



All about employee benefits

January 2012

FEDERAL AND PROVINCIAL BENEFITS LEGISLATION ONTARIO – 2012

A WEALTH OF INFORMATION ON:

- ✓ Plans
- ✓ Legislation
- ✓ Eligibility
- ✓ Participation
- ✓ Contributions
- ✓ Benefits

*KEEP THIS DOCUMENT FOR
FUTURE REFERENCE!*

- CANADA PENSION PLAN
- OLD AGE SECURITY AND GUARANTEED INCOME SUPPLEMENT
- EMPLOYMENT INSURANCE
- FAMILY BENEFITS
- WORKERS' COMPENSATION
- HEALTH INSURANCE
- PRIVATE PENSION PLANS
- INCOME TAX

Desjardins Financial Security is pleased to publish a summary of the legislation in force in Ontario affecting employee benefits. This publication is intended for Desjardins Financial Security's customers and group pension and insurance distributors. This document was prepared especially for those interested in establishing and financing employee benefit programs as well as in compensation planning. It was produced by Desjardins Financial Security with the help of the government boards and organizations concerned. We hope that this reference guide will be useful.

You can download this document, as well as those of all the other Canadian provinces, for free, on our website. Just type in: www.desjardinsfinancialsecurity.com, click on "Group plans" and "Employee Benefits Legislation".

NOTE: This document was prepared for information purposes only. In case of litigation, the text of the legislation concerned shall prevail. In order to receive most of the benefits listed hereinafter, claimants must submit an application in writing to the appropriate organization.

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1 CANADA PENSION PLAN

1.1 PARTICIPATION

Participation in the Canada Pension Plan (CPP) is compulsory for all employees and self-employed persons aged 18 to 70 who are not recipients of any retirement or disability pension under the CPP and do not participate in the Quebec Pension Plan and whose earnings exceed the year's basic exemption of \$3,500.

1.2 CONTRIBUTIONS

The contribution rate is equal to 9.9% of the employment earnings in excess of the basic exemption up to the maximum pensionable earnings (MPE for this year is equal to \$50,100). The employee and the employer must each pay half of the contribution, while the self-employed person must pay the whole contribution.

1.3 RETIREMENT PENSIONS

Eligibility

Any person who has made at least one valid contribution to the plan may be eligible for a retirement pension.

Expected pension

The expected retirement pension is equal to 25% of the average monthly pensionable earnings, adjusted in relation to the average MPE in the year of retirement and the four previous years. The maximum pension payable for a person aged 65 is \$986.67.

Early retirement and postponed retirement pensions

A contributor may receive a retirement pension as of age 60 if at least one valid contribution is made. When the pension is paid before age 65, it is reduced by 6.24% for each year preceding the person's 65th birthday. The contributor may also wait until after age 65 before collecting his/her pension, which is then increased by 7.68% for each year between ages 65 and 70 during which the pension is not collected.

Contributions are required for every retired person under age 65 who chooses to work but optional for those over age 65. The contributions will provide additional pension through the Post-Retirement Benefit.

Disabled contributor pension

If a contributor became disabled after 1997, his/her retirement pension will be equal to his/her disability pension indexed according to the increase in the Consumer Price Index (CPI).

1.4 BENEFITS PAYABLE TO ELIGIBLE SURVIVORS

Eligibility

Eligibility for a survivor's pension is subject to a minimum contributory period varying between three and ten years. If the contributor made contributions for at least one-third of the years in his/her contributory period, the rightful claimants are eligible to receive a death benefit, and the deceased contributor's spouse and dependent children are eligible for a pension. The death benefit, surviving spouse's pension and orphan's pension are the benefits payable. Same-sex spouses have the same rights and obligations as spouses of the opposite sex.

Death benefit

This lump-sum benefit is equal to the lesser of six times the contributor's monthly retirement pension that would have been payable at age 65 and \$2,500.

Surviving spouse not eligible for a retirement or disability pension

In this case, a surviving spouse under age 35 who is not disabled and has no dependent children is not entitled to a pension; if he/she is aged 35 to 45 at the time of the contributor's death, he/she is entitled to a reduced pension. Otherwise, if the surviving spouse who is not eligible for a retirement or disability pension is under age 65, he/she is entitled to \$173.82 per month, plus 37.5% of the deceased contributor's retirement pension, up to a maximum of \$543.82; if he/she is aged 65 or over, the pension will be equal to 60%

of the deceased's retirement pension, up to a maximum of \$592.00.

Surviving spouse entitled to a retirement pension

In this case, the maximum combined pension before adjustment for early retirement is equal to \$1,160.49 if the surviving spouse is under age 65; if the spouse is aged 65 or over, he/she is entitled to the maximum combined pension before adjustment for deferred retirement, that is \$986.67.

Surviving spouse entitled to a disability pension

In this case, the maximum combined pension is limited to the maximum disability benefit of \$1,185.50.

Orphan's pension

The orphan's monthly pension is equal to \$224.62, payable to dependent children only. Orphans may receive double the monthly pension if both parents are deceased and were eligible contributors.

- for four of the last six years of his/her contributory period; or
- since March 3, 2008 for three of the last six years if the contributory period is at least 25 years; or
- for at least four years if the contributory period is less than six years.

To be considered disabled, the person must be prevented from engaging in any gainful occupation and the disability must be a long-term severe state of incapacity that is likely to result in death or last indefinitely.

Benefits become payable as of...

Benefits are payable monthly as of the fourth month of the beneficiary's disability.

Amount of benefits

The disability benefit is equal to \$445.50 plus 75% of the disabled person's retirement pension, subject to a maximum of \$1,185.50. Children of an eligible disabled person receive the same pension as orphans.

1.5 DISABILITY BENEFITS

Eligibility

A disabled employee is eligible provided he/she has contributed:

1.6 BENEFIT ADJUSTMENT

Monthly benefits are indexed once a year to reflect the rise in the CPI. The benefits are increased by 2.8% beginning January 1, 2012.

1.7 COMPARISON WITH LAST YEAR'S AMOUNTS

	2011	2012
Maximum pensionable earnings (MPE)	\$48,300.00	\$50,100.00
Basic annual exemption	\$3,500.00	\$3,500.00
Maximum contribution		
■ Self-employed person	\$4,435.20	\$4,613.40
■ Employer and employee	\$2,217.60	\$2,306.70
Maximum monthly retirement pension at age 65	\$960.00	\$986.67
Maximum surviving spouse's monthly pension		
a) Not eligible for a retirement or disability pension		
■ Under age 65	\$529.09	\$543.82
■ Age 65 and over	\$576.00	\$592.00
b) Eligible for a retirement pension		
■ Under age 65 (before adjustment for early retirement)	\$1,129.09	\$1,160.49
■ Age 65 or over (before adjustment for deferred retirement)	\$960.00	\$986.67
c) Eligible for a disability pension	\$1,153.37	\$1,185.50
Maximum death benefit	\$2,500.00	\$2,500.00
Maximum monthly disability pension	\$1,153.37	\$1,185.50
Monthly pension for an orphan or a disabled contributor's child	\$218.50	\$224.62
CPI benefit adjustment	1.7%	2.8%

2 OLD AGE SECURITY AND GUARANTEED INCOME SUPPLEMENT

2.1 OLD AGE SECURITY (OAS) PENSION

Eligibility

Any person aged 65 or over is eligible for a full pension, provided he/she has resided in Canada for 40 years or more after his/her 18th birthday. A minimum of 10 years of residence after age 18 is required, to be entitled to a partial pension. Same-sex spouses have the same rights and obligations as spouses of the opposite sex.

Amount of pension

As of January 1, 2012, the monthly OAS pension for a person aged 65 or over is \$540.12. This amount is adjusted quarterly to reflect the rise in the Consumer Price Index. OAS pensioners whose net income exceeds \$69,562 in 2012 must repay 15% of their excess net income, up to the full OAS pension.

2.2 GUARANTEED INCOME SUPPLEMENT (GIS)

Eligibility

Any low-income person who receives the Old Age Security pension is eligible for the GIS. Same-sex spouses have the same rights and obligations as spouses of the opposite sex.

Amount

The GIS monthly benefit varies in relation to income, marital status or spouse's age and it is

reduced by \$1 per \$2 of income other than the OAS pension. A quarterly adjustment also takes into account any rise in the CPI.

Allowances

If a couple's income is within the limits set by law, an allowance is paid to the spouse (aged 60 to 64) of an OAS pension recipient who is entitled to the GIS; the residence requirements apply to the spouse. This allowance terminates upon the death of the pensioner or as soon as the spouse reaches age 65. Since 1985, when the pensioner dies, the legislation has provided for the payment of an allowance to low-income surviving spouses aged 60 to 64.

Monthly maximums		
	January 1, 2011	January 1, 2012
Single person or pensioner whose spouse under age 60 is not receiving the pension	\$661.69	\$732.36
Couple (per person)	\$436.95	\$485.61
Allowance payable to spouse aged 60 to 64	\$961.18	\$1,025.73
Maximum allowance for surviving spouses	\$1,065.45	\$1,148.35

Note: Since July 1, 2011, beneficiaries of the GIS and the allowances receive a top-up benefit that is indexed and included in the GIS and the allowances rates.

3 EMPLOYMENT INSURANCE

3.1 GENERAL INFORMATION

No age discrimination

The *Employment Insurance Act* covers persons who work after age 65 subject to the same criteria as those under age 65.

Labour disputes

Workers affected by labour disputes may receive sickness, maternity, parental leave, compassionate care or training benefits if they have made arrangements for a leave before the beginning of the labour dispute, subject to certain conditions.



Clawback

The maximum yearly insurable earnings is equal to \$45,900 for 2012. Recipients whose net income for one year exceeds 1.25 times the maximum yearly insurable earnings (\$57,375 in 2012) may have to reimburse 30% of the benefits received or 30% of amount by which net income exceeds \$57,375, if less. This rule does not apply to individuals who claim special benefits for sickness, maternity, parental or compassionate care reasons or to recipients who received less than one week of regular benefits in the preceding 10 taxation years.

Reduction of the annual premium

By offering a qualifying short-term disability plan, an employer is eligible to a reduced contribution rate, provided the employer applies for this reduction to Service Canada (EI Premium Reduction Program). The plan being offered must include, inter alia, provisions that are at least as generous as those under employment insurance in the event of illness. In the case of a weekly indemnity plan, the reduction is equal to \$0.39 per \$100 of insurable earnings when the full reduction is applied provided that the plan meets employment insurance requirements.

In the case of cumulative sick-leave plans, a reduction of up to \$0.40 per \$100 of earnings may be granted if the employer offers a plan that meets employment insurance requirements.

The employer is required to share 5/12 of these reductions with the employees in the form of cash or equivalent benefits.

3.2 REGULAR BENEFITS

Eligibility

Any person who works for an employer is eligible for regular benefits provided that the person worked a certain number of hours during the 52 weeks just preceding his/her application.

The person must have accumulated from 420 to 700 hours of work, depending on the regional unemployment rate, during such 52 weeks period. A person who is employed for the first time or who is re-entering the workforce must accumulate

910 hours of work during such 52 weeks period. Special rules apply to parents re-entering the labour force following an extended absence to raise their children.

Persons who voluntarily leave their employment "without valid reason", who refuse suitable employment or who are dismissed for misconduct are not eligible for benefits. The list of reasons justifying a voluntary departure and for which no penalty is applied is detailed in the Act.

Waiting period

Regardless of the type of benefits to which a person is entitled, a waiting period of two weeks is applied. No benefits are paid during this period.

Benefit rate

For the majority of recipients, benefits are set at 55% of their average insurable earnings over the last 26 weeks, up to a maximum of \$485 per week.

For recipients with dependent children and an annual family income below \$25,921, a family income supplement is available. These recipients receive up to 80% of their weekly insurable earnings (depending on the number of dependent children).

Maximum duration of benefits

Benefits may be paid for a period that varies from 14 to 45 weeks, according to the regional unemployment rate and the number of accumulated hours of insurable employment over the 52 weeks just preceding the application for benefits.

Allowable earnings

Recipients will be able to earn up to 25% of their weekly regular benefits (\$50 per week if they receive benefits of less than \$200 per week) without decreasing their employment insurance benefits. However, under a pilot project in effect up to August 4, 2012, claimants are entitled to earn up to 40% of their weekly regular benefits (\$75 for those receiving less than \$188 of benefits per week) without any decrease.



3.3 SPECIAL BENEFITS

Reasons and duration

In addition to regular benefits, compassionate care, special sickness, maternity or parental leave benefits may be payable. The cumulative duration of special benefits cannot usually exceed 50 weeks. Exceptionally, however, this maximum cumulative duration may be extended up to a total of 71 weeks.

Eligibility

The person must have accumulated 600 hours of insurable employment during the 52 weeks immediately prior to the beginning of the payment period.

Sickness

Special sickness benefits may be paid for a maximum of 15 weeks.

Maternity

Maternity benefits are payable as of the eighth week preceding the expected week of delivery or the first day of the week of birth, whichever occurs first, for a maximum period of 15 weeks. Furthermore, benefits cannot be paid later than 17 weeks after the last day of the week of birth and the expected week of delivery, whichever occurs the later, unless the baby is confined to hospital.

Parental leave

Thirty-five weeks of benefits are payable to the natural or adoptive parents who remain at home to care for their newborn or adopted children, either to the father or to the mother, or split between the two as they wish. There is no waiting period for the second claim for parents who share the benefits.

Parents of hospitalized children may have up to 2 years instead of one year to claim parental leave benefits.

In the case of adoption, the parent must provide an adoption certificate; proof of the child's birth as well as a statement declaring that the applicant will stay home to care for the child may also be required.

The government of Canada made an announcement in early January 2012 providing that parents will be eligible for EI parental benefits as soon as they take necessary steps to adopt a child in their care.

Compassionate care leave

Up to six weeks of benefits may be payable to workers who have to be away from work temporarily to provide care or support to a member of their family who is gravely ill with a significant risk of death within 26 weeks. The benefits payable for the compassionate care leave may be divided between two or more workers who make a claim for benefits in respect of the same family member.

Only one waiting period will have to be served when the benefits are shared with other members.

"Member of the family" includes:

- your child or the child of your spouse or common-law partner;
- your spouse or common-law partner;
- your father/mother;
- the spouse or common-law partner of your father/mother;
- your brother/sister;
- your grandchild;
- your grandparents;
- the spouse or common-law partner of your child;
- your in-laws;
- your aunt/uncle;
- your niece/nephew; and
- any other person mentioned in the regulations.

Self-employed

Since January 1, 2011, registered and qualified self-employed person may qualify for employment insurance sickness, compassionate care, maternity and parental benefits.

Allowable Earnings

Beneficiaries can earn up to 25% of their weekly benefits (\$50 per week if they receive less than \$200 in benefits per week) without their parental leave or compassionate care leave benefits being affected.

However, under a pilot project in effect up to August 4, 2012, claimants are entitled to earn up to 40% of their weekly parental or compassionate care benefits (\$75 for those receiving less than \$188 of benefits per week) without any decrease.

3.4 ACTIVE RE-EMPLOYMENT BENEFITS

Persons who have received regular employment insurance benefits over the past 3 years, or parental or maternity benefits over the past 5 years, may be eligible for more direct complementary employment assistance to find a new job and prepare for it, through one of the re-employment programs. Among others, there are:

- Self-employment assistance
- Skills development
- Employment Assistance Services
- Targeted wage subsidies
- Jobs creation partnerships

3.5 MAXIMUM EARNINGS, BENEFITS AND CONTRIBUTIONS

	2011	2012
Maximum yearly insurable earnings	\$44,200.00	\$45,900.00
Maximum weekly insurable earnings	\$850.00	\$883.00
Maximum weekly benefits	\$468.00	\$485.00
Employee contribution*		
■ Rate per \$100 of insurable earnings	\$1.78	\$1.83
■ Maximum annual contribution	\$786.76	\$839.97
Employer contribution*		
■ Rate per \$100 of insurable earnings	\$2.492	\$2.562
■ Maximum annual contribution	\$1,101.46	\$1,175.96
Self-employed worker contribution*		
■ Rate per \$100 of insurable earnings	\$1.78	\$1.83
■ Maximum annual contribution	\$786.76	\$839.97

* *Employment insurance contributions are deducted from total income, as defined under the Employment Insurance Act, and are subject to an annual maximum.*

4

FAMILY BENEFITS

4.1 CANADA CHILD TAX BENEFIT

Benefits

Benefits are usually paid on a monthly basis to eligible families, for all children under age 18. They are determined, among other things, according to the net family income (total net individual incomes stated on lines 236 of the federal statements of income) and the number of children. A supplement up to a maximum of \$208.66 per month is added for each handicapped child under age 18.

Note: Most Canadian provinces also provide additional benefits to low-income families.

Basic Coverage up to July

Annual amounts up to July 2012 are as follows:

- \$1,367 for each child;
- an additional \$95 for the third child and each additional child.

Basic coverage is reduced if the net family income exceeds \$41,544. For families with one child only, it is reduced by 2% of the net family



income exceeding \$41,544; for families with two children or more, the reduction percentage is 4%.

Supplements up to July

Annual amounts up to July 2012 are as follows:

- **For one-child families:** \$2,118 minus 12.2% of the net family income exceeding \$24,183.
- **For two-children families:** \$3,991 minus 23.0% of the net family income exceeding \$24,183.
- **For families with three or more children:** \$3,991 for the first two children plus \$1,782 for each additional child, the result being reduced by 33.3% of the net family income exceeding \$24,183.

Increase in July

Amounts of the Canada Child Tax Benefit will be increased in July 2012. The maximum supplement for each handicapped child will be \$214.58 per month.

Basic coverage as of July

Annual amounts as of July 2012 are as follows:

- \$1,405 for each child

- an additional \$98 for the third child and each additional child

Basic coverage is reduced if the net family income exceeds \$42,707. For families with one child only, it is reduced by 2% of the net family income exceeding \$42,707; for families with two children or more, the reduction percentage is 4%.

Supplements as of July

Annual amounts as of July 2012 are as follows:

- **For one-child families:** \$2,177 minus 12.2% of the net family income exceeding \$24,863.
- **For two-children families:** \$4,103 minus 23.0% of the net family income exceeding \$24,863.
- **For families with three or more children:** \$4,103 for the first two children plus \$1,832 for each additional child, the result being reduced by 33.3% of the net family income exceeding \$24,863.

4.2 UNIVERSAL CHILD CARE BENEFIT

The Universal Child Care Benefit permits to receive \$100 per month for each child under age 6.



5 WORKERS' COMPENSATION

5.1 WORKPLACE SAFETY AND INSURANCE ACT

This Act ensures that workers have financial protection in the event of a work injury or an occupational disease and confirms both the right to return to work and to rehabilitation.

5.2 MAXIMUM INSURABLE EARNINGS

Maximum insurable earnings for 2012 are \$81,700.

5.3 INCOME REPLACEMENT BENEFIT

A benefit representing 85% of the worker's net average earnings, to the maximum insurable amount, is paid to any worker who is the victim of a work injury that prevents him/her from returning to work or performing the tasks involved in a suitable and available type of occupation.

Wage replacement benefits will continue to be paid to any worker who enrolls in a vocational rehabilitation program.

5.4 BODILY INJURY BENEFIT

A lump-sum benefit is paid to a worker who sustains permanent physical or mental impairment, based on his/her degree of disability and age.

- Maximum: \$82,844.77
- Minimum: \$31,864.07

5.5 DEATH BENEFITS

Death benefits are paid in lump sums:

- **Spouse's special benefit and dependent children benefit:** The spouse receives a benefit varying between \$37,591.89 and \$112,775.72; if there is no surviving spouse, minor dependent children are entitled to a benefit of \$75,183.86.
- **Funeral expenses:** \$2,819.39 up to reasonable expenses
- **Cost of transportation of remains:** up to 100% of necessary transportation costs

- **Remarriage allowance:** Surviving spouse pension continues to be paid after remarriage

5.6 SURVIVOR'S PENSION

Spouse without children

A benefit varying between 20% and 60% of the deceased worker's net average earnings is payable to a spouse who does not have children.

Spouse with children

A benefit equal to 85% of the deceased worker's net average earnings is payable to the spouse until the youngest child reaches age 19.

Orphan

A single orphan receives a benefit equal to 30% of the deceased worker's net average earnings. An additional benefit of 10% is payable for each additional child, subject to an overall maximum of 85% of the net average earnings.

Parent (not spouse)

If a child is taken care of by a parent who is not the spouse of the deceased worker's or by another person who is acting in the role of parent, such parent or other person is entitled to receive the death benefits to which the spouse would be entitled. The payments to the parent or other person are in lieu of the payments to the child.

Other dependents (*as defined under the Workplace Safety and Insurance Act*)

In the absence of a spouse or of eligible dependent children, benefits are paid to the deceased worker's dependents. These benefits are determined by the Workplace Safety and Insurance Board and are determined in accordance with the loss sustained. In no case may benefits exceed 50% of the deceased worker's net eligible income.



5.7 FINANCING

The cost of the plan is paid in full by the employer. The average provincial rate for 2012 is \$2.40 per \$100 of insurable earnings. However, the rate may vary from one employer to the next,

depending on the type of business and the claims experience of the employer. The weight given to these two factors varies in relation to the size of the business.

6 HEALTH INSURANCE

6.1 ELIGIBILITY

All permanent Ontario residents are among the persons eligible for the Ontario Health Insurance Plan (OHIP).

Such Ontario residents are required to be present in Ontario for 153 days in the first 183 days immediately following the date they establish residency in Ontario and must be in Ontario for at least 153 days in any 12-month period. However, certain Ontario residents who are already covered by OHIP and are then outside Ontario for a greater period because their job or studies require them to leave Ontario frequently, will remain covered by OHIP provided they meet certain requirements. Other absences may also be granted for purposes of continued coverage subject to applicable requirements.

Moreover, all new Ontario residents must wait approximately 3 months before they are covered under OHIP. Residents returning to live in Ontario after being out of the country for more than 212 days are also subject to a 3-month waiting period, which begins upon their return to Ontario, before they are once more eligible for OHIP.

Certain eligibility restrictions apply to temporary Ontario residents (students, persons holding work permits and their families).

All eligible persons must file an application to obtain an individual card.

6.2 INSURED SERVICES

Physicians

- Necessary treatments and diagnoses

Physiotherapy

Services at a physiotherapy clinic are available, up to a maximum amount, to:

- Seniors 65 and over
- People aged 19 and under
- Residents of long-term care homes at any age
- People of all ages needing physiotherapy services after being hospitalized

Under limited circumstances, physiotherapy services may also be covered in an individual home.

Podiatrists, osteopaths

OHIP covers part of the fees charged by osteopaths who are members of the College of Physicians and Surgeons, and podiatrists.

Vision care

For Ontario residents under age 20 or age 65 and over or Ontario residents having a medical condition requiring regular eye examination, OHIP covers one eye examination per 12-month period.

Dental care

OHIP covers certain dental procedures performed in a hospital by a dental surgeon.

Drugs

All Ontario residents aged 65 and over ("seniors") and certain other residents are eligible to the Ontario Drug Benefit Program for the reimbursement of a portion of the expenses incurred for prescription drugs, as follows:

- For a single senior whose annual income is under \$16,018, for seniors in couples if at least one spouse is age 65 or older whose combined annual income is under \$24,175 and for a resident of long-term care facilities or homes for special care or a person receiving services under the home care program: such individuals pay \$2 per prescription.
- For all other seniors: such individuals pay \$100 deductible per person per year, after which they pay a maximum of \$6.11 per prescription.

The "Trillium" drug reimbursement program is intended for residents whose prescription drug expenses are high in relation to their income. After the annual deductible based on family income has been satisfied, such individuals pay \$2 per prescription.

Other insured services

- **Ambulance (land or air)** – OHIP refunds the amount in excess of \$45 per trip within Ontario when these services are medically required. In certain circumstances, OHIP fully covers the cost.
- **Assistive Devices Program** – This program covers a portion of the cost of miscellaneous functional equipment, such as hearing aids, orthotic devices, ostomy supplies, breast prostheses, home oxygen supplies, wheelchairs, etc.

Outside-of-province covered expenses

In Canada – OHIP reimburses expenses incurred for services received in a publicly funded hospital or an out-patient clinic, in accordance with an agreement between the federal and provincial governments.

Outside Canada – OHIP only reimburses expenses for hospital care when such care is rendered in an emergency situation and certain other criteria are met, up to a maximum of CAN\$400 per day for higher level care, up to CAN\$200 per day for emergency hospitalization and up to CAN\$50 per day for out-patient emergency care. (Reimbursement for dialysis is CAN\$210 per day).

OHIP also reimburses expenses incurred for emergency care rendered by physicians outside the province, in accordance with the rates effective in Ontario (or in accordance with rates of the other country if they are lower).

6.3 CONTRIBUTIONS

- **Employers:** 1.95% of the total annual payroll in excess of \$400,000. Special rates apply to many public sector organizations. Exemption regarding the annual payroll contribution for self-employed residents.
- **Residents:** Ontario Health Premium based on taxable income as follows:

Individual Taxable Income	Annual premium
\$0 - \$20,000	Nil
\$20,001 - \$25,000	6% over \$20,000, to maximum of \$300
\$25,001 - \$36,000	\$300
\$36,001 - \$38,500	\$300 + 6% over \$36,000, to maximum of \$450
\$38,501 - \$48,000	\$450
\$48,001 - \$48,600	\$450 + 25% over \$48,000, to maximum of \$600
\$48,601 - \$72,000	\$600
\$72,001 - \$72,600	\$600 + 25% over \$72,000, to maximum of \$750
\$72,601 - \$200,000	\$750
\$200,001 - \$200,600	\$750 + 25% over \$200,000, to maximum of \$900
\$200,601 +	\$900

7 PRIVATE PENSION PLANS

7.1 INTRODUCTION

- Participants must be informed of their rights and obligations under the plan.
- The funds committed must be sufficient to enable the plan to meet its obligations.
- A government fund guarantees participants in a defined benefit plan a portion of the vested benefits at the winding-up of the plan.
- Integration of benefits with the CPP is limited to 1/35 per year of credited service. Integration with the OAS pension is limited to 1/35 per year of credited service before 1987.
- Sex discrimination is prohibited with respect to employee contributions, eligibility for the plan and benefits accrued since 1987.
- In the event of a marriage breakdown, the division of benefits accrued during the marriage is limited to 50%.
- The minimum interest rate applied to employee contributions to a defined benefit plan is the rate of return of the pension fund less the investment fees, or the average interest rate calculated on the basis of the yields on five-year personal term deposits.
- Same-sex spouses have the same rights and obligations as spouses of the opposite sex.

7.2 ELIGIBILITY

A full-time employee is eligible after 24 months of continuous employment as a full-time employee. A part-time employee is eligible when he/she has completed 24 months of continuous employment and either his/her remuneration has reached at least 35% of the YMPE or he/she has 700 hours of employment, for each of the two previous consecutive years.

7.3 VESTED PENSIONS

Pension benefits accrued after 1986 are vested and locked in after two years of participation. The employer must finance at least 50% of the value of the contributory pension vested and locked in after 1986, in the event of retirement, termination of employment or death. Excess contributions are refundable.

Benefits accrued before 1987 are vested and locked in if the participant has reached age 45 and has at least 10 years of service or participation. However, a maximum reimbursement of 25% of the commuted value of the pension vested and locked in before 1987 is allowed.

Amendments to Ontario pension legislation have been adopted but are not yet in effect. Among the changes introduced are immediate vesting and locking-in.

It is possible to transfer the commuted value of the vested pension in the event of termination of employment prior to eligibility for early retirement.

It is possible to receive the commuted value of the vested pension if a physician confirms that an illness or physical disability reduces life expectancy to less than two years.

Upon termination of employment, refund of 100% of the commuted value of the pension if the annual pension is less than 2% of the YMPE. Amendments to Ontario legislation have been adopted but are not yet in effect. Among the changes introduced is an increase to the 2% limit.

If non-resident of Canada, refund permitted if money previously transferred into a locked-in retirement savings arrangement.

Members are given a one-time option to unlock up to 50% of retirement funds transferred to a new life income fund (LIF), subject to prescribed conditions. This option is subject to spousal consent. From January 1, 2011 to April 30, 2012, owners of old LIF are given a one-time option to withdraw in cash or transfer to an RRSP up to 50% of the total market value of the assets of the fund.



7.4 DEATH BEFORE RETIREMENT

In the event of death before retirement, the commuted value of the benefits vested and accrued after 1986 may be reimbursed or paid to the spouse in the form of a deferred or immediate life annuity. Moreover, the spouse is eligible for the reimbursement of excess contributions. The participant may be exempted from this obligation by presenting a written waiver signed by the spouse. In the absence of a spouse, or where the participant and spouse are living separate and apart at the time of death or the spouse has waived his/her entitlement, benefits are paid in a lump sum to the member's beneficiary or his/her estate.

7.5 RETIREMENT PENSION

- Upon retirement, the participant who has a spouse must choose a type of joint annuity. The annuity must provide for a reduction of no more than 40% of the pension in the event of the death of the participant or the spouse. An actuarial reduction is allowed. The participant may be exempted from this obligation by

presenting a written waiver signed by the spouse.

- The surviving spouse's pension must be maintained in the event of remarriage.
- Early retirement must be allowed within 10 years of the normal retirement age. An actuarial reduction is allowed.
- In the event of postponed retirement, the benefits continue to accrue.

7.6 POOLED REGISTERED PENSION PLANS

Federal, provincial and territorial governments have agreed to introduce a new type of broad-based, low-cost, privately administered defined contribution retirement savings vehicle, referred to as a Pooled Registered Pension Plan (PRPP) by the federal government. Each province will need to develop and adopt its own enabling pension standards legislation to implement the PRPP framework for its provincially regulated employments. Further developments are expected in 2012; however, it is expected that PRPPs will not be available before 2013.

8

INCOME TAX

8.1 CANADA PENSION PLAN

Benefits are taxable. Employer contributions are deductible and employee contributions are eligible for a tax credit at federal and provincial levels.

8.2 OLD AGE SECURITY PENSION

The Old Age Security (OAS) pension is taxable. Persons whose net income (according to the definition in the *Income Tax Act*) exceeds \$69,562 in 2012 must repay 15% of this excess amount, up to the OAS pension amount. OAS benefits are reduced at the time of payment to reflect the clawback.

8.3 GUARANTEED INCOME SUPPLEMENT

The Guaranteed Income Supplement is not taxable.

8.4 EMPLOYMENT INSURANCE

Employment Insurance benefits are taxable. Employer contributions are deductible. Employee contributions entitle the employee to a tax credit. A portion of the Employment Insurance benefits received by a taxpayer during the year may have to be reimbursed.

8.5 FAMILY BENEFITS

The Canada Child Tax Benefit is not taxable and is not recovered by the government when the income tax return is filed.

However, the Universal Child Care Benefit is taxable.

8.6 WORKERS' COMPENSATION PLANS

Benefits are generally tax-exempt; employer contributions are deductible.



8.7 HEALTH PLANS

- **Government plans:** Compulsory employer contributions are not taxable for the employee, but they are deductible for the employer.
- **Private plans:** Employer contributions are deductible for the employer and not taxable for the employee. Employee contributions are not deductible, but they may be included in the calculation of the medical expenses credit. From 2012, a lump sum amount in settlement of future health and dental benefits is taxable, except where the payment is in relation to an employer's insolvency that arose prior to 2012.
- **Expenses reimbursed:** Expenses reimbursed under both private and government plans are tax-exempt.

8.8 PRIVATE PENSION PLANS

Tax credit

A tax credit for pension income may be claimed at federal and provincial levels on the total of the following amounts:

- Periodic payments from a registered pension plan (RPP);
- Annuity from a DPSP, an RRSP or an RRIF and the taxable portion of other annuities if the taxpayer is aged 65 or over, or at any age, if the annuity is paid as a result of the spouse's death.

Registered pension plans (RPPs)

Total employer contributions to a defined benefit RPP are deductible, with no limit, subject to the approval of the tax authorities. Total permissible current service employee contributions to a defined benefit RPP are deductible. Past service employee contributions are deductible, subject to certain limits.

Total employer and employee contributions to a defined contribution RPP are limited to the lesser of 18% of earnings and \$23,820 in 2012.

Deferred profit-sharing plans (DPSPs)

Employer contributions may not exceed the lesser of 18% of remuneration and \$11,910, subject to a comprehensive limit if the employee also participates in an RPP. Allowable contributions are fully deductible.

Since January 1, 1991, employee contributions to a DPSP are no longer allowed. No contribution can be made on behalf of a significant shareholder or of one of his/her relatives.

Pension adjustment (PA)

When an employee participates in an RPP or a DPSP, a pension adjustment (PA) is calculated by the employer. The PA represents participation in an RPP or DPSP and reduces the maximum amount the employee may contribute to an RRSP. The PA is indicated on the T4 slip and, generally speaking, it is equal to:

- **Defined benefit RPP** – (9 x benefits earned during the year) minus \$600
- **Defined contribution RPP** – Total employer and employee contributions made during the year (plus contributions paid by the employer for a year during the first two months of the following year)
- **DPSP** – Total employer contributions made during the year (plus contributions paid by the employer for a year during the first two months of the following year)

Registered retirement savings plans (RRSP)

For this year, RRSP contributions are limited to the lesser of \$22,970 and 18% of the earned income of the previous year, less the employee's PA for the previous year, if any, and the employee's applicable past service pension adjustment (PSPA). If the PSPA is exempt from certification, it reduces the RRSP deduction limit for the year following the year of the benefit enhancement (past service event). If the PSPA is not exempt from certification, it reduces the RRSP deduction limit for the year of certification by the Canada Revenue Agency.



Since 1991, a person who has not made the maximum RRSP contribution may carry forward the unused contribution portion. RRSP contributions may also be increased by the pension adjustment reversal (PAR) calculated for an individual who ceases to participate in an RPP or in a DPSP.

Funds accumulated in an RRSP can be withdrawn totally or partially at any time prior to the end of the year during which an individual reaches age 71. These funds can be used to purchase a life annuity or a fixed-term annuity payable to age 90, or transferred to a registered retirement income fund (RRIF).

Furthermore, subject to certain conditions, up to \$25,000 may be withdrawn tax free from an RRSP or a spousal RRSP to purchase a qualifying home. RRSP withdrawals must be repaid in full over a maximum of 15 years.

Subject to certain conditions, funds may be withdrawn tax free from an RRSP or a spousal RRSP to cover the cost of a training or full-time study program of at least three months. Withdrawals may not exceed \$10,000 per year, subject to an overall maximum of \$20,000 for four years. Generally, withdrawn amounts must be totally reimbursed over a ten-year period beginning on the sixth year following the year of the first withdrawal.

The tax-free transfer of a retiring allowance to an RRSP is limited to \$2,000 per year of service prior to 1996 plus \$1,500 for each year of service prior to 1989 for which employer contributions to an RPP or a DPSP were not vested to the employee.

Contribution limits

Year	RPP	DPSP	RRSP
2010	\$22,450	\$11,225	\$22,000
2011	\$22,970	\$11,485	\$22,450
2012	\$23,820	\$11,910	\$22,970

Tax-free Savings Account (TFSA)

Canadian residents aged 18 or older can contribute up to \$5,000 to a TFSA in 2012, plus any unused TFSA contribution room at the end of 2011. The contributions are not deductible for income tax purposes. TFSA holders can make withdrawals at any time, and the total amount of the withdrawals in a calendar year is added to the contribution room for the following year. Unused contribution room can be carried forward indefinitely.

8.9 DISABILITY INCOME INSURANCE

Benefits paid under a plan to which an employer contributes are taxable for an employee. Employee contributions are deductible from taxable benefits; employer contributions are not considered to be a taxable benefit for employees. Lump sum amount in settlement of future benefits under a group long term disability policy is not taxable to the employee. Benefits paid under an employee-pay-all plan are not taxable.

8.10 GROUP LIFE INSURANCE

Premiums paid by an employer under a group life insurance plan are a taxable benefit to an employee, excluding accidental death and dismemberment premiums.

8.11 INSURANCE PREMIUM SALES TAX

An 8% sales tax is applied to the group insurance premiums.