimination of weekly minimum and maximum earning requirements, and higher entrance requirements for past fraud.

Effective January 5, 1997, every hour of work counts towards eligibility for income benefits that provide temporary income support for claimants while they look for work. On January 1, 2006, the Province of Quebec initiated the "**Parental Insurance Plan**" (QPIP), a benefit offered under EI, which provides a "top-up" to the maternity benefits. This enables the recipient of the maternity benefit to receive 70% for the first 18 weeks.

The paternity benefit entitles the recipient to receive 70% for the first 5 weeks. The parental benefit (may be shared between the parents) entitles the recipient to receive 70% for the first 7 weeks and 55% for the remaining 25 weeks. The premiums for this benefit are paid by salaried workers, self-employed workers and employers.

A **Family Income Supplement** assists claimants in low-income families with children. Starting in January 1997, claimants with children whose family income is less than CAD 25,921 and who receive the Child Tax Benefit are eligible to obtain a "top-up" of their insurance benefits up to an 80% benefit rate.

As of January 1, 2018, the maximum insurable earnings amount is CAD 53,100. Additionally, the new provisions introduce higher entrance requirements for people who have defrauded EI. Requirements are based on their violation history and on the seriousness of the violation. The maximum penalty is three times the insured benefit rate or three times the maximum benefit rate if the person is not entitled to benefits.

Qualifying Criteria:

Under the new Employment Insurance system, weekly minimums and maximums will be eliminated with the introduction of the hours-based system. In order to qualify, a person is required to have 420 to 700 hours of work, depending on the rate of unemployment in their area at the time they apply for benefits. The higher the rate of unemployment in the area, the fewer the number of hours of work are required.

If the person is entering the workforce for the first time or has been out of the workforce for two years, a minimum of 910 hours may be required to qualify for benefits.

Previous violations regarding EI claims may also increase the number of hours required to qualify for EI benefits.

Premiums will be paid by all workers and employers from the first dollar earned, up to the annual maximum insurable earnings.

Benefits:

The benefit rate is based on the person's average insured earnings in a 14-16 week period preceding the last paid working day.

Claimants can receive benefits from 19 to a maximum of 45 weeks depending on the unemployment rate in the applicable region and the amount of insurable hours accumulated.

Most claimants can receive 55% of their average insured earnings, up to a maximum payment of CAD 547 per week in 2018. Depending on personal circumstances, the benefit rate could be higher or lower than 55%; however, the maximum payment per week will not change.

Veterans' Benefits:

- Disability Pension Program
- Last Post Fund
- Prisoner of War Compensations
- Funeral, Burial and Grave Marking Assistance
- Veterans' Independence Program
- Income-Tested Benefits (War Veteran's Allowance)
- Residential Care
- First Nations Veterans' Package

Summary of Taxation of Employee Benefits

<table>
<tr><th>Type of Insurance</th><th>Contributions</th><th>Benefits</th></tr>
<tr><td>Retirement Benefits:</td><td>The following points pertain to Pension Plans registered with Canada Revenue Agency:

Employer
Employer contributions (within Canada Revenue Agency maximums) are deductible as a business expense.
Employer contributions cannot exceed the maximum set by Canada Revenue Agency and are not taxable in the hands of the employees until received as benefits.
Employee
Employee contributions are tax-deductible to the employee. They also cannot exceed the maximums set by the Canada Revenue Agency, or the plan risks revocation of registration.
The limit on tax-deductible contributions to a Registered Pension Plan (RPP) is 18% of pensionable earnings up to a certain maximum.
The limit on tax-deductible contributions to a Registered Retirement Savings Plan (RRSP) is 18% of the previous year's earned income to a certain maximum less the Pension Adjustment reported for the taxpayer in the previous year.
There is no premium tax.</td><td>All benefits received by a former employee, whether as a refund of contributions before retirement or as pension payments from Old Age Security, CPP/QPP and private plans are taxable.</td></tr>
<tr><td>Survivor Benefits:</td><td>Employer
Employer contributions for term insurance are taxable for the employees.
Employer contributions are deductible as a business expense.
Employee
Employee contributions are not deductible.
Premium tax is payable on all premiums.
Provincial sales tax is payable on all premiums at a rate of 8% in Ontario, 9% in Quebec, 8% in Manitoba, 6% in Saskatchewan, and 0% in other provinces.</td><td>Under an exempt life insurance policy, proceeds received on death are not taxable.
When benefits are paid in installments, the investment income is taxable.</td></tr>
</table>

Taxation

Type of Insurance	Contributions	Benefits
Disability Benefits:	• Employer contributions are deductible as a business expense and are not considered as taxable income for employees. • Employee contributions are not deductible. • Provincial sales tax is payable on all premiums at a rate of 8% in Ontario, 9% in Quebec, 8% in Manitoba, and 0% in other provinces. • Premium tax is payable on all premiums.	• Benefits are taxable if the employer contributes in whole or in part.
Medical Benefits:	• Employer contributions are deductible as a business expense. • Employee contributions are not deductible but can be claimed in income tax return as eligible medical expense for calculating medical expense tax credit. • Provincial sales tax is payable on all premiums at a rate of 8% in Ontario, 9% in Quebec, and 0% in other provinces. • Premium tax is payable on all premiums.	• Benefits are not taxable except in Quebec where the cost incurred by the employer is a taxable benefit to the employee.

Sample Employee Benefit Plans

Retirement Benefit Plans:

In a **defined benefit plan**, a plan member is promised a monthly pension income that is determined (or "defined") by a formula, such as a combination of percentage earnings and the length of time worked for the employer. It is generally the employers responsibility to ensure that sufficient funds are available to pay the pension when the plan member retires. The employer assumes the investment risk to guarantee the future value of the pension.

In a **defined contribution plan**, or **registered retirement savings plan**, the amount of the pension is not set in advance. Instead, an employee and his/her employer contribute a set (or "defined") amount to the plan. This is usually determined as a percentage of earnings or a flat dollar amount. The retirement benefit the plan member receives is derived from the accumulated contributions and their investment growth. The employer may allow the plan member to select their own investments among those offered in the plan. In this case, the plan member assumes the investment risk.

Group Life Insurance Plans:

These plans are provided to full-time employees, usually based on 1-2 times salary. An accidental death and dismemberment benefit is also common. Additional voluntary insurance in increments of CAD 10,000 is often available. Dependent coverage is also common in flat dollar nominal amounts.

Group Health Insurance Plans:

Provincial medical service plans provide hospital services and basic health services to all residents. Private plans cover mainly prescription drugs, major health services including paramedics, private duty nursing, nursing home services, dental services, vision care, hearing aids, and emergency treatment outside Canada.

Most private plans are comprehensive major medical plans with small deductibles, CAD 25 to CAD 50 being common. Dental plans have the same kind of deductible with coinsurance of 50%-80% being common on major coverages and 100% on basic services.

Sample Employee Benefit Plans

Company 1 - Accounting Firm
(489 Employees)

Basic Life:	All employees – 4 times annual earnings, rounded to the next higher CAD 1,000 if not already a multiple thereof, to a maximum of CAD 500,000.
Optional Life:	All employees – amounts up to but not exceeding the basic amount of life insurance, subject to evidence of good health.
Dependent Life:	All employees – CAD 10,000 for spouse, CAD 5,000 for each child.
Long-Term Disability:	All employees – 60% of monthly earnings plus a pension supplement of 10% of monthly earnings to a maximum of CAD 8,000 per month. Qualifying period of 90 days, maximum duration to age 65, with CPP/QPP primary offsets only.
Dental:	All employees – no deductible, basic services at 100% reimbursement, major restorative services at 60% coinsurance, and orthodontics for dependent children up to age 18 at 50% coinsurance. Unlimited maximum. Payments based on the prevailing provinces general practitioners schedule of fees at time of claim.
Vision Care:	All employees – no deductible, no coinsurance by insured, maximum benefit of CAD 200 every two years for frames and lenses.
Major Medical:	All employees – no deductible, no coinsurance by insured, unlimited maximum. Semi-private room and board in hospital (private room only on the recommendation of a physician), prescription drugs and medicines, extended health benefits.

Company 2 - Construction Firm - Union Employees
(203 Employees)

Basic Life:	All members – CAD 10,000 each.
Survivors' Income Benefit:	All married members – CAD 100 per month payable until the earlier of death or remarriage for a maximum of five years. All single members – CAD 2,000 lump sum.
AD&D:	All members – CAD 10,000 each.
Dental:	All members – CAD 25/50 deductible, no coinsurance by insured, all coverages except orthodontics. Annual maximum of CAD 500 for the first year, increasing by CAD 250 per year until CAD 1,500 is reached and remaining constant thereafter.
Major Medical:	All employees – CAD 10/20 deductible, 100% coinsurance, and CAD 5,000 lifetime maximum. Coverages include semi-private hospital, prescription drugs and medicines, extended health benefits, vision care to a maximum of CAD 40 for frames and lenses every two years.

Company 3 - Law Firm
(685 Employees)

Basic Life:	Partners – CAD 400,000 each. All other full-time employees – two times annual earnings rounded to the next higher CAD 1,000. Non-medical maximum – CAD 400,000. Benefits are reduced by 50% at age 65 or earlier retirement and terminate at age 70.
Long-Term Disability:	Partners – 60% of monthly earnings to a maximum benefit of CAD 12,000. All other full-time employees – 50% of monthly earnings to a maximum of CAD 2,500. Non-medical maximum – CAD 8,000. Qualifying disability period – 119 days. Offsets – CPP/QPP primary benefits.
Major Medical:	All employees – flat CAD 25 deductible, no coinsurance by insured, except semi-private hospital, which is on a first-dollar basis. Other benefits include prescription drugs and medicines, and extended health care benefits.

Company 4 - Office Supply Firm
(576 Employees)

Basic Life:	All managers, assistant managers, and those enrolled in the plan prior to May 1, 1979 – three times annual earnings to the next higher CAD 1,000. All other employees with one or more years of service – 1.5 times annual earnings to the next higher CAD 1,000. Non-medical maximum – CAD 400,000. Terminates at retirement.
AD&D:	Same as Basic Life.
Long-Term Disability:	All employees – 60% of monthly earnings to a maximum of CAD 10,000. Non-medical maximum – CAD 10,000 Qualifying disability period – 120 days Maximum Duration – to age 65 Offsets – CPP/QPP primary and family benefits
Dental:	All employees – CAD 25/50 deductible, no coinsurance by insured, CAD 1,000 per year maximum, basic services only.
Major Medical:	All employees, CAD 10/20 deductible, no coinsurance by insured, lifetime maximum of CAD 20,000. Coverages include semi-private hospital room and board (deductible waived), prescription drugs and medicines, extended health benefits.

Company 5 - Clothing Manufacturer - Hourly Employees
(344 Employees)

Basic Life:	All employees – CAD 20,000 each.
AD&D:	Same as Basic Life.
Long-Term Disability:	All employees – 50% of monthly earnings, to a maximum benefit of CAD 1,500 per month. Qualifying Disability Period – 15 weeks. Maximum duration – to age 65.
Weekly Income:	All employees – two-thirds of weekly earnings subject to a maximum weekly benefit equal to the prevailing maximum benefit per week applicable under the Unemployment Insurance Act as of the date of commencement of disability. Benefits begin on the first day for disability due to injury and on the eighth day for disability due to sickness and will continue for 15 weeks.
Major Medical:	All employees – CAD 25/50 deductible, no coinsurance by insured, CAD 5,000 lifetime maximum. Benefits include semi-private hospital room and board, prescription drugs and medicines, extended health benefits.

Company 6 - Wood Products Manufacturer
(1,588 Employees)

Basic Life:	All active employees – CAD 25,000 each All retired employees – CAD 2,500 each
Dependent Life:	All active employees. Spouse: CAD 5,000 Each child over 6 months of age: CAD 2,500 Each child 14 days old to 6 months: CAD 1,250
Survivors' Income Benefit:	All married employees – CAD 100 per month for the benefit of the spouse. All employees with children – CAD 20 per month for each child, not to exceed a total of CAD 40 for all children. For full orphans – CAD 40 per month each, not to exceed a total of CAD 80 for all children. Benefit ceases for spouse at death or remarriage; benefits cease for children when they no longer fall within the "dependent" definition.
AD&D:	All active employees – CAD 15,000 each

Sample Employee Benefit Plans

Long-Term Disability:	All active employees – CAD 1,500 per month Qualifying Disability Period – 15 weeks Maximum Duration – to age 65 Offsets – CPP/QPP primary and family benefits
Weekly Income:	All active employees, two-thirds of weekly earnings, subject to a maximum benefit equal to the current maximum disability benefit available under the Unemployment Insurance Act as of commencement of disability. Benefits begin on the 15th day for disability due to sickness or injury and will run for a maximum duration of 15 weeks.
Dental:	All employees, CAD 10/20 deductible, and no coinsurance by insured on all coverages except orthodontics, which is 50%. Calendar year maximums ranging from CAD 500 in the first year to CAD 2,000 in the fifth and subsequent years, except for orthodontics, which has a CAD 1,000 lifetime maximum. Coverages include all basic and major dental services. Amounts of reimbursement are based on the provinces General Practitioner s Schedule of Fees in effect on the date the service is rendered, or the supply is furnished.
Major Medical:	All employees – CAD 10/20 deductible, no coinsurance by insured, lifetime maximum of CAD 25,000. Benefits include semi-private hospital room and board (not subject to deductible), prescription drugs and medicines, extended health benefits, vision care to a maximum of CAD 75 every two years for frames and lenses, hearing aids with a lifetime maximum of CAD 400 per person.

Non-standard items under the extended health benefits (EHB) include charges for an infusion pump for insulin and charges for anti-embolism stockings, subject to a maximum of CAD 400 per year. Under Vision Care, prescription safety lenses and frames are covered to the same maximum of CAD 75 every two years.

Useful Links

Canada Pension Plan (CPP)	https://www.canada.ca/en.html
Quebec Pension Plan (QPP)	https://www.retraitequebec.gouv.qc.ca/en/
Demographic Information	CIA World Factbook https://www.cia.gov/library/publications/the-world-factbook/
Macro-Economic Indicators	CIA World Factbook https://www.cia.gov/library/publications/the-world-factbook/
For more information on **Manulife**, please visit:	http://www.manulife.ca

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