Important:

GBA/RPA 3 Course Revisions

The course updates will be reflected in exams administered on or after October 15, 2023.

The GBA/RPA 3 Study Guide has been extensively revised. This material is required reading for the purposes of the Certified Employee Benefit Specialist® (CEBS®) program and the national exam for the GBA/RPA 3 course, *Navigating the Plan Environment*.

These updates cover partial replacements of Module 1 and complete replacements of Modules 2-4.

These updates will be posted in the Online Study Guide beginning October 1, 2023, accessible at "My Account—My CEBS" at www.ifebp.org.

For exams written on or after October 15, 2023, you will need to update your first, second or third edition Study Guide with these replacement pages and modules.

If you have questions, please contact Customer Service at (844) 809-2698 or cancebs@ifebp.org.

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How to Use This Update

For the printed version of the Study Guide:

Keep this update with your study materials. It should be read in conjunction with the assigned reading for GBA/RPA3.

For the online Study Guide:

These updates will be reflected in the online versions of Study Guide Modules 1, 2, 3 and 4.

Instructions

There are two types of updates:

1. Minor—Where changes are made to a small section of the text, changes are indicated in **bold.**
2. Major—Entire sections are provided as a replacement.

Study Guide Module 1

Pages 1-4, Professional Enrichment Resources: Remove the current pages 1-4 from your Study Guide and replace them with the new pages that follow. These pages have updated Professional Enrichment Resources.

Pages 11-12, Remove the current pages 11-12 from your Study Guide and replace them with the new pages that follow. Learning Outcome 2.4 has been updated.

Pages 15-16, Remove the current pages 15-16 from your Study Guide and replace them with the new pages that follow. Page 16 has been updated to include Learning Outcome 3.8.

Pages 19-20, Remove the current pages 19-20 from your Study Guide and replace them with the new pages that follow. Learning Outcomes 5.4 and 5.8 have been updated.

Pages 39-40 and 43-50, Role of Old Age Security (OAS) in Retirement Income Security: Remove the current pages 39-40 and 43-50 from your Study Guide and replace them with the new pages that follow. These pages have updated information regarding commencement and cessation of Old Age Security (OAS), OAS Recovery Tax (OASRT), the definition of "income" for GIS purposes, commencement and cessation of GIS benefits, coordination of GIS benefits with other income, eligibility requirements for allowance and allowance for the survivor, the commencement and cessation of allowance and allowance for survivor benefits and benefits amounts for allowance and allowance for the survivor.

Pages 61-67, Benefits in Action #1—"Why should our employees care about government-sponsored benefits?" has updated information about demographics from Statistics Canada and OAS pension benefits. Remove the current pages 61-67 from your Study Guide and replace them with the new pages that follow.

Optimizing Social Programs in Planning for Retirement and Health Security

Module 1

Canada has a sophisticated network of government-sponsored programs that are an essential part of our national identity. These programs operate within a total social security system, which has two levels of sponsorship—the government and the private sector (i.e., employer and personal sponsorship).

There are a number of basic principles reflected in the design of government-sponsored programs that can be traced back to the origin of the social security system. The application of these principles varies with the need that each particular program is designed to address.

Because of the interrelationship and linkages between government-sponsored and employer-sponsored retirement, life and health care programs, understanding the fundamentals of the key government-sponsored programs is essential for benefits professionals. Changes in public programs ripple into employer plans—with coverage offloads, increased contributions and costs. Their existence can impact decisions on plan design and plan sponsor benefit dollar allocations and can also present compliance issues.

The next four modules look at income security and health care programs, the two big categories of government-sponsored social security programs in Canada. Income security programs provide income assistance to those not earning an adequate income due to retirement, unemployment or work injury. Health care programs provide certain levels of publicly sponsored health services to substantially all Canadians.

This module provides an overview of the principles behind government-sponsored social security programs and begins a deeper dive into the structure, funding, benefits and administration of Old Age Security (OAS). Benefits provided under the OAS program include the basic OAS pension as well as Guaranteed Income Supplement (GIS), Allowance and Allowance for the Survivor benefits. OAS pension is a "universal" pension aimed at poverty reduction. The other benefits are income-tested components. It is estimated that OAS pension alone currently replaces 12.6% of the year's maximum pensionable earnings (YMPE) for a single individual. It is estimated that the OAS pension and other benefits combined provide a minimum income guarantee for single, widowed and divorced pensioners of about one-third of the Canadian average industrial wage, while the maximum combined amounts payable to pensioner couples are approximately one-half of the average industrial wage for one person.

The legislative overview is not intended to be an exhaustive analysis. Recourse to additional references and guidance would be imperative should an application arise in the workplace.

Assigned Reading

Reading A
Overview of Canada's Publicly and Privately Sponsored Social Security System, Study Guide Module 1, Pages 23-37

Reading B
Role of Old Age Security (OAS) in Retirement Income Security, Study Guide Module 1, Pages 39-51

Benefits in Action #1
"Why should our employees care about government-sponsored benefits?" Study Guide Module 1, Pages 53-67

Professional Enrichment Resources

OAS Benefit Amounts
https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security/payments.html

Why Review this?
This site provides current maximum monthly benefit amounts.

Old Age Security pension and Guaranteed Income Supplement amounts
https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security.html
Scroll down on this page to "Your payment" and click on "Old Age Security pension recovery tax."

Repayment of Old Age Security pension
https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security
Click on "Repayment of Old Age Security pension" on the left-side menu.

Professional enrichment resources are not tested on the national examination.

Why Scan These?
These pages identify current pension and benefit levels for a variety of personal situations as well as the current clawback thresholds.

Learning Outcomes

1. Outline the basic principles underlying Canada's social security system and how those principles are reflected in the design of certain programs within the social security system.
2. Explain the regulatory environment, structure, funding mechanisms, basic program categories and delivery methods that support Canada's social security system.
3. Describe basic plan provisions for the Old Age Security (OAS) pension.
4. Explain the role and constraints of international social security agreements between Canada and other countries.
5. Describe basic plan provisions for Guaranteed Income Supplement (GIS), Allowance and Allowance for the Survivor benefits.
6. Describe the tax regime that applies to OAS pension and GIS, Allowance and Allowance for the Survivor benefits.

Benefits in Action #1
"Why should our employees care about government-sponsored benefits?"

1. Apply knowledge of the Old Age Security (OAS) program to assess its potential contribution to income needs from the age of 65 and beyond.
2. Evaluate whether the employer's communication messages highlight the program's income potential and its limits.

2.2 Identify the mechanisms under which government-sponsored income security and health care programs are regulated. (Reading A, Overview of Canada's Publicly and Privately Sponsored Social Security System, Study Guide Module 1, p. 34)

Government-sponsored income security and health care programs are regulated under a variety of mechanisms:

(a) Laws. Consist of the body of rules of conduct laid down by a sovereign or governing body to control the actions of individuals and entities in its jurisdiction. While the purpose of law in a society is, broadly speaking, social control, the law may be subdivided into three functions—settling disputes, establishing rules of conduct and providing protection for individuals.

(b) Legislation. The process of making laws or series of laws. The term "legislation" is also used to refer to the actual law that has been enacted by a governing body. For example, health care legislation refers to the law or laws enacted by a governing body with respect to the provision of health care.

(c) An act or statute. Written law adopted by parliament or a provincial legislature that establishes, codifies or changes the legal rules related to a specific matter

(d) Regulations. Written laws made by a government under authority delegated to the government by a statute. Typically, regulations have the same force of law as a statute.

(e) Guidelines and policies. These are more specific rules that are not legally enforceable unless referred to in the regulation or act.

2.3 Describe the three basic methods of delivering benefits within Canada's social security system. (Reading A, Overview of Canada's Publicly and Privately Sponsored Social Security System, Study Guide Module 1, pp. 34-35)

The three basic methods of delivering social security benefits are to:

(1) Provide direct cash payments

(2) Provide goods and services directly

(3) Provide support through the income tax system.

Many government-sponsored programs use two or all three of the methods to accomplish different objectives within the parameters of total program delivery.

2.4 Explain how tax credits, tax deductions, and tax exemptions are used to deliver social security benefits, and provide examples of how each supports social security programs. (Reading A, Overview of Canada's Publicly and Privately Sponsored Social Security System, Study Guide Module 1, p. 35)

The three basic ways to deliver benefits and examples are:

(1) Tax credits are dollar-for-dollar reductions in the tax payment required by an individual; they reduce the amount of tax owed. They can be either refundable or nonrefundable. A refundable tax credit can be paid even if the individual has no income tax payable. A nonrefundable tax credit can be used to reduce taxes payable to zero. Beyond that, the credit is lost. Seniors are eligible for tax credits on pension income from certain sources up to a specific amount. In this way, seniors are left with proportionately more money to provide for their personal social security. Employee contributions to CPP/QPP and EI give rise to a tax credit for the employee.

(2) Tax deductions reduce the amount of income that is taxable. They can be applied against the taxable income of both individuals and employers. For example, all employer premiums for CPP/QPP, EI and WC are a tax-deductible expense for the employer.

(3) Tax exemptions are amounts not subject to income tax. They reduce the amount of income that is taxable. Income benefits from some programs are afforded tax-exempt status. GIS benefits are an example of tax-exempt monies. WC disability benefits are also tax-exempt in most provinces and territories.

3.4 Explain the requirements an individual must meet to qualify for a full OAS pension. (Reading B, Role of Old Age Security (OAS) in Retirement Income Security, Study Guide Module 1, p. 44)

An individual qualifies for a full OAS pension by attaining an age of at least 65 and having resided in Canada for at least 40 years after reaching the age of 18. Failing this, a full pension is also paid to an individual who meets the following requirements.

(a) Has attained the age of 65, AND

(b) Lived in Canada for at least ten years immediately before applying for OAS, OR:

- Lived in Canada for at least one year before applying for OAS, AND
- Has a period of residency in Canada, after reaching the age of 18 but excluding the ten years immediately preceding his or her date of application, which equals at least three times the number of years the person did not live in Canada in the ten years immediately before applying for OAS.

3.5 Explain how individuals who do not qualify for a full OAS pension can qualify for a partial pension and how that partial pension is determined. (Reading B, Role of Old Age Security (OAS) in Retirement Income Security, Study Guide Module 1, p. 44)

Individuals aged 65 and over who do not qualify for a full OAS pension qualify for a partial pension by having lived in Canada for a period of at least ten years after their 18th birthday. The partial pension is X/40ths of a full pension, where X is the number of complete years of residence in Canada.

3.6 Indicate the start date of OAS pension. (Reading B, Role of Old Age Security (OAS) in Retirement Income Security, Study Guide Module 1, p. 43)

OAS pension commences the later of the month after an individual's 65th birthday, the month after he or she has met the residence and legal status requirements or the month the individual asks to have the payments start. If an individual applies after the age of 65 and wants OAS to start at the age of 65, the pension may be paid retroactively to the month after his or her 65th birthday or the month following the month he or she meets the residence requirements, whichever comes later. Retroactive payments are only made for a maximum of 12 months, including the month in which the application is received. Individuals may defer the commencement of an OAS pension until after the age of 65 and receive a larger pension.

3.7 Describe how OAS pensions and GIS benefits are indexed. (Reading B, Role of Old Age Security (OAS) in Retirement Income Security, Study Guide Module 1, p. 44)

OAS pensions are adjusted quarterly as required (in January, April, July and October), if there are increases in the cost of living as measured by the Consumer Price Index (CPI).

3.8 Describe the implications of being absent from Canada on the receipt of OAS pension. (Reading B, Role of Old Age Security (OAS) in Retirement Income Security, Study Guide Module 1, p. 43)

If absent from Canada, individuals are entitled to receive their OAS pension indefinitely provided they had resided in Canada for at least 20 years after reaching the age of 18. If at the time of their departure, they resided in Canada for less than 20 years, they may receive their pension for the month of their departure and an additional six months only. Years of residence in, and/or social security contributions to, a country with which Canada has a social security agreement may decrease the 20-year requirement for receipt of pension in a foreign country. OAS pension is paid in Canadian dollars, whether benefits are received in Canada or abroad.

5.3 Describe the basic formula for coordinating GIS benefits with other sources of income. (Reading B, Role of Old Age Security (OAS) in Retirement Income Security, Study Guide Module 1, p. 48)

In the case of a single, widowed, divorced or separated OAS pensioner, the maximum monthly benefit is reduced by $1 for every $2 of other monthly income. In the case of a married couple who are both receiving an OAS pension, the maximum monthly benefit of each pensioner is reduced by $1 for every $4 of their other combined monthly income.

A special provision applies in the case of a married couple when only one spouse is an OAS pensioner and the other is not eligible for either OAS pension or the Allowance. In this instance, the pensioner is entitled to receive GIS benefits at the higher rate paid to single persons. The maximum monthly benefit is reduced by $1 for every $4 of the couple's combined monthly income (excluding the pensioner's OAS pension), and the first reduction of $1 is made only when the combined yearly income of the couple reaches 12 times the monthly OAS pension plus $48.

5.4 Define "income" for GIS purposes. (Reading B, Role of Old Age Security (OAS) in Retirement Income Security, Study Guide Module 1, p. 48)

For GIS purposes, "income" is defined to be the same as income for purposes of federal income tax but excludes OAS pension, provincial social assistance payments, Veteran Disability Pensions, War Veteran Allowances and CPP/QPP death benefits. Income includes any money that an OAS pensioner receives in the form of an employment-related retirement pension, income from CPP/QPP, interest, dividends, rents, wages, WC payments, etc. If a pensioner is married, the combined income of the pensioner and their spouse is taken into account. Since 2020, "income" also excludes an amount that will equal $5,000 for many individuals but will be lower for those with low income. The impact of this change allows individuals to retain more employment or self-employment income.

5.5 Indicate when GIS benefits commence. (Reading B, Role of Old Age Security (OAS) in Retirement Income Security, Study Guide Module 1, p. 47)

GIS benefits commence the month an individual is eligible for OAS, provided the eligibility requirements with respect to income are satisfied. The GIS benefit is added to the OAS pension each month.

5.6 Describe the eligibility requirements for the Allowance and Allowance for the Survivor. (Reading B, Role of Old Age Security (OAS) in Retirement Income Security, Study Guide Module 1, p. 49)

The "Allowance" is an income-tested monthly benefit payable to a 60- to 64-year-old spouse or common-law partner of an OAS pensioner who is entitled to GIS. "Allowance for the Survivor" is an income-tested monthly benefit payable to a 60- to 64-year-old surviving spouse or common-law partner of a deceased OAS pensioner entitled to GIS. Certain requirements related to residence and legal status in Canada must be met in order to qualify.

Residence requirements can be met if an individual resided in Canada for ten years after the age of 18. If not, a recipient may still qualify for a benefit if he or she has resided in, and/or made social security contributions to, a country with which Canada has a social security agreement.

5.7 Outline the basic formula for coordinating Allowance and Allowance for the Survivor benefits with other sources of income. (Reading B, Role of Old Age Security (OAS) in Retirement Income Security, Study Guide Module 1, p. 50)

The maximum Allowance is the sum of the OAS pension plus GIS at the married rate. The monthly Allowance is reduced by $3 for every $4 of the couple's monthly income until the OAS portion is reduced to zero. After that, the GIS portion begins to be reduced at the rate of $1 for every $4 of the couple's additional income. For Allowance, the GIS benefit paid to the OAS pensioner's spouse is also reduced by $1 for every $4 of the couple's additional income (a combined reduction of 50% of the couple's additional income). For Allowance for the Survivor, the rate of reduction is $1 for every $2 of monthly income above the earnings threshold.

5.8 Indicate when Allowance benefits cease. (Reading B, Role of Old Age Security (OAS) in Retirement Income Security, Study Guide Module 1, pp. 49-50)

Allowance benefits cease with the payment for June if income in the previous year (or combined income if married) exceeds the qualifying limit for the July payment. They also cease when a recipient dies or is absent from Canada for more than six months. The Allowance continues to be paid for three months after the month of separation. Allowance benefits cease after the month in which the individual again becomes a spouse either through marriage or a common-law relationship. Benefits cease if an individual is incarcerated in a federal penitentiary for two years or longer or in a provincial/territorial facility for 90 days or longer (if an information-sharing agreement is in place). The Allowance will restart after the individual has been released and they have advised Service Canada. When recipients reach the age of 65, Allowance benefits cease. At that time, recipients may be entitled to receive an OAS pension and possibly a GIS benefit.

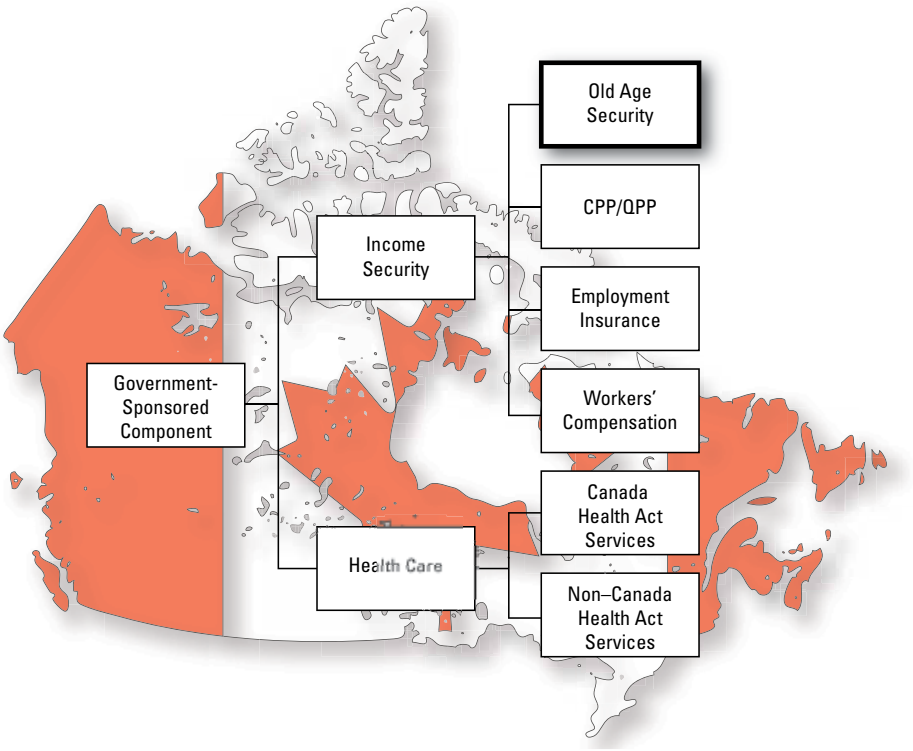
Reading

B

Role of Old Age Security (OAS) in Retirement Income Security[1]

Federal government-sponsored Old Age Security (OAS) consists of four programs—OAS pension, Guaranteed Income Supplement (GIS), Allowance and Allowance for the Survivor.

Exhibit I
Interface of Public and Private Programs in Social Security



1. Developed by the Certified Employee Benefit Specialist® program, Dalhousie University, 2019.

Old Age Security

The OAS program falls under federal jurisdiction and is governed by the Old Age Security Act, commonly referred to as the "OAS Act." The OAS Act came into force in 1952, replacing legislation from 1927 requiring the federal government to share the cost of provincially run, means-tested old age benefits. The OAS Act has been amended many times.

The OAS Act is administered by the Minister of Employment and Social Development. Examples of the powers and responsibilities held by the administrative body include determining benefit eligibility, determining benefits amounts, payment of benefits, auditing benefits claims, etc.

The basic GIS, Allowance and Allowance for the Survivor benefits are adjuncts to the OAS pension program and are administered by Service Canada. For a pensioner 65 to 74 years of age it is estimated that the OAS pension alone replaces just over 12% of the year's maximum pensionable earnings (YMPE) for a single individual. YMPE is $66,000 in 2023. For a pensioner 75 years of age or older, the OAS pension alone is estimated to replace about 13.6% of the YMPE. For a single, widowed, or divorced pensioner from 65 to 74 years of age with annual income below $20,832, it is estimated that the OAS and GIS will provide just under 31% of the YMPE. For a pensioner 75 years of age or older, their OAS and GIS will provide just over 32% of the YMPE.

Funding of OAS

All payments provided under the OAS Act are funded on a pay-as-you-go basis from the federal government's consolidated revenue fund. The benefit payments are general operating expenses financed by general federal tax revenue. This means the current generation of taxpayers pays for the benefits provided to the current generation of recipients.

OAS Pension

The OAS pension is a monthly benefit available to individuals aged 65 and over who meet the necessary residence requirements.

Eligibility for OAS Pension

Previous employment is not a factor in determining eligibility for the OAS pension, nor is it necessary to be retired.

Commencement and Cessation of OAS Pension

If not born in Canada, applicants must submit proof of their legal status in Canada (e.g., citizenship, immigration documents). If they have not resided in Canada continuously since reaching the age of 18, they must provide proof of the dates of entry(ies) and departure(s) to and from Canada. OAS pension begins the later of the month after an individual's 65th birthday, the month after he or she has met the residence and legal status requirements, or the month the individual asks to have the payments commence. If an individual applies after the age of 65 and wants OAS to commence at the age of 65, the pension may be paid retroactively to the month after his or her 65th birthday or the month following the month he or she met the residence requirements, whichever comes later. An individual can defer receiving the OAS pension for up to 60 months after he or she becomes eligible for the pension. In this case, the OAS pension is increased by 0.6% for each month of deferral, up to a maximum increase of 36% at the age of 70. Retroactive payments are only made for a maximum of 12 months, including the month in which the application is received.

OAS pension ceases if the individual requests payments to stop, if the individual is incarcerated in a federal penitentiary for two years or longer or in a provincial/territorial facility for 90 days or longer (provided that the province or territory has entered into an information-sharing agreement), or when the individual dies. OAS pension shall restart after an individual has been released from incarceration and they have advised Service Canada.

Receipt of OAS Pension While Absent From Canada

If absent from Canada, recipients are entitled to receive their OAS pension indefinitely, provided they have resided in Canada for at least 20 years after reaching the age of 18. If at the time of their departure from Canada they resided in Canada for less than 20 years after reaching the age of 18, they may receive their pension for the month of their departure and for six additional months only. Years of residence in, and/or social security contributions to, a country with which Canada has a social security agreement may decrease the 20-year requirement for receipt of OAS pension in a foreign country. OAS pension is paid in Canadian dollars, whether benefits are received in Canada or abroad.

Amount of OAS Pension

Full OAS Pension

An individual qualifies for a full OAS pension by attaining an age of at least 65 and having resided in Canada for at least 40 years after reaching the age of 18. Failing this, a full pension is also paid to an individual who meets the following requirements.

(a) Has attained the age of 65, AND

(b) Lived in Canada for at least ten years immediately before applying for OAS, OR:

- Lived in Canada for at least one year before applying for OAS, AND
- Has a period of residency in Canada, after reaching the age of 18 but excluding the ten years immediately preceding his or her date of application, which equals at least three times the number of years the person did not live in Canada in the ten years immediately before applying for OAS.

Partial OAS Pension

An individual aged 65 or older who does not qualify for a full pension can qualify for a partial pension by having lived in Canada for a period of at least ten years after his or her 18th birthday. The partial pension is X/40ths of a full pension, where X is the number of complete years of residence in Canada. Once the amount of partial pension (i.e., X/40) is determined, the amount does not increase as the number of years of Canadian residence increases. The partial pension payment does increase with the indexation of benefits as set out below.

Individuals who defer receiving OAS to a date after the age of 65 receive a pension increased by 0.6% for each month of deferral up to a maximum of 36%.

Indexation of OAS Pension

OAS pension is adjusted quarterly if necessary at the full rate of increase in the Consumer Price Index (CPI). Statistics Canada developed CPI to measure changes in the cost of living. CPI tracks cost changes in common household expenses. This "basket" of goods consists of food, shelter, clothing, transportation, health care and other average household expenditures. Statistics Canada currently uses 2002 as the base year. In 2002, the average monthly CPI was equal to 100, and the basket of goods in 2002 cost Canadians $100. If the current CPI is measured at 126.5, this means that the same basket of goods that cost $100 in 2002 now costs $126.50. It is possible that CPI reduces over the three month measurement period, reflecting a reduction in the cost of living. Monthly pension amounts are not reduced if the cost of living drops, with the result that the OAS pension can be unchanged from one quarter to the next. The computation is always done quarterly, however.

Taxation of OAS Pension

Like most other retirement income, OAS pension is taxable income. If an individual's income in a year is high enough that he or she is required to pay income tax, he or she can request the deduction of income tax from the pension each month. If individuals do not request these monthly deductions, they may be required by the Income Tax Act (ITA) to pay income tax by quarterly installments.

Each January, individuals receive a tax information slip called a Statement of Old Age Security (T4A OAS) showing the amount of OAS pension received during the previous year. Nonresidents of Canada who receive an OAS pension receive a similar tax slip, the NR4-OAS. If an individual received any retroactive payments during that year, the total amount reflects the regular benefits plus the retroactive benefits.

Nonresident tax (maximum of 25% of the gross benefit amount) is withheld from monthly OAS pension payments to recipients living outside Canada. It may differ if Canada and the recipient's country of residence have signed a tax treaty.

Old Age Security Pension Recovery Tax (OASRT)

OASRT acts to recover some, or all, of the OAS pension paid to higher income OAS recipients, and it is commonly referred to as a "clawback" of the OAS pension. OASRT applies at a rate of 15% of the individual's net earnings above a defined minimum income recovery threshold (about 145% of the average industrial wage) and continues to apply to earnings up to the point when the entire OAS pension is fully recovered. The minimum income recovery threshold used to calculate OAS clawback changes annually.

OASRT is applied to periods from July 1 through June 30, based on income for the prior taxation year. For example, OASRT will apply for the period July 1, 2022 through June 30, 2023 for those OAS recipients whose 2021 income exceeded the minimum income recovery threshold of $79,845. The rate of tax is 15%.

For example, assume a recipient's income in 2021 was $90,000. Their repayment would be 15% of the difference between $90,000 and $79,845:

$(\$90{,}000 - \$79{,}845) \times 0.15 = \$1{,}523.25$

The recipient would have to repay $1,523.25 of their OAS pension over the period July 1, 2022 through June 30, 2023.

The existence and operation of OASRT means that OAS recipients with higher incomes may have their full OAS pension clawed back. The income level which, if earned in 2021, would result in the clawback of the full OAS pension, is approximately $129,757. As with the minimum income recovery threshold, this maximum income recovery threshold also changes each year.

For nonresidents of Canada, the Canada Revenue Agency (CRA) sends an Old Age Security Return of Income (OASRI) form that must be returned to CRA by April 30. The OASRI form is used to determine the total income received by a nonresident of Canada who is receiving an OAS pension. If CRA does not receive a nonresident's OASRI form by April 30, OAS payments cease beginning in July.

If OAS pension recovery tax deductions cause financial hardship, individuals can apply to CRA for relief. CRA reviews the situation and determines whether deductions should be changed.

GIS

GIS is an income-tested monthly benefit for OAS pensioners with limited income apart from the OAS pension.

Eligibility for GIS Benefit

To qualify for GIS, individuals must be receiving the OAS pension, they must be resident in Canada (which is not always necessary for receipt of the OAS pension), and their income level must be at or below a specified qualifying level. If individuals are married (legal or common law), they and their spouse must have a combined income below a specified qualifying level.

Commencement and Cessation of GIS Benefits

GIS benefits commence the month an individual is eligible for OAS, provided the eligibility requirements with respect to income are satisfied. The GIS benefit is added to OAS pension each month.

GIS benefits cease with the payment for June if income in the previous year (and combined income if married) exceeds the qualifying limit for the July payment. GIS benefits cease if an individual leaves Canada for six consecutive months. GIS benefits cease if the individual is incarcerated in a federal penitentiary for two years or longer or in a provincial/territorial facility for 90 days or longer, provided the province or territory has entered into an information-sharing agreement. GIS benefits shall restart after the individual has been released and they have advised Service Canada. GIS benefits also cease after the payment for the month in which the recipient dies. An Allowance for the Survivor may be payable to the surviving spouse, aged 60 to 64, of a deceased individual. This benefit is discussed later in this reading. GIS benefits are suspended if a recipient's renewal application is not made on time.

Since the GIS program was designed to assist people living in Canada, benefits can be paid outside Canada for a period of only six months following the month of departure. If recipients return to reside in Canada, they can apply for resumption of GIS benefits if they still meet the income conditions of eligibility.

Amount of GIS Benefit

In most cases, the amount of GIS benefit is determined by income in the previous year, marital status and the amount of OAS pension an individual is entitled to receive. If an individual has just retired or anticipates a substantial drop in pension income, his or her entitlement may be determined on the basis of an estimate of income for the current year. If the individual is married, this provision also applies to his or her spouse. The GIS amount is calculated in the same way, whether it is based on the individual's actual income from the preceding year or on an estimate of income for the current year.

If spouses are living apart voluntarily and have been separated for at least three months, they may be considered as single persons for GIS purposes. An individual receiving a partial OAS pension is eligible for a GIS pension. The amount of GIS benefit is equal to the difference between his or her partial OAS pension and the aggregate of the full OAS pension and the maximum GIS payable to a person receiving a full OAS, taking into account the amount of income that individual has (not including OAS), his or her marital status, and the spouse's eligibility for OAS pension or Allowance.

Coordination of GIS Benefits With Other Income

In the case of a single, widowed, divorced or separated OAS pensioner, the maximum monthly GIS benefit is reduced by $1 for each $2 of other monthly income. In the case of a married couple who are both receiving an OAS pension, the maximum monthly benefit of each pensioner is reduced by $1 for every $4 of their other combined monthly income.

A special provision applies in the case of a married couple when only one spouse is an OAS pensioner and the other is not eligible for either OAS pension or the Allowance. In this case, the pensioner is entitled to receive GIS benefits at the higher rate paid to single persons. The maximum monthly benefit is reduced by $1 for every $4 of the couple's combined monthly income (excluding the pensioner's OAS pension), and the first reduction of $1 is made only when the combined yearly income of the couple reaches 12 times the monthly OAS pension plus $48.

For GIS purposes, "income" is defined to be the same as income for the purposes of federal income tax but excludes OAS pension, provincial social assistance payments, Veteran Disability Pension, War Veteran Allowance and Canada Pension Plan/Quebec Pension Plan (CPP/QPP) death benefits. Income, therefore, includes any money that an OAS pensioner receives in the form of an earnings-related retirement pension, monthly income from CPP/QPP, interest, dividends, rents, wages, WC payments, etc. If a pensioner is married, the combined income of the pensioner and his or her spouse is taken into account.

Since 2020, "income" also excludes an amount that will equal $5,000 for many individuals but will be lower for those with low income. The impact of this change allows individuals to retain more employment or self-employment income.

Individuals receiving GIS are eligible for CPP/QPP retirement pension if they have made at least one valid contribution to either plan. Some retired individuals who have contributed to the Employment Insurance (EI) program may be entitled to benefits under this program. Additional income supplements of varying amounts are also available in some provinces and territories.

Indexation of GIS Benefits

Once a GIS benefit is being paid, its amount is adjusted quarterly as required in January, April, July and October of each year. The change reflects increases in the cost of living as measured by CPI.

Taxation of GIS Benefits

GIS benefits are not taxable income.

Allowance and Allowance for the Survivor

The Allowance and Allowance for the Survivor are income-tested monthly benefits designed to recognize the difficult circumstances faced by couples living on the pension of only one person and by many surviving persons.

Eligibility Requirements for Allowance and Allowance for the Survivor

There are requirements relating to age, marital status, residence and income. In addition, a recipient of either the Allowance or Allowance for the Survivor must hold or have held legal status within Canada as either a citizen or a legal resident.

To receive the Allowance an individual must be aged 60-64 and the spouse or common-law partner of an OAS pensioner who is entitled to GIS. Residence requirements can be met if individuals have resided in Canada for ten years after the age of 18. If they have not, they may still qualify for a benefit if they have resided in, and/or made social security contributions to, a country with which Canada has concluded a social security agreement.

The Allowance and Allowance for the Survivor are income-tested benefits, considering both the recipient's income and that of his or her spouse when determining eligibility. As with GIS, "income" is defined to be the same as income for purposes of federal income tax, but excludes OAS pension, provincial social assistance payments, Veteran Disability Pension, War Veteran Allowance and Canada Pension Plan/Quebec Pension Plan (CPP/QPP) death benefits. Income includes money an individual receives in the form of an employment-related retirement pension, monthly income from CPP/QPP, interest, dividends, rents, wages, WC payments, etc.

Since 2020, "income" also excludes an amount that will equal $5,000 for many individuals but will be lower for those with low income. The impact of this change allows individuals to retain more employment or self-employment income.

To receive the Allowance for the Survivor, an individual must be the surviving legal or common-law partner, 60 to 64 years of age, of a deceased OAS pensioner who was entitled to GIS. The recipient must meet the same residence requirements as for an Allowance.

Commencement and Cessation of Allowance and Allowance for the Survivor Benefits

The earliest individuals can commence receiving an Allowance is the month following their 60th birthday, if all other conditions of eligibility are met. Allowance benefits cease with the payment for June if income in the previous year (or combined income if married) exceeds the qualifying limit for the July payment. It also ceases after the payment for the month in which the recipient dies or is absent from Canada for more than six months. Allowance benefits continue to be paid for three months after the month of separation. Benefits cease after the month in which the individual again becomes a spouse either through marriage or a common-law relationship.

Benefits cease if an individual is incarcerated in a federal penitentiary for two years or longer or in a provincial/territorial facility for 90 days or longer (if an information-sharing agreement with that province or territory is in place). The Allowance will restart after the individual has been released and they have advised Service Canada. When recipients reach the age of 65, Allowance benefits cease, but at that time they may be entitled to receive an OAS pension and possibly a GIS benefit.

Since the program was designed to assist people living in Canada, benefits are paid outside of Canada for a period of only six months following the month of departure of either the recipient or his or her spouse. In the event of longer periods of absence, when the recipient and spouse return to reside in Canada, they can apply to reinstate their benefits.

Benefit Amounts for Allowance and Allowance for the Survivor

The maximum Allowance a spouse is entitled to is the sum of the OAS pension plus GIS at the married rate. The Allowance has the effect of providing the same guaranteed income to the OAS pensioner's family as would be provided by OAS plus GIS, if both spouses were pensioners.

The amount of the Allowance for the Survivor depends upon the income level of the survivor. It is payable as long as the survivor's income falls below a threshold that changes each year. The amount changes as the survivor's income changes.

Coordination With Other Income

The monthly Allowance is reduced by $3 for every $4 of the couple's monthly income until the OAS portion is reduced to zero. After that, the GIS portion begins to be reduced at the rate of $1 for every $4 of the couple's additional income. For Allowance recipients, the GIS benefit paid to the OAS pensioner's spouse is also reduced by $1 for every $4 of the couple's additional income (a combined reduction of 50% of the couple's additional income). If an individual's spouse is an OAS pensioner, the amount of the Allowance is recalculated when the spouse dies.

For Allowance for the Survivor recipients, as income increases, the amount of the benefit payment decreases. The rate of reduction is $1 for every $2 of monthly income above the earnings threshold.

Indexation of Benefits

Once a benefit is being paid, its amount is adjusted quarterly in January, April, July and October of each year if there are increases in the cost of living as measured by CPI.

Test Your Knowledge

Evaluate whether the messages surfaced by Luther and Kasia highlight the income potential and limitations of the Old Age Security program.

Following their initial in-person meeting with Parnaa, Kasia and Luther followed up with another planning session for the proposed project to engage Blue Skyers in improving their financial literacy. Put on Parnaa's CEO hat, and evaluate whether Kasia and Luther are identifying the key communication points that will contribute to this objective.

Check the box with the key terms discussed during Kasia and Luther's second planning session.

- ☐ Life expectancy
- ☐ Eligibility requirements
- ☐ Consumer Price Index
- ☐ Average wage
- ☐ OAS pension recovery tax ("clawback")
- ☐ Social insurance vs. normal insurance
- ☐ Intergenerational transfers

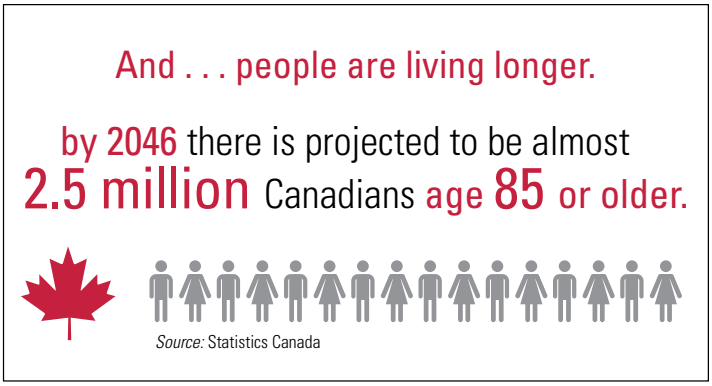
Kasia and Luther's Planning Session

After meeting with Parnaa, Luther and Kasia agreed do some individual research and come back with some ideas for messaging that would engage employees. A few days later, they met in one of the BSE workstations to share their results and brainstorm.

"I am so glad to be working on this project with you," Kasia said between sips of her citrus-mint Frappuccino. She looked around The Sky Deck, the company's test kitchen for experimenting with innovative food and beverage concepts for their event catering services. The Sky Deck also served as the hub for informal intracompany networking.

"This is a great project," Luther responded. ***"It is helping me already. There is so much online about mortality rates, retirement readiness and the challenges of getting people to save. We know we won't live forever, and I say 'we' because I am not a saver. At the same time, we don't think about how long we might actually live, let alone what we might need or want at that age."*** Luther recognized his own behaviour in his observation. ***"Plus, there is a big differenec between needs and wants. That is where quality of life comes in."***

Kasia was listening intently. ***"I agree! Watching my grandmother reach her 90s has been a real eye opener. She lives alone and travels way more than me or my parents. To be honest, I can't imagine myself at 100. I think that Statistics Canada projection of the number of centenarians would surprise a lot of our employees. Let's build your longevity stat into the communication."***



Kasia made an annotation on the whiteboard before continuing. ***"We also need to help employees change the way they think about average life expectancy and the risk of outliving their money. The longevity message needs to be linked to what that means for retirement income needs, based on average mortality rates and an average retirement age of 65. If I live to 90 and retire at 65, I have 25 years to do stuff and will want the money to do it!"*** Kasia added this to the whiteboard list.

How long will you need retirement income?

If you knew exactly how long you were going to live, it would be easy to figure out how to manage your savings to produce retirement income that would last just the right amount of time.

But the reality is that nobody knows how long their retirement will be.

Here are the averages.

65-year-old man can expect to live to age 84

65-year-old woman can expect to live to age 87

Source: CLHIA

Luther nodded in agreement. ***"Look at how these two stats and our conversations have gotten us thinking about our future selves. We can use these stats to get others connecting with their future self—retiring at the age of 65 and living 20, 30 or more years past retirement. I get it . . . I could be spending a third of my life in retirement!"*** He paused for a moment. ***"I wonder what I will look like when I retire at 65."***

Kasia laughed. ***"Wow, you at 65—that is a powerful image—reminds me of the importance of both my health and financial decision making. I read online somewhere that if we could see age-progressed renderings of our future selves based on different financial and health choices, it would really influence the decisions we make today."***

Luther nodded in agreement before continuing, "***Ok, so now I have an idea when I will retire and how long I may need retirement income. That gets me thinking about how much my future self might need."***

The last third of your life . . .

Retirement can be a third of your life—so what are you going to do with it?

It is much better knowing what you want to do in retirement than not knowing. The clearer your vision, the more likely you are to live retirement as the best years of your life.

"Or want," Kasia qualified. She started writing on the whiteboard, not wanting to miss his point. ***"Great idea—that question is so personal—People need to think about needs and wants and create a vision. I am thinking about doing a vision board on Pinterest. My vision may well evolve over time, but that kind of exercise influences action. This message around retirement vision is also a great segue back to the sources of retirement income using the four-pillar model that Parnaa showed us. We can build out from that."***

"OAS is a good starting point, because I recall Parnaa saying that age and residence are the only eligibility requirements. If you have no other sources of retirement income, you will get OAS," Luther added. Kasia nodded in agreement and added this message to the whiteboard.

"Parnaa never did tell us how much the OAS pension was—but Tom and Sara's story certainly implied it was not adequate. How much will my future self get from OAS?" Luther reminded Kasia of his question.

Kasia smiled and handed a paper to Luther. ***"I remembered and brought this benefit summary to show you. You can see from this example that in 2023 the maximum OAS pension for a pensioner age 65 through 74 is about $8,300 annually."***

"I also see that the pension amount increases annually," observed Luther.

"Right," Kasia confirmed, ***"OAS rate increases are calculated four times a year (January, April, July and October) based on the Consumer Price Index (CPI). The intent of indexing is that benefits keep up with the cost of living. However, if the cost of living decreases, benefit amounts do not decrease; they stay at the same level."***

OAS benefits have nothing to do with how much you worked, how much income you made or how much tax you paid. OAS is based solely on residency. If you were resident of Canada for 40 years between the ages of 18 and 65, you will get the maximum OAS amount. Here are the maximum OAS figures for the past few years.

2023—$687.56

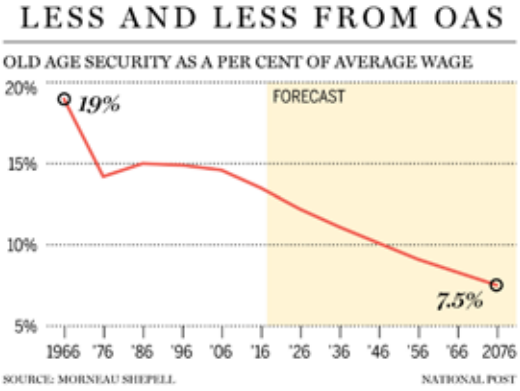
2022—$648.67

2021—$618.45

Kasia was happy to share something else she had picked up in her research. ***"One issue with OAS that would concern younger Canadians who won't collect for many years is that employment earnings tend to rise faster than the CPI."***

Luther looked puzzled. In an attempt to simplify the "so what" of her observation, Kasia drew a line graph on some remaining space on the whiteboard to help clarify.

"Right now, OAS represents 12.4% of YMPE. If wages increase by only one percent more than the Canadian rate of inflation, CPI and the OAS pension will decline as a percentage of the average wage. This means that OAS will be only 7.5% of the national average wage by 2070. This means that younger people may need to rely more on company programs and/or save more on their own."



http://business.financialpost.com/fp-comment/old-age-security-is-melting-away-so-more-of-you-will-rely-on-low-income-support-cheques-when-you-retire

Luther nodded his head. ***"Even I can see that the OAS contribution to my retirement income depends on my future earnings level. For someone who has never worked, like my Mum, OAS will be a valauble new source of income she never had. For my Dad, who earns well above the average wage, it will not cover 12.4% of his preretirement income."***

"Something else about OAS to consider—for seniors who have other sources of retirement income, the Old Age Security recovery tax may apply," added Kasia, thinking about her own future. ***"This tax, often called the 'clawback,' is applied against OAS once the retired person hits a prescribed earnings level. The clawback starts at about 135% of the average wage, which is $66,600 for 2023."***

"If my retirement income earnings are significantly above the prescribed earnings level, not qualifying for OAS pension benefits would not be as financially significant as it would be, say, for people with no or minimal retirement income. There are other income-tested, nontaxable benefits provided under the OAS program targeted at lower income recipients. Let's hope you and I and other Blue Skyers don't fall into this category." Kasia had diverged from the purpose of the meeting and brought the conversation back on target. ***"But this is a level of detail beyond this communication plan. If we get employees to think through the lens of their future selves about retirement needs and provide a basic understanding of where that money will come from, we will have made progress."***

Luther went quiet for a minute; Kasia could see the wheels spinning. ***"I agree, but I do find this conversation helpful thinking about my parents' and my grandparents' situations. I am glad to get this introduction. Parnaa's story was powerful—you could feel the impact of her experience. We could come back to a couple of scenarios for our employees to make it real—get them to think about how they want their retirement years to be the same or different from their parents and grandparents. It might raise their awareness of what it would be like facing painful financial challenges in retirement and wishing they had made better choices early in their careers. Or the stories might motivate them to understand the path to financial well-being."***

Kasia paused to look at some notes she had brought in. ***"Parnaa emailed me a couple of thoughts. She said that concern about the sustainability of government programs is often in the news—It would be good for employees to understand where the money comes from."***

Luther sat back in his chair, crossing his arms behind his head with thoughts of "free" income in his mind. ***"Funny, I was just going to ask you who pays for these OAS pensions."***

This was in Kasia's wheelhouse. ***"The OAS program is funded through general tax revenues—it is a pay-as-you-go system. Taxes collected today are used to pay benefits for those who currently meet the eligibility requirements. Once we start looking at the other government-sponsored social programs, you will see other funding approaches."***

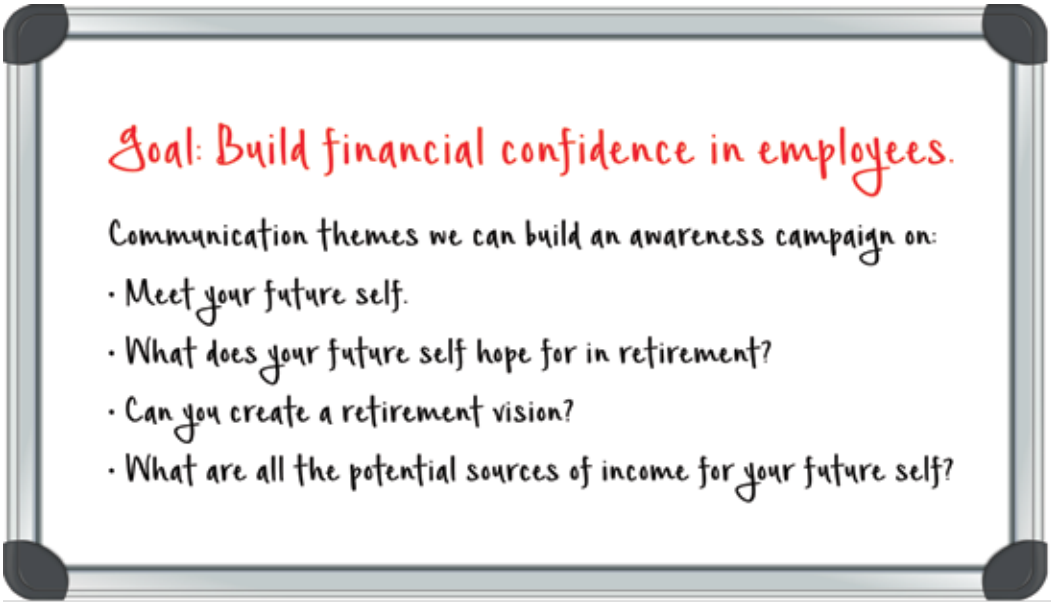
"Ok, humour me again. Tell me why the government provides this benefit?" Luther knew there had to be a reason.

Kasia finished capturing a few more thoughts on the whiteboard before replying. ***"It relates to the difference between social insurance principles and the normal business insurance principles that apply to our EHC and dental plans. Social insurance is set up to administer a certain type of government-sponsored benefit for which eligibility is dictated by socioeconomic needs vs. strict business margins or cost/benefit analysis."*** Kasia went on to explain, ***"As part of the first pillar of the Canadian retirement income system, OAS provides Canadians with a <u>minimum</u> guaranteed income during their years of retirement. The steward of the OAS, the federal government, balances the program's paternalistic philosophy and its financial affordability. That is why benefit eligibility and funding often come up when the government changes power."*** Luther was benefiting so much from Kasia's overview of OAS.

Kasia explained how normal insurance differs from social insurance. ***"Normal insurance, like our life insurance plan, has a process in place to ensure that contributions going into the plan cover the benefits going out. Insurers wouldn't stay in business long if the cost of providing our benefits was more than what BSE paid to provide them."*** Kasia had a way of explaining concepts, and Luther quickly gained his footing.

"So OAS is a form of social insurance, where the benefits paid and the period of benefits entitlement are matters of public policy." Luther paraphrased what he heard. "***If I think back to Parnaa's story, Tom and Sara's OAS pensions were being funded by taxes paid by everyone at the time."***

"That is it exactly—when we turn 65, and assuming we are no longer working, the cost of our OAS pensions will be covered by those younger and still in the workforce. Technically, this is known as an intergenerational transfer." Kasia brought the OAS conversation to conclusion.



"We have our work cut out for us," Kasia observed as she took a photo of their whiteboard notations with her smartphone. ***"I think we should run some of our preliminary thoughts by Parnaa and see if we are on track. We can meet again to discuss the second pillar, CPP. We'll want to explore it and the call to action—'save now'—as well as leverage what the company pension plan offers and think about other personal savings vehicles."***

"We have thoughts about some of the messages, but we really haven't talked about how to deliver them," said Luther. ***"I will do some research on that—We might be able to use gamification. There are several examples of how it is being used to increase financial and health goals. Next time."***

Optimizing the Canada Pension Plan/Québec Pension Plan (CPP/QPP) for Income Security

Module 2

Almost everyone who participates in the paid labour force contributes to the Canada Pension Plan (CPP) or to its sister plan, the Québec Pension Plan (QPP). Although CPP and QPP are separate plans, each with its own legislation and administration, since their inception in 1966 the federal and Québec provincial governments have sought to maintain parallelism in key aspects of plan design. While perhaps best known for retirement pensions, CPP/QPP also provides supplementary benefits including death benefits, survivor's benefits and disability benefits for both contributors and their families.

This module provides an overview of CPP/QPP structure, funding, and roles and responsibilities in policy setting and administration. General provisions and definitions under the CPP and QPP Acts regarding contribution requirements and amounts, pensionable employment and portability are examined. It examines the eligibility requirements, benefit amounts and other administrative considerations of contributor pensions in detail. The module examines the eligibility provisions for these pensions.

CPP and QPP face many of the same design, governance, funding and investment challenges faced by employer-sponsored retirement income plans. The CPP is designed to be self-sustaining with benefits financed by employer and employee contributions as well as fund investment earnings. Investment management of CPP/QPP assets is also covered.

When established, CPP/QPP was intended to provide a contributor with a retirement pension of 25% of their earned income, with earned income being capped at Canada's average industrial wage. Amendments effective in 2019 will, for Canadians who participate in the "enhanced" plan for 40 years, result in a retirement pension of 33% of earned income that is capped at a higher level (i.e., these enhancements mean that those who contribute to CPP will receive higher benefits in exchange for making higher contributions). The actual benefit depends on how much and how long a contributor has paid into CPP/QPP and the age of the individual at the time the CPP/QPP pension starts. The existence of the CPP earned income "cap" and the reality that many individuals will not qualify for the maximum benefit at that cap level give more importance to private sources of retirement income such as employer-sponsored and individual retirement savings plans.

Assigned Reading

Reading A
Canada Pension Plan/Québec Pension Plan (CPP/QPP),
Study Guide Module 2, Pages A-1 to A-29

Reading B
CPP/QPP Benefits and Contribution Schedules, Study Guide Module 2,
Pages B-1 to B-2

Benefits in Action #2
"How can learning about CPP drive better financial decisions today?"
Study Guide Module 2, BIA-1 to BIA-18

Professional Enrichment Resources

CPP Investments
http://www.cppib.ca

Caisse de dépôt et placement du Québec
https://www.cdpq.com/en

Why Scan These Sites?
These sites provide an overview of the structure, role, governance strategy, investment objectives and investment performance of CPP Investments and the Caisse de dépôt et placement du Québec (CDPQ).

CPP Investments is a Canadian crown corporation and professional investment management organization with the sole focus of investing the approximately $539 billion CPP fund on behalf of its 21 million contributors and beneficiaries. The Caisse de dépôt et placement du Québec (CDPQ) is responsible for managing the investments of assets in respect of QPP (approximately $106 billion of CDPQ's total assets of $420 billion).

Professional enrichment resources are not tested on the national examination.

Learning Outcomes

1. Explain the role of the Canada Pension Plan/Québec Pension Plan (CPP/QPP) in Canadians' income security.
2. Explain the regulatory environment, legislative structures and funding mechanisms of CPP/QPP.
3. Explain how contributions directed to CPP/QPP are invested.
4. Describe requirements for making contributions to CPP and QPP.
5. Outline key provisions related to CPP/QPP retirement pensions.
6. Describe basic plan provisions for CPP/QPP survivor's benefits.
7. Describe basic plan provisions for CPP/QPP disability pension and disabled contributor's child's benefit.
8. Explain the tax treatment of CPP/QPP benefits and how benefits are adjusted for changes in the cost of living.

Benefits in Action #2

"How can learning about CPP drive better financial decisions today?"

1. Apply knowledge of the Canada Pension Plan (CPP) program to assess its potential contribution to income needs from age 60 and beyond.
2. Evaluate whether the employer's communication messages highlight the program's income potential and its limits.

Outline of Knowledge

A. Legislative structures and regulatory environments for the Canada Pension Plan/ Québec Pension Plan (CPP/QPP)

   1. Role of CPP/QPP in income security
   2. CPP Act and QPP Act
   3. Administrative bodies
   4. Change process
   5. Objectives for retirement security levels

B. Funding of benefits

   1. Original status
   2. CPP changes to legislation
   3. Sources of funding

C. Investment of contributions directed to CPP/QPP

   1. Canada Pension Plan Investment Board (CPP Investments) structure and mandate
   2. Caisse de dépôt et placement du Québec (CDPQ) structure and mandate

D. Retirement pensions

   1. Eligibility provisions and definitions
   2. Payment periods
   3. Payment amounts and definitions
   4. Pension index
   5. Death benefits
   6. Taxation

E. Survivor's benefits
    1. Eligibility provisions and definitions
    2. Payment periods
    3. Payment amounts and indexation
    4. Integration with other benefits
    5. Taxation

F. Disability benefits
    1. Eligibility provisions and definitions
    2. Payment periods
    3. Payment amounts and indexation
    4. Taxation

Key Terms

- Steady state funding
- Incremental full funding
- Contributory periods
- Base Canada/Québec Pension Plan
- Additional Pension Plan
- Pensionable employment
- Excepted employment
- Pension credits
- Employer, employee, self-employed
- Retirement pension
- Year's basic exemption (YBE)
- Year's maximum pensionable earnings (YMPE)
- Maximum pensionable earnings (MPE)
- Year's additional maximum pensionable earnings (YAMPE)
- Additional maximum pensionable earnings (AMPE)
- Base contributions
- Credit splitting
- Pension index
- Death benefit
- Survivor
- Survivor's pension
- Dependent
- Dependent child's benefit
- Surviving child's/orphan's benefit
- Disability pension
- Disabled contributor's child's benefit
- Severe disability
- Substantially gainful occupation
- Prolonged disability
- Gainful occupation
- Minimum contributory period
- CPP Investments
- Caisse de dépôt et placement du Québec (CDPQ)

1 Learning Outcome

Explain the role of the Canada Pension Plan/ Québec Pension Plan (CPP/QPP) in Canadians' income security.

1.1 Describe the role of CPP/QPP in providing income security to Canadians. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, pp. A-2 to A-3)

Pensions and benefits payable under CPP/QPP are in addition to the Old Age Security (OAS) pension. The objective of these public income security programs is not to provide an individual's total retirement income. Rather, the combination of benefits paid by OAS and CPP/QPP is intended to ensure a basic level of retirement income for Canadians. CPP/QPP was initially intended to provide a contributor with a retirement pension of 25% of the person's income, with income capped at Canada's average industrial wage.

2019 enhancements to CPP/QPP, phasing in over a 7-year period that started January 1, 2019, have the objective of ultimately increasing target benefit levels to 33% of the person's income. This objective will be achieved through:

1) A gradual increase in contributions rates every year over the 7-year period
2) In 2024 and 2025, an increase in the level of annual earnings subject to contributions (i.e., over and above the original earnings limit of the average wage in Canada).

These two steps mean that individuals will contribute more of their annual earnings to CPP/QPP which, along with their employers' higher contributions, will finance the increases to the CPP/QPP benefit amounts.

Despite the enhancements being made to CPP/QPP, the objective of providing a basic retirement income and the maximum target benefit levels inherent in the plan design continue to give importance to private sources of retirement income such as employer-sponsored and individual retirement savings plans.

Enhanced benefits will gradually build up as individuals pay into the enhanced CPP, with maximum enhanced benefits achieved in about 40 years. Current retirees and those retiring before 2019 did not contribute to the CPP enhancement and therefore do not receive enhanced benefits.

1.2 Describe how the 2019 enhancements to the CPP/QPP are being implemented.
(Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, pp. A-5 to A-6)

In keeping with the requirement for incremental full funding of new or higher benefits, contribution levels began increasing on January 1, 2019.

Each of the CPP/QPP has two sections. The first is known as the "Base Canada/ Quebec Pension Plan", and it corresponds to all aspects of the CPP/QPP that existed before 2019. The second, corresponding to all aspects of the enhancements, is known as the "Additional Pension Plan."

Two stages of contribution increases will fund the CPP/QPP enhancements. The increases are applicable to both employer and employee contributions while self-employed workers must pay both the employee and employer portion.

Stage one of CPP/QPP contribution increases applied to each of the years from 2019 through 2023 inclusive. Over this period CPP/QPP contribution rates increased 1%, from 4.95% to 5.95% for CPP and from 5.1% to 6.1% for QPP.

These contribution rates are applied to earnings up to the "year's maximum pensionable earnings" (YMPE) in CPP and "maximum pensionable earnings" (MPE) in QPP. The original YMPE and MPE are called the "first earnings ceiling."

In 2024 and 2025 CPP and QPP will be expanded to cover some earnings beyond the YMPE/MPE. This extended level of covered earnings will be known as the "year's additional maximum pensionable earnings" (YAMPE) for CPP and "additional maximum pensionable earnings" (AMPE) for QPP, or more generally as the "second earnings ceiling." For 2024 and 2025 the YAMPE/AMPE is defined as:

- In 2024 the YAMPE/AMPE will be 107% of the 2024 YMPE/MPE
- In 2025 the YAMPE/AMPE will be 114% of the 2025 YMPE/MPE.

After 2025 the YAMPE/AMPE will increase each year to reflect wage growth in Canada.

Tied to this increase in coverage is the implementation of an additional CPP/QPP contribution for those persons whose annual earnings are above the first earnings ceiling (the YMPE/MPE). For those persons, starting in 2024, contributions will be required in respect of earnings between the YMPE/MPE and the YAMPE/AMPE. The contribution rate applicable to that range of earnings will be 4% required by each of the employee and employer, with self-employed individuals contributing 8%.

2 Learning Outcome

Explain the regulatory environment, legislative structures and funding mechanisms of CPP/QPP.

2.1 Describe the legislative structures that govern the existence and operation of CPP/QPP. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, pp. A-3 to A-4)

CPP falls under federal jurisdiction and is governed by "An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors" commonly cited as "the CPP Act."

The CPP Act allows a province or territory to not be a part of the federal pension plan if it sets up a comparable program. Québec established the QPP to operate in that province in place of CPP. The legislation that governs the QPP program is the "Act respecting the Québec Pension Plan," cited as the "QPP Act."

CPP is administered by the Minister of Employment and Social Development Canada (ESDC). The Minister of National Revenue is responsible for collecting contributions. The Minister of Finance and its provincial counterparts are responsible for setting CPP contribution rates, pension and benefit levels, and funding policy. The Crown corporation, CPP Investments, is responsible for managing investments of the CPP assets.

QPP is administered by Retraite Québec. The Minister of Finance is responsible for setting QPP contribution rates, pension and benefit levels, and funding policy.

Revenu Québec is responsible for collecting contributions. The Caisse de dépôt et placement du Québec (CDPQ) is responsible for managing the investments of assets in respect of QPP.

Changes to CPP legislation governing the general level of benefits, the rate of contributions or the investment policy framework can be made only through an Act of Parliament. Notice of any proposed changes must be given by the federal government to each participating province (not including the territories). All such changes require the agreement of at least two-thirds of the included provinces, representing at least two-thirds of the population. Changes come into force only after two years' notice unless all provinces waive this requirement.

Québec participates in decision making regarding changes to CPP, even though it administers its own plan, to help to ensure the portability of QPP and CPP across Canada.

2.2 Explain how CPP/QPP is funded. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, p. A-5)

CPP and QPP, unlike OAS, are not funded through general tax revenues. Both plans are "contributory" plans with contributions made by employees, their employers and self-employed people, and contribution rates are actuarially determined.

CPP was initially designed as a pay-as-you-go plan with a small reserve. Benefits for one generation would be largely paid from the contributions of later generations.

Several amendments to the CPP were put in place in the late 1990s with the goals of moving away from a pay-as-you-go financing method to one that now requires:

(a) Steady state funding to build a reserve of assets that would generate investment earnings to contribute to future benefits costs

(b) Incremental full funding of benefit increases or the addition of new benefits. That is, the cost of new or higher benefits would be paid as the benefit was earned, and any costs associated with benefits that were paid but not earned would be amortized and paid for over a defined period, consistent with actuarial practice.

The amendments also called for an increase to contribution rates from 1997 to 2023 inclusive, a reduced rate of benefit growth over the long term and the creation of the Canadian Pension Plan Investment Board (now called CPP Investments) to operate within private capital markets to achieve higher rates of return on CPP funds. Virtually identical changes were made to the QPP through this period; the QPP contribution rate increased to be slightly higher than required under CPP.

In 2016, an agreement was reached among all government stewards of CPP and QPP to increase benefits payable under both programs. In keeping with the requirement for incremental full funding of new or higher benefits, contribution levels began increasing on January 1, 2019.

2.3 Identify who is covered by CPP/QPP and required to contribute. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, pp. A-6 to A-7 and A-9)

"Pensionable employment" determines whether individuals are covered by CPP/QPP. Both CPP and QPP define pensionable employment as "all employment" with specific exceptions or other exceptions defined by legislation. Both employees and their employers (including the self-employed) must contribute to CPP/QPP.

"Employee" is defined as an individual who is compensated for services performed and whose duties are under the control of an employer. To be covered by QPP, an employee must report to work at the employer's establishment situated in Québec (or be paid from a Québec establishment if the employee does not have to report to work anywhere). Otherwise, the employee or self-employed individual in pensionable employment is covered under CPP.

"Employer" is defined as any person liable to pay wages, salary or other remuneration for services performed in employment.

"Self-employment" is defined as earning one's livelihood directly from one's own trade or business rather than as an employee of another. A self-employed person must be a resident of Canada to be covered for CPP (and a resident of Québec for QPP), whereas this is not a requirement for employees.

If an individual working in Canada and contributing to CPP/QPP is sent by their employer (including self-employed) to work abroad on a temporary basis, an international social security agreement might enable them to:

(a) Continue contributing to CPP/QPP for their work abroad and have the periods abroad considered as residence in Canada for eligibility purposes

(b) Be exempt from contributions to the other country's social security system.

When working abroad temporarily, an individual should obtain a certificate of coverage from the Canada Revenue Agency (CRA) to inform the other country of the individual's coverage under CPP. Under QPP, an individual working abroad temporarily should obtain a certificate of coverage from the Bureau des ententes de sécurité sociale (BESS) to inform the other country of the individual's coverage under QPP.

2.4 Identify who is excluded from coverage by CPP/QPP. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, pp. A-6 to A-7)

"Excepted employment" is addressed in the CPP/QPP regulations and includes a long list of jobs in various kinds of industries—agriculture, fishing, logging, etc.—either when payment is under $250, or fewer than 25 days are worked, plus a list of other special situations (religious orders where a vow of poverty is taken and wages are paid to a religious order, etc.). "Excepted" employment under CPP and QPP are similar, with some exceptions.

Learning Outcome

Explain how contributions directed to CPP/QPP are invested.

3

3.1 Outline the mandate of CPP Investments and the key governance documents used in the implementation of its mandate. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, pp. A-10 and A-12)

The mandate of CPP Investments is to:

(a) Invest the CPP fund in the best interests of CPP contributors and beneficiaries

(b) Maximize long-term investment returns without undue risk, with consideration of the factors that may affect the funding of CPP and its ability to meet its financial obligations

(c) Provide cash management services to CPP so that it can pay benefits.

CPP Investments cannot conduct any business or activity that is inconsistent with these objectives. Two key governance documents reflecting the CPP Investments' mandate are the:

(a) Statement of Investment Objectives, Policies, Return Expectations and Risk Management for the Investment Portfolio of the Base Canada Pension Plan and the Additional Pension Plan. This document applies to the assets of the long-horizon CPP investment portfolio.

(b) Statement of Investment Objectives, Policies, Return Expectations and Risk Management for the Cash for Benefits Portfolio of the Base Canada Pension Plan and the Additional Pension Plan. This document applies to the assets required to pay CPP benefits in the near term.

3.2 Describe the relationship between CPP Investments and the government. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, p. A-11)

CPP Investments operates within a governance structure that is enshrined in legislation and carefully designed to support its distinct mission. The assets of the CPP fund are strictly segregated from government funds. The Canadian Pension Plan Investment Board Act (CPPIB Act) has safeguards against any political interference. CPP Investments operates at arm's length from federal and provincial governments with the oversight of an independent, qualified professional Board of Directors. This board, not governments, approves investment policies, determines with management the organization's strategic direction and makes critical operational decisions such as the hiring of the president and chief executive officer (CEO) and the setting of executive compensation. The board hires the president and CEO who, in turn, hires and leads the management team. CPP Investments' management reports not to governments, but to the CPP Investments' independent Board of Directors. These investment professionals make portfolio decisions within policies agreed to by the board of directors.

3.3 Describe the entity that invests contributions directed by employees and employers to the QPP as well as a key piece of disclosure issued by that entity. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, p. A-14)

The Caisse de dépot et placement du Québec (CDPQ) was created in 1965 by a law passed in the National Assembly of Québec, with the initial role of managing the funds of the newly created QPP. Revenues collected over and above those required for the immediate payment of benefits and administration costs are invested by the CDPQ as prescribed by the QPP Act. The CDPQ now invests funds for several other Québec entities as well as QPP funds.

An annual report is required to be made by CDPQ before April 15 of each year outlining its operations for the prior year.

Learning Outcome 4

Describe requirements for making contributions to CPP and QPP.

4.1 Describe when CPP/QPP contributions are required and the use of the term "contributory periods." (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, p. A-8)

CPP/QPP contributions are required by employees (including the self-employed) and their employers:

(a) In respect of all pensionable employment

(b) If pensionable employment continues and the retirement pension has started, to the maximum of age 70. A person who is over age 65 and receiving their CPP retirement pension can opt out by filing a request with their employer to cease contributing. This opt-out is not allowed under QPP.

"Contributory periods" are defined as the amounts of time a contributor was making CPP/QPP contributions from employment or self-employment income. Contributory periods are used to calculate the retirement pension, death benefit, survivor's pension or surviving child's/orphan's benefit.

Note that this definition is not used to calculate the disability pension or disabled contributor's child's benefit; for these benefits, a different definition of "contributory period" is used.

4.2 Describe the three categories of contributions made by employees, employers and self-employed individuals to CPP/QPP. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, pp. A-8 to A-9)

Employee contributions are required:

- At rates of 5.95% under the CPP and 6.1% under the QPP, applied against the range of earnings between the year's basic exemption (YBE) and year's maximum pensionable earnings (YMPE for CPP, MPE for QPP), plus,
- After 2023, at a rate of 4% applied against the range of earnings (if any) between the YMPE/MPE and the YAMPE/AMPE.

YBE, YMPE/MPE and YAMPE/AMPE are expected to change each year, although the YBE has been constant for many years.

Individuals receiving the CPP/QPP disability pension are not required to contribute to CPP/QPP.

Employers are required to contribute the same amount as the employee contributions.

Self-employed individuals contribute both the "employee" and "employer" portions.

4.3 Explain what is the same and what is different regarding CPP contribution calculations for self-employed individuals. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, Pages A-6 and A-9)

"Pensionable employment" determines whether individuals are covered by CPP/QPP. Both plans define pensionable employment as all employment, with specific exceptions or other exceptions defined by legislation. Both employees (including the self-employed) and their employers must contribute to CPP/QPP for periods of pensionable employment.

The key difference is that self-employed individuals would pay both the employee and the employer contribution.

4.4 Identify rules that apply in determining the deduction of CPP/QPP contributions for employers of employees who are in receipt of a CPP/QPP retirement pension. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, Page A-8)

If an employer employs an individual who receives a CPP retirement pension, the rules regarding the deduction of CPP contributions depend upon the age of the employee:

(a) If the employee is 60 to 64 years of age, the employer must deduct CPP contributions

(b) If the employee is 65 to 70 years of age, the employer must deduct CPP contributions unless the employee has filed an election with the employer to stop paying contributions (opt out). Once the election has been filed with the employer, contributions must stop in the following month. Contributions stop at age 70.

Under QPP, contributions are required if pensionable employment continues after the retirement pension has started, to the maximum of age 70. The opt-out described under CPP is not allowed under QPP.

4.5 Explain how the amount of earnings subject to CPP/QPP contributions is determined. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, p. A-8)

Earnings subject to CPP/QPP contributions are generally all income from pensionable employment, per the Income Tax Act/Taxation Act (Québec). This generally means the person's gross income (i.e., before deductions) from an office or employment, including salary, wages, or any other remuneration including tips and gratuities and stock options received by the person in the year. Taxable benefits or allowances are also generally considered pensionable income.

5 Learning Outcome

Outline key provisions related to CPP/QPP retirement pensions.

5.1 Describe the factors used in determining the amount of a contributor's CPP/QPP retirement pension and describe some special CPP/QPP provisions normally not available in privately sponsored pension plans. (Reading A, Canada Pension Plan/ Québec Pension Plan (CPP/QPP), Study Guide Module 2, pp. A-17 to A-19)

CPP/QPP retirement pension amounts are based on the individual's contributory periods, their pensionable earnings throughout their contributory periods and their age at the time their CPP/QPP pension starts.

For persons whose contributory period in the "enhanced" CPP/QPP is at least 40 years, the target retirement pension at age 65 will be 33.33% of their average monthly pensionable earnings, with 25% paid by the Base Canada/Quebec Pension Plan and 8.33% paid by the Additional Pension Plan.

For persons whose contributory period in the enhanced CPP/QPP is less than 40 years the target retirement pension at age 65 will be determined as the sum of:

1. 25% of the contributor's average monthly pensionable earnings, with average monthly pensionable earnings capped at the average YMPE/MPE for all years of the individual's contributory period in the Base Canada/Quebec Pension Plan and will be pro-rated if that contributory period was less than 40 years.
2. A pro-rated amount based on the individual's contributory period in the Additional Pension Plan (i.e., periods before 2019 will not be included.) The retirement pension will be the total of:
    a. For contributory periods after 2018, 8.33% of average monthly pensionable earnings (with average monthly pensionable earnings capped at the average YMPE/MPE), pro-rated based on the proportion represented by the individual's contributory period in the Additional Pension Plan after 2018.
    b. For contributory periods after 2023, 33.33% of the range of pensionable earnings, if any, between the average YMPE/MPE and the average YAMPE/AMPE, pro-rated based on the proportion represented by the individual's contributory period in the Additional Pension Plan after 2023.

Some provisions exist in CPP/QPP that are normally not included in privately sponsored pension plans, including:

(a) Provisions that allow for the certain periods of low earnings (e.g., due to illness, child rearing or unemployment) to be excluded from the calculation of average earnings and from the contributory period used to determine the individual's retirement pension

(b) Provisions that allow an individual age 65 or older who has started receiving the CPP/QPP pension and is still working to continue to contribute and accumulate an additional CPP/QPP benefit

(c) Provisions that allow the individual to share a portion of their retirement pension with their spouse, common-law spouse or civil union partner.

5.2 Outline periods that are excluded from an individual's contributory periods and earnings that are excluded from the "average monthly pensionable earnings" calculation. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, p. A-19)

The individual's contributory periods exclude:

(a) Any months when the contributor received a CPP or QPP disability pension, or an indemnity under the Québec "Act respecting industrial accidents and occupational diseases," or

(b) Months when the contributor was receiving family allowance benefits—or in Québec, an indemnity—in a year when pensionable earnings were less than YBE.

"Average monthly pensionable earnings" exclude earnings during:

(a) Periods when receiving CPP or QPP disability benefits, or for QPP, an indemnity under the Québec "Act respecting industrial accidents and occupational diseases"

(b) Periods when caring for children under the age of seven (CPP), or receiving a family benefit (QPP)

(c) Up to 17% (CPP) or 15% (QPP) of the contributor's months of lowest earnings prior to the age of 65, provided at least 120 months are left in the individual's total contributory periods; and

(d) For CPP only, periods after age 65 while contributing to CPP.

5.3 Indicate the adjustments that are made if the CPP/QPP retirement pension starts to be paid at ages other than age 65. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, p. A-20)

If starting before age 65, the monthly CPP/QPP retirement pension is reduced by 0.6% per month (7.2% per year) between the date when the pension starts and the month when the individual will reach age 65. For an individual who starts their CPP/QPP pension at age 60, this means a retirement pension equal to 64% of the amount that would be payable at age 65 (i.e., a reduction of 36%).

If starting after age 65, the monthly CPP/QPP retirement pension is increased by 0.7% per month (8.4% per year) between the month when the pension starts and the month when the individual attained age 65. For an individual who starts their CPP/QPP retirement pension at age 70, this means a retirement pension equal to 142% of the amount that would have been payable at age 65 (i.e., an increase of 42%).

5.4 Explain the CPP Post-Retirement benefit (PRB) and the QPP Retirement Benefit Supplement. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, p. A-20)

Individuals may start their CPP/QPP retirement pension, continue to work and continue to make contributions. These contributions increase their CPP/QPP retirement pension. The increase is known as the Post-Retirement Benefit (PRB) under CPP and the Retirement Pension Supplement under QPP. Each year, the additional pension is added to the CPP/QPP retirement pension already being paid (even if the individual is already receiving the maximum CPP/QPP retirement pension).

The amount of PRB earned each year depends upon the individual's age and earnings, limited to a maximum of 1/40th of the maximum CPP retirement pension. Under QPP, the Retirement Pension Supplement once fully phased in (2024) will be 0.66% of the individual's pensionable earnings.

5.5 Describe the death benefits payable in respect of the CPP/QPP retirement pension, and the eligibility requirements associated with these benefits. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, pp. A-22 to A-23 and A-25, Reading B, CPP/QPP Benefits and Contribution Schedules, Study Guide Module 2, p. B-1)

The CPP death benefit is payable to the deceased contributor's estate. The QPP death benefit is paid to the person or charity who paid the funeral expenses if an application including proof of payment is made within 60 days of the contributor's death. If, after 60 days of the contributor's death, no application has been filed along with proof of payment, the death benefit can be paid to the deceased's heirs.

The CPP/QPP death benefit is a lump sum payment equal to $2,500, unless the deceased QPP contributor qualified for a death benefit as a result of QPP special provisions described above under the Minimum Contributory Periods. In this case, the QPP death benefit is equal to the amount of contributions made by the deceased contributor, up to a maximum of $2,500.

To qualify for payment of a death benefit, the deceased must have made CPP/QPP contributions for:

(a) At least one-third of the total number of calendar years included either wholly or partly within their contributory period and, in any case, for at least three calendar years, or

(b) At least ten calendar years.

QPP also considers a deceased contributor to have met the minimum requirements if:

(a) The deceased contributor paid at least $500 in QPP contributions; and

(b) No retirement pension or disability pension under QPP or a similar plan was payable to the deceased contributor.

6 Learning Outcome

Describe basic plan provisions for CPP/QPP survivor's benefits.

6.1 Describe the eligibility provisions that must be met to qualify for CPP/QPP survivor's benefits. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, pp. A-22 to A-23)

Survivors' benefits include pensions to surviving spouses (called survivor's pension) and monthly flat rate payments to dependent children (called surviving child's benefit, or orphan's benefit) who meet certain eligibility provisions.

To be eligible to receive a survivor's pension in respect of the deceased contributor who met the minimum contributory requirements, an individual must meet one of the following definitions.

(a) Under CPP, a "survivor" is defined as a person who was married or the common-law partner of the contributor at the time of the contributor's death.

(b) Under QPP, a "surviving spouse" is defined as a person who was married to the contributor and not legally separated from bed and board, or is in a civil union with the contributor, or if those requirements are not met, has been living with the contributor in a "de facto" union for at least three years or, if there was a child born (or to be born) of that union or adopted.

Under both CPP and QPP, it is possible that no survivor's pension is payable if it is decided that the contributor's health, at the time of marriage, would not justify an expectation of surviving for one year after the marriage.

To be eligible to receive a surviving child's benefit/orphan's benefit in respect of a deceased contributor who met the minimum contributory requirements, an individual must meet certain definitions. CPP uses the definition "dependent child" to determine eligibility. A dependent child is defined as:

(a) Under 18 years of age

(b) Between 18 and 25 years of age if in full-time attendance at school or university

(c) 18 years of age or older and disabled, such disability existing without interruption since the later of when the child reached age 18 or the date when the contributor died.

QPP uses the definition "minor child" to determine eligibility. A minor child is a child of the contributor, either biological or adopted, who is under age 18. In addition, a child who is under age 18 and who is supported by a contributor for at least one year (with no other party providing support to the child) will also be eligible to receive a surviving child's/orphan's benefit.

6.2 Describe the method used to determine the amounts of a CPP survivor's pension. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, p. A-25)

The amount of the CPP survivor's pension depends on the age of the survivor and whether they are in receipt of their own CPP retirement or disability pension at the time of the contributor's death.

For a survivor of a deceased CPP contributor who is not receiving other CPP benefits, the CPP survivor's pension is:

(a) 60% of the deceased contributor's retirement pension payable at age 65 if the survivor is age 65 or older, or

(b) 37.5% of the contributor's retirement pension payable at age 65 plus a flat amount if the survivor is under age 65.

For a survivor of a deceased CPP contributor who is receiving their own retirement or disability pension, the CPP survivor's pension is determined as described above and then combined with their retirement or disability pensions into a single monthly payment that is limited to a maximum, as follows.

(a) If the survivor is receiving their own CPP retirement pension, the maximum combined payment is the maximum CPP retirement pension.

(b) If the survivor is receiving a CPP disability pension, the maximum combined survivor's pension and disability benefit is the maximum CPP disability pension.

The CPP/QPP enhancements made since 2018 will increase the amount of CPP survivor's pensions, in amounts that depend on how long the deceased contributor participated in the Additional Pension Plan.

6.3 Outline when CPP/QPP survivor's benefits start, and stop being paid. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, p. A-24)

An application for CPP/QPP survivor's pension must be made. CPP/QPP survivor's pension is paid monthly after the application has been submitted. Payments are retroactive to the month following the month in which the contributor died. Under CPP/QPP, payments can be retroactive to a maximum of 12 months after the date the application was received.

The CPP/QPP survivor's pension is paid for the lifetime of the survivor and stops with the payment for the month in which the survivor dies. Remarriage of the survivor does not cause payments for CPP/QPP survivor's pension to stop.

Neither CPP nor QPP allows a survivor to receive a CPP/QPP survivor's pension in respect of more than one deceased spouse or common-law partner. In the unfortunate situations where this occurs, the survivor receives the CPP/QPP survivor's pension that is determined as the higher amount.

6.4 Describe the basic terms of the CPP/QPP surviving child's/orphan's benefit. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, pp. A-23 to A-24 and A-26)

A surviving child's/orphan's benefit is a flat rate payable monthly to each dependent child of a deceased contributor who made contributions for the minimum qualifying period.

Surviving child's/orphan's benefits start on the later of the month following the month in which the contributor died, or the month following the month when the child was born. QPP specifies that the child must have been born within 300 days following the contributor's death. CPP/QPP includes provisions allowing retroactive payment of a surviving child's/orphan's benefit, up to a 12-month period.

The surviving child's/orphan's benefit stops under CPP/QPP when the child no longer meets the definitions of "dependent child" or "minor child" or when the child dies. Under CPP, this means that if a dependent child between ages 18 and 25 stops full-time attendance at school, the surviving child's/orphan's benefit stops being paid.

Learning Outcome

7

Describe basic plan provisions for CPP/QPP disability pension and disabled contributor's child's benefit.

7.1 Identify three eligibility criteria for CPP/QPP disability pensions and describe the definitions of disability that are in use. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, pp. A-26 to A-27)

To qualify for disability pension, the individual must (1) be under age 65, (2) meet certain eligibility requirements that relate to their contributory period and (3) meet the definitions of "disabled."

A CPP contributor is considered disabled only if their disability (whether mental or physical) is severe and prolonged. Three definitions govern the assessment of the individual's disability.

(a) "Severe" means that they are incapable regularly of pursuing any substantially gainful occupation.

(b) "Substantially gainful" is an occupation that provides them with earnings equal to or greater than the amount that equals the maximum annual disability pension amount.

(c) "Prolonged" means that the disability is likely to be long-term, to be of indefinite duration or to result in their death.

For QPP, the same basic definitions apply for individuals who are under age 60. For individuals 60 years of age or older at the time of application, "severe" means that they are incapable of regularly carrying on their usual gainful occupation at the time the disability caused them to stop working. Quebec's earnings limit for a "substantially gainful" occupation is slightly higher than the maximum annual QPP disability pension.

7.2 Outline the general minimum contributory periods for CPP/QPP disability pensions. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, pp. A-26 to A-27)

For CPP, the minimum contributory period is generally four of the last six calendar years that are wholly or partly within an individual's "contributory period," or if the individual's contributory period was less than six years, then contributions were made for at least four years.

For QPP, the minimum contributory period is generally two of the last three years that are included in an individual's "contributory period," or in two years if the individual's contributory period is only two years.

7.3 Identify when the payment of CPP/QPP disability pensions starts and stops. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, p. A-28)

CPP/QPP disability pensions are paid monthly starting in the fourth month following the month when the individual became disabled.

A person whose disability ceases and who then returns to work, only to become disabled again within five years of the earlier disability, can start a new CPP disability pension after only one month. The same rule applies for QPP only if the second disability is due to the same cause.

A CPP/QPP contributor disability pension stops being paid with the payment for the month, when:

(a) The individual is no longer disabled

(b) The individual reaches age 65

(c) The individual dies, or

(d) The individual begins receiving a CPP/QPP retirement pension.

For QPP, in addition to the above criteria, disability pensions stop being paid the month preceding the month in which a replacement indemnity becomes payable to the individual.

7.4 Explain how CPP/QPP disability pension amounts are determined. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, p. A-29)

The CPP/QPP disability pension is equal to 75% of the contributor's retirement pension plus a flat-rate amount. The flat-rate amount changes each year in accordance with the pension index. The CPP Post-Retirement Disability Benefit is equal to the flat-rate amount of the CPP disability pension.

For QPP contributors who become disabled after reaching age 60, an additional amount is added to the amount previously described. This is a second flat-rate amount.

7.5 Describe the basic terms of the CPP/QPP disabled contributor's child's benefit. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, pp. A-23 to A-24, A-26 and A-28)

The disabled contributor's child's benefit is a payment made on behalf of each child of an individual who has qualified for the CPP/QPP disability pension. The child must meet the definition of "dependent" applicable to CPP/QPP survivor's benefits. Unlike other maximum benefit amounts, the disabled contributor's child's benefit payable under CPP is significantly higher than that under QPP.

To qualify under CPP, the child must meet the definition of "dependent child."

(a) Under 18 years of age

(b) Between 18 and 25 years of age if in full-time attendance at a school or university

(c) 18 years of age or older and disabled, such disability existing without interruption since the later of when the child reached age 18.

To qualify under QPP, the child must be a "minor child" of the individual. A minor child is defined as a child of the contributor, either biological or adopted, who is under age 18. In addition, a child who under age 18 and who is supported by a contributor for at least one year (with no other party providing support to the child) will also be eligible to receive a disabled contributor's child's benefit.

The CPP/QPP disabled contributor's child's benefit commences in the month in which the first disability pension is paid to the contributor or the month following the month in which the child is born or otherwise became a child of the disabled contributor.

Disabled contributor's child's benefits stop under CPP/QPP when the child no longer meets the definitions of "dependent child" or "minor child" or when the child dies.

Under CPP, this means that if a dependent child between ages 18 and 25 stops full-time attendance at school, the disabled contributor's child's benefit stops being paid. Disabled contributor's child's benefits also stop if the contributor's disability pension stops.

8 Learning Outcome

Explain the tax treatment of CPP/QPP benefits and how benefits are adjusted for changes in the cost of living.

8.1 Describe the basis for calculating the pension index. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, p. A-21)

CPP and QPP have built-in provisions for keeping pensions up to date with the cost of living as defined by the Consumer Price Index (CPI). CPI tracks cost changes in common household expenses, including food, shelter, clothing, transportation, health care and other average household expenditures. Pensions are increased each January 1 in accordance with the "pension index."

The pension index is a factor that reflects the increase in CPI by comparing the average of CPI for the 12-month period ending each October 31 to the average of CPI in the 12-month period ending on the preceding October 31. This allows CPP and QPP retirement pensions and some other benefits to stay in step with improvements in productivity and wage rates. Reductions in CPI will not result in a decrease in CPP/QPP retirement pensions.

8.2 Explain how the pension index is applied to each of the CPP/QPP benefits. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, p. A-29)

The pension index is applied in the following ways.

(a) CPP/QPP retirement pensions are adjusted in January of each year by the amount of a positive pension index.

(b) CPP/QPP death benefits are fixed dollar amounts and are not indexed.

(c) CPP/QPP disability pensions are adjusted each year using the pension index to determine the amount of the increase. In practice, the adjustment is the result of applying the pension index to the flat-rate component of the disability pension and the regular indexing of the CPP/QPP retirement pension that is used in the determination of the disability pension.

(d) The CPP/QPP disabled contributor's child's benefit is adjusted each year using the pension index.

(e) Both CPP and QPP survivor's pensions are adjusted using the pension index in the calculation.

8.3 Indicate the tax treatment of CPP/QPP benefits and contributions. (Reading A, Canada Pension Plan/Québec Pension Plan (CPP/QPP), Study Guide Module 2, p. A-29)

All CPP/QPP benefits are taxable to the recipient. In the case of a minor child where payments are made to the individual who supports the child, the benefit is taxable to the child. The death benefit is taxable to the estate of the deceased contributor.

Employer contributions made to CPP/QPP are deductible from the employer's taxable income and do not confer a taxable benefit on the employee. Employee contributions to the Base CPP/QPP Plans give rise to a tax credit to the employee while employee contributions to the Additional Pension Plans are deductible from the employee's income.

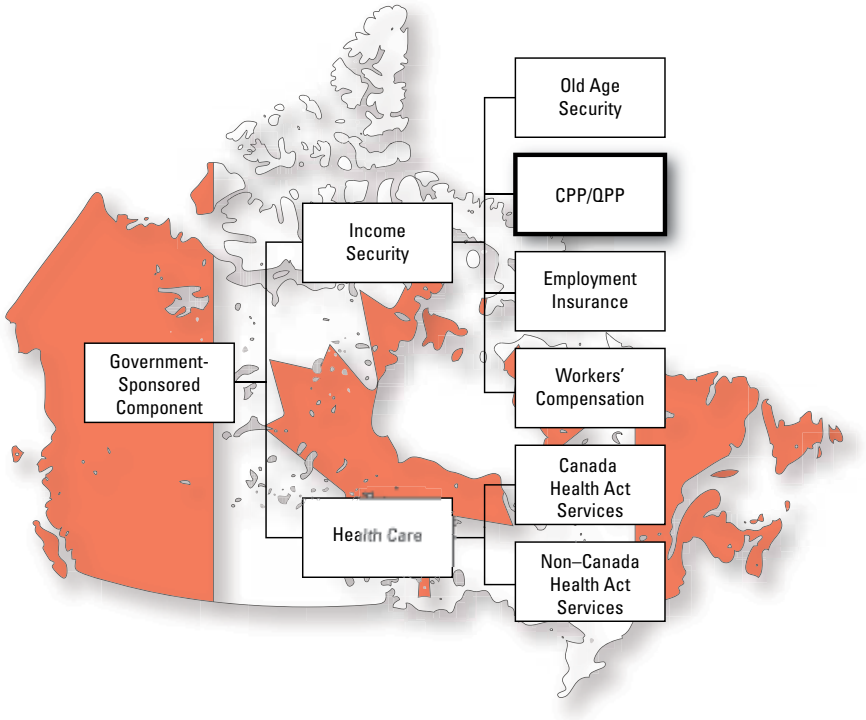
Reading

A

Canada Pension Plan/Québec Pension Plan (CPP/QPP)[1]

The role of the Canada Pension Plan and Québec Pension Plan is illustrated in Exhibit 1 below.

Exhibit 1
Interface of Public and Private Programs in Social Security



CPP and QPP each pay monthly retirement pensions to people who have worked and contributed to these plans. CPP/QPP also acts as insurance plans, providing disability and survivor's pensions for those who qualify. CPP/QPP programs are subject to detailed regulations that describe eligibility for benefits and determination of the benefit amounts that will be paid.

1. Developed by the Certified Employee Benefit Specialist Program, Dalhousie University, 2023. Drawn from: https://www.canada.ca/en/services/benefits/publicpensions.html; https://www.retraitequebec.gouv.qc.ca/fr/publications/nos-programmes/regime-de-rentes-du-quebec/Pages/regime-de-rentes-du-quebec.aspx; https://www.cppinvestments.com and https://cdpq.com/en

This reading provides information about each plan, organized into five key sections as follows:

1. The role of CPP/QPP as key income security programs for Canadians
2. Legislative structures and regulatory environments governing each of the two programs
3. Investment of contributions directed to the CPP/QPP
4. Funding of CPP/QPP including participation and contribution obligations of Canadians and their employers
5. Key provisions related to retirement pensions, death benefits, survivor benefits and disability benefits.

While CPP and QPP are very similar, they do differ in some respects, and those differences are described in this reading.

Contribution schedules and CPP/QPP benefit amounts change each calendar year. Reading B, CPP/QPP Benefits and Contribution Schedules, outlines current contribution rates and benefit amounts.

The Role of CPP/QPP as a Key Income Security Program for Canadians

Pensions and benefits payable under CPP/QPP are in addition to the Old Age Security (OAS) pension. The objective of these public income security programs is not to provide an individual's total retirement income. Rather, the combination of benefits paid by OAS and CPP/QPP is intended to ensure a basic level of retirement income for Canadians.

CPP/QPP was initially intended to provide a contributor with a retirement pension of 25% of the person's income, with income capped at Canada's average industrial wage.

2019 enhancements to CPP/QPP, phasing in over a seven-year period that started January 1, 2019, have the objective of ultimately increasing target benefit levels to 33% of the person's income. This objective will be achieved through:

1. A gradual increase in contributions rate every year over the seven-year period
2. In 2024 and 2025, an increase in the level of annual earnings subject to contributions (i.e., over and above the original earnings limit of the average wage in Canada).

These two steps mean that individuals will contribute more of their annual earnings to CPP/QPP which, along with their employers' higher contributions, will finance the increases of the CPP/QPP benefit amounts.

Details of the mechanics of the enhancements are discussed further in the reading.

Despite the enhancements being made to CPP/QPP, the objective of providing a basic retirement income and the maximum target benefit levels inherent in the plan design continue to give importance to private sources of retirement income, such as employer-sponsored and individual retirement savings plans.

Enhanced benefits will gradually build up as individuals pay into the enhanced CPP, with maximum enhanced benefits achieved in about 40 years. Current retirees or those retiring before 2019 did not contribute to the CPP enhancement and therefore do not receive enhanced benefits.

Legislative Structures and Regulatory Environments Applicable to CPP/QPP

CPP came into effect on January 1, 1966, when "An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors," commonly cited as "the CPP Act," came into force. CPP falls under federal jurisdiction, and it has been amended several times since 1966.

The CPP Act allows a province or territory to not be part of the federal pension plan if it sets up a comparable program. Québec established QPP to operate in that province in place of CPP by passing the "Act respecting the Québec Pension Plan," or "the QPP Act." Various government departments/agencies, as shown below, are involved in the operation of the two plans.

Table I
Summary of Roles

Plan	CPP	QPP
Operates in:	All provinces and territories except Québec	Only Québec
Administered by:	Minister of Employment and Social Development Canada (ESDC)	Retraite Québec
Contributions collected by:	Minister of National Revenue	Revenu Québec
Contribution rates, pension and benefit levels, and funding policy set by:	Minister of Finance and their provincial counterparts	Minister of Finance
Investments managed by:	CPP Investments	Caisse de dépôt et placement du Québec (CDPQ)

Federal and provincial finance ministers are joint stewards of CPP, and as such are responsible for setting CPP contribution rates, pension and benefit levels, and funding policy. Their review of CPP's financial status will result in recommendations as to whether benefits and/or contribution rates should be changed. Those recommendations are in turn based on several factors, including the results of an examination of the plan by the chief actuary. The chief actuary is required under CPP legislation to produce an actuarial report every three years and any time a bill is introduced in Parliament that, in the chief actuary's opinion, has a material impact on estimates in the most recent actuarial report. This reporting ensures that the long-term financial implications of proposed plan changes are considered.

Changes to CPP legislation governing the general level of benefits, the rate of contributions, or the investment policy framework can only be made through an act of Parliament. Notice of any proposed changes must be given by the federal government to each participating province (not including the territories). All such changes require the agreement of at least two-thirds of the participating provinces, representing at least two-thirds of the population. This requirement gives Ontario an effective veto over any change, as Ontario has more than one-third of the covered population. Changes come into force only after two years' notice unless all provinces waive this requirement.

Since the start of the plans in 1966, the federal and Québec governments have always sought to maintain parallelism in the key aspects of plan design. The two plans have very similar but not identical coverage, benefits and contributions. Québec participates in decision making regarding changes to CPP, even though it administers its own plan. It is important that Québec is involved in changes to CPP to ensure the portability of QPP and CPP across Canada.

Funding of CPP/QPP Benefits

Evolution of Funding Approaches

CPP/QPP, unlike OAS, are not funded through general tax revenues. Both plans are "contributory" plans with contributions made by employees, their employers and self-employed people, and contribution rates are actuarially determined.

CPP was initially designed as a pay-as-you-go plan with a small reserve. Benefits for one generation would be largely paid from the contributions of later generations. Several amendments to the CPP were put in place in the late 1990s with the goals of moving away from a pay-as-you-go financing method and improving fairness and equity across generations. Two key requirements introduced as a result significantly strengthened CPP's long-term viability. These requirements are:

1. Steady state funding, building a reserve of assets that would generate investment earnings to contribute to future benefits costs
2. Incremental full funding of benefit increases or the addition of new benefits. That is, the cost of new or higher benefits would be paid as the benefit was earned, and any costs associated with benefits that were paid but not earned would be amortized and paid for over a defined period of time, consistent with actuarial practice.

The amendments also called for an increase to contribution rates from 1997 to 2003 inclusive, a reduced rate of benefit growth over the long term and the creation of the Canadian Pension Plan Investment Board (now called CPP Investments) to operate within private capital markets in order to achieve higher rates of return on CPP funds. Virtually identical changes were made to the QPP through this time period; the QPP contribution rate increased to be slightly higher than required under CPP.

In 2016, an agreement was reached among all government stewards of CPP and QPP to increase benefits payable under both programs. In keeping with the requirement for incremental full funding of new or higher benefits, contribution levels began increasing on January 1, 2019.

As a result of the 2016 enhancements each of CPP/QPP now has two sections. The first is known as the "Base Canada/Quebec Pension Plan", and it corresponds to all aspects of the CPP/QPP that existed before 2019. The second, corresponding to all aspects of the enhancements, is known as the "Additional Pension Plan."

Funding of 2016 CPP/QPP Enhancements

Two stages of contribution increases will fund the CPP/QPP enhancements. The increases are applicable to both employer and employee contributions while self-employed workers must pay both the employee and employer portion. Key acronyms that surface repeatedly when discussing how contributions are determined are as follows:

Apply to CPP	Apply to QPP
YBE: year's basic exemption	YBE (year's basic exemption)
YMPE: year's maximum pensionable earnings (i.e., the first earnings ceiling under CPP)	MPE: maximum pensionable earnings (i.e., the first earnings ceiling under QPP)
YAMPE: year's additional maximum pensionable earnings (i.e., the second earnings ceiling under CPP)	AMPE: additional maximum pensionable earnings (i.e., the second earnings ceiling under QPP)

Stage one of CPP/QPP contribution increases applied to each of the years from 2019 through 2023 inclusive. Over this time period CPP/QPP contribution rates increased 1%, from 4.95% to 5.95% for CPP and from 5.1% to 6.1% for QPP.

These contribution rates are applied to earnings up to the "year's maximum pensionable earnings" (YMPE) in CPP and "maximum pensionable earnings" (MPE) in QPP." The original YMPE and MPE are called the "first earnings ceiling."

In 2024 and 2025 CPP and QPP will be expanded to cover some earnings beyond the YMPE/MPE. This extended level of covered earnings will be known as the year's additional maximum pensionable earnings" (YAMPE) for CPP and "additional maximum pensionable earnings (AMPE) for QPP, or more generally as the "second earnings ceiling." For 2024 and 2025 the YAMPE/AMPE is defined as:

- In 2024 the YAMPE/AMPE will be 107% of the 2024 YMPE/MPE
- In 2025 the YAMPE/AMPE will be 114% of the 2025 YMPE/MPE.

After 2025 the YAMPE/AMPE will increase each year to reflect wage growth in Canada.

Tied to this increase in coverage is the implementation of an additional CPP/QPP contribution for those persons whose annual earnings are above the first earnings ceiling (the YMPE/MPE). For those persons, starting in 2024, contributions will be required in respect of earnings between the YMPE/MPE and the YAMPE/AMPE (the second earnings ceiling). The contribution rate applicable to that range of earnings will be 4% required by each of the employee and employer, with self-employed individuals contributing 8%.

Participation and Contribution Obligations of Employees and Employers

"Pensionable employment" determines whether individuals are covered by CPP/QPP. Both plans define pensionable employment as all employment, with specific exceptions or other exceptions defined by legislation (i.e., "excepted employment"). Both employees (including the self-employed) and their employers must contribute to CPP/QPP for periods of pensionable employment.

"Excepted employment" is addressed in the CPP/QPP regulations and includes a long list of jobs in various kinds of industries—agriculture, fishing, logging, etc.—either when payment is under $250, or fewer than 25 days are worked, plus a list of other special situations (religious orders where a vow of poverty is taken and wages are paid to a religious order, etc.). Some examples outlined in the CPP legislation include:

- Employment in agriculture or an agricultural enterprise, horticulture, fishing, hunting, trapping, forestry, logging or lumbering by an employer who either pays the employee less than $250 in cash remuneration in a year or employs the employee, on terms providing for payment of cash remuneration, for a period of less than 25 working days in a year

- Employment of a casual nature otherwise than for the purpose of the employer's trade or business
- Employment as a teacher on exchange from a country other than Canada
- Employment of a member of a religious order who has taken a vow of perpetual poverty and whose remuneration is paid either directly or by the member to the order
- Employment as a member of the Canadian Forces or the Royal Canadian Mounted Police, except as provided by any other act of Parliament.
- Employment in Canada by the government of a country other than Canada or by an international organization
- Employment in Canada by an employer who employs persons in Canada but under the terms of a reciprocal agreement between the government of Canada and the government of another country is exempt from liability to make the contributions imposed on an employer by this Act.

Under CPP, it is also possible for regulations to be made that exempt certain employment (beyond that listed in the regulations). These other exceptions could include jobs similar to the defined list of "excepted" work or for other reasons.

Categories of "excepted" employment under QPP are similar to those under CPP. Some unique examples include:

- Employment in Québec by an employer that does not have an establishment in Québec, unless the employer has made an arrangement with Retraite Québec regarding the payment of contributions in respect of the employment for its employees resident in Canada who receive their remuneration from an establishment of the employer outside Canada
- Employment in a transport business may also, in some cases, be considered excepted employment, if the work is performed partly in Québec and partly outside Canada.

An "employee" is defined as an individual who is compensated for services performed and whose duties are under the control of an employer. An "employer" is defined as any person liable to pay wages, salary or other remuneration for services performed in employment. "Self-employment" is defined as earning one's livelihood directly from one's own trade or business rather than as an employee of another. A self-employed person must be a resident of Canada, whereas this is not a requirement for employees.

To be covered by QPP, an employee must report to work at the employer's establishment situated in Québec (or be paid from a Québec establishment if the employee does not have

to report to work anywhere); otherwise, the employee in pensionable employment is covered under CPP. If self-employed, the individual must be resident in Québec for the purpose of the Québec Taxation Act.

"Contributory periods" are defined as the amounts of time a contributor was making CPP/QPP contributions from employment or self-employment income. An individual's contributory periods are used to calculate the retirement income, death benefit, survivor's pension or surviving child's/orphan's benefit. This definition is not used to calculate the CPP/QPP disability pension or disabled contributor's child's benefit. For these benefits, a different definition of "contributory period" is used (discussed later in the reading).

Earnings subject to CPP/QPP contributions are generally all income from pensionable employment, per the Income Tax Act/Taxation Act (Québec). This generally means the person's gross income (i.e., before deductions) from an office or employment, including salary, wages, or any other remuneration including tips and gratuities and stock options received by the person in the year. Taxable benefits or allowances are also generally considered pensionable income.

Although the base contribution rates for QPP are slightly higher than those for CPP, contributions to the two plans are generally determined in the same manner. The enhancements started in 2019 have resulted in three different types of contributions being required as described below.

Employee CPP/QPP Contributions

- Required in respect of all pensionable employment.
- Required if pensionable employment continues and the retirement pension has started, to maximum of age 70. An individual over age 65 receiving their CPP retirement pension can file a request with their employer to cease contributing. Once the election has been filed with the employer, contributions must cease in the following month. This opt-out is not allowed under QPP.
- Contributions are required:
  - At rates of 5.95% under the CPP and 6.1% under the QPP, applied against the range of earnings between the year's basic exemption (YBE) and year's maximum pensionable earnings (YMPE for CPP, MPE for QPP), plus,
  - After 2023, at a rate of 4% applied against the range of higher earnings (if any) between the YMPE and the YAMPE for CPP and the MPE and AMPE for QPP.
- YBE, YMPE/MPE and YAMPE/AMPE are expected to change each year, although the YBE has been constant for many years.
- Individuals receiving the CPP/QPP disability pension are not required to contribute to CPP/QPP.

Employer CPP/QPP Contributions

- Required to be the same amount as the employee contributions

Self-Employed Individuals' CPP/QPP Contributions

- The individual is required to pay both the "employee" and "employer" contribution.

Effect of International Social Security Agreements

Through international social security agreements, periods of contributions to the other countries' social security systems may be used to meet the eligibility requirements of CPP and QPP.

Canada has agreements with more than 50 countries that offer pension programs that are comparable to CPP. If an individual working in Canada and contributing to CPP is sent by their employer (including self-employed) to work abroad on a temporary basis, an international social security agreement might enable them to:

(a) Continue contributing to CPP for the work abroad and have the periods abroad considered as residence in Canada for eligibility purposes

(b) Be exempt from contributions to the other country's social security system.

When one of these agreements is in force and the individual is working abroad temporarily, a certificate of coverage from the Canada Revenue Agency (CRA) should be obtained to inform the other country of the individual's coverage under CPP.

Québec has entered into similar social security agreements with more than 35 countries. Under these agreements, certain employees who are temporarily posted to a foreign country can continue to pay contributions in their country of origin and do not have to pay contributions in the country to which they are posted. The agreements apply to employees who are temporarily posted outside Canada and to foreign employees who are temporarily posted to Québec. As with CPP, an individual working abroad temporarily should obtain a certificate of coverage from the Bureau des ententes de sécurité sociale (BESS) to inform the other country of the individual's coverage under QPP.

Investment of CPP/QPP contributions

As noted in Table 1, investment of CPP/QPP contributions is the responsibility of two different organizations—CPP Investments and the Caisse de dépôt et placement du Québec (CDPQ).

The two investment organizations operate with separate mandates. CPP Investments is responsible only for investment operations related to CPP. CDPQ, however, holds investment responsibilities for a number of Québec-based entities including QPP. QPP assets represent approximately 25% of all assets under management.[2]

Canada Pension Plan Investment Board (CPP Investments)

In December 1997, a Crown corporation known as the Canada Pension Plan Investment Board was established by the "Canada Pension Plan Investment Board Act" (CPPIB Act) and made its first investment in March 1999. Presently CPPIB refers to itself as "CPP Investments" and this term is used in this Module.

The mandate of CPP Investments is to:[3]

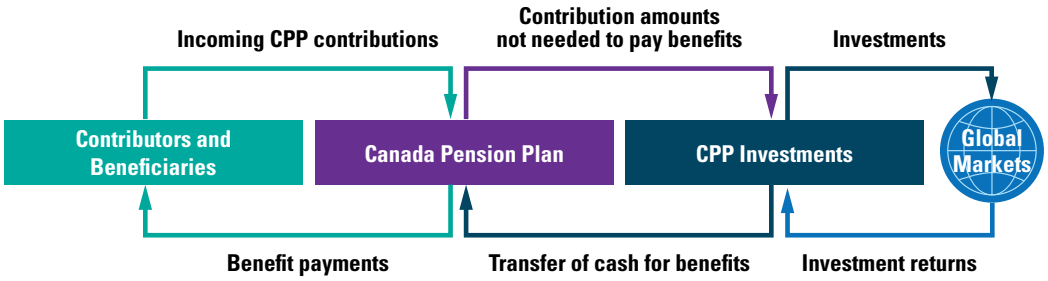
(a) Invest the CPP fund in the best interests of CPP contributors and beneficiaries

(b) Maximize long-term investment returns without undue risk, with consideration of the factors that may affect the funding of CPP and its ability to meet its financial obligations

(c) Provide cash management services to CPP so it can pay benefits.

CPP Investments cannot conduct any business or activity that is inconsistent with these objectives.

As per the following, CPP contributions are first used to pay benefits. Contributions not needed to pay benefits are invested.



Source: CPP Investments Annual Report 2020

2. Drawn from CDPQ 2021 Annual Report, total assets $420B including $106B for QPP.
3. Drawn from CPP Investments 2023, www.cppinvestments.com

Changes to the legislation governing CPP Investments can only be made with the cooperation of the federal and provincial finance ministers (the stewards) who oversee CPP. The process mirrors the constitutional amending formula for CPP itself. It requires agreement among the federal government and two-thirds of the participating provinces representing two-thirds of the Canadian population.

CPP Investments, based in Toronto, operates as a professional investment management organization in the private sector world of financial markets. Strong public sector accountability is reflected in the CPPIB Act and reflected in the governance structure, and in the policies and practices of CPP Investments' board, officers and employees.

Specific examples of the ways CPP Investments is, by law, accountable to the stewards of CPP and the public include:

(a) An annual report tabled in Parliament by the federal Minister of Finance

(b) Annual audits by an independent external audit firm

(c) A review of CPP and CPP Investments by federal and provincial finance ministers every three years

(d) Special examination of records, systems and practices every six years

(e) If deemed necessary, the finance minister has the power to appoint a firm of accountants to conduct an audit at any time

(f) Public meetings in each participating province every two years

Regular and timely information on the website that helps interested Canadians monitor the activities and investment performance of CPP Investments.

Governance of CPP Investments

CPP Investments operates within a governance structure that is enshrined in legislation and carefully designed to support its distinct mission. The assets of the CPP fund are strictly segregated from government funds. The CPPIB Act has safeguards against any political interference. CPP Investments operates at arm's length from federal and provincial governments with the oversight of an independent, qualified professional Board of Directors. This board, not governments, approves investment policies, determines with management the organization's strategic direction and makes critical operational decisions such as the hiring of the president and chief executive officer (CEO) and the setting of executive compensation. The board hires the president and CEO who, in turn, hires and leads the management team. CPP Investments' management reports not to governments, but to the CPP Investments' independent Board of Directors. These investment professionals make portfolio decisions within policies agreed to by the board of directors.

Key investment objectives, policies, standards and procedures approved by the CPP Investments' Board of Directors are documented in two key governance documents that reflect two components of the CPP Investments' mandate. These documents are the:

(a) Statement of Investment Objectives, Policies, Return Expectations and Risk Management for the Investment Portfolio of the Base Canada Pension Plan and the Additional Pension Plan. This document applies to the assets of the long-horizon CPP investment portfolio.

(b) Statement of Investment Objectives, Policies, Return Expectations and Risk Management for the Cash for Benefits Portfolios of the Base Canada Pension Plan and the Additional Pension Plan. This document applies to the assets required to pay CPP benefits in the near term.

As previously noted, there now are two sections to CPP—the existing "base" CPP (corresponding to all aspects of the CPP that existed before 2019) and the "additional" CPP (the enhanced benefits and new contribution levels). As the titles of the key documents above suggest, the two sections are accounted for separately, including their respective cash flows, assets and economic interests in shared investments. CPP Investments received the first additional Canada Pension Plan (CPP) contribution amounts in January 2019.

As the investment manager, CPP Investments is responsible for prudently investing both the existing base and the additional contribution amounts arising from the enhancement to the CPP. The additional part of the CPP does not rely as much on future contributions from employers and employees as the base CPP. Instead, it will rely more on income generated from CPP Investments' investment activities. CPP Investments has designed an investment structure that will address the different funding requirements of each. This structure allows both sections to benefit from CPP Investments' strengths and have a widely diversified portfolio with appropriate distinct risk characteristics for each account.

Appointment of CPP Directors

Directors are appointed by the federal finance minister, in consultation with the participating provinces and with the assistance of an external nominating committee, for a term of three years. The nomination process is designed to ensure that only those with expertise in investment, business and finance are appointed to the CPP Investments' Board. The chair of the nominating committee is federally appointed, and each participating provincial government appoints one representative. The nominating committee recommends candidates for appointment and reappointment to the federal Minister of Finance. In turn, the federal Minister of Finance makes the appointments in consultation with the provincial finance ministers. Each director is appointed for a term of three years and is eligible to be reappointed twice for a maximum of three terms (or nine years of service). To ensure continuity, the terms are staggered so that no more than half of the terms expire in the same year. The CPPIB Act legislation disqualifies certain individuals from being directors.

Responsibilities of CPP Directors[4]

The principal duty of the board of directors is to oversee the management of the business affairs of CPP Investments. Specific duties include:

(a) Establishing investment policies, standards and procedures

(b) Appointing an independent auditor

(c) Approving procedures to identify and resolve conflicts of interest

(d) Developing a code of conduct for directors, officers and employees

(e) Appointing the president and CEO

(f) Monitoring management, including decisions that require board approval and assessing management performance

(g) Assessing performance of the board itself

(h) Approving financial statements.

CPP Board Committees

CPP Investments has five standing committees. The Investment Committee and the Audit Committee are required by the CPPIB Act. The Human Resources and Compensation Committee, Risk Committee and the Governance Committee were created by the Board of Directors to advance corporate governance and operating objectives. Responsibilities of these committees are:

(a) Investment Strategy Committee. Establishes investment policies, standards and procedures and reviews, approves and monitors long-term investment strategy. It also approves certain investment transactions and the framework for engaging external investment managers. The committee consists of the full board.

(b) Audit Committee. Responsible for overseeing financial reporting, external and internal auditing, information systems, and internal control policies and practices.

(c) Human Resources and Compensation Committee. Responsible for reviewing and recommending the compensation philosophy for CPP Investments, recommending the performance evaluation process for the CEO, ensuring a succession planning program is in place and reviewing organizational structure.

(d) Risk Committee. Reviews and recommends the Integrated Risk Policy, monitors CPP Investments' risk profile against its risk appetite and reviews key existing and emerging risks to which CPP Investments is exposed.

4. Drawn from CPP Investments, www.cppinvestments.com

(e) Governance Committee. Recommends governance policy, guidelines and procedures; makes recommendations on the board's effectiveness; monitors application of the code of conduct and conflict-of-interest guidelines; and assumes other duties at the request of the board of directors.

From time to time, the Board of CPP Investments, at the request of the chair, may also form ad hoc committees to address specific issues or those requiring an immediate decision.

Caisse de dépôt et placement du Québec (CDPQ)[5]

CDPQ was created in 1965 by a law passed in the National Assembly of Québec, with the initial role of managing the funds of the newly created QPP. Revenues collected over and above those required by for the immediate payment of benefits and administration costs are invested by CDPQ as prescribed by the QPP Act. As noted previously, the CDPQ now invests funds for a number of other Québec entities, as well as QPP funds.

An annual report is required to be made by the CDPQ before April 15 of each year outlining its operations for the prior year.

5. Drawn from CDPG 2023, www.cdpq.com

CDPQ Board of Directors[6]

CDPQ is administered by a Board of Directors. The government of Québec appoints all members of the Board of Directors except the President, who is also the Chief Executive Officer. The President is selected by the other Board members and must be approved by the government. There must be at least nine and no more than 15 directors, including the Chair and the President. The President may not concurrently hold the office of Board Chair. At least three-quarters of the members of the Board of Directors must reside in Québec. At least two thirds of the members of the Board of Directors, including the Chair, must be independent. They must have no relationships or interests likely to affect the quality of their decisions with regard to the interests of the Fund. No member of the Board of the CDPQ can be sued for any official act performed in good faith.

Responsibilities of CDPQ Directors[7]

A primary mandate of the Board of Directors is to ensure that CDPQ is managed in compliance with the provisions of its incorporating legislation and its regulations, and that the institution takes all necessary measures to attain the objectives set out in its mission, i.e., to receive sums of money on deposit and manage them by seeking an optimal return on capital within the framework of depositors' investment policies while at the same time contributing to Québec's economic development. Specific duties include:

(a) Establishing risk management guidelines and policies

(b) Approving the Fund's strategic plan, business plan, budgets, financial statements and annual report

(c) Approving investment policies, standards and procedures

(d) Approving human resources policies as well as the standards and scales of remuneration and other conditions of employment of officers other than the president and chief executive officer, of employees of the Fund, and of the most senior officer of each of its wholly owned subsidiaries

(e) Approving the appointment and remuneration of officers reporting directly to the president and chief executive officer and of the most senior officer of each wholly owned subsidiary, on the recommendation of the president and chief executive officer

(f) Approving rules of ethics and professional conduct applicable to members of the boards of directors of the Fund and of entities where at least 90% of common shares are held directly or indirectly by the Fund, and to the officers and employees of the Fund and of those entities

(g) Providing for the establishment of audit, human resources, governance and ethics, as well as an investment and risk management committees.

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6. Ibid
7. Ibid

CDPQ Board Committees[8]

CDPQ has four standing committees, with responsibilities as follows:

(a) Audit Committee. Responsible for the oversight of the reporting of financial information, internal controls, internal audit and co-auditors. In addition, the Audit Committee holds certain responsibilities relating to performance of certain senior financial officers and succession planning for those positions.

(b) Human Resources Committee. Responsible for the review of human resources management guidelines and strategies, particularly with regard to performance evaluations, succession planning and compensation. This committee will also review and recommend to the Board of Directors certain matters relating to the appointment of the President and Chief Executive Officer, including the expertise and experience profile for the position, parameters for compensation and conditions of employment, and objectives, assessment criteria and annual evaluation of the individual holding that position.

(c) Investment and Risk Management Committee. Responsible to ensure that management policy, regulations and risk management control systems are in place and to recommend them to the Board of Directors for approval.

(d) Governance and Ethics Committee. Responsible for ensuring that CDPQ upholds the highest standards in terms of governance and ethics. It is responsible for monitoring the structure, the composition and the operations of the Board and its committees. Responsible for the development of governance rules of ethics and professional conduct for the CDPQ and its subsidiaries, including the Boards, officers and employees. The committee is to ensure that structures and procedures exist to maintain the independence of the Board of Directors; assist in choice of independent Board members; and review, evaluate and report on governance rules in CDPQ subsidiaries. It is also to review policies on socially responsible investment policy and activities relating to that policy. This committee also works with each of the other committees to assess their performance and adequacy of their mandates.

8. Ibid

Key Benefit Provisions

Retirement Pensions

The primary purpose of CPP/QPP is to provide retirement income to those individuals who have contributed to the plan(s). The original "target" pension amount for a person retiring at age 65 was 25% of an individual's average monthly pensionable earnings, up to a maximum of 25% of the average YMPE/MPE in the last five years before retirement.

After the 2019 enhancements are fully phased, in the "target" pension payable under CPP/QPP will increase to 33.33% of an individual's average monthly pensionable earnings up to a higher average earnings amount known as the YAMPE/AMPE.

The higher "target" pension will be applicable only to persons retiring at age 65 who contributed to the Additional Pension Plan for at least 40 years. For persons who do not contribute to the Additional Pension Plan for 40 years, the "target" pension from the Base Canada/Quebec Pension Plan stays at 25% and the enhancements from the Additional Pension Plan will be subject to a pro-rata calculation related to the individual's period of contributions to the Additional Pension Plan and 40 years.

Following are details of how CPP/QPP retirement pensions are determined and paid.

Eligibility

A CPP/QPP retirement pension is payable to an individual who has contributed to CPP/QPP for at least one year and has reached age 60. **There is no requirement that the individual has stopped working.**

Payment Periods

The CPP/QPP retirement pension can start as early as the age of 60 or can be deferred until as late as age 70. The standard age to start receiving CPP/QPP pension is 65.

CPP/QPP retirement pensions are paid monthly for as long as the contributor lives after starting their retirement pension. After the death of the individual, a survivor pension could be payable, as described in a following section on "Survivor Benefits."

Payment Amounts

Basic Retirement Pension Determination

The CPP/QPP retirement pension is based on the individual's contributory periods, their pensionable earnings through their contributory periods and their age at the time their CPP/QPP retirement pension starts.

For persons whose contributory period in the "enhanced" CPP/QPP is at least 40 years, the target retirement pension at age 65 will be 33.33% of their average monthly pensionable earnings, with 25% paid by the Base Canada/Quebec Pension Plan and 8.33% paid by the Additional Pension Plan.

For persons whose contributory period in the enhanced CPP/QPP is less than 40 years the target retirement pension at age 65 will also be the total of the amount paid by the Base Canada/Quebec Pension Plan and the amount paid by the Additional Pension Plan. These amounts will be determined as:

1. From the Base Canada/Quebec Pension Plan, 25% of the contributor's average monthly pensionable earnings, with average monthly pensionable earnings capped at the average YMPE/MPE. This calculation will apply to all years of the individual's contributory period in the Base Canada/Quebec Pension Plan and will be pro-rated if that contributory period was less than 40 years.
2. From the Additional Pension Plan, the retirement pension will be pro-rated based on the individual's contributory period within that plan (i.e., periods before 2019 will not be included.) The retirement pension will be the total of:
    a. For contributory periods after 2018, 8.33% of average monthly pensionable earnings (with average monthly pensionable earnings capped at the average YMPE/MPE), pro-rated based on the proportion represented by the individual's contributory period in the Additional Pension Plan after 2018.
    b. For contributory periods after 2023, 33.33% of the range of pensionable earnings, if any, between the average YMPE/MPE and the average YAMPE/AMPE, pro-rated based on the proportion represented by the individual's contributory period in the Additional Pension Plan after 2023.

"Average monthly pensionable earnings" are determined by dividing the individual's total pensionable earnings through their contributory period by the total number of months in the individual's contributory period (or by 120, if that number is higher).

All contributory periods end at the same date, the earliest of:

(a) The month before the contributor reaches age 70

(b) The month in which the contributor dies

Adjustment for Periods of Low Earnings

Some provisions exist in CPP/QPP that are not normally included in privately sponsored pension plans. Both CPP/QPP provide allowance for certain periods of low earnings due to unemployment, child rearing, and sickness and disability which, if included, would reduce an individual's CPP/QPP retirement pension. This is done by excluding certain contributory periods and earnings when determining the individual's CPP/QPP retirement pension.

The individual's contributory periods exclude:

(a) Any months when the contributor received a CPP or QPP disability pension, or an indemnity under the Québec "Act respecting industrial accidents and occupational diseases," or

(b) Months when the contributor was receiving family allowance benefits, or in Québec, an indemnity, in a year when pensionable earnings were less than YBE.

"Average monthly pensionable earnings" exclude earnings during:

(a) Periods when receiving CPP disability benefits, or for QPP, an indemnity under the Québec "Act respecting industrial accidents and occupational diseases"

(b) Periods when caring for children under the age of seven (CPP), or receiving a family benefit (QPP)

(c) Up to 17% (CPP) or 15% (QPP) of the contributor's months of lowest earnings prior to age 65, provided at least 120 months are left in the individual's total contributory periods; and

(d) For CPP only, periods after age 65 while contributing to CPP.

Retirement Pensions Starting at Ages Other Than 65

CPP/QPP retirement pensions can start as early as age 60 or as late as age 70. Should the CPP/QPP contributor wish to start their retirement pension before or after age 65, the amount of the CPP/QPP retirement pension payable at age 65 will be adjusted to reflect the age at pension commencement. This allows for the expectation that the CPP/QPP retirement pension will be paid for a longer time period, if started before age 65, or for a shorter time period, if starting after age 65. In addition, there is a shorter period of funding when the pension starts before age 65, and potentially a longer period of funding if it starts after age 65.

Adjustments to the CPP/QPP retirement pension are:

(a) If starting before age 65, the monthly CPP/QPP retirement pension is reduced by 0.6% per month (7.2% per year) between the date when the pension starts and the month when the individual will reach age 65. For an individual who starts their CPP/QPP pension at age 60, this means a retirement pension equal to 64% of the amount that would be payable at age 65 (i.e., a reduction of 36%).

(b) If starting after age 65, the monthly CPP/QPP retirement pension is increased by 0.7% per month (8.4% per year) between the month when the pension starts and the month when the individual attained age 65. For an individual who starts their CPP/QPP retirement pension at age 70, this means a retirement pension equal to 142% of the amount that would have been payable at age 65 (i.e., an increase of 42%).

CPP Post-Retirement Benefit/QPP Retirement Benefit Supplement

As noted above, individuals may start their CPP/QPP retirement pension, continue to work and continue to make contributions up until age 70. (This type of provision is not normally available under privately sponsored pension plans.) These contributions increase their CPP/QPP retirement pension. The increase is known as the Post-Retirement Benefit (PRB) under CPP and the Retirement Pension Supplement under QPP. Each year, the additional pension is added to the CPP/QPP retirement pension already being paid (even if the individual is already receiving the maximum CPP/QPP retirement pension).

The amount of PRB earned each year depends upon the individual's age and earnings, limited to a maximum of 1/40th of the maximum CPP retirement pension. Under QPP, the Retirement Pension Supplement once fully phased in (2024) will be 0.66% of the individual's pensionable earnings.

Sharing of CPP/QPP Retirement Pensions

Both CPP and QPP allow for individuals to share their retirement pension with their spouse, common-law spouse or civil union partner. This is another CPP/QPP feature not normally available under privately sponsored pension plans.

Both individuals do not need to have contributed to the CPP or QPP to share the retirement pension of one of them. If the two spouses contributed, both must be receiving their retirement pensions before their pensions can be shared. (Note that the CPP Post-Retirement Benefit may not be shared.)

Sharing of the retirement pension can occur only after an application has been provided to CPP/QPP, and it will begin once the application has been approved. Retirement pension sharing is not necessarily fifty-fifty. The amount of the CPP/QPP retirement pension that can be shared is based on the length of time the couple lived together in relation to their contributory period(s).

Sharing of the pension ends upon the death of either pensioner or their spouse/partner, in the month when divorce or annulment of a marriage occurs, or if a pensioner and their spouse/partner request that the sharing cease. The pension will be adjusted to the amount the individual was receiving before the pension-sharing arrangement started.

Note that the division of pension credits under CPP/QPP as a result of marital breakdown (called credit splitting) is not the same as the sharing of retirement pensions. Both CPP/QPP allow for the division of pension credits earned through the period of the marriage, common-law or civil union relationship, although slightly different methods are used to determine the portion allocated to the two partners.

Indexing of CPP/QPP Retirement Pensions

CPP and QPP have built-in provisions for keeping pensions up to date with the cost of living as defined by the Consumer Price Index (CPI). CPI tracks cost changes in common household expenses, including food, shelter, clothing, transportation, health care and other average household expenditures. Pensions are increased each January 1 in accordance with the "pension index."

The pension index is a factor that reflects the increase in CPI by comparing the average of CPI for the 12-month period ending each October 31 to the average of CPI in the 12-month period ending on the preceding October 31. This allows CPP and QPP retirement pensions to stay in step with improvements in productivity and wage rates. Reductions in CPI will not result in a decrease in CPP/QPP retirement pensions.

Death and Survivors' Benefits

CPP/QPP provide both lump sum death benefits and survivor benefits for survivors of contributors to the plans. Survivors' benefits include pensions to surviving spouses (called survivor's pension) and monthly flat rate payments to dependent children (called surviving child's benefit or orphan's benefit[9]) who meet certain eligibility provisions.

Eligibility

Minimum Contributory Periods

In order for a death or survivor's benefit to be paid after the death of a contributor, the deceased person must have met the following CPP/QPP minimum requirements regarding their contributory period:

1. The deceased contributor made contributions for at least one-third of the total number of calendar years included either wholly or partly within their contributory period and in any case, for at least three calendar years, or
2. The deceased contributor made contributions for at least ten calendar years.

In respect of a lump sum death benefit, QPP also considers a deceased contributor to have met the minimum requirements if:

(a) The deceased contributor paid at least $500 in QPP contributions; and

(b) No retirement pension or disability pension under QPP or a similar plan was payable to the deceased contributor.

In respect of survivor benefits, QPP also considers a deceased contributor to have met the minimum requirements regarding contributory period if the following three conditions had been met:

1. The deceased contributor was entitled, during their contributory period, to a tax credit for a severe and prolonged impairment in mental or physical functions under the Québec Taxation Act
2. The deceased contributor made contributions for at least one-fourth of the total number of years wholly or partly included in their contributory period, but for at least three years; and,
3. No retirement pension or disability pension under QPP or a similar plan was payable to the deceased contributor.

9. CPP website calls this the "surviving child's benefit" but the CPP Act still refers to it as the orphan's benefit.

Eligible Recipients

Death Benefit

The CPP death benefit is payable to the deceased contributor's estate. The QPP death benefit is paid to the person or charity who paid the funeral expenses if an application including proof of payment is made within 60 days of the contributor's death. If, after 60 days of the contributor's death, no application has been filed along with proof of payment, the death benefit can be paid to the deceased's heirs.

Survivor's Pension

To be eligible to receive a survivor's pension in respect of the deceased contributor who met the minimum contributory requirements, an individual must meet one of the following definitions.

(a) Under CPP, a "survivor" is defined as a person who was married or the common law partner of the contributor at the time of the contributor's death.

(b) Under QPP, a "surviving spouse" is defined as a person who was married to the contributor and not legally separated from bed and board, or is in a civil union with the contributor, or if those requirements are not met, has been living with the contributor in a "de facto" union for at least three years or, if there was a child born (or to be born) of that union or adopted.

Under both CPP and QPP, it is possible that no survivor's pension is payable if it is decided that the contributor's health, at the time of marriage, would not justify an expectation of surviving for one year after the marriage.

Surviving Child's/Orphan's Benefit

To be eligible to receive surviving child's/orphan's benefit in respect of a deceased contributor who met the minimum contributory requirements, an individual must meet certain definitions.

CPP uses the definition "dependent child" to determine eligibility for a surviving child's/orphan's benefit. A dependent child is defined as:

(a) Under 18 years of age

(b) Between 18 and 25 years of age if in full-time attendance at school or university

(c) 18 years of age or older and disabled, such disability existing without interruption since the later of when the child reached age 18 or the date when the contributor died.

QPP uses the definition "minor child" to determine eligibility for a surviving child's/orphan's benefit. A minor child is a child of the contributor, either biological or adopted, who is under age 18. In addition, a child who under age 18 and who is supported by a contributor for at least one year (with no other party providing support to the child) will also be eligible.

Payment Periods

Death Benefit

The CPP/QPP Death Benefit is a lump sum single payment made after proof of death has been provided.

Survivor's Pension

An application for CPP/QPP survivor's pension must be made. CPP/QPP survivor's pension is paid monthly after the application has been submitted. Payments are retroactive to the month following the month in which the contributor died. Under CPP/QPP, payments can be retroactive to a maximum of 12 months after the date the application was received.

The CPP/QPP survivor's pension is paid for the lifetime of the survivor and stops with the payment for the month in which the survivor dies. Remarriage of the survivor does not cause payments for CPP/QPP survivor's pension to stop.

Neither CPP or QPP allows a survivor to receive a CPP/QPP survivor's pension in respect of more than one deceased spouse or common-law partner. In the unfortunate situations where this occurs, the survivor receives the CPP/QPP survivor's pension that is determined as the higher amount.

Surviving Child's/Orphan's Benefit

Surviving child's/orphan's benefits are paid monthly, starting on the later of the month following the month in which the contributor died, or the month following the month when the child was born. QPP specifies that the child must have been born within 300 days following the contributor's death. CPP/QPP include provisions allowing retroactive payment of a surviving child's/orphan's benefit, up to a 12-month period.

The surviving child's/orphan's benefit stops under CPP/QPP when the child no longer meets the definitions of "dependent child" or "minor child," or when the child dies. Under CPP, this means that if a dependent child between the ages of 18 and 25 ceases full-time attendance at school, the orphan's benefit stops being paid.

Payment Amounts

Death Benefit

The CPP/QPP death benefit is a lump sum payment equal to $2,500, unless the deceased QPP contributor qualified for a death benefit as a result of QPP special provisions described above under the Minimum Contributory Periods. In this case, the QPP death benefit is equal to the amount of contributions made by the deceased contributor, up to a maximum of $2,500.

Survivor's Pension

For a survivor of a deceased CPP contributor who is not receiving other CPP benefits, the CPP survivor's pension is:

(a) 60% of the deceased contributor's retirement pension payable at age 65 if the survivor is age 65 or older, or

(b) 37.5% of the contributor's retirement pension payable at age 65 plus a flat amount if the survivor is under age 65.

For a survivor of a deceased CPP contributor who is receiving their own retirement or disability pension, the CPP survivor's pension is determined as described above and then combined with their retirement or disability pensions into a single monthly payment that is limited to a maximum, as follows:

(a) If the survivor is receiving their own CPP retirement pension, the maximum combined payment is the maximum CPP retirement pension.

(b) If the survivor is receiving a CPP disability pension, the maximum combined survivor's pension and disability benefit is the maximum CPP disability pension.

For a survivor of a deceased QPP contributor who is not receiving other QPP benefits, the QPP survivor's pension is determined in the same way as under CPP, except that the amount of the flat amount for survivors under age 65 is determined according to the age of the survivor, whether or not that survivor is disabled, and whether the survivor supports a dependent child of the deceased QPP contributor.

Maximum survivor pensions payable under QPP are determined differently from those under CPP but also consider maximum QPP retirement and disability pensions.

The CPP/QPP enhancements made since 2018 will increase the amount of CPP/QPP survivor's pensions, in amounts that depend on how long the deceased contributor participated in the Additional Pension Plan.

Surviving Child's/Orphan's Benefit

The amounts payable as CPP/QPP surviving child's/orphan's benefits are flat amounts set each year based on the previous year's amount increased by the pension index for the year. The monies are paid on behalf of a minor child to the person or agency who has custody and control of the child, unless a minor child has applied to manage their own affairs. For a child aged 18 to 25 receiving the benefit, it is paid directly to the child.

Disability Benefits

CPP/QPP provides disability benefits to contributors who meet the eligibility provisions, called the "disability pension," and to children of disabled contributors, called the "disabled contributor's child's benefit."

Eligibility

Canadians who are under age 65 may be eligible to receive a disability pension if they meet the definition of disability and minimum contribution requirements described below.

Minimum Contributory Periods

To qualify for CPP/QPP disability benefits, an individual must meet certain minimum requirements regarding their contributory period. The contributory period starts when the individual reaches the age of 18 and ends when the person becomes disabled, excluding

(1) any months when the individual was deemed disabled under CPP/QPP and

(2) any months when the individual was receiving a family allowance (and an indemnity, under QPP) and their earnings were less than the YBE.

Minimum contribution requirements for CPP disability benefits are:

(a) The individual made contributions for at least four of the last six calendars years either wholly or partly within the individual's contributory period, or if the individual's contributory period was less than six calendar years, then contributions were made for at least four years. This is the requirement that generally applies.

(b) If the individual contributed to CPP for at least 25 years, contributions were made for at least three of the last six years either wholly or partly within the individual's contributory period, or

(c) If the individual had been in receipt of CPP disability benefits, the individual contributed for each year after the month that the contributory's previous CPP disability benefits, if any, ceased.

Minimum contribution requirements for QPP disability benefits are:

(a) The individual made contributions in two of the last three years either wholly or partly included in the individual's contributory period, or in two years if the individual's contributory period is only two years. This is the requirement that generally applies.

(b) The individual made contributions in five of the last ten years either wholly or partly included in the individual's contributory period, or

(c) The individual made contributions in half of the total number of years either wholly or partly in the individual's contributory period, but not less than two years.

(d) An individual who is at least age 60 may meet the minimum contribution requirement if contributions were made for at least three of the last six years wholly or partly included in the contributory period.

Eligible Recipients

Key in determining eligibility for CPP/QPP disability benefits is that the CPP/QPP contributor meets the definition of "disabled."

A CPP/QPP contributor is considered disabled if they have a severe and prolonged mental or physical disability. "Severe" is defined as incapable regularly of pursuing any substantially gainful occupation. "Substantially gainful" means an occupation that provides them a salary or wages equal to or greater than the maximum annual CPP disability pension, for CPP. Quebec has an earnings limit that is slightly higher than the maximum annual QPP disability pension. "Prolonged" means that the disability is likely to be long term, to be of indefinite duration or to result in the contributor's death.

Under QPP, the definition of disability is different for persons age 60 or older. A disability for such a person is considered "severe" if they are incapable regularly of carrying on their usual gainful occupation held when they had to stop working due to the disability.

In order to determine if a CPP/QPP contributor is disabled, information must be submitted with their application for benefits, including:

(a) Detailed medical reports that identify the individual's impairment, limitations relating to that impairment, recommendations for further diagnostic work or treatment

(b) Information about the applicant's occupation and earnings, as well as education, employment experience and activities of daily life.

Refusal by the applicant to provide certain information can result in a decision that the person is not disabled and not eligible for a CPP/QPP disability benefit.

Under CPP/QPP, a person may not receive a disability pension if they are already receiving their retirement pension or if they are over age 65. Under QPP, typically, they may not receive a disability pension if they are receiving a replacement indemnity under the "Act respecting industrial accidents and occupational diseases."

A special provision exists for a person between age 60 and 65 who, becomes disabled after the retirement benefit has commenced, or is disabled and the retirement pension has been paid for more than 15 months. Such a person, who has met the minimum contribution requirements described above, may be eligible for a Post-Retirement Disability Benefit. QPP contains a similar provision for persons between age 60 and 65 who have been receiving a retirement pension for more than 18 months.

If an individual qualifies to receive CPP/QPP disability benefits, their children may qualify to receive the disabled contributor's child's benefit if the child(ren) meet(s) the definition of "dependent child" (CPP) or "minor child" (QPP) described earlier under death and survivors' benefits.

Payment Periods

CPP/QPP disability pensions are paid monthly starting in the fourth month following the month when the individual became disabled. A person whose disability ceases and who then returns to work, only to become disabled again within five years of the earlier disability, can start a new CPP disability pension after only one month. The same rule applies for QPP for the second disability only if it is due to the same cause.

The CPP Post-Retirement Disability Benefit is payable until age 65.

CPP/QPP disabled contributor's child's benefits are paid monthly starting in the month when the first disability pension is paid to the contributor, or the month following the month a child is born or otherwise became a child of the disabled contributor.

CPP/QPP disability pensions stop being paid with the payment for the month the individual is no longer disabled, the individual reaches age 65, the individual dies or in the month preceding the month when a retirement pension (or under QPP only, a replacement indemnity) becomes payable to the individual. An individual who is receiving a CPP disability pension at age 65 will automatically begin receiving the CPP retirement pension without needing to apply.

CPP/QPP disabled contributor's child's benefits stop being paid as described earlier for CPP/QPP orphan's benefits, as well as stopping when the contributor's disability pension stops being paid.

Payment Amounts

The CPP/QPP disability pension is equal to 75% of the contributor's retirement pension plus a flat-rate amount. The flat-rate amount changes each year in accordance with the pension index. The CPP Post-Retirement Disability Benefit is equal to the flat-rate amount of the CPP disability pension.

For QPP contributors who become disabled after reaching age 60, an additional amount is added to the amount previously described. This is a second flat-rate amount.

CPP/QPP disabled contributor's child's benefits are payments made on behalf of the child to the disabled contributor, if the child is in the custody and control of the contributor or otherwise to the person or agency having custody and control of the child.

Indexing of CPP/QPP Benefits

- CPP/QPP retirement pensions are adjusted in January of each year using the pension index, as described above.
- CPP/QPP death benefits are fixed dollar amounts and are not indexed.
- CPP/QPP disability pensions are adjusted each year using the pension index to determine the amount of the increase. In practice, the adjustment is the result of applying the pension index to the flat-rate component of the disability pension and the regular indexing of the CPP/QPP retirement pension that is used in the determination of the disability pension.
- The CPP/QPP disabled contributor's child's benefit is adjusted each year using the pension index.
- Both CPP and QPP survivor's pensions are adjusted using the pension index in the calculation.

Taxation

All CPP/QPP benefits are taxable to the recipient. In the case of a minor child where payments are made to the individual who supports the child, the benefit is taxable to the child. The death benefit is taxable to the estate of the deceased contributor.

Employer contributions made to CPP/QPP are deductible from the employer's taxable income and do not confer a taxable benefit on the employee. Employee contributions to the Base CPP/QPP Plans give rise to a tax credit to the employee while employee contributions to the Additional Pension Plans are deductible from the employee's income.

Reading B

CPP/QPP Benefits and Contribution Schedules

B

Summary of Maximum CPP/QPP Benefits as of January 2023

The following table shows the maximum amounts payable to individuals becoming eligible to receive payment for the first time on January 1, 2023, and after.[1] Note that the maximum benefits payable under CPP and QPP are quite comparable with the exception of the disabled contributor's child's benefit. The disabled contributor's child's benefit payable under CPP is significantly higher than that under QPP.

Summary of Maximum CPP/QPP Benefits as of January 2023

	CPP Maximum Payment Amount	QPP Maximum Payment Amount
Retirement pension at age 65 (monthly)	$1,306.57	$1,306.57
Retirement pension at age 60 (monthly)	$836.38	$836.20
Disability pension (per month)	$1,538.67	$1,537.13
Death benefit (lump sum)	$2,500	$2,500
Survivor's pension (age 65 and over (per month)	$783.94	$804.13
Surviving child's /Orphan's benefit (per child per month)	$281.72	$281.72
Disabled contributor's child benefit (per child per month)	$281.72	$89.45

It is worth noting that "average" amounts being paid under CPP/QPP are always quite a bit lower than the maximums. For example, for new beneficiaries:

- The average CPP retirement pension at age 65 (monthly) is $717.15
- The average CPP disability pension (per month) is $1,078.07
- The average survivor's pension is $313.59.

This is due to three factors:

1. Lower earnings don't qualify for the maximum
2. Early retirees get less than the maximum
3. The impact of postponed retirement increases is not yet showing up in the average amounts being paid.

1. Drawn from CPP website https://www.canada.ca/en/services/benefits/publicpensions/cpp/payment-amounts.html , and QPP website https://www.rrq.gouv.qc.ca/en/programmes/regime_rentes/regime_chiffres/Pages/regime_chiffres.aspx.

2

"How can learning about CPP drive better financial decisions today?"

It was still early. Luther was the first to arrive, securing a table in the Sky Zone Cafe for his meeting with Kasia and Andie. He was enjoying this assignment. When Parnaa, founder and CEO, first asked him to work on the company's financial literacy campaign, he was skeptical about its value. Today he felt quite different. He felt that he was doing important professional work, and it had been an eye-opening experience personally. Even if only a few of the concepts he and Kasia were exploring "landed," they could influence small behaviour changes. Sustained over time, small changes could help Blue Sky employees make better financial decisions—whether they stayed with the company or moved on. He was already thinking twice about some of his *carpe diem* decisions and their impact on his "future self." The idea of enjoying life now without concern for the future may not have been the wisest decision.

He quickly scanned the questions he had for Andie. Parnaa had stopped by his workstation the day after their last meeting and suggested he explore how to incorporate their compensation and benefits statements into this financial literacy project. She also indicated that BSE would consider an "over matching contribution" for employees who deposited $100 within the next 2½ months into an emergency-only

Blue Sky Events (BSE)

- Wholly owned Canadian corporation. Provides large-scale event productions such as music festivals and sporting events internationally. Has 250 full-time employees called "Blue Skyers" who are largely Gen Y and Gen Z and over 30% new Canadians.
- Provides competitive compensation including a DC pension plan, profit-sharing program, EHC plan, dental plan and life insurance.

Parnaa, Founder and Chief Executive Officer

- Moved from Mumbai, India at age ten and views the world from her family's experiences as "new Canadians."
- Wants employees to have high level of financial literacy. Concerned about recent employee survey results.

Kasia, HR and Benefits Manager

- Joined Blue Sky two years ago. Holds the CEBS designation with previous experience as an HR associate supporting group retirement services for an insurance company.

Luther, Communications Officer

- Has a degree in digital media and five years' experience in communications. Knows little about pension, benefits or financial literacy.

Andie, Payroll Administrator

- Experienced payroll administrator. Enjoys fast pace of BSE and interacting with a younger cohort.

TFSA and made regular contributions of $20 per month for a 24-month period. Luther knew including the compensation and benefits statements would be a win-win for the employees and BSE. He knew that if employees had a clearer understanding of how they're being rewarded, they might be more likely to contribute at a higher level. They may also develop a stronger commitment to BSE, which in the longer term would prove beneficial to BSE. Win-win. The TFSA benefit was the "call to action" piece that this financial literacy project needed.

Luther was embarrassed to admit that he hadn't looked at his own statement for a long time. He guessed that Andie, as payroll administrator responsible for employee and employer payroll deductions and remittances, would be a great resource to the team. She would help leverage the compensation and benefits statement with the latest topic on their radar, the Canada Pension Plan.

Knowledge you bring to the CPP education challenge:

- Canada Pension Plan role in retirement income security
- Contribution rates
- CPP contributor's pension
- Eligibility provisions
- Year's maximum pensionable earnings (YMPE)
- Year's basic exemption (YBE)
- CPP funding approach
- Tax deductions
- Pensionable employment
- Contributory period
- Pension index
- Death benefits
- Disability pension

Kasia and Andie joined Luther and Luther dove into the topic foremost in his thoughts. ***"Andie, thanks for joining us. If you had asked me last week if I was interested in CPP, you might have gotten a completely different response. I see now how important it is, and I'm hoping you can help answer some questions about CPP."***

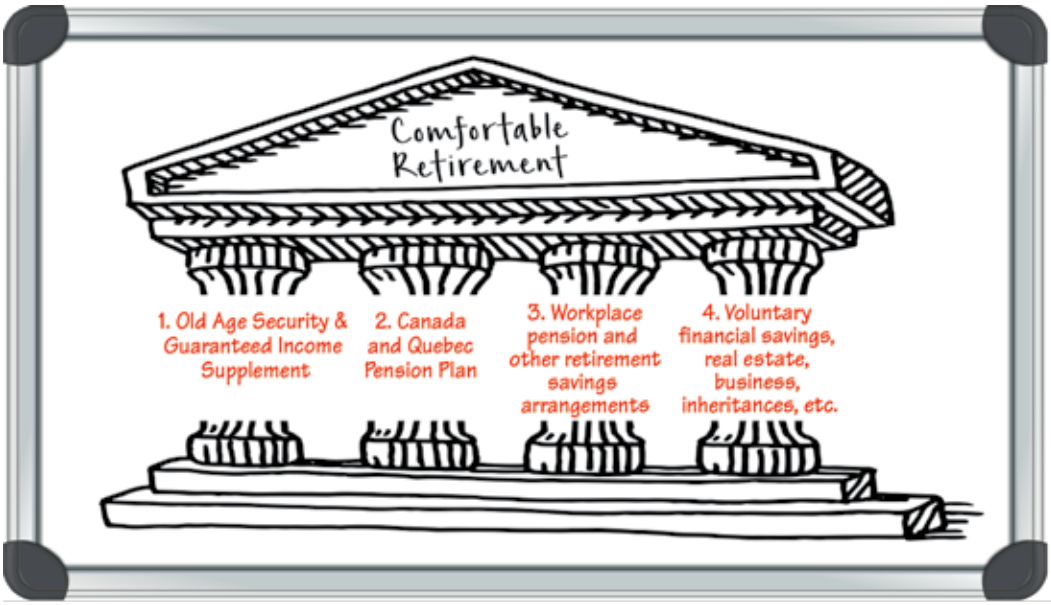
Andie laughed. She knew that thinking about the level of income he would get 25 or more years from now must seem odd to him and likely to the majority of Blue Skyers. Andie learned about the significance and implications of Canada's social security system for employee pay and employer payroll costs when she was studying to become a certified payroll manager, a specialty she acquired after doing an undergraduate business degree with a major in accounting.

Luther pulled out his notes with his questions.

1) A lot comes off my pay every month for CPP. How much comes out of my pay cheque over a year?
2) Where does all this CPP money "go"?
3) What income can I expect to get from CPP in return?
4) OAS pension starts at 65. Is CPP the same?
5) Is CPP pension indexed like OAS pension?
6) Is CPP pension taxed like OAS pension, and is there also a "clawback"?

Andie took a few moments to think through her responses. She wanted Luther to appreciate the value of the CPP program. ***"Your questions get right to the heart of some of the misconceptions and concerns that Canadians have about CPP," Andie continued. "Blue Skyers aren't wondering about this stuff now, but people close to them likely are: parents who are trying to figure out when to apply for CPP or grandparents who are collecting CPP now. I bet if our employees asked them for their thoughts on the four pillars and the contribution of CPP, they would hear some interesting stories."*** Luther and Kasia could sense Andie's passion for this topic when she spoke.

"Let's take another look at the four pillars." Kasia reminded them of BSE's fourth pillar contribution. She pointed to the chart they had captured earlier on the whiteboard.



"You know our DC pension plan is pretty competitive. We also have the Group RRSP to encourage voluntary savings. If our employees stay here or move to another job with another employer, they will continue to build up that fourth pillar." Andie noted the similar nature of the retirement plan deductions and the CPP deductions. ***"Because we manage payroll deductions for these plans, that money goes into your account every month, just like CPP. Most people don't miss it; they manage without that money."***

"Not everyone knows or cares about what the company has to offer. I was one of them, up until last week! I am much more motivated to improve my financial acumen after working on this project for only a week." Luther surprised himself at how comfortable he was talking about these financial concepts. ***"Eventually, that should include the value of the company's DC pension plan."***

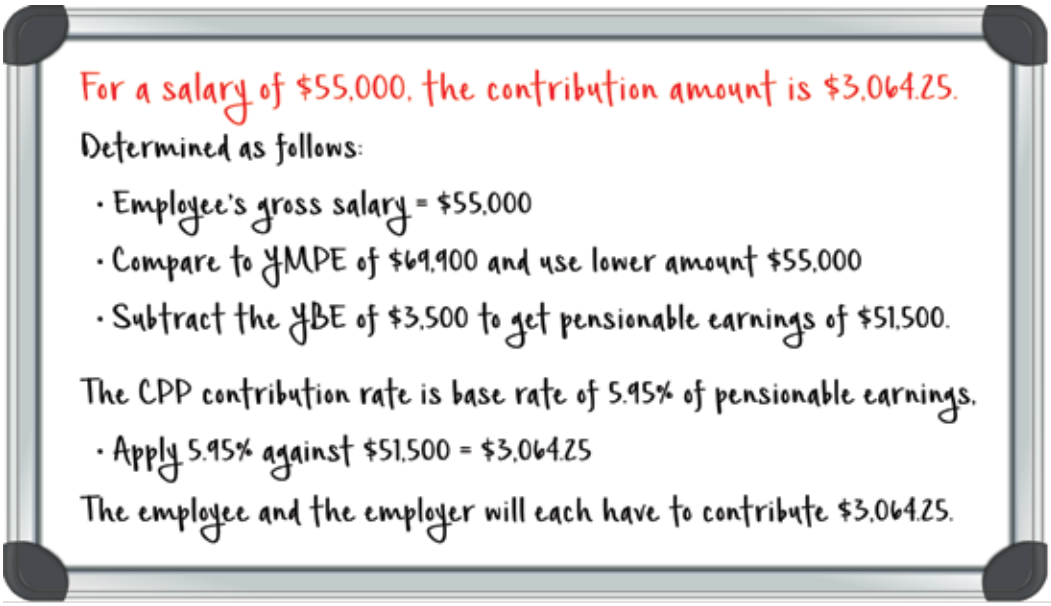
Andie was pleased to hear that, ***"Let's start by covering the CPP basics. We can use the compensation and benefits statement to look at the CPP deductions. That will answer your questions about what comes off your pay every year."*** She showed them the sample compensation and benefits statement she had brought at Luther's request and pointed them both to the section on mandatory benefits. ***"As you know, there are benefits in Canada that are mandatory. CPP is one of them—Employers must contribute on behalf of their employees and collect contributions from employees."***

"Consider an employee with a salary of $55,000." Andie passed sample comp statements to Luther and Kasia. ***"BSE contributes toward CPP, EI and WC—all mandatory benefits. These programs are all part of our social security system. EI and WC are primarily focused on income replacement for situations other than retirement but play an important role in overall financial security in the event of job loss or loss of income due to workplace injury. But, let's focus on CPP."***

"Anyone 18 or older and employed MUST contribute to the CPP in all provinces and territories, except Quebec, which has its own plan called the Quebec Pension Plan or QPP. Their employer must also contribute to CPP on behalf of each employee." Andie went on to say that the CPP contribution calculation was based on the employee's gross income. ***"CPP was enhanced since 2018. Assume we are in 2024 and in the second last year of a 7-year phase-in period. The enhanced CPP will pay higher retirement benefits and the enhancements are being financed through higher employee and employer contributions."***

"So let's talk about your CPP contributions and for that matter, those of BSE that are equal to yours. Contributions to CPP are related to your earnings and to two earnings thresholds. The two thresholds on which CPP contributions are based are called the year's maximum pensionable earnings, or YMPE, and a second one called year's additional monthly pensionable earnings, or YAMPE."

"These calculations are automated in our payroll system, but they are based on several factors—the employee's gross salary, the YMPE and YAMPE we just discussed, the base and additional CPP contribution rates for employers and employees, and something called year's basic exemption, or YBE. Here's an example of CPP contributions for that employee earning $55,000." Andie did a quick calculation on the whiteboard to show how the monthly 2024 CPP deduction and total annual contribution would be determined.



As Andie finished up the example she noted ***"I should add that if the employee's earnings were greater than the YMPE, additional CPP contributions would be required on the range of earnings from the YMPE up to the YAMPE, at which point contributions would stop."***

Luther was quick to comment, thinking about his own $62,000 salary and how hard he worked for it. ***"There is a lot of money coming out of my pay cheque annually for CPP. I could use that money to make car payments or take a vacation every year. It seems a bit harsh that the contribution is mandatory. We don't pay anything for OAS benefits!"***

Kasia could also see where Luther was going and offered her perspective. ***"You are right—There is no deduction from your gross pay for OAS. Keep in mind though that OAS is 'universal,' reflecting its unique purpose in our social security system—We all pay for OAS indirectly through government's general tax revenues. CPP has a different purpose—Only working Canadians qualify for CPP benefits. As a result, you and BSE pay directly into that plan."***

Andie used one of Parnaa's concepts to reinforce the value of Luther's contributions and BSE's contributions on his behalf. ***"How much money have you tucked away for CPP for your future self?"***

Luther did the mental arithmetic. It was a lot of money; he had been with BSE for almost five years now. With both his and his employer's contribution, his total CPP contributions had to be in the range of $20,000. ***"Do you think you would have 'saved' even the approximately $10,000 that came from your gross pay if deductions were not mandatory?"***

Thinking about his earlier comments about a car and vacation, Luther's answer was a sheepish, ***"No."***

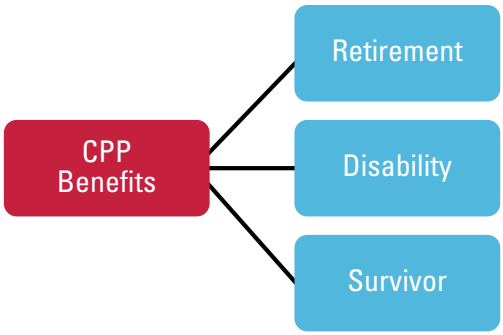
Kasia understood Luther's reaction; she knew how hard it was to establish a strong connection to her future self. ***"And remember, Blue Sky contributed the other $10,000 on your behalf. Most of us have 'immediate wants and needs,' and it is hard to think about saving for a time in life that is years away."*** Kasia was thinking about what Parnaa had said about saving for retirement feeling like giving money to a stranger.

What is an "opportunity cost"?

Opportunity cost refers to a benefit that a person could have received but gave up to take another course of action. Stated differently, an opportunity cost represents an alternative given up when a decision is made.

"Maybe we need to introduce the concept of 'trade-off' and 'opportunity cost' along with future self. Every decision for one thing—what to buy, where to go on a trip—involves giving up the next best alternative we could have had. We can't have it all. If we paused to consider this fact before making decisions, the impact on our future selves could be dramatic," Kasia explained.

Andie saw her chance to make another connection. ***"Saving takes willpower. Think about mandatory contributions throughout our 'pensionable employment' years as 'forced' savings. But the government also motivates savings behaviour by providing tax incentives to us personally and to BSE. Remember, those CPP contributions are a tax- deductible expense for you and for BSE."*** Andie was on a roll now, with her company hat on. ***"And BSE is matching your CPP contributions out of revenue. This is, in fact, part of your total compensation."***



Kasia brought up some points about additional benefits under CPP. ***"Let's remember that while CPP pension contributes to income protection, CPP also provides several other benefits. If I developed a severe and prolonged disability, I might be entitled to disability benefits. Or, if I died, my spouse qualifies for CPP death benefits."***

Andie shared that she had been involved in designing the current benefits plan shortly after Parnaa launched BSE and it began to grow. ***"Yes, and that LTD benefit on your comp statement is designed to integrate with CPP disability benefits. I am quite sure Parnaa had CPP retirement benefits in mind when she set up the DC plan as well. She was thinking about how to optimize the total value of the compensation package for employees by building on those the government-sponsored benefits."***

Luther now had a pretty good visual in his head of his money coming out of his pay and BSE's going into his pay. That led him back to his question about where the money "goes." ***"So what happens to my CPP contributions if I leave BSE?"*** asked Luther.

Kasia helped him with this one. ***"BSE sends all CPP contributions to the Canada Revenue Agency, which then directs them to CPP Investments, a Crown corporation responsible for investing the CPP funds. You and your next employer will continue to make CPP contributions, and your total contribution amount will grow as you continue working."***

Kasia thought it was prudent to point out the differences between CPP investments and DC plan investment. ***"Unlike your DC plan, where you choose where to invest the funds in your account, everyone's CPP contributions are invested by the CPP Investments. That investment income, along with contributions, provides the funds to pay benefits as they come due."***

Luther was sold. ***"Ok, I get it. My future self wants to know how much he will get when he retires! Maybe he can retire happy at age 60, although I have a feeling that isn't the case, given that CPP is a social security program."***

Kasia and Andie laughed. Luther was grasping the benefits and the limitations of OAS and CPP. Andie noted the time. ***"Wow, this has been fun, but I have a payroll deadline to meet. Can we continue this on Wednesday—same time? One more meeting and we should be able to identify what messages about CPP would reach our Blue Skyers."*** The others checked their calendars, refilled their coffee cups at the Blue Sky Kitchen and went back to their workstations.

Apply Your Knowledge

Andie walked Luther through the basics of CPP. She thought this was an important first step in developing a communication campaign targeted at dialing up Blue Skyers' financial literacy. It is imperative that employees have a clear understanding of what is provided by Canada's retirement security system. Assume you are working on this assignment with Kasia and Luther. Put on your benefits advisor hat and respond to these questions:

1. **In preparing for the meeting with Andie and Kasia, Luther wanted to make sure he researched CPP so that he understood the role of CPP in providing income security to BSE employees. Explain what he may have learned from this research.** (Learning Outcome 1.1, Study Guide Module 2, p. 8; Reading A, Canada Pension Plan/Quebec Pension Plan (CPP/QPP), Study Guide Module 2, pp. A-1 to A-3)

   CPP plays a critical role in ensuring the retirement security of Canadians, but is only one piece of total retirement income. CPP is available only to working Canadians, and is paid in addition to OAS, which is a universal program, funded from general revenues. The combination of CPP and OAS are intended to provide a basic level of retirement income. Other important sources are employer sponsored retirement plans and individual savings.

2. **Andie answered Luther's specific questions but didn't cover the actual operation of CPP. Identify the various parties involved with the operation of CPP, and briefly outline their key responsibilities.** (Learning Outcome 2.1, Study Guide Module 2, p. 10; Reading A, Canada Pension Plan/Quebec Pension Plan (CPP/QPP), Study Guide Module 2, pp. A-3 to A-4)

   Parties involved with the operation of CPP are:

   - Minister of Employment and Social Development—administers the program,
   - Minister of National Revenue collects contributions and sets contribution rates, benefits and funding policy in concert with provincial counterparts

3. **Explain how Luther would respond to a Blue Skyer if asked how long that person should contribute to CPP.** (Learning Outcome 4.1, Study Guide Module 2, p. 15; Reading A, Canada Pension Plan/Quebec Pension Plan (CPP/QPP), Study Guide Module 2, p. A-8)

   CPP is a mandatory program. A Blue Skyer must contribute to CPP for all pensionable employment throughout their working lives, up to age 70 if still working and not receiving a retirement pension. There are very few exceptions to pensionable employment. If a Blue Skyer becomes self-employed, they must contribute for the same periods, but need to pay both the employer and employee contributions.

Test Your Knowledge

Evaluate the discussion between Luther, Kasia, Andie and Maurice.

Luther had learned so much in a short period of time. His conversations with Parnaa, Kasia and Andie had piqued his personal interest in becoming more financially savvy with his money. He wanted to inspire Blue Skyers to care about saving for their future using all four pillars, not only OAS and CPP. Luther, Kasia and Andie continued their discussions about CPP. Maurice, a BSE employee who was close to retirement, joined their conversation. This helped Luther appreciate the perspective of someone closer to retirement age.

Check the box with the key terms covered in Luther, Kasia, Andie and Maurice's conversation.

- ☐ Base contribution rate
- ☐ Additional contribution rate
- ☐ CPP contributor's pension
- ☐ Contributory periods
- ☐ Year's maximum pensionable earnings (YMPE)
- ☐ Year's additional maximum pensionable earnings (YAMPE)
- ☐ Year's basic exemption (YBE)
- ☐ Eligibility provisions
- ☐ Pensionable employment

The group convened at their usual table in the Blue Sky cafe. Andie was smiling as she placed her coffee on the table. Luther couldn't help but wonder why.

"It was the way you asked your last question the other day." Andie paused, trying to recall exactly what Luther said.

Luther remembered. He was still thinking about all those CPP contributions and curious what income they would eventually provide. He repeated his question. ***"My future self wants to know how much he will get when he retires. Maybe he can retire happy at age 60, although I have a feeling that isn't the purpose of CPP."***

"Yes, it was the 'retire happy' part—It made me think about what 'happy' looked like for me. And your 'at age 60' suggests your future self would like to stop working earlier rather than later," remarked Andie.

Kasia helped answer Luther's question about the amount of CPP retirement pension he could expect. ***"There are lots of small points about how CPP benefits are determined. Until now, in general, a 65-year-old who (1) had worked for at least 40 years and (2) whose earnings through those years were equal to or below each year's YMPE could expect their CPP pension to be 25% of the average of their income in the last five years before retirement. If that person's average earnings always exceeded the YMPE, the CPP pension would be capped at 25% of the average YMPE in the five years before his or her retirement. For 2024 this works out to $1,340.42 per month. Now the goal of the CPP enhancements is to provide a target pension of 33%, but that level will only be available for Canadians who participate in the enhanced plan for 40 years after 2018. The rest of us will receive a smaller enhancement, recognizing that we won't be contributing at the higher contribution rates for our full period of CPP participation. Our CPP retirement benefit enhancement will be pro-rated based on our years of participation since 2018."***

Andie spoke more about the length of the contributory period. ***"Basically, the pension you receive depends on three key factors—how long you contribute, how much you contribute (which depends on your earnings), and when you want to start getting your CPP pension. We contribute from age 18 to age 65, which is 47 years in total. You can start your CPP pension as early as age 60 or as late as age 70. Starting early means your pension will be less that if you wait to age 65; waiting until later will mean your pension will be more than if you start at 65."***

Kasia continued with a key observation. ***"Most of us Blue Skyers likely won't be contributing for the full 47 years—We might have started working after 18, gone back to school, experienced a period of unemployment or left the workforce temporarily for family reasons. Fortunately, CPP makes some allowances for periods like this, where we might have low or zero earnings. This adjustment affects 17% of your contributory period, allowing up to eight years of your lowest earnings to be dropped from your benefit calculation."***

Luther interjected that these "small points" Kasia mentioned were beginning to sound like big ones to him.

Andie jumped in. ***"Maybe it's a good idea to do a little refresh of what we talked about in our last conversation."*** She referred them back to the calculation she had shown them earlier.

"Just as a point of clarification," Kasia added, ***"if I remember correctly, the QPP contribution percentage is slightly higher than CPP's."*** Andie nodded in agreement.

Luther interrupted. ***"Wait a second. This all seems so easy for both of you, but I'm just learning about it now. Can you show me an example of how the contributions are determined for someone earning above the YMPE?"***

"Excellent point, Luther," offered Andie. ***"Let's compare that $55,000 salary to, say, a Salary of $80,000 to illustrate the impact of the YMPE."***

"Thanks, Andie. So because this person earns more than the YMPE, their CPP contributions and those of Blue Sky will be calculated in two steps. The first will be based on the YMPE and the second will be based on the amount by which their earnings exceed the YMPE. In the second step any earnings over the amount of the YAMPE will be excluded. Should I assume that their pension amount will also relate to the YAMPE and the portion of their earnings over the YMPE, stopping at the YAMPE?" Luther asked.

"Yes!" Andie was happy to see that Luther had picked up on the importance of the YMPE and the YAMPE. ***"You've got it."***

Luther adjusted his original question: ***"You also said I could start taking it at age 60. My 60-year-old future self is asking me—How do I decide whether to take it now or wait until age 65? Would you have an example? It would really help me visualize what all this means."***

Andie laughed. She was impressed with Luther's grasp of CPP. ***"There's someone at BSE who could give you an answer in 'real time.' Maurice, our logistics expert, will be our first retiree. I asked him if he was willing to share his story with us. He said I could text him when we were ready for him." Andie was texting as she spoke. "I am sure he has lots to share."***

Luther liked that suggestion—The more "storytelling" they could bring to the communication, the better. He felt that Blue Skyers needed to see direct applications of how saving enough for retirement was so important. ***"So I am thinking . . . seems like a lot of people wouldn't qualify for the maximum amount of CPP."*** Luther looked to Kasia for confirmation.

Kasia confirmed his observation. ***"True, it isn't easy to meet the two criteria—a continuous working career of 40 years or so and contributions based on earnings of at least the YAMPE every year. I think the point here is that we should be aware of the criteria for getting the maximum from CPP and the implications of exiting for whatever reasons. The amount you receive depends on how long you worked and how much you earned each year."***

At this point, Andie held up the paper with Luther's questions on it and mentally checked off the questions she'd already addressed. ***"You wanted to know about taxation of CPP benefits?"*** Luther nodded. ***"When a person receives CPP retirement, or disability payments for that matter, it is considered taxable income, just like OAS. When an employee contributes to CPP during their working lives, when they file their personal income tax return they receive a non-refundable tax credit for their base contribution and a tax deduction on the additional contributions. The employer's CPP contribution is considered a tax deduction for the company and is not taxable to the employee."***

"What you've shared has been incredibly helpful." Luther thanked Andie profusely and acknowledged Kasia's ongoing contributions to his financial literacy education. ***"Kasia, I think we should add these key messages to the information we gathered for the communications campaign."***

At this point, Maurice joined the group. Maurice knew Kasia and Andie quite well. Luther had seen Maurice before but had no idea he was anywhere close to retirement age. ***"Hey, great to be included in this conversation. I'm happy to answer any questions."*** Maurice wanted Luther to feel comfortable and held out his hand to shake Luther's.

"This is great of you. I appreciate your time." Luther shook Maurice's hand thankfully.

"Why not? If I can help you and others make better financial decisions, that's cool." Maurice waited patiently for Luther to proceed.

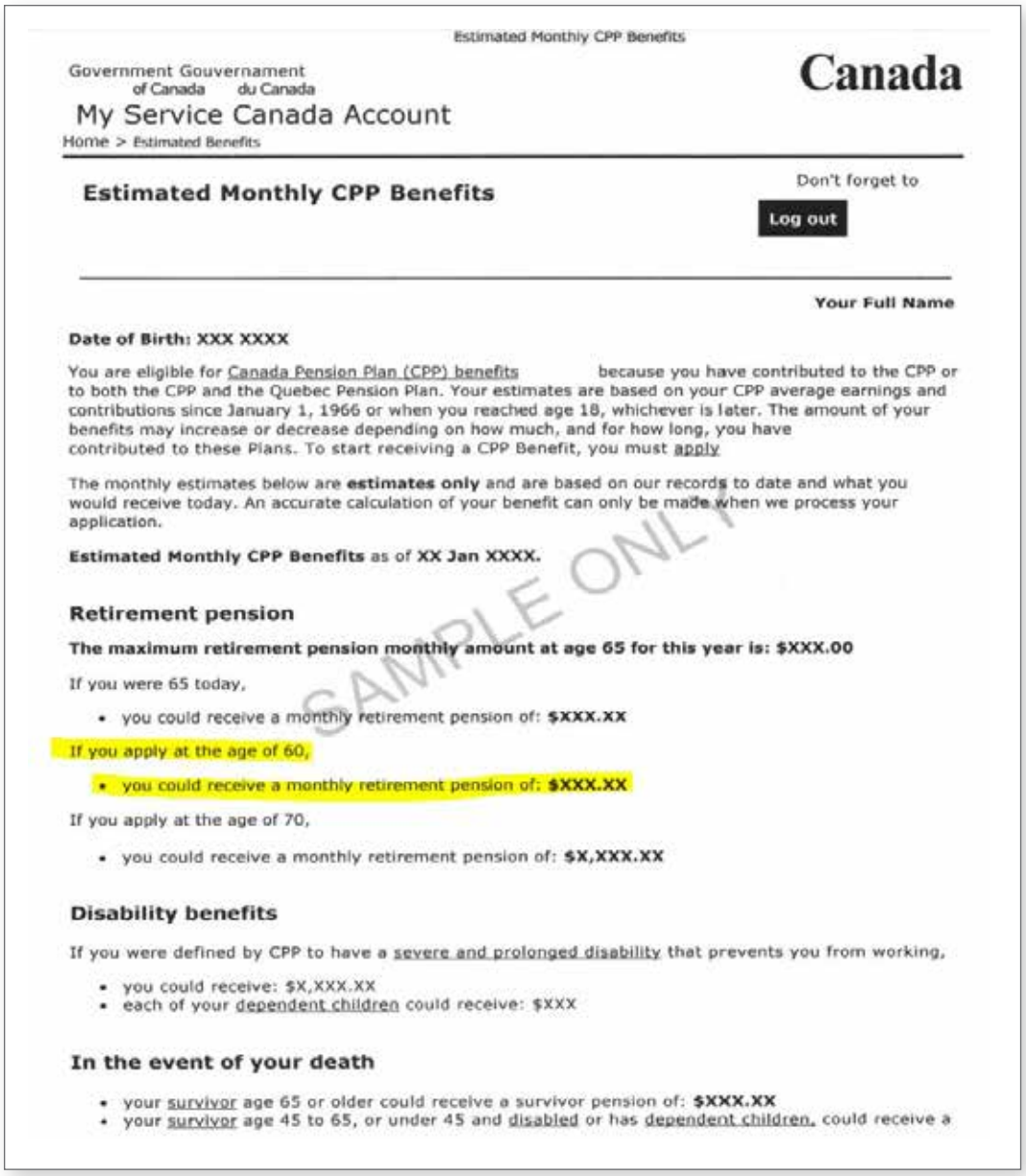
"When did you start thinking about OAS and CPP?" Luther asked.

Maurice sat back comfortably in his chair. ***"I didn't think about CPP at all until I turned 59. That's when I started thinking that maybe my 60th birthday could be my exit goal. But there always seem to be stories in the news about CPP. I knew it was an option for me, but I honestly hadn't spent any time investigating it. A few months ago I did some research on the internet, and that led me to the government websites. I found OAS that way as well. Then I started asking Andie questions. She answered a few of the basic ones."*** He paused a minute to recall those conversations. ***"Umm, okay, here's what I wanted to know: How much would I get? And is CPP clawed back like OAS?"***

"Did you really want to know if CPP was clawed back?" Luther asked, sharing that he too had asked that question.

"Yup. I read something about OAS clawbacks and figured CPP might be income-tested as well. I was concerned my employer pension plan benefits might put me over some income threshold for qualifying for CPP. I was glad it wasn't. Clawbacks only apply to OAS.

"Andie also suggested I see a financial planner. That was great advice. She directed me to my Service Canada account. Have you talked about that? I found out that Service Canada tracks the amount of your pensionable earnings and contributions, regardless of your employer, and you can access this at any time by contacting Service Canada at their 1-800 number. They gave me a CPP Statement of Contributions that shows the year-by-year details of my CPP participation, including an estimate of what my pension would be. That was extremely helpful in my retirement planning. I brought a sample of some of the information from the website. Looking at it triggered the big question—when to apply."



Estimated Monthly CPP Benefits

Government of Canada / Gouvernement du Canada

Canada

My Service Canada Account

Home > Estimated Benefits

Estimated Monthly CPP Benefits

Don't forget to

Log out

Your Full Name

Date of Birth: XXX XXXX

You are eligible for Canada Pension Plan (CPP) benefits because you have contributed to the CPP or to both the CPP and the Quebec Pension Plan. Your estimates are based on your CPP average earnings and contributions since January 1, 1966 or when you reached age 18, whichever is later. The amount of your benefits may increase or decrease depending on how much, and for how long, you have contributed to these Plans. To start receiving a CPP Benefit, you must apply

The monthly estimates below are **estimates only** and are based on our records to date and what you would receive today. An accurate calculation of your benefit can only be made when we process your application.

Estimated Monthly CPP Benefits as of **XX Jan XXXX.**

SAMPLE ONLY

Retirement pension

The maximum retirement pension monthly amount at age 65 for this year is: $XXX.00

If you were 65 today,

- you could receive a monthly retirement pension of: **$XXX.XX**

If you apply at the age of 60,

- you could receive a monthly retirement pension of: **$XXX.XX**

If you apply at the age of 70,

- you could receive a monthly retirement pension of: **$X,XXX.XX**

Disability benefits

If you were defined by CPP to have a severe and prolonged disability that prevents you from working,

- you could receive: $X,XXX.XX
- each of your dependent children could receive: $XXX

In the event of your death

- your survivor age 65 or older could receive a survivor pension of: **$XXX.XX**
- your survivor age 45 to 65, or under 45 and disabled or has dependent children, could receive a

"This is great, Maurice. Thanks for sharing this. Another area I'd like more information about is when to apply for CPP. It seems like age 65 is the retirement age at which you don't get penalized and you don't get rewarded." Luther wanted Maurice's perspective.

"My financial planner walked me through various scenarios around taking CPP payments between the ages of 60 and 70 from two perspectives—financial and health and other considerations. She gave me a chart that showed maximum CPP amounts at different ages." Maurice handed them copies of the chart. ***"It helps in deciding when to start receiving the CPP pension. The decision to start CPP before age 65 results in a reduced CPP pension amount that lasts for our entire lifetime, not just until age 65. If we only knew how long we will live, the decision would be so easy! While there is an average mortality rate, I could go earlier like my dad or live to 100-plus. Oh, and I did learn from my financial planner that the mortality rate has been increasing each year for a while."***

CPP Income Reduction Based on Age (2024)

Age	60	61	62	63	64	65
Maximum Monthly Pension	$857.87	$953.38	$1,050.89	$1,147.40	$1,243.91	$1,340.42
Pension Reduction	$482.55	$387.04	$289.53	$193.02	$96.51	$0

"So waiting to receive CPP payments sort of means you just have to live longer—and hopefully healthier—to make up the lost income that you could have gained between ages 60 and 65?" Luther wondered aloud.

"You can think of it that way," Maurice replied and handed out one more table. ***"Here is a summary of the 'health and other' factors my financial planner talked about."***

Consider taking CPP between ages 60-64 if:	Consider taking CPP at age 65 if:	Consider taking CPP after age 65 if:
Sick and can't qualify for CPP disability benefit	Average health	Above average health
Average life expectancy is less than 75	Average life expectancy is 75-85	Average life expectancy is higher than 85
Low income or no other sources of income during retirement	Average income and adequate savings to bridge the retirement years before starting CPP	High income and lots of money saved for retirement
Laid off and unable to find other employment	Unable or unwilling to work beyond 65	Continuing to work past age 65
Continuous employment history	Continuous employment history with some gaps	Employment history with considerable gaps
Not divorcing and not credit splitting		Divorced and lost some pension credits upon credit splitting

During the remainder of their meeting, Maurice shared some key observations at reaching this milestone in life. ***"Basically, it comes down to this—I'm lucky. My dad was a saver and taught me the value of a dollar at an early age. My retirement income target was 70% of my preretirement income. I focused primarily on maximizing my employer pension plan and my personal savings throughout my career—BSE is my fifth employer."***

Luther looked at Maurice with a newfound respect and admiration as he continued. ***"I am healthy and hoping to live longer than my dad. He passed away at 60. I am shooting for my 90s at least. My OAS and CPP benefits just improve my financial position. If I manage carefully, I can afford to travel and do the things I want to do now—visit the Far East, hang out in a few monasteries in South Korea and stay at a meditation retreat in Thailand."***

Maurice's enthusiasm and confidence about his financial security was in stark contrast to the new hires at Blue Sky. ***"Don't get me wrong; I am so happy I have these social benefits. And it is good to know how CPP works because the principles are so fundamental to financial security—The longer you save and the more you put aside, the better off you are. CPP will probably be there for you, but you may not qualify for the full benefit. In fact, you likely won't."*** Maurice took another a sip of his coffee before continuing. ***"How hard it is to qualify for the full benefit was a surprise for me; the current CPP only provides approximately 25% of the YMPE. The full amount of the new target pension under the enhanced program will only be available to those who have fully participated in the enhanced plan for 40 years. Even if you are making an above-average income over your career, unless you have other sources, that CPP target benefit won't likely be enough to maintain the standards of living you have become used to. For someone your age who works a full career, with OAS and the fully enhanced CPP, you might reach 50%."***

Maurice knew this was a lot of information at once, and he paused again to let Luther take it in. He didn't want to lose the significance of his next point either, as personal saving habits could be the difference between getting by and having a great retirement with lots of options. ***"In factoring in your retirement income, you must consider all your sources. We have a great pension plan here—You can contribute to it and the company will match up to 5%. There is also a Group RRSP. It makes saving pretty painless. You don't even need to think about it. Everything is all set up to be redirected from your pay. Also, I think if you are going to work after retirement, you should do it not because you have to but because you choose to—that you want to keep busy or create new social connections or just for fun. Life is sweet, and it should be filled without the stress of money worries, especially when you get older and really wish you could retire. I want everyone else to be as ready and prepared as I am. I've seen a lot, I've learned a lot and I've read a lot. Don't ignore your future. It will catch up with you before you know it,"*** Maurice said with a confidence that comes from living a full and observant life.

Luther stood as Maurice finished his thoughts. ***"Thanks for your insights, Maurice. You've filled in a lot of gaps in my understanding. It's always good to hear a personal perspective. I think what you've said is pretty amazing. How do you feel about sharing what you told me with all our Blue Skyers at a town hall meeting?"*** Luther was hoping for a positive response.

Maurice responded, ***"That sounds like it might be a good time. Hanging out, sharing ideas and helping the younger Blue Skyers get a glimpse of what they need to consider to have a comfortable retirement."***

Luther told him more about the communication campaign he had been working on with Kasia. ***"The town hall is one way we will introduce this initiative. The plan is to have you and Parnaa provide insights about your observations and experiences related to financial literacy. We'd like to start by emphasizing the importance of our social security system. I'm also planning to invite a financial planner. These are pieces of the campaign. It will evolve—It will take sustained and varied communications. Parnaa is really committed to this."***

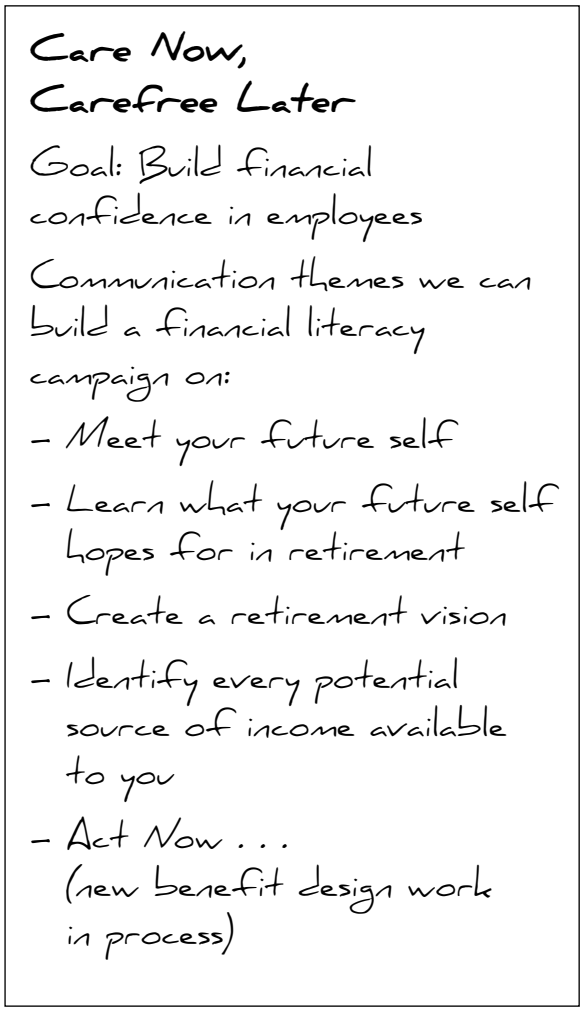
Luther, Andie and Kasia thanked Maurice again for his time and told him they would be in touch shortly to give him all the details about his participation in the upcoming town hall meeting.

"Well done, Luther," Andie offered up after Maurice left. ***"What do you think of the catch phrase—Care Now, Carefree Later—as the theme for our financial literacy communication?"***

"I really like it," Kasia said.

"So do I," Luther was quick to respond. ***"We should run a summary of the key themes that have emerged to date by Parnaa to be sure she's onboard."*** Kasia and Andie nodded in agreement. ***"I know she wants us to build on the compensation and benefits statements as well. This new benefit is exciting too. I hope to have more details for our next meeting. Let's reflect this benefit now by adding a call to action."***

Luther shared his final summary with Kasia and Andie, glad he worked with such a great team and for a company that cared about the financial decisions that would affect their futures.



Optimizing Canada's Social Security System—Employment Insurance and Workers' Compensation

Module 3

Canada Pension Plan/Québec Pension Plan (CPP/QPP) and Old Age Security (OAS) provide income security for Canadians after they have stopped work due to retirement. Our social security system also includes programs that provide income security for working Canadians who lose their jobs or who are unable to work due to a work-related injury or disability. These two programs are Employment Insurance (EI) and Workers' Compensation (WC). Both programs operate as insurance programs that have some parallels with privately sponsored income replacement programs.

EI is a federal, income security, social insurance program funded by employer and employee premiums with mandatory coverage for most employees in Canada. The focus of the EI section of this module is on:

- Regular income benefits to insured employees who are temporarily unemployed through no fault of their own
- Special income benefits to employees who have an interruption of earnings due to events such as the birth or adoption of a child or a serious medical condition within their family.

The WC system in Canada falls under provincial/territorial jurisdiction. It is a liability and disability insurance system designed to protect both employees and employers against the impact of work-related injuries. It is designed to:

- Provide employees with a no-fault guarantee of compensation, including income replacement for disabled employees, survivors' benefits if employees die as a result of a work-related injury or disease, and payment of medical and rehabilitation expenses for work-related injuries or disease
- Protect employers from liability arising from accidents suffered by an employee during the course of employment
- Assist industry in the development and adoption of adequate safety precautions in the workplace.

The legislation that regulates the WC system varies by province and territory, but within the legislation of each jurisdiction, there are standard compensation principles that reflect the purpose of the system. For example, while the terminology used to describe the types of WC benefits paid by each province and territory varies, the general categories of benefits and intent of each benefit are similar.

This module looks at the structure and funding of the EI program and WC system, basic categories of benefits, the basis of compensation benefits, and administration considerations and interfaces with group benefit plans. The focus of the material is on common situations. Candidates should refer to legislation should a specific application arise in the workplace.

Assigned Reading

Reading A
Employment Insurance (EI), Study Guide Module 3, Pages A-1 to A-19

Reading B
Workers' Compensation, Study Guide Module 3, Pages B-1 to B-16

Professional Enrichment Resources

EI Premium Rates and Maximums
www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/payroll-deductions-contributions/employment-insurance-ei/ei-premium-rates-maximums.html

Why Review This?
This site most provides current EI premium rates and benefit maximums.

Association of Workers' Compensation Boards of Canada (AWCBC)
awcbc.org/en/about/us/

Why Review This?
AWCBC is the national liaison that connects all 12 provincial and territorial member Boards and Commissions and supports a comprehensive network of expertise. The site provides numerous links to the provincial and territorial Boards/Commissions as well as summary tables for process and method of assessment, past and provisional assessment rates, scope of coverage, maximum assessable earnings and experience rating programs used by each Board/Commission.

Learning Outcomes

1. Outline the governance and financial structure of the Employment Insurance (EI) and Workers' Compensation (WC) programs.
2. Describe the factors that affect EI regular benefits payable to individuals who lose their jobs through no fault of their own.
3. Outline the special benefits available under the EI and Québec Parental Insurance Plan (QPIP) programs.
4. Identify the privately sponsored programs that integrate with EI and the impact of those programs on both employees and employers.
5. Describe the underlying principles of WC programs.
6. Outline the circumstances that would lead to an employee receiving WC benefits and the benefits that might be payable.
7. Outline the WC return-to-work (RTW) process.

Outline of Knowledge

A. Oversight and administration of Employment Insurance (EI)
    1. Responsibilities of Canada Employment Insurance Commission (CEIC)
    2. Employment and Social Development Canada (ESDC)
    3. Funding of EI

B. Eligibility for EI benefits
    1. Insurable employment
    2. Record of Employment (ROE)
    3. Regional rates of unemployment
    4. Special benefits
    5. Québec Parental Insurance Plan (QPIP)

C. Payment of EI benefits
    1. Waiting periods
    2. Duration of payment
    3. Benefit amounts
    4. Coordination with other income
    5. Supplemental Unemployment Benefit (SUB) plans
    6. Taxation of premiums and benefits

D. Integration with group benefit plans
    1. EI-approved wage loss replacement plans
    2. Approved short-term disability (STD) plans
    3. Sharing premium reduction

E. Principles of Workers' Compensation (WC) programs
    1. Legislative jurisdiction
    2. Meredith Report and other principles
    3. Types of injuries covered by WC
    4. "Quid pro quo"

F. Participation requirements for WC
    1. Mandatory, with some exemptions
    2. Self-insurers

G. Funding of WC programs
    1. Wage-related employer contributions/premiums
    2. Assessment rates/premium rates
    3. Assessable earnings
    4. Industry classifications
    5. Experience rating
    6. Incentive safety prevention programs

H. WC benefits
    1. Classifications of workers' disabilities
    2. Benefit types, amounts and duration
    3. Rehabilitation
    4. Return to work
    5. Tax treatment and indexation of benefits

Key Terms

- Canada Employment Insurance Commission (CEIC)
- Employment Insurance (EI) Operating Account
- Insurable employment
- Insurable earnings
- Second payer
- Record of Employment (ROE)
- Insurable employment
- Regional rate of unemployment
- Benefit duration
- Regular benefits
- Special benefits
- Québec Parental Insurance Plan (QPIP)
- Approved wage loss replacement plans
- Supplemental Unemployment Benefit (SUB) plans
- Meredith Report
- No-fault compensation
- Collective liability
- Quid pro quo
- Maximum assessable earnings
- Self-insurers
- Assessment rates and premiums
- Industry classification, employee class and rate group
- Experience rating—prospective and retrospective
- Total temporary disability
- Partial temporary disability
- Concurrent condition
- Permanent disability
- Return to work
- Economic loss award vs. noneconomic loss award

Learning Outcome

1

Outline the governance and financial structure of the Employment Insurance (EI) and Workers' Compensation (WC) programs.

1.1 Explain who has jurisdiction over the EI program. (Reading A, Employment Insurance (EI), Study Guide Module 3, p. A-2)

EI falls under federal jurisdiction and operates under the legislated authority of the Employment Insurance Act (the "EI Act"). The Canada Employment Insurance Commission (CEIC) is the body that provides much of the oversight of EI. Its mandate is to annually monitor and assess the EI program, while actual delivery of the EI program is handled by Employment and Social Development Canada (ESDC), through Service Canada.

1.2 Identify the responsibilities of WC Boards/Commissions. (Reading B, Workers' Compensation (WC), Study Guide Module 3, p. B-2)

WC Boards/Commissions are responsible in their own jurisdiction for the administration of WC. Operating on a nonprofit basis, they collect contributions from employers and pay benefits from the fund for work-related injury/disease. Some WC Boards/Commissions also have responsibility for the administration of the provincial occupational health and safety legislation.

Under WC legislation, WC Boards/Commissions have exclusive jurisdiction to deal with all matters pertaining to injuries that arise "out of or in the course of employment." Generally, WC Boards/Commissions decide the level and nature of "adequate compensation" for all work-related injuries, determine whether workers or their dependents are entitled to compensation and rehabilitation, administer claims, adjudicate claims and disputes, and establish regulations and appeal procedures for operating the WC program, including the form and use of payrolls, records, reports, certificates, declarations and documents. They determine, review and approve operating and capital budgets and develop contribution and investment policies to ensure adequate funding of WC.

1.3 Describe how the EI program is funded and the factors that are used in determining premium rates. (Reading A, Employment Insurance (EI), Study Guide Module 3, pp. A-3 to A-4)

The EI program is funded by employer and employee contributions (i.e., premiums), with such premiums being directed to the EI Operating Account. The premium rate is expressed as a percentage of each $100 of employee insurable earnings, with employers paying higher premium rates than employees. Note that EI premium rates are lower in Québec than in other jurisdictions, reflecting the existence of QPIP.

Each year, CEIC receives an actuarial report from the EI Senior Actuary. The report is intended to provide the CEIC with actuarial forecasts and estimates to be used when setting the year's maximum insurable earnings (MIE) and EI premium rates. Factors that affect the setting of premium rates include:

(a) Assumptions of future demographic and economic conditions

(b) Premium rates, which are intended to be sufficient to cover expected EI benefit payouts

(c) The funded status of the EI Operating Account, since the objective for the EI Operating Account is to operate on a break-even basis.

1.4 Explain how a WC assessment premium is generally calculated. (Reading B, Workers' Compensation (WC), Study Guide Module 3, p. B-4)

Employer contributions to WC (also called premiums) are generally wage-related, calculated as a rate per $100 of assessable earnings. This rate per $100 is called the "assessment rate" (or "premium rate" depending on the jurisdiction). Assessment rates vary by jurisdiction and can vary by employers within a jurisdiction. An employer's contribution is determined by multiplying its "assessable earnings" by its assessment rate. Assessable earnings generally include most types of income. All jurisdictions include regular salary or wages, overtime, gratuities, commissions, bonuses, advances of future earnings and vacation pay in determining assessable earnings. Many jurisdictions include earnings in the form of profit sharing, paid layoff, maternity or sabbatical leave, taxable benefits and the employer's contribution to employee benefits. All jurisdictions set their own maximum assessable earnings (i.e., the amount of earnings a WC Board/Commission will insure). Maximum assessable earnings limit the payroll amount reported by employers for the purpose of calculating their WC premiums as well as limit earnings loss benefits for injured employees in most jurisdictions.

1.5 Identify factors that influence WC assessment rates. (Reading B, Workers' Compensation (WC), Study Guide Module 3, p. B-6)

Several factors influence assessment rates set by the WC Boards/Commissions, such as recent accident cost experience in each industry class, the financial position of the WC Board/Commission, prevailing economic and labour conditions and current adjudication policies. Each WC Board/Commission has its own unique method of calculating the amount of premiums to be collected from employers to fund the program, reflecting its own situation. Each year's assessment rates must generate enough funds to contribute toward any funding deficiencies from previous years' assessments; all current costs; reserves for compensation payable in future years, so as not to burden employers unduly or unfairly in the future; some or all of the expenditures for safety prevention; and all administrative requirements for the WC Board/Commission and related organizations such as appeal tribunals and advocacy groups.

Employers do not simply pay the average assessment rate of a jurisdiction since the risk of injury and associated costs vary by industry. There is a significant range between lowest and highest assessment rates in each jurisdiction. Employers' actual assessment rates depend on:

(a) The industry classification of the employer

(b) Whether the WC Board/Commission applies experience rating to that employer

(c) The existence of any safety-based program incentives in place in the jurisdiction.

1.6 Explain the impacts of industry classification, employee class and rate groups on setting WC assessment rates. (Reading B, Workers' Compensation (WC), Study Guide Module 3, pp. B-6 to B-7)

Industry classification is a determination of an employer's type of operation and industry designation. The inherent occupational risk for every industry/occupation varies. As occupational danger increases so does the risk of employee injury. Within their mandate, WC Boards/Commissions have the power to group industries according to their hazard potential.

The North American Industry Classification System (NAICS) Canada from Statistics Canada is used by some WC Boards/Commissions as the basic framework for classifying employers. Other WC Boards/Commissions have their own internally developed classification systems, which are based on the NAICS classifications.

Jurisdictions have their own processes to combine individual industrial classifications (i.e., classification units) into larger "rate groups." A rate group consists of multiple classification units (or a single large one) that are grouped for the purpose of setting assessment rates. A rate group typically includes industry codes that are similar in nature, but it often includes unrelated industries grouped on the basis of risk.

1.7 Describe experience rating as it applies to the WC system. (Reading B, Workers' Compensation (WC), Study Guide Module 3, pp. B-7 to B-8)

"Experience rating" means that the assessment rate assigned to an individual employer is impacted by the dollar amount of claims and/or the number of claims made by that particular employer in previous years. Experience rating generally shifts a greater degree of the responsibility for paying for WC costs from an industry classification group as a whole to the particular employers within the group that are actually incurring the costs.

If a WC board/commission applies experience rating to assessment rate determination, an individual employer's assessment rate may increase or decrease based on how many work injuries/diseases (resulting in paid WC claims) have occurred at the employer's place of business. Experience rating may be either prospective or retrospective, depending on the jurisdiction.

Prospective experience rating systems consider an employer's past experience (number of claims and/or dollar amount of claims) relative to its rate group, leading to discounts or surcharges on future assessment rates. If an employer's WC claims experience is positive, prospective experience rating provides an assessment rate discount. If an employer's WC claims experience is negative, prospective experience rating provides an assessment rate surcharge.

Retrospective experience rating systems provisionally assess an employer based on expected experience (number of claims and/or dollar amount of claims) and then, at year-end, compare expected experience with actual past experience and based on actual results, provide rebates on paid premiums or premium surcharge billings.

1.8 Explain the tax treatment of employee and employer contributions to EI and EI benefits paid. (Reading A, Employment Insurance (EI), Study Guide Module 3, p. A-13)

An employer's premium contributions are deductible from its taxable income. An employee's premium contributions give rise to a tax credit to the employee. All EI benefits are subject to income tax.

1.9 Outline the tax treatment of WC benefits. (Reading B, Workers' Compensation (WC), Study Guide Module 3, p. B-16)

WC benefits are not taxable to recipients. Employer contributions are deductible from income.

Learning Outcome

2

Describe the factors that affect EI regular benefits payable to individuals who lose their jobs through no fault of their own.

2.1 Define "insurable employment" under the EI Act. (Reading A, Employment Insurance (EI), Study Guide Module 3, pp. A-8 to A-9)

Under the EI Act, insurable employment is:

(a) Employment in Canada by one or more employers under any express or implied contract of service or apprenticeship, written or oral, whether the earnings of the employed person are received from the employer or some other person and whether the earnings are calculated by time or by the piece, or partly by time and partly by the piece, or otherwise

(b) Employment in Canada as described in paragraph (a) by His Majesty in right of Canada

(c) Service in the Canadian Forces or in a police force

(d) Employment included by regulations made under certain subsections of the EI Act

(e) Employment in Canada of an individual as the sponsor or coordinator of an employment benefits project.

Types of employment that may be included in insurable employment are:

(a) Employment outside or partly outside Canada that would be insurable employment if it were in Canada

(b) The entire employment of a person who is engaged by one employer partly in insurable employment and partly in other employment

(c) Employment that is not employment under a contract of service if it appears to CEIC that the terms and conditions of service and the nature of the work performed by persons employed in that employment are similar to the terms and conditions of service and the nature of the work performed by persons employed under a contract of service

(d) Employment in Canada by His Majesty in right of a province if the government of the province waives exclusion and agrees to insure all its employees engaged in that employment

(e) Employment in Canada by the government of a country other than Canada or of any political subdivision of the other country if the employing government consents

(f) Employment in Canada by an international organization if the organization consents.

Types of employment excluded as insurable employment under the EI Act are:

(a) Employment of a casual nature other than for the purpose of the employer's trade or business

(b) Employment of a person if such person controls more than 40% of the voting shares of the corporation

(c) Employment in Canada by His Majesty in right of a province

(d) Employment in Canada by the government of a country other than Canada

(e) Employment in Canada under an exchange program if the employment is not remunerated by a Canadian employer

(f) Employment in Canada by an international organization

(g) Employment that is an exchange of work or services

(h) Employment excluded by regulations made under certain subsections of the EI Act

(i) Employment if the employer and employee are not dealing with each other at arm's length.

2.2 Outline general eligibility criteria that must be met to be eligible to receive regular EI benefits. (Reading A, Employment Insurance (EI), Study Guide Module 3, p. A-5)

To be eligible to receive regular EI benefits, individuals must meet these criteria.

(a) Their employment qualifies under the EI definition of "insurable employment."

(b) They have lost their job through no fault of their own.

(c) They have paid EI premiums.

(d) They have been without work and without pay for at least seven consecutive days in the last 52 weeks or since the start of the last EI claim, whichever is shorter.

(e) They have worked for the required number of insurable hours based on where they live and the unemployment rate in their area.

(f) They are actively looking for work (including keeping a record of employers contacted and when they were contacted).

(g) They are ready, willing and capable of working each day.

2.3 Describe how the amount and duration of EI regular benefits are determined. (Reading A, Employment Insurance (EI), Study Guide Module 3, pp. A-9 and A-11 to A-12)

The regular benefit rate is 55% of average insurable earnings, up to a maximum payment per week. Low-income families may be eligible to receive the EI family supplement, which can increase the EI regular benefit rate to a maximum of 80% of the individual's average insurable earnings.

The benefits calculation considers:

(a) Best weeks earnings in the qualifying period

(b) Regional rate of unemployment for the applicant.

Duration of the benefit period for regular benefits is based upon the number of insurable hours worked—more insurable hours worked means more weeks of benefit eligibility. Duration also depends on the rate of unemployment in the region in which the claim is made. For example, within a 52 week period, regular benefits range from 14 weeks (at lowest number of hours worked and lowest unemployment rates) to a maximum of 45 weeks (at highest number of hours worked in regions with the highest unemployment rates).

2.4 Describe how earnings received by an individual receiving EI benefits affect the amount of their EI benefits. (Reading A, Employment Insurance (EI), Study Guide Module 3, pp. A-12 to A-13)

Income earned by an individual who is receiving EI benefits will reduce the amount of the EI benefit payable to the claimant and/or affect the start date of the EI benefit. The types of earnings, their definitions, and the time periods to which EI allocates earnings are very detailed and complicated, but generally fall into two categories as follows:

(a) Earnings allocated to the one-week waiting period. The amount of these earnings is deducted dollar for dollar from benefits payable in future weeks of payable benefits.

(b) Other types of earnings such things as return-to-work and callback pay, wages or salary and commission resulting from employment, self-employment earnings, and most pensions payable from Canada/Québec Pension Plans and employer-sponsored pension and retirement savings plans. These types of earnings either delay the start date of EI benefits or are deducted from those benefits.

While collecting regular, parental, maternity, sickness, compassionate care or caregiving benefits, claimants can keep 50¢ of benefits for every dollar earned, up to 90% of the claimant's previous weekly earnings (approximately 4.5 days of work). Earnings above this threshold are deducted from EI benefits, dollar for dollar.

2.5 Outline circumstances under which an individual must repay EI benefits. (Reading A, Employment Insurance (EI), Study Guide Module 3, pp. A-13 to A-14)

An individual whose annual net income for the taxation year (including EI benefits) exceeds 1.25 times the maximum yearly insurable earnings must repay some or all EI benefits received. The clawback amount is the lesser of either 30% of the EI benefits received or 30% of the amount of net income exceeding 1.25 times the maximum yearly insurable earnings.

Benefit repayment does not apply to:

(a) Special benefits

(b) Regular benefits paid to individuals who received less than one week of regular benefits in the previous ten years.

Learning Outcome

3

Outline the special benefits available under the EI and Québec Parental Insurance Plan (QPIP) programs.

3.1 Describe the special benefits provided through the EI program and QPIP and their general eligibility requirements. (Reading A, Employment Insurance (EI), Study Guide Module 3, pp. A-6 to A7)

Special benefits are for sickness, maternity leave, parental leave, compassionate care leave and caregiving leave. EI provides all of these special benefits except for those related to maternity and parental leave for Québec residents. The QPIP provides maternity, paternity, adoption and parental benefits for those persons. Although self-employed persons are not eligible for EI regular benefits, both EI and QPIP provide special benefits for qualifying self-employed persons.

To be eligible for EI special benefits, individuals must demonstrate the following.

(a) They are employed in insurable employment.

(b) They have paid EI premiums.

(c) Their regular weekly earnings will decrease by more than 40%.

(d) They have accumulated 600 insurable hours in the last 52 weeks or since the start of their last claim.

QPIP provides benefits to all eligible workers who take maternity, paternity, adoption or parental leave. To be eligible for QPIP benefits, the individual must:

(a) Be a parent of a child (born or adopted)

(b) Have contributed to QPIP as an employee or a self-employed worker during the reference period

(c) Have experienced an interruption in earnings or reduction in earnings of at least 40% due to birth or adoption

(d) Have insurable earnings of at least $2,000 during the reference period

(e) Be a resident of Québec at the start of the benefit period

(f) In the case of a self-employed worker, have resided in Québec on December 31 of the year prior to the start of the benefit period.

3.2 Outline the duration period for special EI and QPIP benefits. Describe in general terms the difference between the options available to parents under these plans. (Reading A, Employment Insurance (EI), Study Guide Module 3, pp. A-9 to A-10)

Special benefit duration varies by benefit type:

(a) EI sickness benefits are payable for a maximum of 26 weeks.

(b) Maternity/paternity benefits. EI maternity benefits are payable for a maximum period of 15 weeks. QPIP "basic" maternity benefits are payable for a maximum period of 18 weeks and paternity benefits are payable for a maximum of 5 weeks. QPIP "special" plan paternity benefits are paid for shorter periods at higher payment rates.

(c) Parental benefits. Standard EI parental benefits are paid for a maximum of 40 weeks and can be shared between parents, but one parent cannot receive more than 35 weeks of standard benefits. EI parental benefits under the "extended" plan are paid for longer periods at lower payment rates. QPIP "basic" parental benefits are payable for a maximum period of 32 weeks, and adoption benefits are payable for a maximum of 37 weeks. In the case of multiple births or adoption, an additional 5 weeks of parental benefits are available to each parent. Single parent birth or adoptive parents are entitled to an additional 5 weeks of parental benefits. QPIP "special" parental benefits are paid for shorter periods at higher payment rates.

(d) EI compassionate care benefits are payable for a maximum period of 26 weeks.

(e) EI caregiving benefits are payable for a maximum of 35 weeks for caring for a child and a maximum of 15 weeks for caring for an adult.

Learning Outcome

4

Identify the privately sponsored programs that integrate with EI and the impact of those programs upon both employees and employers.

4.1 Explain the premise behind EI-approved wage loss replacement plans and the criteria required for approval. (Reading A, Employment Insurance (EI), Study Guide, Module 3, p. A-14)

Many employers sponsor wage loss replacement plans to provide some income replacement for employees who suffer an illness or injury and are absent from work for relatively short periods of time. Examples of these plans are Short-Term Disability (STD)/Weekly Indemnity (WI) plans and cumulative sick leave plans. When one of these plan exists, it pays benefits first and then EI would pay the benefits should the employer-sponsored benefits be exhausted, but disability continues. In this way, the cost to the EI program is lower. For this reason, EI provides for reduced EI premiums for qualifying plans.

In order to qualify for EI premium reduction, an employer-sponsored wage loss replacement plan must:

(a) Provide at least 15 weeks of benefits for short-term disability.

(b) Match or exceed the level of benefits provided under EI.

(c) Pay benefits within 8 days of illness or injury (i.e., the elimination period cannot exceed 7 days).

(d) Provide coverage to new employees within 3 months of hiring, or, if an hour-bank system is in place, after 400 hours of active employment. (An "hour bank system" is a method of banking or crediting the hours worked to a person's account and then drawing out the required hours at each determination date in order to establish or maintain the person's eligibility for benefits.)

(e) Cover employees on a 24-hour-a-day basis (i.e., regardless of whether the employee is at work or if they are injured while working at a second job.

(f) Include evidence of the employer's commitment to the short-term disability plan (i.e., written confirmation of the plan).

(g) Ensure that at least 5/12 of the EI premium reduction will be returned by the employer to covered employees.

4.2 A wage loss replacement plan can contain limitations to the payment of benefits that will not prevent the employer from qualifying for an EI premium reduction. Identify situations where it is acceptable that benefits are not paid to an employee under a WI plan. (Reading A, Employment Insurance (EI), Study Guide Module 3, p. A-15)

Situations where it is acceptable that benefits are not paid to an employee under a WI plan include the following:

(a) The employee is not under the care of a licensed physician.

(b) The illness or injury is covered under WC or CPP/QPP.

(c) The illness or injury is intentionally self-inflicted.

(d) The illness or injury results from service in the armed forces.

(e) The illness or injury results from war or participation in a riot or disturbance of public order.

(f) The illness or injury occurs while on leave of absence or on paid vacation.

(g) The employee is receiving EI maternity, parental, compassionate care or caregiving benefits.

(h) The illness or injury is a result of committing a criminal offence.

(i) The employee is engaging in employment for a wage or profit while receiving disability benefits.

(j) The employee is ill or injured while unemployed during a strike or lockout, provided the right to benefits is reinstated on return to work.

(k) The employee is in prison.

(l) The employee is outside Canada.

(m) The illness results from the use of drugs or alcohol, and the individual is not receiving continuous treatment for use of these substances.

(n) The illness or injury results from a motor vehicle accident covered under a provincial plan that does not take income benefits payable by EI into account when paying benefits.

(o) The employee receives a retirement pension from the same employer.

(p) The employee undergoes plastic surgery solely for cosmetic purposes unless the need for surgery is attributable to an illness or injury.

(q) The employee receives benefits for a recurring injury under a long-term disability (LTD) plan that contains a reinstatement provision where the reinstatement provision does not exceed six months.

4.3 Describe short-term disability (STD)/weekly indemnity (WI) and cumulative paid sick leave plans and the specific provisions required for each type of wage loss replacement plan to qualify for a reduction in EI premiums. (Reading A, Employment Insurance (EI), Study Guide Module 3, p. A-16)

STD/WI plans provide benefits in cases of illness or injury through an arrangement set up by an employer (self-insured) or a plan underwritten by an insurance carrier.

To qualify for the EI premium reduction, WI plans must meet the basic requirements established by EI for employer-sponsored STD plans, plus:

(a) Benefits must be payable for at least 15 weeks.

(b) In the event of a new disability, full benefits (i.e., up to 15 weeks) must be reinstated no later than one month after the employee returns to work, or in the event of a recurring disability, full benefits must be reinstated no later than three months after the employee returns to work.

Cumulative paid sick leave plans allow employees to accumulate sick leave credits that they can use when they are ill or injured. Some plans may also allow employees to use paid sick leave credits when they remain at home because of pregnancy, to care for a newborn or newly adopted child, or to care for a gravely ill family member or a critically ill child.

Since cumulative paid sick leave plans provide benefits that may overlap with or duplicate EI sickness benefits, they can also qualify for partial premium reduction. To qualify for the EI premium reduction, cumulative paid sick leave plans must meet the basic requirements for employer-sponsored wage loss replacement plans plus:

(a) The plan must provide one or more days of paid sick leave per month of continuous employment and allow for a minimum accumulation of 75 days of credits. If the plan allows, credits may be used for the employee's illness or injury, or for when they remain at home for maternity, parental, compassionate or caregiving purposes.

(b) At least 75 days of credits must be maintained for sick leave only. Only credits that are in excess of these 75 days may be used for other absences as noted above, if the plan allows.

(c) For new employees still on probation or temporary employees, the use of paid sick leave credits can be deferred by no more than 12 months from when the employee started employment.

4.4 Under the EI Act, a fraction of the amount of premium reduction allowed to an employer must be passed on to employees. Explain the premise behind this policy and how it is applied. (Reading A, Employment Insurance (EI), Study Guide Module 3, p. A-17)

To obtain the employer premium reduction, at least five-twelfths of the amount of an employer's premium reduction must be passed on (in some form) to the employees covered by their employer's income replacement plan. (The five-twelfths represents the employee share of the total EI premium where there is no premium reduction.) The intention is to maintain the same ratio of employee cost where there is a premium reduction.

Sharing five-twelfths of the savings with employees can be achieved by providing:

(a) A cash rebate equal to five-twelfths of the savings, divided among the employees. This is treated as employment income, subject to source deductions.

(b) New or increased benefits, including upgrading existing benefits or providing more holidays or time off of work.

Employees or their representatives may negotiate or bargain for a method of sharing and include the terms in a written agreement.

4.5 Describe the purpose and rationale of a Supplemental Unemployment Benefit (SUB) plan. (Reading A, Employment Insurance (EI), Study Guide Module 3, p. A-18)

The purpose of a SUB plan is to supplement EI benefits during temporary periods of unemployment without affecting the employee's level of EI benefits. The period of unemployment may be due to temporary work stoppage, illness, training, injury or quarantine, and a SUB plan may cover any one or a combination of these causes of unemployment.

SUB plans can be registered by the employer with Service Canada in order to offer the following advantages.

(a) Employees' weekly earnings during periods of unemployment can be increased without resulting in a deduction from the employee's EI benefits.

(b) Payments from a registered SUB plan are not considered insurable earnings, so EI premiums are not deducted. Payments from SUB plans are generally subject to CPP/QPP deductions as well as income tax.

Learning Outcome

Describe the underlying principles of WC programs.

5

5.1 Explain the key principles of the Meredith Report that are reflected in the design of the WC system. (Reading B, Workers' Compensation (WC), Study Guide, Module 3, p. B-3)

Five main principles of the original WC laws that have survived to a greater or lesser extent are as follows:

(1) No-fault compensation. Workers are paid benefits regardless of how the injury occurred. The worker and employer waive the right to sue. There is no argument over responsibility or liability for an injury. Fault becomes irrelevant; providing compensation is the focus.

(2) Collective liability. All employers share the total cost of the compensation system. All employers contribute to a common fund. Financial liability is their collective responsibility. Workers do not contribute to the fund.

(3) Security of benefits. A fund is established to guarantee that funds exist to pay benefits.

(4) Exclusive jurisdiction. Only the workers' compensation organizations provide workers' compensation insurance. The board (or commission) is the decision maker and final authority for all claims.

(5) Independent administration. The organizations that administer workers' compensation insurance are separate from government (autonomous, nonpolitical and financially independent).

5.2 Explain how the term "quid pro quo" applies to the WC system. (Reading B, Workers' Compensation (WC), Study Guide, Module 3, p. B-4)

The term "quid pro quo" (something for something) has been used to describe the underlying foundation of WC legislation. Employers accepted collective liability and were no longer individually liable for work-related accidents and illnesses, whereas employees gave up the right to sue the employer and accepted compensation as provided for in the legislation through a system fully funded by employers. As a result, an employee has no right of action against an employer or another employee in an industry covered under WC for an injury that occurs while in the course of employment. The employer, likewise, has no cause of action.

5.3 Describe participation requirements in the WC system. (Reading B, Workers' Compensation (WC), Study Guide Module 3, p. B-5)

Participation in WC is compulsory for many employers. With allowances for minor variance among jurisdictions, the definition of "employer" includes every person having in their service, under a contract of hire or apprenticeship, any person engaged in work in or about an industry. Such an employer must contribute to the WC fund, and its employees are eligible for benefits if injured. An employee's right to compensation is in place legally, regardless of whether an employer has registered as required.

The list of exempt industries and occupations varies by jurisdiction. Each jurisdiction's legislation should be consulted when determining employer participation requirements. In addition to exempt industries and occupations, some jurisdictions require a minimum number of employees for compulsory participation.

Persons who are self-employed or involved in a partnership may apply for optional personal coverage as an individual under special application rules, which include selecting a desired level of coverage.

A WC Board/Commission may designate certain employers as being individually liable; they are called "self-insurers" or "deposit employers." These employers are not part of the collective liability pool of employers and do not pay assessment rates on their payrolls.

Generally, self-insured employers are limited to federal and provincial governments or public agencies, crown corporations and large public interprovincial transportation organizations (e.g., shipping, airlines and railways). WC Boards/Commissions generally administer the work-related injury or disease claims for self-insurers (e.g., federal government employees who are governed under the Federal Employees Compensation Act). These employers reimburse the WC Board/Commission monthly for the cost of benefits provided to their insured employees and pay an administration fee for this service. They may also be asked to maintain a deposit or a guarantee with the WC Board/Commission to cover such costs and expenses.

6 Learning Outcome

Outline the circumstances that would lead to an employee receiving WC benefits and the benefits that might be payable.

6.1 What types of injuries are covered by WC? (Reading B, Workers' Compensation (WC), Study Guide Module 3, p. B-3)

Injuries covered by WC are:

(a) Traumatic injuries that happen suddenly, causing trauma to the body (e.g., broken bones, severe cuts and burns)

(b) Injuries caused by repeated activities including strains or sprains caused by doing the same activity over and over again (e.g., tendonitis caused by word processing job duties)

(c) Occupational diseases caused by some conditions at the worksite (e.g., respiratory problems caused by exposure to chemicals on the worksite)

(d) Reinjury and difficulties with an old work-related injury.

6.2 Identify types of benefits provided by all WC jurisdictions. (Reading B, Workers' Compensation (WC), Study Guide Module 3, p. B-9)

All jurisdictions offer temporary disability benefits, permanent disability benefits, rehabilitation benefits, fatality and dependent benefits, and medical aid/health care–related benefits.

6.3 Describe the two definitions of earnings used by WC Boards/Commissions in the calculation of wage loss benefits. (Reading B, Workers' Compensation (WC), Study Guide, Module 3, p. B-9)

Jurisdictions use one of two alternative definitions of earnings in the calculation of wage loss benefits. Benefits may be calculated as a percentage of a worker's (1) net eligible earnings or (2) gross eligible earnings.

Most jurisdictions use net eligible earnings to calculate benefits. "Net eligible earnings" are gross earnings less EI contributions, CPP or QPP contributions, and probable income tax deductions based on appropriate tables from the current or preceding year. An employee's average earnings in the employment where the injury occurred are generally determined by reference to the past 12 months. Since a large number of individuals will not have worked for an employer for 12 months, other ways of establishing earnings are sanctioned.

6.4 Outline eligibility requirements for temporary disability benefits under WC. (Reading B, Workers' Compensation (WC), Study Guide Module 3, p. B-10)

Generally, an employee is eligible for total temporary disability benefits when there is medical evidence that the work-related injury has resulted in temporary work restrictions that prevent the employee from resuming preaccident employment or other suitable employment.

Generally, an employee is eligible for partial temporary disability benefits when medical evidence indicates they have compensable temporary work restrictions but are physically and medically capable of returning to a modified version of the preaccident job or another suitable job.

6.5 Describe the two types of permanent disability benefits typically provided by WC. (Reading B, Workers' Compensation (WC), Study Guide Module 3, p. B-11)

Most jurisdictions provide two types of compensation for an individual who is considered to have a permanent disability: (1) economic loss awards (i.e., future loss of earnings) and (2) noneconomic loss awards (i.e., loss of enjoyment of life resulting from permanent impairment):

- Economic loss awards recognize ongoing disability or the impact a work-related injury/illness may have on an employee's capacity to earn wages through monthly payments. "Disability" is a person's decreased capacity or loss of ability to meet the demands of the job. This is measured as a loss of earnings capacity resulting from workplace injury.
- Noneconomic loss awards recognize permanent clinical impairment, typically through a one-time lump-sum payment. "Clinical impairment" is the loss of a body part or the loss of use of a body part, system or function. The degree of clinical impairment is measured by an independent doctor at the point of maximum medical recovery.

6.6 Outline types of fatality and dependent benefits provided by WC. (Reading B, Workers' Compensation (WC), Study Guide Module 3, p. B-16)

If an employee dies due to a work injury or disease, their dependents may be eligible to receive fatality and dependent benefits. These can include immediate lump-sum payments, monthly benefits and funeral costs. The surviving spouse (either by marriage or common-law) receives a monthly pension based on the spouse's age and the deceased employee's earnings and date of death. In most jurisdictions, the spouse also receives a lump-sum payment. Dependent children receive monthly benefits until the age of 18 (or later if they are attending an accredited educational institution). The variety of dependent benefits varies significantly, depending on the jurisdiction.

Learning Outcome

Outline the WC return-to-work (RTW) process.

7

7.1 Describe how WC Boards/Commissions assess whether an injured worker is able to return to work. (Reading B, Workers' Compensation (WC), Study Guide Module 3, pp. B-13 to B-14)

An employee's doctor and other health care providers send progress reports to the adjudicator or case manager. The adjudicator or case manager uses these reports, and other information they may request, to determine when an employee is fit to work. The WC Board/Commission works with the employer to determine if there are other jobs the employee can do while recovering. This might mean working fewer hours or performing fewer or entirely different tasks. Depending on the type of work the employee returns to, the WC Board/Commission can reduce or stop benefits.

There may be situations where an independent medical examination (IME) is warranted. An IME answers specific medical questions about a work-related injury/illness. These might include:

(a) Is the employee's condition permanent or temporary? Will the employee's condition change/improve over a reasonable period of time?

(b) Is there any permanent disability (lasting effects) from the injury/illness?

(c) Can the employee return to the same type of work they were doing before the injury/illness?

(d) Is there anything else that should be done to confirm the diagnosis or further treatment that may be required?

The IME can occur at any time during the employee's recovery. It may take place soon after the injury/illness, after recovery or after the employee goes back to work. A medical examination to decide whether the employee has a permanent impairment is done after a period of treatment from the employee's doctor, when the injury/illness has stabilized, and the employee has reached maximum medical recovery.

Reading

A

Employment Insurance (EI)[1]

The primary role of the current EI program remains that of income replacement through social insurance. It is also expected to contribute to the achievement of goals such as the promotion of equity through income redistribution, to labour market adjustment and to macroeconomic stabilization by injecting money into the economy during recessions or regional downturns.

The key EI programs are:

(a) Regular income benefits for insured employees who are temporarily unemployed through no fault of their own, including regionally extended benefits to individuals in economically depressed areas

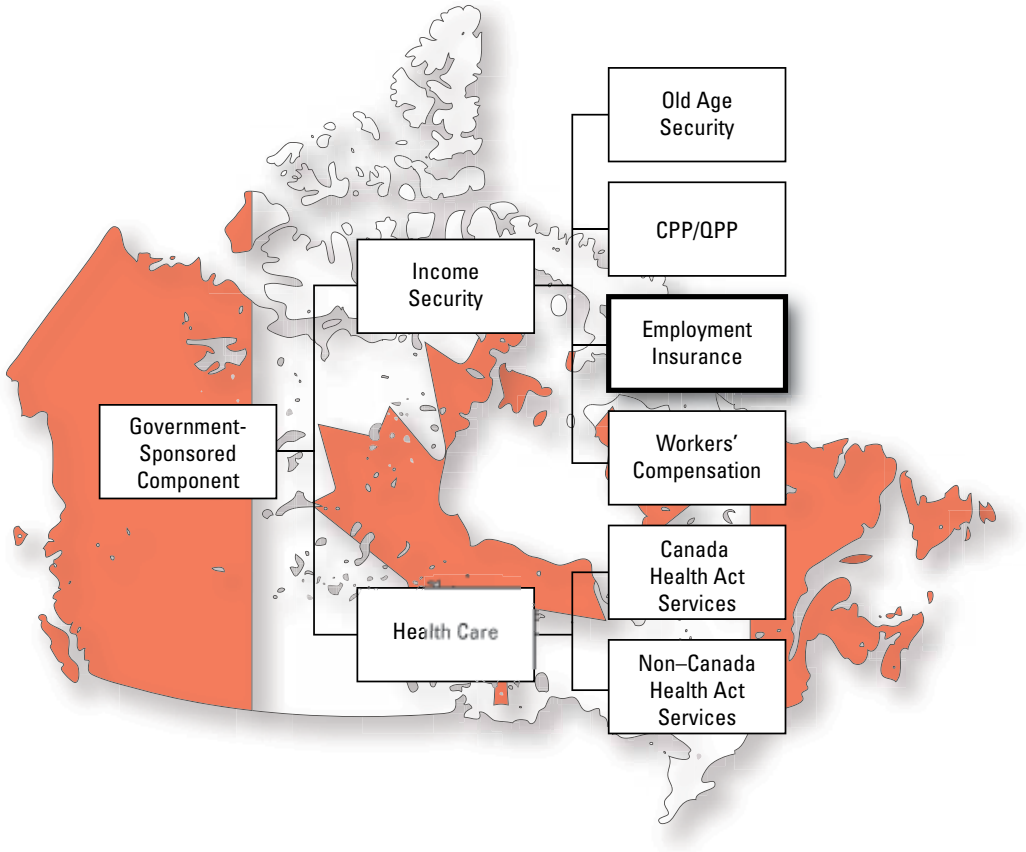
(b) Special income benefits for insured employees who have an interruption of earnings, including parental and maternity benefits, sickness benefits, compassionate care benefits and caregiving benefits.

EI provides maternity and parental benefits in all provinces except Québec where those benefits are paid from the Québec Parental Insurance Plan (QPIP).

Exhibit I illustrates the role of EI programs in the social security system.

1. Developed by the Certified Employee Benefit Specialist program, Dalhousie University, 2023. Drawn from Service Canada websites and the Employment Insurance Act.

Exhibit I
Role of Employment Insurance Programs in Social Security



EI falls under federal jurisdiction and operates under the legislated authority of the Employment Insurance Act (the "EI Act"). The fundamental goal of EI has been to provide income support for people who are temporarily without work through no fault of their own.

The Canada Employment Insurance Commission (CEIC) is the body that provides much of the oversight of EI. Its mandate is to annually monitor and assess the EI program, while actual delivery of the EI program is handled by Employment and Social Development Canada (ESDC), through Service Canada. CEIC has four members, who are mandated to represent and reflect the views of their respective constituencies. Members include the Commissioner for Workers, the Commissioner for Employers, the Deputy Minister and the Senior Associate Deputy Minister of ESDC.

Key responsibilities of CEIC are:

(a) Reviewing and approving policies relating to EI program administration and delivery

(b) Making regulations, with approval of the Governor in Council

(c) Commissioning of an annual EI Premium Report from the Senior Actuary and providing that report and the CEIC summary report to the Canadian government for tabling in Parliament

(d) Setting the annual EI premium rate and annual maximum insurable earnings

(e) Determining whether EI appeal decisions will be submitted for judicial review.

Funding of EI

The EI program is funded by employer and employee premiums, with such premiums directed to the EI Operating Account. Each year, CEIC receives an actuarial report from the EI Senior Actuary. The report is intended to provide CEIC with actuarial forecasts and estimates to be used when setting the year's maximum insurable earnings (MIE) and EI premium rates. The change in the MIE each year is based on the change in average weekly earnings measured by Statistics Canada. The actuary's report confirms the amount for the year in question. With respect to determining EI premium rates, the actuary's activities in preparing the report are somewhat like those used when actuaries prepare valuation reports for defined benefit (DB) pension plans, in that:

(a) Calculations are based on certain assumptions of future demographic and economic conditions

(b) Funding levels (i.e., premium rates) are identified as the amounts sufficient to cover the expected EI benefit payouts

(c) The "funded status" of the EI Operating Account is considered when determining the required premium rates. The objective is for the EI Operating Account to operate on a "breakeven" basis, and premium rates are premised on maintaining the Operating Account on that basis. As a result, any preexisting surplus or deficit in the Operating Account is incorporated by the EI Senior Actuary in the calculation of premium rates.

Premium rates are applied against "insurable earnings," which generally include wages, salary, commissions, monetary employment benefits such as vacation or severance pay, other employment benefits such as housing and meals and self-employment income.

Each dollar of insurable earnings, up to the maximum yearly insurable earnings, is subject to EI premiums. The premium rate is expressed as a percentage of each $100 of employee insurable earnings, with employers paying higher premium rates than employees. Note that EI premium rates are lower in Québec than in other jurisdictions, reflecting the existence of QPIP, mentioned above.

EI is the "second payer" of income replacement programs in Canada. That is, if an individual is a member of an employer-sponsored income replacement program that provides coverage for an illness or injury covered under EI, the employer-sponsored plan pays benefits first, and EI pays second, if necessary. The existence of an employer-sponsored short-term disability (STD) plan that meets certain criteria will result in a reduced employer EI premium rate.

Employers remit EI premiums with the frequency determined by the level of each employer's average monthly EI premium withholdings. Penalties can be assessed should employers fail to comply. Employers are required to report EI insurable earnings and employee EI premiums on employee T4 slips each year.

Eligibility for Regular Benefits

EI eligibility is based on hours of paid work. Regardless of whether it is full-time, part-time, or on and off throughout the year, hours of paid work are accumulated toward eligibility for EI benefits. This approach applies to overtime, which is calculated hour for hour, regardless of the rate of pay. Also, paid leave of any type is insured for the number of hours that normally would be worked in that period, regardless of the rate of pay.

The Record of Employment (ROE) is the vehicle through which EI eligibility can be assessed. The employer provides this form. If the employer issues a paper ROE, it must be issued within five days after the later of the interruption of earnings or the date the employer becomes aware of an interruption of earnings. If the employer issues an electronic ROE, it must be issued within five days after the end of the pay period in which an employee experiences an interruption in earnings. However, if the employer's pay period is monthly, the employer has up to 15 days after the first day of an interruption in earnings.

The ROE indicates how long an individual has worked and how much they have earned from that employer. If there is more than one ROE (because the individual has worked for more than one employer within the last 52 weeks or since the last EI claim), all ROEs must be provided. An ROE must contain the following information, so employer records must be able to provide:

(a) Employer's name and address, payroll reference number (optional) and Canada Revenue Agency (CRA) business number

(b) Employee's name, address and social insurance number (SIN)

(c) Pay period type

(d) First day worked, last day for which paid and final pay period ending date

(e) Total insurable hours and total insurable earnings

(f) Reason for issuing the ROE

(g) Payment of benefits other than regular pay, paid or in anticipation of the final pay period or payable at a later date, including vacation pay, statutory holiday pay, pension payments, severance benefits, retiring allowances, bonuses, wages in lieu of notice, retroactive wage increases, etc.

To be eligible to receive regular EI benefits,[2] individuals must meet the following criteria.

(a) Their employment qualifies under the EI definition of "insurable employment."

(b) They have lost their job through no fault of their own.

(c) They have paid EI premiums.

(d) They have been without work and without pay for at least seven consecutive days in the last 52 weeks or since the start of the last EI claim, whichever is shorter.

(e) They have worked for the required number of insurable hours based on where they live and the unemployment rate in their area (see Table I below).

(f) They are actively looking for work (including keeping a record of employers contacted and when they were contacted).

(g) They are ready, willing and capable of working each day.

2. https://www.canada.ca/en/services/benefits/ei/ei-regular-benefit/eligibility.html

Table I
Eligibility for Regular Benefits[3]

Regional Rate of Unemployment	Required Number of Hours of Insurable Employment in the Last 52 Weeks
6% and under	700
More than 6% but not more than 7%	665
More than 7% but not more than 8%	630
More than 8% but not more than 9%	595
More than 9% but not more than 10%	560
More than 10% but not more than 11%	525
More than 11% but not more than 12%	490
More than 12% but not more than 13%	455
More than 13%	420

Eligibility for Special Benefits

Special benefits are for sickness, maternity leave, parental leave, compassionate care leave and caregiving leave. EI provides all of these special benefits except for those related to maternity and parental leave for Québec residents. The QPIP provides maternity and parental benefits for those persons. QPIP maternal and parental leave benefits are described in a separate section below. Although self-employed persons are not eligible for EI regular benefits, both EI and QPIP provide special benefits for qualifying self-employed persons.

Sickness benefits are for people whose illness or injury prevents them from working. Maternity benefits are for birth mothers or surrogates. Parental benefits are for biological, adoptive or legally recognized parents. Two parents can share parental benefits.

Compassionate care benefits are for people who must be away from work temporarily to provide care or support to a family member who needs end-of-life care. Caregiving benefits are for people who must be away from work temporarily to care for or support a family member who is critically ill or injured.

3. https://www.canada.ca/en/services/benefits/ei/ei-regular-benefit/eligibility.html

To be eligible for EI special benefits, individuals must demonstrate the following.

(a) They are employed in insurable employment.

(b) They have paid EI premiums.

(c) Their regular weekly earnings will decrease by more than 40%.

(d) They have accumulated 600 insurable hours in the last 52 weeks or since the start of their last claim.

QPIP Benefits for maternity and parental leave

QPIP pays benefits to all eligible workers who take maternity, paternity, adoption or parental leave. To be eligible, the individual must be a parent of a child (born or adopted), have contributed to QPIP as an employee or self-employed worker during the reference period, have experienced an interruption in earnings or reduction of earnings of at least 40% due to the birth or adoption, have insurable earnings of at least $2,000 during the reference period, be a resident of Québec at the start of the benefit period and, in the case of a self-employed worker, have resided in Québec on December 31 of the year prior to the start of the benefit period.

Québec offers a choice of plan under QPIP. The "basic" plan provides benefits at a lower percentage of income and a longer payment period than the "special" plan. Parents must choose between the two plans at the time of application.

Insurable Employment

"Insurable employment" is an important definition included in the EI Act, since it is used in determining eligibility for benefits. Insurable employment is:

(a) Employment in Canada by one or more employers, under any express or implied contract of service or apprenticeship, written or oral, whether the earnings of the employed person are received from the employer or some other person, and whether the earnings are calculated by time or by the piece, or partly by time and partly by the piece, or otherwise

(b) Employment in Canada as described in paragraph (a) by His Majesty in right of Canada

(c) Service in the Canadian Forces or in a police force

(d) Employment included by regulations made under certain subsections of the EI Act

(e) Employment in Canada of an individual as the sponsor or coordinator of an employment benefits project.

CEIC may, with the approval of the Governor in Council, make regulations for including in insurable employment other types of employment, such as:

(a) Employment outside Canada or partly outside Canada that would be insurable employment if it were in Canada

(b) The entire employment of a person who is engaged by one employer partly in insurable employment and partly in other employment

(c) Employment that is not employment under a contract of service if it appears to CEIC that the terms and conditions of service and the nature of the work performed by persons employed in that employment are similar to the terms and conditions of service and the nature of the work performed by persons employed under a contract of service

(d) Employment in Canada by His Majesty in right of a province if the government of the province waives exclusion and agrees to insure all its employees engaged in that employment

(e) Employment in Canada by the government of a country other than Canada or of any political subdivision of the other country if the employing government consents

(f) Employment in Canada by an international organization if the organization consents.

Insurable employment does not include:

(a) Employment of a casual nature other than for the purpose of the employer's trade or business

(b) Employment of a person by a corporation if the person controls more than 40% of the voting shares of the corporation

(c) Employment in Canada by His Majesty in right of a province

(d) Employment in Canada by the government of a country other than Canada

(e) Employment in Canada by an international organization

(f) Employment in Canada under an exchange program if the employment is not remunerated by a Canadian employer

(g) Employment that is an exchange of work or services

(h) Employment excluded by regulations made under certain subsections of the EI Act

(i) Employment if the employer and employee are not dealing with each other at arm's length.

Commencement and Cessation of EI/QPIP Benefits

Individuals must apply to EI and/or QPIP for both regular and special benefits. EI benefits are paid after a one-week waiting period at the start of the claim. No benefits are paid during the waiting period. There is no waiting period for maternity or parental benefits under QPIP.

Duration of the benefit period for regular EI benefits is based upon the number of insurable hours worked—more insurable hours worked means more weeks of benefit eligibility. It also depends on the rate of unemployment in the region in which the claim is made and the type of benefit. For example, within a 52-week period, regular benefit periods range from 14 weeks (at lowest numbers of hours of work and lowest unemployment rates) to a maximum of 45 weeks (at highest numbers of hours worked and highest unemployment rates).

Sickness benefits are payable for a maximum of 26 weeks.

EI maternity benefits are payable for a maximum of 15 weeks.

EI offers two options for parental benefits – "standard" and "extended". The amount of EI "standard parental" benefit payments and the maximum weekly "standard" parental benefit is higher than the amounts paid under the EI "extended" parental benefit option, where benefits are paid for a longer time period. Parents must choose the option at the time of application:

(a) "Standard" parental benefits are paid for a maximum of 40 weeks that can be shared between parents. Under this option one parent cannot receive more than 35 weeks of standard benefits.

(b) "Extended" parental benefits can be paid for a maximum of 69 weeks, and under this option one parent cannot receive more than 61 weeks of extended benefits.

QPIP offers two options for maternity, paternity and parental benefits, the "basic" and "special" plans. The QPIP "basic" plan pays benefits for a longer time period, and in lower amounts, than the "special" plan. Parents must choose the option at the time of application.

(a) The QPIP "basic plan" provides maternity benefits for a maximum of 18 weeks, paternity benefits for a maximum of 5 weeks and 32 weeks of parental benefits. The parental benefits may be shared by the parents.

In the case of multiple births, the QPIP basic plan provides an additional 5 weeks of parental benefits for each parent (non-shareable).

Single parents are entitled to 5 weeks of single parent parental benefits under the QPIP basic plan.

Under the QPIP basic plan adoption benefits are payable for 5 weeks for each parent (non-shareable), plus 13 weeks of adoption-related welcome and support benefits (shareable), plus adoptive benefits payable for 32 weeks (shareable).

(b) QPIP's "special plan" provides maternity benefits for a maximum of 15 weeks, paternity benefits for a maximum of 3 weeks and 25 weeks of shareable parental benefits.

In the case of multiple births, the QPIP special plan provides an additional 3 weeks of parental benefits for each parent (non-shareable).

Single parents are entitled to 3 weeks of single parent parental benefits under the QPIP special plan.

Under the QPIP special plan adoption benefits are payable for 3 weeks for each parent (non-shareable), plus 12 weeks of adoption-related welcome and support benefits (shareable).

EI compassionate care benefits are payable for a maximum of 26 weeks. EI caregiving benefits are payable for a maximum of 35 weeks for caring for a child and a maximum of 15 weeks for caring for an adult.

Regular and Special Benefit Amounts

Regular Benefits

As noted earlier, EI is the second payer of benefits.

The regular benefit rate is 55% of average insurable earnings, up to a maximum payment per week. For the purposes of calculating EI benefits, certain types of compensation received following loss of employment (e.g., some WC benefits and employer-sponsored income replacement) may be included as earnings.

The benefit calculation takes into consideration the regional rate of unemployment for the applicant. This is done by identifying the best weeks in the individual's qualifying period and a factor related to the regional rate of unemployment. "Best weeks" are the weeks that the individual earned the most money. To calculate the amount of benefit, 55% is multiplied by the best weeks' insurable earnings divided by the number of best weeks. The number of best weeks depends upon the regional rate of employment and is taken from Table III.

Table III
Benefit Rate Calculation Period

Regional Rate of Unemployment	Divisor (Number of Best Weeks)
0% to 6%	22
6.1% to 7%	21
7.1% to 8%	20
8.1% to 9%	19
9.1% to 10%	18
10.1% to 11%	17
11.1% to 12%	16
12.1% to 13%	15
13.1% or more	14

Example A—Regular Benefits

Ayesha applies for EI regular benefits after working full-time for a full year (52 weeks) in a region where the unemployment rate is 13.1%. Her number of best weeks will then be 14. Her total earnings over those 14 weeks were $10,400.

To calculate her EI regular benefit, determine her weekly average insurable earnings by dividing $10,400 by 14. The result, $743, is then multiplied by 55%. Ayesha's EI regular benefit will be $409.

Example B—Regular Benefits

Prashant applies for EI regular benefits after working 18 weeks during the previous 52 weeks in a region where the unemployment rate is 6.1%. His number of best weeks based on his regional rate of unemployment will then be 21 (even though this is longer than his period of work). His total earnings over his period of work were $9,000. To calculate his EI regular benefit, determine weekly average insurable earnings by dividing $9,000 by 21. The result, $429, is then multiplied by 55%. Prashant's EI regular benefit will be $236.

Family Supplement

Low-income families may be eligible to receive the EI family supplement. To qualify, the family income must be less than a predefined level, and the unemployed person's spouse must receive the Canada Child Benefit. The amount of the supplement is dependent on the number of children in the family and their ages. At most, the family supplement may increase the EI regular benefit rate to 80% of the individual's average insurable earnings.

Special Benefits

The amount of EI special benefits (sickness, maternity, parental, compassionate care and caregiving) are determined using the same formula as for EI regular benefits with a rate of 55% of average insurable earnings, up to the maximum benefit. As noted above, individuals can elect to receive extended parental benefits, in which case the benefit level is reduced to 33%, and the weekly maximum is adjusted accordingly.

Under QPIP, the basic plan provides maternity and paternity benefits equal to 70% of average weekly earnings. It also provides parental and adoption benefits of 70% of average weekly earnings for the initial 7-week period of parental leave and 25-week period of adoption leave. Benefits of 55% of average weekly earnings are available for the last 25 weeks of parental or adoption leave, Benefits under the QPIP "special plan" are paid at 75%.

Deductions From Benefits

Income earned by an individual who is receiving EI benefits will reduce the amount of the EI benefit payable to the claimant and/or affect the start date of the EI benefit. The types of earnings, their definitions, and the time periods to which EI allocates earnings are very detailed and complicated, but generally fall into two categories as follows:

(a) Earnings allocated to the one-week waiting period. The amount of these earnings is deducted dollar for dollar from benefits payable in future weeks of payable benefits.

Examples are separation payments that are known in advance such as severance pay and vacation pay. For example, receipt of 12 weeks of severance pay received in a lump sum or paid weekly will delay the start of regular benefits for 12 weeks.

(b) Other types of earnings such as return-to-work and callback pay, wages or salary and commission resulting from employment, self-employment earnings, and most pensions payable from Canada/Québec Pension Plans and employer-sponsored pension and retirement savings plans. These types of earnings either delay the start date of EI benefits or are deducted from those benefits.

While collecting regular, parental, maternity, sickness, compassionate care or caregiving benefits, claimants can keep 50¢ of benefits for every dollar earned, up to 90% of the claimant's weekly earnings (approximately 4.5 days of work). Earnings above this threshold are deducted from EI benefits, dollar for dollar.

For example, John was laid off when the grocery store where he worked shut down. His weekly earnings at the grocery store were $500, so his weekly EI benefit rate is $275 (55% of $500). He has found a part-time job at a restaurant, where he works three days a week and earns $300 per week.

As a result, his $275 in EI benefits are reduced by $150 or 50 cents for every dollar he earns at the restaurant ($300 ÷ 2 = $150). This brings his total EI benefit to $125 ($275 - $150 = $125). In the end, John takes home $125 per week in EI benefits plus his part-time wages of $300, for a total of $425.

Taxation of Premiums and Benefits and Repayment of Benefits

All EI benefits are subject to income tax. An employer's premium contributions are deductible from its taxable income. Employee premium contributions give rise to a tax credit to the employee.

An individual whose annual net income for the taxation year (including EI benefits) exceeds 1.25 times the maximum yearly insurable earnings must repay some or all EI benefits received. This "clawback" amount is the lesser of 30% of benefits received or 30% of income exceeding 1.25 times the maximum yearly insurable earnings. Repayment is made at income tax time as part of the claimant's tax filing.

Benefit repayment does not apply to:

(a) Special benefits

(b) Regular benefits paid to individuals who received less than one week of regular benefits in the previous ten years.

Integration With Group Benefit Plans

EI-Approved Wage Loss Replacement Plans

Many employers sponsor wage loss replacement plans to provide some income replacement for employees who suffer an illness or injury and are absent from work for relatively short durations. Examples of these plans are Short-Term Disability (STD)/ Weekly Indemnity (WI) plans and cumulative sick leave plans. (Note that the EI website uses the term Short-Term Disability plans to encompass STD/WI and cumulative sick leave plans).When one of these plans exists, it pays benefits first and then EI would pay the benefits should the employer-sponsored benefits be exhausted, but disability continues. In this way, the cost to the EI program is lower. For this reason, EI provides reduced EI premiums for qualifying employer-sponsored plans.

In order to qualify for EI premium reduction, an employer-sponsored wage loss replacement plan must:

(a) Provide at least 15 weeks of benefits for short-term disability.

(b) Match or exceed the level of benefits provided under EI.

(c) Pay benefits within 8 days of illness or injury (i.e., the elimination period cannot exceed 7 days).

(d) Provide coverage to new employees within 3 months of hiring, or, if an hour-bank system is in place, after 400 hours of active employment. (An "hour bank system" is a method of banking or crediting the hours worked to a person's account and then drawing out the required hours at each determination date in order to establish or maintain the person's eligibility for benefits.)

(e) Cover employees on a 24-hour-a-day basis (i.e., regardless of whether the employee is at work or if they are injured while working at a second job).

(f) Include evidence of the employer's commitment to the short-term disability plan (i.e., written confirmation of the plan).

(g) Ensure that at least 5/12 of the EI premium reduction will be returned by the employer to covered employees.

A wage loss replacement plan is allowed to contain limitations to the payment of benefits that will not prevent the employer from qualifying for an EI premium reduction. It is acceptable that wage loss replacement benefits are not paid to an employee:

(a) Who is not under the care of a licensed physician

(b) Whose illness or injury is covered under WC or CPP/QPP

(c) Whose illness or injury is intentionally self-inflicted

(d) Whose illness or injury results from service in the armed forces

(e) Whose illness or injury results from war or participation in a riot or disturbance of the public order

(f) Whose illness or injury occurs while on leave of absence or on paid vacation

(g) Who is receiving EI maternity, parental, compassionate care or caregiving benefits

(h) Whose illness or injury is a result of committing a criminal offence

(i) Who is engaging in employment for a wage or profit while receiving disability benefits

(j) Who is ill or injured while unemployed during a strike or lockout, provided the right to benefits is reinstated on return to work

(k) Who is in prison

(l) Who is outside Canada

(m) Whose illness results from the use of drugs or alcohol, and who is not receiving continuous treatment for use of these substances

(n) Whose illness or injury results from a motor vehicle accident covered under a provincial plan that does not take income benefits payable by EI into account when paying benefits

(o) Who receives a retirement pension from the same employer

(p) Who has plastic surgery solely for cosmetic purposes, unless the need for surgery is attributable to an illness or injury

(q) Who receives benefits for a recurring illness or injury under a long-term disability (LTD) plan that contains a reinstatement provision where the reinstatement period does not exceed six months.

STD/WI Plans that qualify for EI premium reduction

STD/WI plans provide benefits in cases of illness or injury through an arrangement set up by an employer (self-insured) or a plan underwritten by an insurance carrier.

To qualify for the EI premium reduction, WI plans must meet the basic requirements established by EI for employer-sponsored wage loss replacement plans, plus:

(a) Benefits must be payable for at least 15 weeks.

(b) In the event of a new disability, full benefits (i.e., up to 15 weeks) must be reinstated no later than one month after the employee returns to work, or in the event of a recurring disability, full benefits must be reinstated no later than three months after the employee returns to work.

Cumulative Paid Sick Leave Plans that qualify for EI premium reduction

Cumulative paid sick leave plans allow employees to accumulate sick leave credits that they can use when they are ill or injured. Some plans may also allow employees to use paid sick leave credits when they remain at home because of pregnancy, to care for a newborn or newly adopted child, or to care for a gravely ill family member or a critically ill child.

Since cumulative paid sick leave plans provide benefits that may overlap with or duplicate EI sickness benefits, they can also qualify for partial premium reduction. To qualify for the EI premium reduction, cumulative paid sick leave plans must meet the basic requirements for employer-sponsored wage loss replacement plans described above, plus:

(a) The plan must provide one or more days of paid sick leave per month of continuous employment and allow for a minimum accumulation of 75 days of credits. If the plan allows, credits may be used for the employee's illness or injury, or for when they remain at home for maternity, parental, compassionate or caregiving purposes.

(b) At least 75 days of credits must be for sick leave only. Sick leave credits that are in excess of 75 days may be used for other absences as noted above, if the plan allows.

(c) For new employees still on probation or temporary employees, the use of paid sick leave credits can be deferred by no more than 12 months from when the employee started employment.

Obtaining EI Premium Reduction

An employer sponsoring a private wage loss replacement plan must apply to ESDC, providing certain documentation. Part of the documentation must be evidence that the employees to whom the premium reduction applies will benefit from the premium reduction in an amount equal to at least five-twelfths of the savings.

If the premium application is made on or before the 15th day of a month, the reduction begins on the first day of the following month, otherwise the reduction begins the first day of the second month following the month of application.

An employer must notify ESDC within 30 days of any changes to its approved income replacement plan. If an employer has changed its plan, it can be determined whether the plan still qualifies for premium reduction.

If the plan is accepted as qualifying for premium reduction, the reduction is given by instructing the employer to use a multiplier lower than the standard 1.4 times employees' EI premiums. The actual multiplier is dependent upon the category of the employer's plan.

Sharing the Premium Reduction

As noted above, to obtain the employer premium reduction, at least five-twelfths of the amount of an employer's premium reduction must be passed on (in some form) to the employees covered by their employer's income replacement plan. (The five-twelfths represents the employee share of the total EI premium where there is no premium reduction.) The intention is to maintain the same ratio of employee cost where there is a premium reduction.

Sharing five-twelfths of the savings with employees can be achieved by providing:

(a) A cash rebate equal to five-twelfths of the savings, divided among the employees. This is treated as employment income, subject to source deductions.

(b) New or increased benefits, including upgrading existing benefits or providing more holidays or time off of work.

Employees or their representatives may negotiate or bargain for a method of sharing and include the terms in a written agreement.

Supplemental Unemployment Benefit (SUB) Plans

The purpose of a SUB plan is to supplement EI benefits during temporary periods of unemployment without affecting the employee's level of EI benefits. The period of unemployment may be due to temporary work stoppage, illness, training, injury or quarantine, and a SUB plan may cover any one or a combination of these causes of unemployment. The employer chooses which types of unemployment it wishes to supplement and, once that is determined, the plan is used exclusively for that purpose.

SUB plans can be registered by the employer with Service Canada in order to offer these advantages:

(a) Employees' weekly earnings during periods of unemployment can be increased without resulting in a deduction from the employee's EI benefits

(b) Payments from a registered SUB plan are not considered insurable earnings, so EI premiums are not deducted. Payments from SUB plans are generally subject to CPP/QPP deductions as well as income tax.

Initial SUB plan registration requires the submission of prescribed documents to Service Canada. To qualify for registration, the SUB plan must meet certain requirements, including stipulated plan provisions and methods of funding. With regard to plan provisions, documents that formalize the SUB plan must:

(a) State the classes of employees covered and the eligibility requirements

(b) Indicate the types of unemployment covered

(c) Indicate that the employee must apply for and be in receipt of EI benefits. Note that the plan may provide SUB payments when an employee is not in receipt of EI benefits, provided the employee is serving the one-week EI waiting period, has insufficient hours to qualify for EI benefits or has exhausted EI benefit entitlement. The employer decides if any of these situations will be covered.

(d) Indicate a start date. There is no minimum or maximum duration.

(e) State how benefit amounts are determined (either as a percentage of the employee's normal weekly earnings or a fixed amount). Weekly SUB payments plus the weekly EI benefit rate applicable to the employee must not exceed 95% of the employee's normal weekly earnings.

(f) Show the maximum number of weeks that SUB plan benefits will be paid. EI regulations do not set a minimum or maximum benefit duration period; however, it must be stated.

(g) Indicate that the employee has no vested right to SUB payments except during periods of unemployment specified in the plan.

(h) Confirm that any changes to the plan will be communicated to ESDC within 30 days of the change.

The plan must indicate the method used to finance the SUB payments. Funding of a SUB plan must be the sole responsibility of the employer and must be done in one of three ways:

1. By making payments from general revenues
2. By making deposits into a trust fund established to provide SUB payments or through an insurance contract. If a trust fund, plan documentation must indicate that, upon plan termination, all plan assets will revert to the employer, be used for ongoing payments under the plan or be used for administration costs of the plan. The plan must indicate that employees have no vested right to SUB payments except during periods of unemployment specified in the plan.
3. If through an insurance contract, by paying 100% of the insurance premiums required to finance the SUB payments.

Reading

B

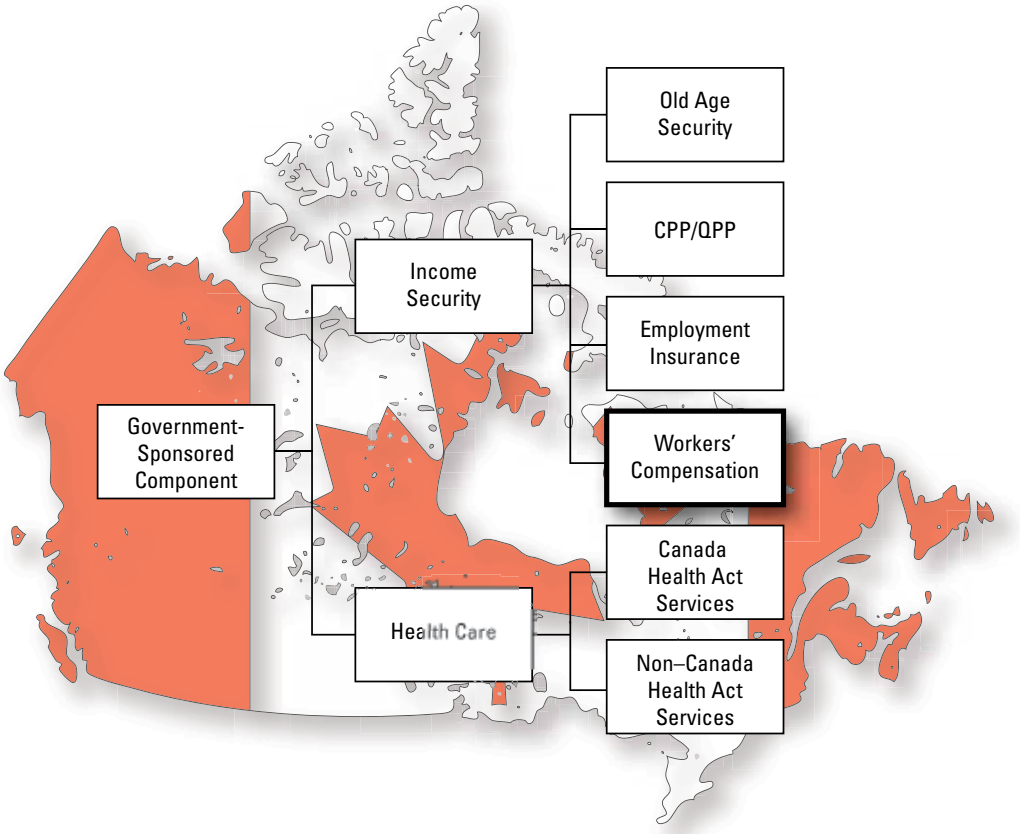
Workers' Compensation (WC)[1]

WC is a liability and disability insurance system designed to protect both workers and employers against the impact of work-related injuries and disease. WC programs provide:

- Wage loss and other disability benefits to workers injured on the job who are unable to work due to a work injury or work-related disease
- Medical aid and rehabilitation to workers injured on the job
- Fatality benefits for survivors of workers killed in the course of their work.

Exhibit I illustrates the role of WC in the social security system.

Exhibit I
Interface of Public and Private Programs in Social Security



1. Developed by the Certified Employee Benefit Specialist® program, Dalhousie University, 2023. Drawn from Association of Workers' Compensation Boards of Canada (AWCBC) website.

Structure of the WC System

In keeping with the principles of exclusive jurisdiction and independent boards, each province and territory in Canada (except for the Northwest Territories and Nunavut, which have combined WC Boards/Commissions) has its own entity or corporation created by their respective act—generally the Workers Compensation Act or a Workplace Health and Safety Act. Note that some industries (e.g., transportation between provinces) are governed by federal legislation, the Canada Labour Code. No WC Board/Commission administers federally regulated OH&S.

These workers' compensation organizations (often called WC Boards/Commissions) are responsible in their own jurisdiction for the administration of WC. They collect contributions from employers and pay benefits from the fund for work-related injury and disease. They operate on a nonprofit basis. Some WC Boards/Commissions also have responsibility for the administration of the provincial occupational health and safety legislation.

Under WC legislation, Boards/Commissions have exclusive jurisdiction to deal with all matters pertaining to injuries that arise "out of or in the course of employment." Generally, WC Boards/Commissions decide the level and nature of "adequate compensation" for all work-related injuries, determine whether workers or their dependents are entitled to compensation and rehabilitation, administer claims, adjudicate claims and disputes, and establish regulations and appeal procedures for operating the WC program, including the form and use of payrolls, records, reports, certificates, declarations and documents. They determine, review and approve operating and capital budgets and develop contribution and investment policies to ensure adequate funding of WC. Their authority to decide questions of fact regarding benefit claims may include weighing opposing medical or other expert opinions.

The fact of provincial jurisdiction for WC legislation means that—unlike Canada Pension Plan (CPP), Old Age Security (OAS) and Employment Insurance (EI)—across Canada there is variance among WC programs in almost every aspect of their operation. Each jurisdiction sets its own benefits payable, benefit amounts (including minimums and maximums), waiting periods for benefits and assessment rates (also called premium rates).

All WC Boards/Commissions must report annually to their respective Lieutenant Governor or Minister. While reporting requirements vary by jurisdiction, annual reports address such items as fund assets; actuarial reviews of the assessment rates and liabilities of the fund; and financial and management practices, plans and policies.

As with workers and employers, there is no right of action against the WC Boards/Commissions or their employees responsible for WC programs.

WC in Canada had its beginnings in the province of Ontario. In 1910, Justice William Meredith was appointed to a Royal Commission to study WC. His final report, known as the Meredith Report, was produced in 1913. The Meredith Report outlined a trade-off in which workers relinquished their right to sue in exchange for compensation benefits provided through an employer-funded system. Meredith advocated for no-fault insurance, collective liability, independent administration and exclusive jurisdiction. The system exists at arm's length from the government and is shielded from political influence, allowing only limited powers to the Minister responsible.

There were five basic principles to the original WC laws—principles that have survived, to a greater or lesser extent, as follows:[2]

1. No-fault compensation. Workers are paid benefits regardless of how the injury occurred. The worker and employer waive the right to sue. There is no argument over responsibility or liability for an injury. Fault becomes irrelevant; providing compensation is the focus.
2. Collective liability. The total cost of the compensation system is shared by all employers. All employers contribute to a common fund. Financial liability is their collective responsibility. Workers do not contribute to the fund.
3. Security of benefits. A fund is established to guarantee that funds exist to pay benefits.
4. Exclusive jurisdiction. Only the workers' compensation organizations provide workers' compensation insurance. The board (or commission) in each jurisdiction is the decision maker and final authority for all claims.
5. Independent administration. The organizations that administer workers' compensation insurance are separate from government (autonomous, nonpolitical and financially independent).

Injuries covered under WC include:

(a) Traumatic injuries that happen suddenly, causing trauma to the body (e.g., broken bones, severe cuts and burns)

(b) Injuries caused by repeated activities, including strains or sprains caused by doing the same activity over and over again (e.g., tendonitis caused by word processing job duties)

(c) Occupational diseases caused by some conditions at the worksite (e.g., respiratory problems caused by exposure to chemicals at the worksite)

2. https://awcbc.org/en/about/workers-compensation

Quid Pro Quo

The term "quid pro quo" (something for something) has been used to describe the underlying foundation of WC legislation. Employers accepted collective liability and were no longer individually liable for work-related accidents and disease, whereas employees gave up the right to sue the employer and accepted compensation as provided for in the legislation through a system fully funded by employers. As a result, an employee has no right of action against an employer or another employee in an industry covered under WC for an injury that occurs while in the course of employment. The employer, likewise, has no cause of action. Note that this arrangement is often referred to as the historic compromise—Employees give up the right to sue in exchange for employers agreeing to fund the system.

Funding of WC

WC Boards/Commissions are funded directly by contributions made by employers covered under the WC plan, not by government.

Employer contributions to WC (also called premiums) are generally wage-related, calculated as a rate per $100 of assessable earnings. This rate per $100 is called the "assessment rate" or "premium rate" depending on the jurisdiction. For the purpose of this reading, assessment rate is used. Assessment rates vary by jurisdiction (e.g., the rate for a given year may be $1.68 per $100 of assessable earnings in Jurisdiction A and $2.50 per $100 in Jurisdiction B) and can vary by employer within a jurisdiction. Many factors are used in determining the assessment rates, and these are described later in this reading.

An employer's contribution/premium is determined by multiplying its "assessable earnings" by its assessment rate. Assessable earnings generally include most types of income. All jurisdictions include regular salary or wages, overtime, gratuities, commissions, bonuses, advances of future earnings and vacation pay in determining assessable earnings. Many jurisdictions include earnings in the form of profit sharing, paid layoff, maternity or sabbatical leave, taxable benefits and the employer's contribution to employee benefits.

All jurisdictions set their own maximum assessable earnings (i.e., the amount of earnings a WC Board/Commission will insure). Maximum assessable earnings limit the payroll amount reported by employers for the purpose of calculating WC premiums as well as limit earnings loss benefits for injured employees in most jurisdictions. For example, assume maximum assessable earnings are $65,000 in Jurisdiction A and $55,000 in Jurisdiction B. In Jurisdiction A, if an individual has $85,000 in earnings the employer reports $65,000 for computing that employee's WC premiums. In Jurisdiction B, if an individual has $85,000 in earnings the employer reports $55,000 for computing that employee's WC premiums. Some jurisdictions also set their own minimum annual assessment (a dollar amount).

Employer WC premiums (computed by multiplying the total assessable payrolls of participating employers by their assigned assessment rate) are collected in a general fund used to pay the benefits to injured or disabled employees and to cover the general administration costs of the WC Board/Commission and the costs of associated agencies such as OH&S administration, appeals tribunals and advocacy groups. In addition, some jurisdictions maintain separate funds (i.e., separate from the general fund) for specific purposes such as a second injury fund or a disaster fund.

Eligibility for WC Benefits

Participation in WC is compulsory for many employers. With allowances for minor variance among jurisdictions, the definition of "employer" includes every person having in their service, under a contract of hire or apprenticeship, any person engaged in work in or about an industry. Such an employer must contribute to the WC fund, and its employees are eligible for benefits if injured. An employee's right to compensation is in place legally regardless of whether an employer has registered as required.

Each jurisdiction exempts certain industries and occupations from WC participation, and since these vary by jurisdiction, each jurisdiction's legislation should be consulted when determining employer participation requirements. Employers in most exempt industries or occupations may voluntarily apply to have employees covered.

In addition to exempt industries and occupations, some jurisdictions require a minimum number of employees for compulsory participation. Persons who are self-employed or involved in a partnership may apply for optional personal coverage as an individual under special application rules, which include selecting a desired level of coverage.

Self-Insurers

A WC Board/Commission may designate certain employers as being individually liable; these are called "self-insurers" or "deposit employers." These employers are not part of the collective liability pool of employers and do not pay WC assessment rates on their payrolls. Generally, self-insured employers are limited to federal and provincial governments or public agencies, crown corporations and large public interprovincial transportation organizations (e.g., shipping, airlines and railways). WC Boards/Commissions generally administer claims for work-related injury and disease for self-insurers (e.g., federal government employees who are governed under the Federal Employees Compensation Act). These employers reimburse the WC Board/Commission monthly for the cost of benefits provided to their insured employees and pay an administration fee for this service. They may also be asked to maintain a deposit or a guarantee with the WC Board/Commission to cover such costs and expenses.

Determination of Assessment Rates

Each WC Board/Commission sets its own assessment rates to be applied to the payrolls of participating employers. Several factors can influence assessment rates, such as recent accident cost experience in each industry class, the financial position of the WC Board/Commission, prevailing economic and labour conditions and current adjudication policies. Each WC Board/Commission has its own unique method of calculating the amount of premiums to be collected from employers to fund the program that reflects its own situation. Assessment rates cannot be compared from one jurisdiction to another; however, each year's assessment rates must generate enough funds to contribute toward any funding deficiencies from previous years' assessments; all current costs; reserves for compensation payable in future years, so as not to burden employers unduly or unfairly in the future; some or all of the expenditures for safety prevention; and all administrative requirements for the WC Board/Commission and related organizations such as appeal tribunals and advocacy groups.

All jurisdictions estimate an average assessment rate for the coming year. However, employers do not simply pay the average assessment rate in their jurisdiction since the risk of injury and associated costs vary by industry. There is a significant range between the highest and lowest assessment rate in each jurisdiction. Employers' actual assessment rates depend on:

(a) The industry classification of each employer

(b) Whether the WC Board/Commission applies experience rating to that employer

(c) The existence of any safety-based program incentives in place in the jurisdiction.

Industry Classification

Industry classification is a determination of an employer's type of operation and industry designation. The inherent occupational risk for every industry/occupation varies. As occupational danger increases so does the risk of employee injury. Within their mandates, WC Boards/Commissions have the power to group industries according to their hazard potential.

The North American Industry Classification System (NAICS) Canada from Statistics Canada is used by some WC Boards/Commissions as the basic framework for classifying employers and assessing occupational risk. NAICS divides the economy into 20 sectors. See Table I. Industries within these sectors are grouped according to production criterion, and then each sector is broken down into subsectors (e.g., agriculture, forestry, fishing and hunting is made up of five subsectors and 19 industry groups, and health and social assistance is made up of four subsectors and 18 industry groups).

Table I
North American Industry Classification System (NAICS) Canada

Agriculture, forestry, fishing and hunting	Wholesale trade	Real estate and rental and leasing	Health care and social assistance
Mining, quarrying, and oil and gas exploration	Retail trade	Professional, scientific and technical services	Arts, entertainment and recreation
Utilities	Transportation and warehousing	Management of companies and enterprises	Accommodation and food services
Construction	Information and cultural industries	Administrative and support, waste management and remediation services	Public administration
Manufacturing	Finance and insurance	Educational services	Other services (except public administration)

Other WC Boards/Commissions have their own internally developed classification systems, which are based on the NAICS classifications. Normally those jurisdictions simply "map" their own information over to the NAICS framework.

Jurisdictions have their own processes to combine individual industrial classifications (i.e., classification units) into larger rate groups. A "rate group" consists of multiple classification units (or a single large one) that are grouped for the purpose of setting assessment rates. A rate group typically includes industry codes that are similar in nature, but it often includes unrelated industries grouped on the basis of risk. Practices vary across jurisdictions with regard to use of categories and grouping of employers within industry classes. For example, Prince Edward Island uses six "classes," which reflect its major economic sectors. Then it further divides the industries into industry groups, and within those are 18 rate groups. Saskatchewan uses ten "sectors/classes," and within those ten sectors/classes, there are 33 industry groups and 50 rate groups.

Experience Rating

A key factor in determining an individual employer's WC assessment rate is whether a WC Board/Commission applies experience rating to that employer. Experience rating by WC Boards/Commissions is similar to the approach taken by insurers when establishing premium rates for privately sponsored group disability and health programs.

"Experience rating" means that the assessment rate is impacted by the dollar amount of claims and/or the number of claims made by that particular employer in previous year(s). Experience rating generally shifts a greater degree of the responsibility for paying for WC

costs from an industry classification group as a whole to the particular employers within the group that are actually incurring the costs. Almost all jurisdictions have experience rating programs, which may take into account an employer's actual WC claims experience in relation to that of the projected costs or in relation to performance of other companies in its industry classification.

If a WC Board/Commission applies experience rating to assessment rate determination, an individual employer's assessment rate may increase or decrease based on how many work injuries/diseases (resulting in paid WC claims) have occurred at the employer's place of business. Experience rating may be either prospective or retrospective depending on the jurisdiction.

"Prospective" experience rating systems consider an employer's past experience (i.e., number of claims and/or dollar amounts of claims) relative to its rate group, leading to discounts or surcharges on future rates. "Retrospective" experience rating systems provisionally assess an employer based on expected experience and then, at year-end, compare expected with actual past experience and provide premium rebates or surcharge billings based on actual results.

Table II

If an employer's WC claims experience was:	Prospective experience rating provides an:	Retrospective experience rating provides an:
Positive—i.e., claims and/or costs were less than expected or less than those of other employers in its industry classification	Assessment rate discount	Assessment premium refund at year-end
Negative—i.e., claims and/or costs were greater than expected or more than those of other employers in its industry classification	Assessment rate surcharge	Assessment premium surcharge at year-end

Incentive Safety Prevention Programs

Some WC Boards/Commissions offer incentive programs that help employers meet their prevention responsibilities and build healthy and safe workplaces.

Once such program is the Health and Safety Excellence program operated by the Ontario Workplace Safety and Insurance Board (WSIB). This voluntary program operates with the goal of increasing workplace safety; through completion of approved health and safety training activities participating employers are able to quality for premium rebates and can be recognized for their commitment to health and safety.

In Québec the CNESST (Commission des normes, de l'équité, de la santé et de la sécurité du travail) is responsible for administering the WC system. Small- and medium-sized employers in Québec can join a prevention mutual group (PMG)—a grouping of employers recognized by the CNESST for the common purpose of preventing occupational injury and encouraging the rehabilitation and return to work of employees who have suffered an accident. Employers within a PMG are collectively assessed a rate that takes their occupational safety and health performance into consideration. Like an insurance pool, the larger combined payroll of a PMG can result in savings on CNESST contributions as well as offer support in all areas of occupational health and safety.

WC Benefits

Monies paid or services available to injured employees or their dependents by WC Boards/Commissions in relation to a compensable injury or condition are generally known as "WC benefits."

Terminology used to describe benefits, benefit amounts and terms of payment vary; however, general categories of benefits and the basis of compensation determination are basically the same across jurisdictions:

(a) All jurisdictions offer temporary disability benefits, permanent disability benefits, fatality and dependent benefits, rehabilitation benefits and medical aid/health care–related benefits.

(b) Jurisdictions use one of two alternative definitions of earnings in the calculation of wage loss benefits. Benefits may be calculated as a percentage of an employee's (1) net eligible earnings or (2) gross eligible earnings. Most jurisdictions use net eligible earnings to calculate benefits. Net eligible earnings are gross earnings less EI contributions, CPP or Québec Pension Plan (QPP) contributions, and probable income tax deductions based on appropriate tables from the current or preceding year. An employee's average earnings in the employment where the injury occurred are generally determined by reference to the past 12 months. Since a large number of individuals will not have worked for an employer for 12 months, other ways of establishing earnings are sanctioned.

(c) Each jurisdiction sets its own waiting period before benefits are paid and determines whether the employer is required to pay the employee for the day of injury and/or the period after injury.

In most jurisdictions, there is no waiting period, and employers are not required to pay for the period after injury. About half of jurisdictions do not require the employer to pay the employee for the day of injury.

Temporary Disability Benefits

All jurisdictions provide wage loss benefits for temporary disability. The disability may be assessed as either total temporary or partial temporary.

Eligibility

Generally, an employee is eligible for total temporary disability benefits when there is medical evidence that the work-related injury has resulted in temporary work restrictions that prevent the employee from resuming preaccident employment or other suitable employment.

Generally, an employee is eligible for partial temporary disability benefits when medical evidence indicates they have compensable temporary work restrictions but are physically and medically capable of returning to a modified version of the preaccident job or another suitable job.

Amount of Benefits

Total temporary disability benefits are based on a percentage of gross earnings or of net earnings, depending on the jurisdiction.

Partial temporary disability benefits are calculated as a proportionate part of an employee's net or gross earnings, depending on the jurisdiction, based on the difference between the employee's preaccident and post accident earnings. In many cases, employers pay employees their full salary if they return to temporary modified duties, in order to minimize the WC benefits paid and mitigate the impact on their experience rating.

Duration of Benefits

Total temporary disability benefits are payable for as long as the compensable total temporary disability lasts, generally until:

(a) Medical evidence indicates the employee is considered fit to return to suitable employment.

(b) The employee's remaining disability is considered to be permanent.

(c) The employee dies.

Exceptions would typically be made if the period of an employee's disablement is prolonged through no fault of the employee, due to factors like the unavailability of a hospital bed or other treatment facility, the unavailability of suitable modified work or the existence of a concurrent condition. (A "concurrent condition" is a noncompensable condition that exists at the same time as a compensable disability).

Partial temporary disability benefits are generally payable until:

(a) The employee is fit to work at a level of earnings equal to or greater than the preaccident earnings.

(b) The employee's medical condition stabilizes, and they are assessed for long-term/permanent disability benefits.

(c) The employee's medical condition deteriorates and results in a further period of temporary total disability.

(d) The employee dies.

Permanent Disability Benefits

Should an employee's disability be considered permanent, most jurisdictions provide two types of compensation intended to provide fair compensation: (1) economic loss awards (i.e., future loss of earnings) and (2) noneconomic loss awards (i.e., loss of enjoyment of life resulting from permanent impairment). Benefit terminology, practice and amounts of awards vary by jurisdiction, but the intent of the two types of awards is the same.

(1) Economic loss awards recognize ongoing disability or the impact a work-related injury/illness may have on an employee's capacity to earn wages through monthly payments. "Disability" is a person's decreased capacity or loss of ability to meet the demands of the job. This is measured as a loss of earnings capacity resulting from workplace injury.

For example, Olu had a knee injury that resulted in a permanent restriction in the range of movement in his knee. Through an independent medical examination (IME), it was determined that Olu had a clinical impairment. He was compensated through a one-time noneconomic loss award (discussed above). The knee injury prevented Olu from doing the same work he did before the accident; the WC Board/Commission considers him to have a permanent work restriction. The work restriction prohibits Olu from earning the same wages he earned at the time of his accident, and Olu will receive a monthly economic loss payment to make up for the difference between his earning potential when he was injured and his earning potential after his injury. Employees who have not returned to any employment often have "deemed" (i.e., assumed or estimated) earnings used in the calculation of permanent benefits.

Depending on the jurisdiction, Olu's economic loss payment may vary due to indexing using the cost-of-living adjustment (COLA).

(2) Noneconomic loss awards recognize permanent clinical impairment, typically through a one-time lump-sum payment. "Clinical impairment" is the loss of a body part or the loss of use of a body part, system or function. The degree of clinical impairment is measured by an independent doctor at the point of maximum medical recovery.

For example, Sarah sustained a back injury on the job that required surgery, and this resulted in a permanent restriction in her range of back movement. The impairment was assessed at 10% of full body function. This 10% clinical assessment resulted in a one-time cash payment of 10% of the maximum noneconomic loss award legislated in her WC jurisdiction.

Rehabilitation Benefits

WC Boards/Commissions provide rehabilitation services and programs to employees injured on the job to return them to their preinjury health and to get injured employees back to work. Most Boards/Commissions take a broad view of rehabilitation and are able to take whatever measures are considered necessary to get an injured employee to return to the same, similar or suitable work and to lessen or eliminate any handicap resulting from the accident. They include reimbursement of costs and expenses of a vocational or rehabilitation program designed to reestablish, as much as possible, an employee's preaccident earnings profile or maximum earnings potential and, if applicable, physical, social and psychological services.

Table III

Types of Vocational Rehabilitation Services Provided			
Work assessment	Tuition, books and supplies	Ergonomic services	Formal and academic training assistance
Work hardening	Placement services/ job search assistance	Tools and equipment for a new job	Worksite or workstation modifications
Training on the job	Employer subsidies	Transportation	
Types of Additional Services Provided			
Relocation assistance	Self-employment coaching	Residence adaptation/ modification	Vehicle adaptation/ modification
Psychological/ social counselling	Childcare services	Home-care services	Legal services
Financial counselling	Home maintenance	Personal care allowance	

Return-to-Work (RTW) Process

An employee's doctor and other health care providers send progress reports to the adjudicator or case manager. The adjudicator or case manager uses these reports, and other information they may request, to determine when an employee is fit to work. The WC Board/Commission works with the employer to determine if there are other jobs the employee can do while recovering. This might mean working fewer hours or performing fewer or entirely different tasks. Depending on the type of work the employee returns to, the WC Board/Commission can reduce or stop benefits.

There may be situations where an independent medical examination (IME) is warranted. An IME answers specific medical questions about a work-related injury/illness. These might include:

(a) Is the employee's condition permanent or temporary? Will the employee's condition change/improve over a reasonable period of time?

(b) Is there any permanent disability (lasting effects) from the injury/illness?

(c) Can the employee return to the same type of work they were doing before the injury/illness?

(d) Is there anything else that should be done to confirm the diagnosis or further treatment that may be required?

The IME can occur at any time during the employee's recovery. It may take place soon after the injury/illness, after recovery or after the employee goes back to work. A medical examination to decide whether the employee has a permanent impairment is done after a period of treatment from the employee's doctor, when the injury/illness has stabilized, and the employee has reached maximum medical recovery.

Either a general practitioner or a specialist conducts the examination. The physician is selected based on expertise in the type of injury/illness experienced by the employee. The physician performing the exam reviews the history of the employee's injury/illness, examines them, and reports to the employee's general practitioner and the WC Board/Commission. The examiner will not treat the employee; treatment recommendations are shared with a family physician who may review them with the employee.

A neuropsychological assessment is arranged when a head injury or other neurological injuries are identified. A psychologist who specializes in neuropsychological testing usually conducts the assessment. It includes tasks and questions that examine memory, intelligence, problem-solving skills, attention and concentration, and personality. Following the assessment, treatment recommendations may be communicated to the family physician who may review them with the employee.

Work assessment centres provide a detailed evaluation of the medical and rehabilitation treatment required to successfully return to work. Assessment at these centres can take up to two days. Depending on their needs, an employee may be seen by a physician, an occupational therapist, a physical therapist and/or a psychologist. Based on the results of the employee's assessment, recommendations regarding the rehabilitation services required are communicated to the family physician and case manager.

The adjudicator or case manager will contact the employee to set a date for return to some type of work. When the adjudicator or case manager finds the employee medically fit to return to work, they are expected to try to find and return to a suitable job. If the employee decides they are not going to return to work, the WC Board/Commission can reduce or stop benefits. If the employee cannot return to work because of a poor job market or another reason not related to their injury, WC benefits may not cover them. In this situation, the employee may need to apply for EI benefits.

If medical information suggests the employee will likely return to their preaccident occupation, vocational services may not be considered. However, if the employee has temporary restrictions, the case manager will discuss the possibility of modified work with the employer. Modified work promotes an early and gradual return to preaccident employment.

If medical information suggests the employee is unlikely to return to the preaccident occupation, the case manager will help the employee assess their job future with the employer. Following the assessment, the case manager may also discuss a change of occupation with a new employer.

Responsibilities for employers, employees, the WC case manager and health care providers during the RTW process are as follows:

1. Employers
   (a) Maintain contact with the injured employee.
   (b) Offer meaningful transitional duties or other suitable work if an employee is unable to return to their original job.
   (c) Communicate and collaborate with all RTW partners.

2. Employees
   (a) Provide WC with complete, accurate and timely information.
   (b) Take all reasonable steps to reduce or eliminate any permanent impairment or loss of earnings resulting from an injury.
   (c) Participate in any medical aid or health care treatment to promote recovery.
   (d) Notify WC immediately of any change that may affect a claim, including return to work.

(e) Undergo a health care assessment or medical examination, if requested by WC or the employer under appropriate circumstances (e.g., the employee agrees, the employer has a contractual right under an employment or collective agreement, legislation allows it, in order to satisfy its duty to accommodate and the employer has a reasonable and bona fide reason to question the adequacy and reliability of information provided by the employee's expert)

(f) Actively participate and cooperate in the RTW program.

3. WC case manager
   (a) Objectively and fairly weigh evidence and make claim decisions in a timely manner.

   (b) Administer health care and earnings replacement benefits.

   (c) Assist in the development and management of RTW plans.

   (d) Coordinate and monitor the success of required health care and rehabilitation services.

   (e) Communicate and collaborate with all parties involved in the RTW planning process.

   (f) Manage employee and employer expectations.

4. Health care service providers
   (a) Provide services to injured employees to assist with their recovery and help them safely return to work in a timely manner.

   (b) Identify issues and barriers influencing RTW plans and make recommendations to address these issues.

   (c) Manage the injured employee's recovery expectations.

Medical Aid/Health Care–Related Benefits

Most WC acts contain a definition of "medical aid" (called "health care" in some jurisdictions) that outlines what will be paid for under this benefit category. Common medical benefits include medical and other services provided by licensed practitioners (e.g., physicians, dentists, physiotherapists, chiropractors and optometrists), drugless practitioners (i.e., any doctor or practitioner who practices drugless therapies or methodologies), hospitalization, drugs and dressings, x-rays, artificial appliances and ambulance transportation. All boards/commissions have the authority to pay for items or treatment not specifically mentioned in their definitions. Definitions of need, type and amount of treatment as well as the fee for all medical aid provided rests with the WC Board/Commission. All medical aid costs associated with workplace injuries and illnesses under a WC Board/Commission's jurisdiction are paid through employer assessment premiums, not through general government revenues like non-work-related medical expenses.

Fatality and Dependent Benefits

If an employee dies due to a work injury/disease, their dependents may be eligible to receive fatality and dependent's benefits. These can include immediate lump-sum payments, monthly benefits and funeral costs. The surviving spouse (either by marriage or common-law) receives a monthly pension based on the spouse's age and the deceased employee's earnings and date of death. In most jurisdictions, the spouse also receives a lump-sum payment. Dependent children receive monthly benefits until the age of 18 (or later if they are attending an accredited educational institution). The variety of dependent benefits varies significantly, depending on the jurisdiction.

Tax Treatment/Assignment of Benefits

Benefits are not taxable to recipients, assignable or attachable, except in Québec, where up to 50% of the income replacement benefit may be garnished to pay alimony. Employer contributions are deductable from income.

Indexation of Benefits

All jurisdictions adjust some or all benefits periodically, some on the basis of Consumer Price Index (CPI) and others with legislated improvements.

Privacy of Information

The WC Act gives the WC Board/Commission authority to collect relevant personal information from a claimant and other sources. This information is placed in a claimant's file to help the WC Board/Commission determine benefits and services. An applicant's personal information is protected under the various WC Acts and the Freedom of Information and Protection of Privacy Act. It cannot be released without the applicant's consent. However, the WC Board/Commission is allowed to share some general personal information with other government departments or agencies such as EI or Community Services. Both the applicant and employer have an interest in an injured employee's claim with similar rights to receive fair and equal treatment. An applicant and the employer can access information in the applicant's claim file. The employer does not have to receive an applicant's consent to view the file or obtain a copy, though some personal information, such as medical reports, may not be provided to an employer.

Optimizing Canada's Social Security System—Health Care

Module 4

This module looks at government-sponsored health care. There are three main categories of government-sponsored health care:

1. Services defined under the Canada Health Act (CHA) as insured health care services that must meet all nine requirements of CHA (i.e., the five criteria, two conditions and two provisions)
2. Services defined under CHA as extended health care services that must meet only the two conditions of CHA, which in essence means that they are provided at provincial/territorial discretion, on terms and conditions that vary from one province and territory to another
3. Services outside the scope of CHA that are provided at provincial/territorial discretion, on terms and conditions that vary from one province and territory to another.

The federal government's role in the provision of health care services primarily involves the transfer of funds to provinces and territories and ensuring that the requirements of CHA are met. The administration (i.e., management and delivery) of all three categories of health care services is the responsibility of each individual province and territory.

To qualify for federal funding, all provinces and territories provide insured health care services as defined under CHA, in adherence with the nine CHA requirements. For political, social, economic and budgetary reasons, the range, terms and conditions of extended health care services defined under CHA must only meet the two CHA conditions, and supplementary services (entirely outside CHA) vary significantly by jurisdiction. Coverage is not necessarily at full cost; provincial/territorial health care plans supplement private health care insurance and private payment. Coverage for most of these services is limited to certain segments of the population—usually seniors, children or social assistance recipients.

This module provides an overview of government-sponsored health care, as well as details of services, administration and payment for services. The focus is on common situations. Candidates should refer to the related legislation as specific applications arise in the workplace.

Assigned Reading

Reading A
Canada's Government-Sponsored Health Care System, Study Guide
Module 4, Pages A-1 to A-28

Professional Enrichment Resources

Canada Health Act Annual Report
Issued by Health Canada and the federal Minister of Health. Chapters 1 and 2.

https://www.canada.ca/en/health-canada/services/publications/health-system-services/canada-health-act-annual-report-2021-2022.html#c1. *Professional enrichment resources are not tested on the national examination.*

Why Read This?
This report is released annually, and provides an overview of the Canada Health Act, and provides details of how each province and territory's health plan aligns with each of the principles of the Canada Health Act.

Learning Outcomes

1. Describe the constitutional basis underlying the Canadian health care system and the roles of various jurisdictions within that system.
2. Explain in general terms the types of health care available in Canada.
3. Outline the requirements of the Canada Health Act (CHA) and the impact of those requirements upon the design of the overall health care system.
4. Describe the compliance measures included in CHA and the extent to which these measures are utilized.
5. Describe the types of health care covered, and not covered, by Canada's public health care system.
6. Outline different types of Canadian health care providers and how they are reimbursed for their services.
7. Identify the system of financing that is in place in Canada for various types of health care.

Outline of Knowledge

A. Constitutional arrangements for Canadian health care
    1. National principles of Canada Health Act (CHA)
    2. Provincial/territorial design and delivery
    3. Cost sharing between jurisdictions
    4. Single payer

B. Levels of available health care
    1. Primary health care services
    2. Secondary health care services
    3. Supplementary health care services

C. CHA requirements
    1. Program criteria
    2. Definitions of insured services and persons
    3. Treatment of jurisdictions allowing extra billing and user charges
    4. Penalty provisions

D. CHA administration and compliance
    1. Clarification of federal interpretation of CHA
    2. Canada Health Act Division (CHAD) activities
    3. Compliance approach

E. Federal government responsibilities
    1. CHA responsibilities
    2. Direct delivery
    3. Health protection, regulation, promotion

F. Provincial/territorial government responsibilities

    1. Medically necessary services
    2. Registration and coverage of individuals
    3. Types of insured services
    4. Extended health care services

G. Funding of health care

    1. Taxation
    2. Health care premiums
    3. Payments to providers
    4. Private sources including out-of-pocket payments

H. Reimbursement of service providers

    1. Hospitals
    2. Physicians
    3. Other types of providers

Key Terms

- Canada Health Transfer (CHT)
- Canada Health Act (CHA)
- Medically necessary
- Primary, secondary and supplementary health care services
- Out-of-pocket payments
- Insured health services
- Insured persons
- Excluded persons
- Extended health care services
- Insured hospital services
- Insured physician services
- Insured surgical-dental services
- Excluded health care services
- Public administration
- Comprehensiveness
- Universality
- Portability
- Accessibility
- "Where and as available" rule
- Extra billing
- User charge
- Noninsured health services
- Acute care
- Chronic care
- Participating practitioner
- Nonparticipating practitioner
- Opted-out practitioner

Learning Outcome

1

Describe the constitutional basis underlying the Canadian health care system and the roles of various jurisdictions within that system.

1.1 Describe how national health care responsibilities are divided among the various Canadian legislative jurisdictions. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-2)

The structure of the Canadian public health system results from the constitutional assignment of jurisdiction over most aspects of health care to the provincial government. The system is referred to as a "national" health insurance system in that all provincial/territorial hospital and medical insurance plans are linked through adherence to national principles set at the federal level through the Canada Health Act (CHA). These insurance plans are designed and delivered by the provinces and territories, with the exceptions of health care for certain groups where responsibility lies with the federal government. The overall system is jointly funded by the federal and provincial/territorial governments.

1.2 Compare the federal government's role in health care with the provincial/territorial governments' role. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, pp. A-2 to A3 and A-16 to A-17)

The federal government's role in health care involves:

(a) Setting and administering national principles or standards for the health care system through CHA

(b) Assisting in the financing of provincial/territorial health care services through fiscal transfers known as the Canada Health Transfer (CHT)

(c) Ensuring that the requirements of CHA are met

(d) Delivering primary and supplementary services to certain groups of people. These groups include First Nations people living on reserves, Inuit, serving members of the Canadian Forces, eligible veterans, inmates in federal penitentiaries and some groups of refugee claimants.

(e) Protecting and regulating health (e.g., regulation of pharmaceuticals, food and medical devices), consumer safety, disease surveillance and prevention, and support for health promotion and health research.

The federal government also provides certain health-related tax measures, including tax credits for medical expenses, disability, caregivers and infirm dependents; tax rebates to public institutions for health services; and deductions for private health insurance premiums for the self-employed.

The provinces and territories administer and deliver most of Canada's health care services. They each establish their own hospital and medical plans, making decisions about how much money they will spend on their health care plan, where their hospitals will be located, how many physicians they will need, etc. In order to receive the full CHT from the federal government, their health insurance plans are expected to meet national principles set out under CHA. Each jurisdiction establishes its own method of financing the portion of overall costs not covered by federal funding.

Provincial/territorial jurisdictions' administration responsibilities include:

(a) Determining benefits eligible for coverage

(b) Planning and paying for hospital and physician care in hospitals and public health facilities and negotiating fee schedules for health professionals

(c) Registering those eligible for benefits (e.g., through a health insurance card)

(d) Registering diagnostic facilities

(e) Enrolling health care practitioners

(f) Processing and paying practitioners' bills for services rendered

(g) Auditing benefit claims for payment and auditing patterns of practice or billings submitted, etc.

1.3 Outline the functions of the Canada Health Act Division (CHAD). (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-14)

CHAD is part of Health Canada and is responsible for administering CHA by:

(a) Monitoring and analyzing provincial/territorial health care insurance plans for compliance with the criteria, conditions, and extra billing and user charge provisions of CHA

(b) Asking the provinces and territories to investigate and provide information and clarification when possible compliance issues arise and, when necessary, recommending corrective action to them, in order to ensure the criteria and conditions of CHA are met

(c) Conducting issue analysis and policy research to provide policy advice

(d) Informing the minister of possible noncompliance and recommending appropriate action to resolve issues

(e) Disseminating information on CHA

(f) Responding to information requests relating to CHA received by telephone, mail and the Internet from the public, members of Parliament, government departments, stakeholder organizations and the media

(g) Developing and maintaining formal and informal relationships with health officials in provincial/territorial governments to share information

(h) Collaborating with the provinces and territories to encourage compliance with CHA

(i) Collaborating with provincial/territorial health department representatives through the Interprovincial Health Insurance Agreements Coordinating Committee

(j) Working with Health Canada Legal Services and the Department of Justice on litigation issues that implicate CHA

(k) Producing the Canada Health Act Annual Report on the administration and operation of the Act.

1.4 Identify the first steps that an individual must take in order to access public health care services in Canada. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-18)

Registration with the applicable jurisdiction is the first step for an individual to take. Registration and possession of a valid health insurance card are required in order to access insured services. New residents are advised to apply for coverage as soon as possible upon arrival in any given province or territory. It is the parents' responsibility to register a newborn or adopted child.

1.5 Describe the general approach taken by provincial/territorial jurisdictions for determining when coverage under their public health plan becomes effective. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-18)

Effective dates of coverage for registered individuals vary by jurisdiction. Generally:

(a) Newborn children are entitled to coverage upon birth.

(b) Insured residents moving from one province or territory to another are generally entitled to coverage as of the first day of the third month following the month of arrival. (In a couple of provinces, it is the first day of the third month following residency.) For example, a person who moved from Prince Edward Island to British Columbia on September 15 would be entitled to coverage in Prince Edward Island for September, October and November. On December 1, that person would be entitled to coverage in British Columbia.

(c) Persons arriving from outside Canada to reestablish residence in Canada are entitled to coverage as of the day of arrival (provided they are Canadian citizens or hold permanent resident status).

(d) For new Canadians or immigrants, the waiting period is not greater than three months (as required by CHA), and it begins the day of arrival and/or day of legal entitlement.

(e) Discharged members of the Canadian Forces and released inmates of federal penitentiaries are entitled to coverage as of the day of discharge or release.

Learning Outcome

Explain in general terms the types of health care available in Canada.

2

2.1 Define "primary health care services," and identify the providers of such services. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, pp. A-3 to A-4)

Services provided at the first point of contact within the health care system are known as "primary health care services," and they form the foundation of the health care system. Generally, primary health care serves the dual functions of:

(a) Providing a first point of contact for patients

(b) Coordinating patient health care services to ensure continuity of care and ease of movement across the health care system when more specialized services are needed (e.g., to specialists or hospitals).

When Canadians need health care, they generally contact a primary health care professional—a family doctor, nurse, nurse practitioner, pharmacist, etc., often working in a team of health care professionals. Primary health care services may include prevention and treatment of common diseases and injuries, which includes basic emergency services, referrals to and coordination with other levels of care such as hospital and specialist care, primary mental health care, palliative and end-of-life care, health promotion, healthy child development, primary maternity care and rehabilitation services.

A number of other health care professionals are involved in primary health care—for example, dentists, nurses, pharmacists and other allied health care personnel.

2.2 Identify secondary health care services available in Canada. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, A-4)

Secondary health care services include specialized care at a hospital or services provided in the home or community (generally for short-term care) or in long-term care facilities (generally for long-term and chronic care). Needs are assessed and services are coordinated to provide continuity of care and comprehensive care. Care is provided by a range of formal, informal (often family) and volunteer caregivers. Referrals for secondary health services can be made by doctors, hospitals, community agencies, families and patients themselves.

Short-term secondary services can include specialized nursing care, homemaker services and adult day care, and they are often provided to individuals who are partially or totally incapacitated. Long-term secondary health care services include services for chronic care provided in a long-term facility.

2.3 Describe services that are considered supplementary health care services in Canada. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-4)

Supplementary health care services include prescription drugs outside of the hospital, dental care, vision care, medical equipment and appliances (prostheses, wheelchairs, etc.), and the services of other health professionals outside of the hospital, such as physiotherapists.

Learning Outcome

3

Outline the requirements of the Canada Health Act (CHA) and the impact of those requirements upon the design of the overall health care system.

3.1 Briefly describe the five program criteria applicable only to insured health services that provincial/territorial health care insurance plans must meet to be eligible for the full federal CHT cash contribution. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, pp. A-8 to A-9)

The five criteria that provincial/territorial health care insurance plans must meet to be eligible for the full federal CHT cash contribution are:

(1) Public administration. The intent of the public administration criterion is to ensure that provincial/territorial health care insurance plans are administered and operated on a nonprofit basis by a public authority. This authority is accountable to the provincial/territorial government for decision making on benefit levels and services, and its records and accounts are publicly audited.

(2) Comprehensiveness. The comprehensiveness criterion requires that provincial/territorial health care insurance plans cover all insured health services provided by hospitals, physicians or dentists (i.e., surgical-dental services that require a hospital setting).

(3) Universality. Under the universality criterion, all insured residents of a province or territory must be entitled to the insured health services provided by the provincial/territorial health care insurance plan on uniform terms and conditions.

(4) Portability. Residents moving from one province or territory to another must continue to be covered for insured health care services by the home jurisdiction during any waiting period imposed by the new province or territory of residence.

(5) Accessibility. The intent of the accessibility criterion is to ensure that insured residents in a province or territory have reasonable access to insured hospital, medical and surgical-dental services on uniform terms and conditions, unprecluded or unimpeded, either directly or indirectly, by charges (e.g., user charges or extra billing) or other means (e.g., discrimination on the basis of age, health status or financial circumstances).

3.2 Outline two additional requirements of CHA as it relates to payments by provincial/territorial health care insurance plans to providers of insured services. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-9)

Provincial/territorial health care insurance plans must provide:

(a) Reasonable compensation to physicians and dentists for all the insured health care services they provide

(b) Payment to hospitals to cover the cost of insured health care services.

3.3 Define "insured persons" and "excluded persons" under CHA. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-7)

"Insured persons" under CHA are eligible residents of a province or territory. A resident of a province or territory is a person lawfully entitled to be or to remain in Canada who makes his or her home and is ordinarily present in the province or territory, but the term does not include a tourist, a transient or a visitor to the province or territory.

Each province and territory is responsible for determining its own minimum residence requirements with regard to an individual's eligibility for benefits under its health insurance plan. The CHA gives no guidance on such residence requirements beyond limiting waiting periods to establish eligibility for and for entitlement to insured services to three months. Most provinces and territories also require residents to be physically present 183 days annually and provide evidence of their intent to return to the province.

Certain residents are "excluded persons"—serving members of the Canadian Forces or inmates of a federal penitentiary.

3.4 Describe the process used to implement the portability provisions of CHA. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, pp. A-15 and A-19)

The within-Canada portability provisions of CHA are implemented through a series of bilateral reciprocal billing agreements between provinces and territories for hospital and physician services. All provinces and territories participate in reciprocal hospital agreements and all, with the exception of Quebec, participate in reciprocal physician agreements. This generally means that a patient's health card will be accepted, in lieu of payment, when the patient receives hospital or physician services in another province or territory. The province or territory providing the service will directly bill the patient's home province. If insured persons are temporarily absent in another province or territory, the portability criterion requires that insured services be paid at the host province's rate. In Quebec, the cost for physician services received in another province or territory is reimbursed at the amount actually paid or the rate that would have been paid by the Régie de l'assurance maladie du Québec, whichever is less.

3.5 Identify the effective date of health care coverage for insured health services under CHA for an individual moving from one province or territory to another and for an individual returning from outside Canada to reestablish residence in Canada. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-18)

Insured residents moving from one province or territory to another are generally entitled to coverage as of the first day of the third month following the month of arrival. Persons arriving from outside Canada to reestablish residence in Canada are generally entitled to coverage as of the day of arrival (provided they are Canadian citizens or hold permanent resident status).

3.6 Describe how the costs of supplementary insured health care services are reimbursed by provincial/territorial health care insurance plans if the services are received outside an individual's province or territory of residence. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-27)

Provincial/territorial reciprocal agreements do not apply to all services provided under the provincial/territorial health plans. For most supplementary health care services, there is no coverage if the service is rendered outside the province or territory of residence, or coverage is limited to the amounts payable in the home province or territory.

3.7 Define "extra billing" and "user charges" under CHA, and outline the mandatory penalty provisions should these practices occur for insured health care services. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, pp. A-9 to A-10)

"Extra billing" is the billing for an insured health care service rendered to an insured person by a medical practitioner or a surgical-dentist providing insured health services in a hospital setting for an amount in addition to any amount paid or to be paid for that service by the provincial/territorial health care insurance plan. For example, if a physician were to charge patients any amount for an office visit that is insured by the provincial/territorial health insurance plan, the amount charged constitutes extra billing.

"User charges" are any charges for an insured health service other than extra billing that are permitted by a provincial/territorial health care insurance plan and are not payable by the plan. For example, if patients were charged a facility fee for receiving an insured service at a hospital or clinic, that fee is considered a user charge.

Under CHA, provinces and territories that allow extra billing and user charges are subject to mandatory dollar-for-dollar deductions from the federal transfer payments under CHT.

3.8 Outline the circumstances under which provinces and territories are permitted to charge a user fee for insured hospital services. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-24)

Provinces and territories are allowed to charge a user fee if hospitalization is for chronic care (in the opinion of the attending physician), and the patient is more or less permanently resident in the health care facility.

3.9 Define "chronic care," and identify the types of services provided in a chronic care facility. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-24)

In the context of CHA, "chronic care" is care required by a person who is chronically ill or has a functional disability (physical or mental), whose acute phase of illness is over, whose vital processes may or may not be stable, and who requires a range of services and medical management that can only be provided by a hospital. A chronic care facility is a facility providing ongoing, long-term, inpatient medical services. Chronic care facilities do not include nursing homes.

3.10 Describe how the CHA defines "insured hospital services," "insured physician services," "insured surgical-dental services" and "extended health care services." (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-7)

"Insured hospital services" are defined under CHA as medically necessary inpatient and outpatient services.

"Insured physician services" are defined under CHA as medically required services rendered by medical practitioners. Medically required physician services are generally determined by provincial/territorial health care insurance plans in conjunction with the medical profession.

"Insured surgical-dental services" are defined under CHA as services provided by a dentist in a hospital, where a hospital setting is required to properly perform the procedure.

"Extended health care services" are defined under CHA as certain aspects of long-term residential care (e.g., nursing home intermediate care and adult residential care services) and the health aspects of home care and ambulatory care services.

3.11 Outline the types of practitioners who can provide insured physician services under CHA and the services that they provide that are considered by CHA to be "insured services." (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-21)

Persons who can provide insured physician services include:

(a) General practitioners, who are persons who engage in the general practice of medicine

(b) Physicians who are not specialists within the meaning of the clause

(c) Specialists, who are physicians and are recognized as specialists by the appropriate licensing body of the jurisdiction in which they practice.

Insured physician services under CHA are medically necessary services (i.e., necessary to diagnose, treat, rehabilitate or otherwise alter a disease pattern) covered by provincial/territorial health care insurance plans and rendered by a medical practitioner. Categories of insured physician services generally include:

(a) Diagnosis and treatment of illnesses and injuries

(b) Surgical services

(c) Maternity services

(d) Anesthesia services

(e) X-ray, laboratory and other diagnostic procedures.

3.12 Describe the categories of insured surgical-dental services identified by CHA. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-22)

CHA defines "surgical-dental services" as any service performed by a dentist in a hospital, where a hospital is required to properly perform the procedure. Categories of insured services generally include:

(a) Oral and maxillary facial surgery

(b) Routine extraction services provided for cardiac patients, transplant patients, immune-compromised patients and radiation patients, when these patients are undergoing active treatment in a hospital setting and the attendant medical procedure requires the removal of teeth

(c) All precancerous or cancerous dental surgical biopsies.

3.13 Identify the types of health care programs and services that fall outside the scope of CHA. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, pp. A-11, A-21 and A-25 to A-26)

Noninsured health services are not considered medically necessary and are not insured under provincial/territorial health insurance legislation. They include:

(a) Noninsured hospital services for which patients may be charged, including preferred hospital accommodation unless prescribed by a physician or when standard ward level accommodation is unavailable, private duty nursing services, and the provision of telephones and televisions

(b) Noninsured physician services for which patients may be charged, including telephone advice; the provision of medical certificates required for work, school, insurance purposes and fitness clubs; testimony in court; and cosmetic services.

In addition, all provincial/territorial jurisdictions have discretion to provide a range of health care services that fall outside the scope of CHA. These supplementary health care services are provided under terms and conditions set by each jurisdiction and vary considerably across jurisdictions. They include prescription drugs, eye examinations, dental care, aids to independent living and paramedical services.

Learning Outcome

4

Describe the compliance measures included in CHA and the extent to which these measures are utilized.

4.1 Describe Health Canada's approach to resolving possible CHA compliance issues with provinces/territories. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-15)

Part of the federal government's responsibilities in the health care system is to ensure that the provincial/territorial health care insurance plans comply with the criteria, conditions and provisions of CHA and are eligible to receive the full amount of the CHT cash contribution.

Health Canada's approach to resolving possible compliance issues emphasizes transparency, consultation and dialogue with provincial/territorial health ministry officials. In most instances, issues are successfully resolved through consultation and discussion based on a thorough examination of the facts. Deductions have only been applied when all options to resolve the issue have been exhausted.

4.2 Describe the penalty provisions of the CHA for noncompliance. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-10 to A-11 and A-14)

There are both mandatory and discretionary penalties for noncompliance under the CHA.

Provinces and territories that allow extra billing and user charges are subject to mandatory dollar-for-dollar deductions from the federal transfer payments. If it has been determined that a province or territory has allowed, for example $100,000, in extra billing by physicians, the federal cash contribution to that province or territory is reduced by that same amount CHT. Under the Reimbursement Policy, a province or territory subject to a mandatory transfer deduction, may be provided a reimbursement if it eliminates the patient charges that led to the deductions within a specified timeframe.

Noncompliance with one of the five criteria or two conditions of CHA is subject to a discretionary penalty. The amount of any deduction from federal transfer payments under CHT is based on the magnitude of the noncompliance. CHA sets out a consultation process that must be undertaken with the province or territory before discretionary penalties can be levied.

4.3 Describe the primary sources of clarification of the terms of CHA that have been issued by the federal government. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, pp. A-12 to A-13)

There have been four clarifications issued by the federal government that relate to its position on CHA. They are:

(1) The Epp letter. This was a 1985 letter from then–federal Minister of Health and Welfare Jake Epp. His letter provided the federal government's interpretation of CHA criteria, conditions and regulatory provisions. These clarifications have been used by the federal government in assessing and interpreting compliance with CHA. The Epp letter remains an important reference for interpreting CHA.

(2) The Marleau letter. This focused on the federal policy on private clinics. In 1994, a series of federal/provincial/territorial meetings that dealt with private clinics took place. The growth of private clinics providing medically necessary services funded partially by the public system and partially by patients was at issue, as was its impact on Canada's universal, publicly funded health care system. At a 1994 federal/provincial/territorial meeting of health ministers, all ministers present, with the exception of Alberta, agreed to "take whatever steps required to regulate the development of private clinics in Canada." In 1995, Diane Marleau, the federal minister of health at the time, wrote to all provincial/territorial ministers of health to announce the new Federal Policy on Private Clinics. The minister's letter provided the federal interpretation of CHA as it relates to the issue of facility fees charged directly to patients receiving medically necessary services at private clinics. The letter stated that the definition of "hospital" contained in CHA includes any public facility that provides acute, rehabilitative or chronic care. Thus, when a provincial/territorial health care insurance plan pays the physician fee for a medically necessary service delivered at a private clinic, it must also pay the facility fee or face a deduction in federal transfer payments.

(3) A letter issued in 2002 by the federal minister of health to the provincial/territorial counterparts, which outlined a Canada Health Act Dispute Avoidance and Resolution process. The process was agreed to by all provinces and territories, except Quebec. The process includes the dispute avoidance activities of government-to-government information exchange, discussions and clarification of issues as they arise, active participation of governments in ad hoc federal/provincial/territorial committees on CHA-related issues, and CHA advance assessments, upon request. Where dispute avoidance activities prove unsuccessful, dispute resolution activities may be initiated, beginning with government-to-government fact finding and negotiations. If these are unsuccessful, either minister of health involved may refer the issues to a third-party panel to undertake fact finding and provide advice and recommendations. The federal minister of health has the final authority to interpret and enforce CHA. In deciding whether to invoke the noncompliance provisions of CHA, the minister takes the panel's report into consideration.

(4) The Petitpas Taylor Letter. In 2018, the former federal Minister of Health, Ginette Petitpas Taylor, formalized three additional positions on the CHA. The Diagnostic Services Policy confirmed the longstanding federal position that medically necessary services, including diagnostic services, are insured regardless of the venue where the services are delivered. The Reimbursement Policy gave the Minister of Health discretion to reimburse transfer deductions if a jurisdiction eliminated the patient charges that led to the deductions within a specified time frame. Finally, Strengthened Canada Health Act Reporting facilitated compliance monitoring and administration and funding transparency.

5 Learning Outcome

Describe the types of health care covered, and not covered, by Canada's public health care system.

5.1 Describe how the provincial/territorial jurisdictions determine the health care services to cover under their respective health care plans. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, pp. A-3 and A-17)

The provinces and territories each establish their own hospital and medical plans, making decisions about how much money they will spend on their health care plans, where their hospitals will be located, how many physicians they will need, etc.

CHA does not define "medically necessary services" but does require that if a service is medically necessary, the full cost of the service must be covered by the public health care insurance plan. The provinces and territories, in consultation with the respective physician colleges or groups, determine which services are medically necessary for health insurance purposes.

If a service is not considered to be medically required, the province or territory does not need to cover it through its health care insurance plan. As a result, compliance with CHA requirements means that all provincial/territorial health care insurance plans share certain common features and basic standards of insured health care coverage (with slight differences).

5.2 Identify the general categories of insured hospital services provided under provincial/territorial health plans. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, pp. A-20 to A-21)

All provinces and territories cover treatment provided in acute care facilities for the entire period of time during which such services are medically required. Acute care includes health services provided to individuals suffering from serious and sudden health conditions that require ongoing professional nursing care and observation. Categories of insured hospital services under CHA generally include:

(a) Accommodation and meals at the standard or public ward rate and preferred accommodation if medically required

(b) Necessary nursing services

(c) Laboratory, radiological (x-ray) and other diagnostic procedures

(d) Drugs when administered in a hospital

(e) Use of operating room, case room and anesthetic facilities

(f) Use of radiotherapy and physiotherapy facilities

(g) Medical and surgical equipment and supplies

(h) Outpatient services. (An outpatient is a patient admitted to a hospital, clinic or other health care facility for treatment that does not require an overnight stay.)

5.3 Describe how long-term secondary health services are provided in the public health care system. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-4)

All provinces and territories provide and pay for certain secondary services such as home and continuing care services, but many secondary services are not covered by CHA. Regulation and the range of covered services vary across jurisdictions.

Long-term secondary health care services are, for the most part, paid for by provincial/territorial governments, but the costs of room and board are the responsibility of the individual receiving care. (Sometimes costs of room and board are subsidized by provincial/territorial governments.)

5.4 Describe the services defined as "extended health care services" under the CHA. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-22)

a) CHA defines "extended health care services" to include:

- Certain aspects of long-term residential care, including nursing home intermediate care services, accommodation and care, respite care, day programs, night care, palliative care and in some instances convalescent care
- Adult residential care services.

b) Health aspects of:

- Home care services, which provide professional nursing care to people of all ages in their own homes. They can also provide nonprofessional assistance with personal care and housekeeping provided by home support workers.
- Ambulatory care services, which can include services provided in hospital emergency rooms and day/night care in hospital facilities and health centres.

5.5 Outline the extent to which long-term care services are funded through the public health care system. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, pp. A-22 to A-23)

There is little consistency across Canada in what facilities are called (e.g., nursing home, personal care facility, residential continuing care facility, etc.), the level or type of care offered and how it is measured and how facilities are governed or who owns them.

The provincial/territorial health care insurance plans cover the majority of nursing home costs for those who are without means by providing "ward" rates in a shared room. In all provinces and territories, most clients/residents pay a portion of the cost of nursing home care. Clients/residents pay for semiprivate and private accommodation in most institutions. The provincial/territorial health care insurance plans also cover health aspects of home care (provided in an LTC context), at least to the level of public health nursing. Beyond these, the range of services and level of coverage and cost of these services vary considerably by province and territory. Services are generally based on an assessment of need (provinces and territories have their own assessment tools).

5.6 Describe the general extent of supplementary health care services provided by provincial/territorial health care insurance plans. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-26)

Where prescription drugs are covered, there is considerable variation among provincial/territorial plans in terms of who is covered for what drugs and what user fees apply. Provincial/territorial health care insurance plans subsidize the costs for some residents, particularly low-income individuals and seniors. Plans vary between those that cover a wider range of prescription drugs for a targeted group of people (e.g., seniors and low-income individuals) and those that provide benefits for a larger range of people but have a narrower range of drugs and higher copayments and deductibles in order to limit utilization.

Most provinces and territories cover eye examinations for seniors and/or children.

Most provinces and territories provide limited, nonhospitalized dental care coverage for children. The maximum eligible age varies in each jurisdiction. The emphasis is on basic services.

Some provinces cover a portion of the cost of some aids to independent living such as hearing aids, wheelchairs and medical appliances.

Some provinces and territories cover physiotherapy services outside of a hospital in an approved facility, provided certain conditions are met. Some provinces provide chiropractor services.

Learning Outcome

6

Outline different types of Canadian health care providers and how they are reimbursed for their services.

6.1 Outline how hospitals and physicians are reimbursed by the provincial/territorial health care plan for insured services. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, pp. A-5 and A-23)

Hospital operating costs are paid out of an annual budget that has been negotiated between the hospital and the provincial/territorial ministry of health or regional authority.

Doctors in private practice are generally paid through fee-for-service (FFS) schedules negotiated between each provincial/territorial government and the medical associations in its respective jurisdiction. Those in other practice settings, such as clinics, community health centres and group practices, are more likely to be paid through an alternative payment method such as salaries or a blended system, for example, FFS plus incentives.

6.2 Describe the method of reimbursement for insured services provided by provincial/territorial health care insurance plans to medical providers who are "participating" practitioners. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-24)

For "participating" practitioners, the public health care administrator reimburses the health care provider directly *at the rate defined by the jurisdiction's fee schedule.* This is regardless of whether the practitioner's services have been provided inside, or outside, of a hospital. If the jurisdiction imposes specific dollar limits on the amount that the public plan will reimburse, the insured person is responsible for paying any charges over that limit to the practitioner or health care facility.

6.3 Describe the method of reimbursement for insured services provided by provincial/territorial health care insurance plans to medical providers who are "opted-out" practitioners and the information such practitioners must provide to receive that reimbursement. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-24)

For "opted-out" practitioners, the health care provider bills their patient directly *at the rate set by the particular jurisdiction,* and the patient then seeks reimbursement from the public health care administrator. In order for the patient to receive reimbursement from the public plan, that individual must obtain sufficient billing information from the practitioner to satisfy the public plan administrator.

6.4 Describe what makes medical providers "nonparticipating" practitioners and how they are paid for the health care services they provide. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-24)

When the health care provider does not participate in the public plan, and as a result bills the patient directly *at a fee level established by the provider,* the practitioner is considered a "nonparticipating" practitioner. The practitioner must advise patients in advance that they do not participate in the public health care plan, and neither the practitioner nor the patient is eligible for any payments from the jurisdiction's public health care plan.

Learning Outcome

7

Identify the system of financing that is in place in Canada for various types of health care.

7.1 Describe how publicly funded health care is financed and why it is referred to as a "single payer" system. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, p. A-5)

Publicly funded health care is financed with general revenue raised through federal and provincial/territorial taxation such as personal and corporate taxes, sales taxes and other revenue. Approximately 72% of financing for health care comes from the public sector. Some provinces charge health care premiums, but nonpayment of a premium does not limit access to medically necessary services.

The Canadian public health care system is described as a "single payer" system. Canadians do not pay directly for services provided under public health plans, nor are they required to fill out forms at the time of receiving those services. When Canadians need medical care, in most instances, they go to the physician or clinic of their choice and present the health insurance card issued to all eligible residents of a province or territory. There are no deductibles, copayments or dollar limits on coverage for insured services.

7.2 Distinguish between the financing of primary, secondary and supplementary health care services. (Reading A, Canada's Government-Sponsored Health Care System, Study Guide Module 4, pp. A-3 to A-4)

Most but not all primary health care services are financed through public health care plans. Not all services provided by dentists, nurses, pharmacists and other allied health care personnel are covered by these plans.

All provinces and territories provide and pay for certain secondary services, such as home and continuing care services, but many secondary services are not covered by CHA. Regulation and the range of covered services vary across jurisdictions.

Supplementary health care services are not generally covered under the publicly funded health care system. Persons who need these services pay for them in some manner—perhaps through private health insurance plans (often employer-sponsored health insurance programs) or directly through out-of-pocket payments. The provinces and territories provide coverage for some of the supplementary services noted above to certain groups of people (i.e., seniors, children and low-income residents). The level of coverage varies considerably across Canada.

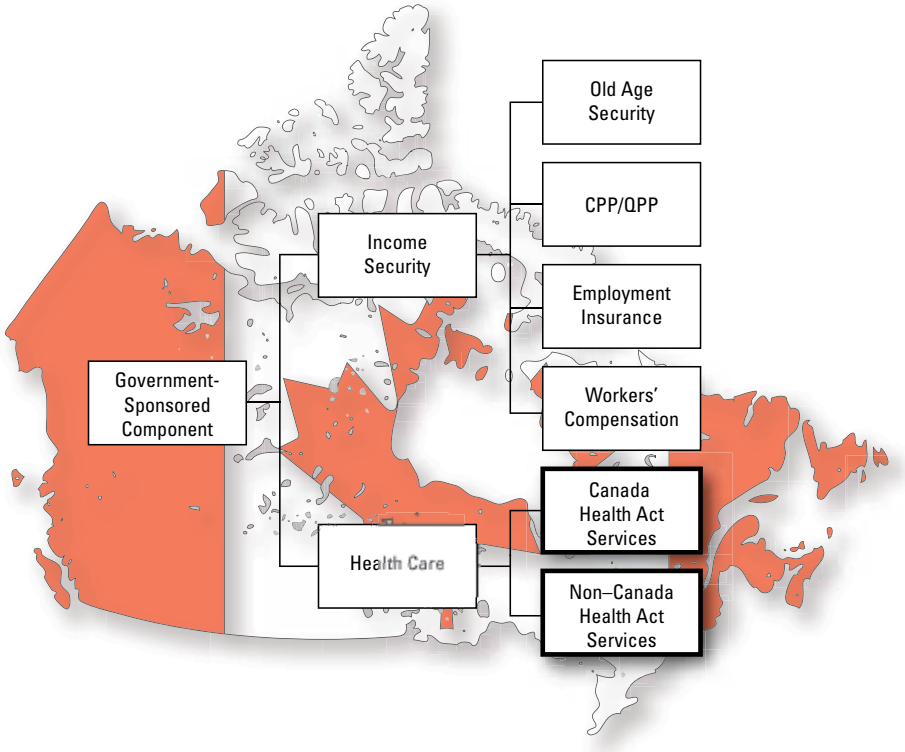
Reading

A

Canada's Government-Sponsored Health Care System[1]

Canada has a predominantly publicly financed, privately delivered health care system that is best described as a set of 13 interlocking provincial/territorial health insurance plans. Known to Canadians as "medicare," the system provides reasonable access and coverage for medically necessary hospital, physician and surgical-dental services. In this context, "coverage" has the same meaning as when used to refer to insurance, i.e., something that is "covered" is paid for by the public plan. This module focuses on government-sponsored health care programs and services.

Exhibit I
Interface of Public and Private Programs in Social Security



1. Developed by the Certified Employee Benefit Specialist® program, Dalhousie University, 2023. Drawn from the Canada Health Act and Health Canada websites.

Introduction

The structure of the Canadian public health system results from the constitutional assignment of jurisdiction over most aspects of health care to the provincial government. Although the territories do not have formal constitutional authority because Parliament has exclusive jurisdiction to pass laws dealing with the Yukon, Northwest Territories and Nunavut, legislation has been enacted that grants to territorial governments the power to legislate on property and civil rights. As a result, the territories and provinces have virtually the same legislative powers over health care.

The system is referred to as a "national" health insurance system in that all provincial/territorial hospital and medical insurance plans are linked through adherence to national principles set at the federal level through the Canada Health Act (CHA). These public health insurance plans are designed and delivered by the provinces and territories with the exceptions of health care for certain groups, where responsibility lies with the federal government. The overall system is jointly funded by the federal and provincial/territorial governments through a variety of mechanisms including tax revenues at the provincial, territorial and federal level.

The federal government's role in health care involves:

(a) Setting and administering national principles or standards for the health care system through CHA

(b) Assisting in the financing of provincial/territorial health care services through fiscal transfers known as the Canada Health Transfer (CHT)

(c) Ensuring that the requirements of CHA are met

(d) Fulfilling functions for which the federal government is constitutionally responsible

(e) Providing health protection, disease prevention and health promotion.

The primary objective of CHA is to ensure that all eligible residents of Canada have reasonable access to medically necessary insured services without direct charges at the point of service. CHA national standards and criteria related to insured health care services and insured extended health care services must be met by the provinces and territories in order for them to receive the full federal cash contribution to health care, the CHT.

Although health care is ultimately the responsibility of the provinces and territories, the impact of CHA upon the overall public health care system is significant and key to understanding the activities of both the federal and provincial/territorial jurisdictions within that system. Details of CHA requirements and the resulting structure of the system are provided within this module.

The provinces and territories each establish their own hospital and medical plans, making decisions about how much money they will spend on their health care plan, where their hospitals will be located, how many physicians they will need, etc. Provincial/territorial hospital and medical plans that meet the CHA criteria are partially financed by the federal government transfers through CHT. Each jurisdiction establishes its own method of financing the portion of overall costs not covered by federal funding.

The Canadian system is not "socialized medicine," with doctors employed by the government. Most doctors are private practitioners who work in independent or group practices. Most Canadian hospitals are operated as private nonprofit entities run by community boards of trustees, voluntary organizations or municipalities. Hospitals have control of the day-to-day allocation of resources, provided they stay within the operating budgets established by the regional or provincial health authorities. There is a for-profit hospital sector comprising mostly long-term care facilities or specialized services, such as addiction centres.

General Structure of the Canadian Health Care System

What Happens First—Primary Health Care Services

Services provided at the first point of contact with the health care system are known as primary health care services, and they form the foundation of the health care system. Generally, primary health care serves the dual functions of:

(a) Providing a first point of contact for patients

(b) Coordinating patient health care services to ensure continuity of care and ease of movement across the health care system when more specialized services are needed (e.g., to specialists or hospitals).

When Canadians need health care, they generally contact a primary health care professional—a family doctor, nurse, nurse practitioner, pharmacist, etc., often working in a team of health care professionals. General practitioners, who account for over 50% of all active physicians in Canada, control access to most physician specialists, nurse practitioners, allied providers (health care professionals other than physicians and nurses), hospital admissions, diagnostic testing and prescription drug therapy.

Primary health care services may include prevention and treatment of common diseases and injuries; basic emergency services; referrals to and coordination with other levels of care, such as hospital and specialist care, primary mental health care, palliative and end-of-life care; health promotion; healthy child development; primary maternity care; and rehabilitation services. Most, but not all, primary care health services are covered by public health plans.

A number of other health care professionals are involved in primary health care—for example, dentists, nurses, pharmacists and other allied health care personnel. Only some of the primary health care services that they provide are part of government-sponsored health care—dental care provided in a hospital setting, many but not all nursing services, and pharmacist services that relate to prescription drugs within a hospital or covered under certain limited publicly funded drug programs.

The Next Step—Secondary Services

All provinces and territories provide and pay for certain secondary services, such as home and continuing care services, but many secondary services are not covered by CHA. Regulation and the range of covered services vary across jurisdictions.

Referrals for secondary health services can be made by doctors, hospitals, community agencies, families and patients themselves. The services may be specialized care at a hospital or services provided in the home or community (generally for short-term care) or in long-term care facilities (generally for long-term and chronic care). Needs are assessed and services are coordinated to provide continuity of care and comprehensive care. Care is provided by a range of formal, informal (often family) and volunteer caregivers.

Short-term secondary services can include specialized nursing care, homemaker services and adult day care, and they are often provided to individuals who are partially or totally incapacitated. Long-term secondary health care services (e.g., for chronic care and provided in a long-term facility) are, for the most part, paid for by provincial/territorial governments, but the costs of room and board are the responsibility of the individual receiving care. Sometimes costs of room and board are subsidized by provincial/territorial governments.

Supplementary Health Care Services

Supplementary health care services are services not generally covered under the publicly funded health care system. They include prescription drugs outside of the hospital, dental care, vision care, medical equipment and appliances (prostheses, wheelchairs, etc.), and the services of other health professionals outside of the hospital, such as physiotherapists.

Persons who need these services pay for them in some manner—perhaps through private health insurance plans (often employer-sponsored health insurance programs) or directly through out-of-pocket payments. Services covered under private health insurance plans vary according to the plan.

The provinces and territories provide coverage for some of the supplementary services noted above to certain groups of people (i.e., seniors, children and low-income residents). The level of coverage varies considerably across Canada and is discussed further on in the reading.

Funding

Canadians do not pay directly for insured services provided under public health care plans, nor are they required to fill out forms at the time of receiving those services. When Canadians need medical care, in most instances, they go to the physician or clinic of their choice and present the health insurance card issued to all eligible residents of a province or territory. There are no deductibles, copayments or dollar limits on coverage for insured services. This is why the term "single payer" is used to describe the funding approach for insured services covered under the scope of CHA.

Publicly funded health care is financed with general revenue raised through federal and provincial/territorial taxation, such as personal and corporate taxes, sales taxes and other revenue. In some provinces, the cost of public health care is supported by a payroll tax. Some provinces charge health care premiums, but nonpayment of a premium does not limit access to medically necessary services.

Doctors in private practice are generally paid through fee-for-service (FFS) schedules negotiated between each provincial/territorial government and the medical associations in its respective jurisdiction. Those in other practice settings, such as clinics, community health centres and group practices, are more likely to be paid through an alternative payment method, such as salaries or a blended system, for example, FFS plus incentives. Nurses and other health professionals are generally paid salaries that are negotiated between their unions and their employers.

About 72% of Canada's total health care spending is represented by the publicly insured health care system; the balance of about 28% is paid for by private sources.[1] The private sector pays for non-publicly insured services such as drugs, dental care and vision care, often through employer-sponsored group insurance programs, and by out-of-pocket payments paid directly by the user of the health care service.

Out-of-pocket payments include all costs directly paid by users of the health service. These include:

(a) Direct payments for goods and services that are not covered by any public funding or insurance program. These include noninsured hospital and physician services such as private hospital rooms, private duty nursing services, physician checkups mandated by employers or insurance companies, and cosmetic services.

    When a private insurance program exists (e.g., an employer-sponsored plan), the individual may be responsible for some or all of the insurance premium. Depending upon the degree of the private insurance coverage, out-of-pocket spending may be required for certain types of care, certain levels of dental care, prescription drugs, vision care, and the costs associated with nursing homes and other institutions.

1. https://www.cihi.ca/en/who-is-paying-for-these-services

When no insurance coverage exists, the costs of drugs, dental care, vision care and other medical services will require out-of-pocket payments by the individual.

(b) Cost sharing (also referred to as copayments), where the individual pays part of the cost of the care received. The user may pay a fixed fee, a proportion of a fee for an item or service, or some combination of the two. For example, for some paramedical practitioners such as chiropractors, the provincial/territorial health care insurance plan may pay a portion of the cost for the visit, and the patient pays the balance. Cost sharing can also exist within employer-sponsored group insurance programs that include copayments.

Impact of CHA

As noted earlier, the federal government is responsible for setting and administering national principles for the Canadian health care system. CHA is the legislative authority that identifies those principles. In addition, the federal government is responsible for ensuring that the requirements of CHA are being met. The level of fiscal transfers made to the provinces/territories by the federal government to finance public health care in Canada depends upon each jurisdiction's compliance with CHA. To understand the Canadian public health care system, it is imperative to understand CHA.

Requirements of CHA

CHA contains nine requirements that provinces and territories must fulfill in order to qualify for the full amount of the CHT cash contribution. They are:

(a) Five *program criteria* that apply only to insured health services

(b) Two *conditions* that apply to insured health services and extended health care services

(c) *Extra billing* and *user charges* provisions that apply only to insured health services.

These definitions are used by the CHA in describing its requirements.

(a) *Insured health services*—medically necessary hospital, physician and surgical-dental services provided to insured persons

(b) *Insured persons*—eligible residents of a province or territory. A "resident of a province or territory" is defined in CHA as a person lawfully entitled to be or to remain in Canada who makes their home and is ordinarily present in the province or territory, but the definition does not include a tourist, a transient or a visitor to the province or territory.

Each province and territory is responsible for determining its own minimum residence requirements with regard to an individual's eligibility for benefits under its health insurance plan. The CHA gives no guidance on such residence requirements beyond limiting waiting periods to establish eligibility for and for entitlement to insured services to three months. Most provinces and territories also require residents to be physically present 183 days annually, and provide evidence of their intent to return to the province.

(c) *Excluded persons*—serving members of the Canadian Forces or inmates of a federal penitentiary. The government of Canada provides coverage to these residents through separate federal programs.

(d) *Extended health care services*—certain aspects of long-term residential care (e.g., nursing home intermediate care and adult residential care services) and the health aspects of home care and ambulatory care services

(e) *Insured hospital services*—medically necessary inpatient and outpatient services such as accommodation and meals at the standard or public ward level and preferred accommodation if medically required; nursing services; laboratory, radiological and other diagnostic procedures, together with the necessary interpretations; drugs, biologicals and related preparations when administered in a hospital; use of operating room, case room and anesthetic facilities, including necessary equipment and supplies; medical and surgical equipment and supplies; use of radiotherapy facilities; use of physiotherapy facilities; and services provided by persons who receive remuneration from a hospital

(f) *Insured physician services*—medically required services rendered by medical practitioners. Medically required physician services are generally determined by provincial/territorial health care insurance plans, in conjunction with the medical profession.

(g) *Insured surgical-dental services*—services provided by a dentist in a hospital, where a hospital setting is required to properly perform the procedure.

CHA Program Criteria

The five CHA program that apply only to insured health services criteria are:

1. *Public administration.* The intent of the public administration criterion is to ensure that provincial/territorial health care insurance plans are administered and operated on a nonprofit basis by a public authority. This authority is accountable to the provincial/territorial government for decision making on benefit levels and services, and its records and accounts are publicly audited.
2. *Comprehensiveness.* The comprehensiveness criterion requires that provincial/territorial health care insurance plans cover all insured health services provided by hospitals, physicians or dentists (i.e., surgical-dental services that require a hospital setting).
3. *Universality.* Under the universality criterion, all insured residents of a province or territory must be entitled to the insured health services provided by the provincial/territorial health care insurance plan on uniform terms and conditions.
4. *Portability.* Residents moving from one province or territory to another must continue to be covered for insured health care services by the home jurisdiction during any waiting period imposed by the new province or territory of residence.

   Residents who are temporarily absent from their home province or territory or from Canada must continue to be covered for insured health care services during their absence. This allows individuals to travel or be absent from their home province or territory, within a prescribed duration, while retaining their health insurance coverage.

   The portability criterion does not entitle a person to seek services in another province, territory or country but is intended to permit a person to receive necessary services in relation to an urgent or emergent need when absent on a temporary basis, such as on business or vacation.

   If insured persons are temporarily absent in another province or territory, the portability criterion requires that insured health care services be paid at the host province's or territory's rate. If insured persons are temporarily out of the country, insured services are paid at the home province's or territory's rate.

   Prior approval by the health care insurance plan in a person's home province or territory may be required before coverage is extended for elective (nonemergency) services to a resident while temporarily absent from their province or territory.

5. *Accessibility.* The intent of the accessibility criterion is to ensure that insured residents in a province or territory have reasonable access to insured hospital, medical and surgical-dental services on uniform terms and conditions, unprecluded or unimpeded, either directly or indirectly, by charges (e.g., user charges or extra billing) or other means (e.g., discrimination on the basis of age, health status or financial circumstances).

   Reasonable access in terms of physical availability of medically necessary health services is interpreted under CHA using the "where and as available" rule. Residents of a province or territory are entitled to have access on uniform terms and conditions to insured health services at the setting where the services are provided and as the services are available in that setting.

In addition to these five criteria, the provincial/territorial health care insurance plans must provide:

(a) Reasonable compensation to physicians and dentists for all the insured health care services they provide

(b) Payment to hospitals to cover the cost of insured health care services.

CHA Conditions

The two CHA conditions that apply to insured health services and extended health care services are:

1. *Information.* Provincial/territorial governments are required to provide information to the minister of health relating to insured health and extended health care services, as prescribed by regulations under CHA.
2. *Recognition.* Provincial/territorial governments are required to recognize the federal financial contributions toward both insured and extended health care services.

CHA Extra Billing and User Charge Provisions

Provisions regarding extra billing and user charges apply only to insured health services. CHA requires a deduction from the federal cash transfer provided to provinces/territories in the event that either extra billing or user charges exist in a province or territory. These activities are:

(a) *Extra billing.* CHA defines "extra billing" as the billing for an insured health service rendered to an insured person by a medical practitioner or a dentist (i.e., a surgical dentist providing insured health services in a hospital setting) in an amount in addition to any amount paid or to be paid for that service by the provincial/territorial health care insurance plan. For example, if a physician charges patients $25.00 for an office visit that is insured by the provincial/territorial health care insurance plan, the $25.00 constitutes extra billing. Extra billing is seen as a barrier

or impediment for people seeking medical care and is therefore contrary to the accessibility criterion.

(b) *User charges*. CHA defines "user charges" as any charges for an insured health care service other than extra billing that are permitted by a provincial/territorial health care insurance plan and are not payable by the plan. For example, if patients are charged a facility fee for receiving an insured service at a hospital or clinic, that fee is considered a user charge. User charges are not permitted under CHA because they constitute a barrier or impediment to access.

Provinces/territories are required under CHA regulations to report annually the amounts of extra billing and user charges that have been levied, and this information is used by the federal minister of health to determine the amount of any deduction from their CHT transfer.

CHA Regulations

CHA enables the federal government to make regulations for administering CHA in certain areas:

(a) Defining the services included in the CHA definition of "extended health care services" (i.e., nursing home care or home care)

(b) Prescribing which services to exclude from hospital services

(c) Prescribing the types of information that the federal minister of health may reasonably require and the times and manner in which that information may be provided

(d) Prescribing how provinces and territories are required to recognize CHT in their documents, advertising or promotional materials.

Despite the ability to establish regulations relating to these matters, none have been put in force by the federal government.

Penalty Provisions of CHA

Mandatory Penalty Provisions

Under CHA, provinces and territories that allow extra billing and user charges are subject to mandatory dollar-for-dollar deductions from the federal transfer payments under CHT. For example, if it has been determined that a province or territory has allowed $200,000 in extra billing by physicians, the federal cash contribution to that province or territory is reduced by that same amount.

Discretionary Penalty Provisions

Noncompliance with one of the five criteria or two conditions of CHA is subject to a discretionary penalty. The amount of any deduction from federal transfer payments under CHT is based on the magnitude of the noncompliance. CHA sets out a consultation process that must be undertaken with the province or territory before discretionary penalties can be levied.

Noninsured Health Services

Although CHA requires that insured health services be provided to insured persons in a manner that is consistent with the criteria and conditions set out in CHA, not all health services fall under the scope of CHA. These "noninsured health services" are services that are not considered medically necessary and are not insured under provincial/territorial health insurance legislation. They may relate to either hospital or physician services.

Noninsured hospital services for which patients may be charged include preferred hospital accommodation unless prescribed by a physician or when standard ward level accommodation is unavailable, private duty nursing services, and the provision of telephones and televisions.

Noninsured physician services for which patients may be charged include telephone advice; the provision of medical certificates required for work, school, insurance purposes and fitness clubs; testimony in court; and cosmetic services.

CHA Administration and Compliance

Policy Interpretation Letters

Since passage of CHA, there have been instances when the federal government issued clarification of its interpretation of CHA and approach to compliance. The clarification was provided via ministerial letters from federal ministers of health to their provincial/territorial counterparts.

Epp Letter—Interpretation and Implementation of CHA

In June 1985, approximately one year following the passage of CHA in Parliament, then–federal Minister of Health and Welfare Jake Epp wrote to his provincial/territorial counterparts to set out and confirm the federal position on the interpretation and implementation of CHA. Minister Epp's letter followed several months of consultation with his provincial/territorial counterparts. The letter provided the federal government's interpretation of CHA criteria, conditions and regulatory provisions. These clarifications have been used by the federal government in assessing and interpreting compliance with CHA. The Epp letter remains an important reference for interpreting CHA.

Marleau Letter—Federal Policy on Private Clinics

In 1994, a series of federal/provincial/territorial meetings dealing wholly or in part with private clinics took place. The growth of private clinics providing medically necessary services funded partially by the public system and partially by patients was at issue, as was its impact on Canada's universal, publicly funded health care system. At the September 1994 meeting, all ministers present, with the exception of Alberta's health minister, agreed to "take whatever steps are required to regulate the development of private clinics in Canada."

Diane Marleau, the federal minister of health at the time, wrote to all provincial/territorial ministers of health on January 6, 1995 to announce the new Federal Policy on Private Clinics. The minister's letter provided the federal interpretation of CHA as it relates to the issue of facility fees charged directly to patients receiving medically necessary services at private clinics. The letter stated that the definition of "hospital" contained in CHA includes any public facility that provides acute, rehabilitative or chronic care. Thus, when a provincial/territorial health care insurance plan pays the physician fee for a medically necessary service delivered at a private clinic, it must also pay the facility fee or face a deduction in federal transfer payments.

Dispute Avoidance and Resolution Process

In April 2002, then–federal Minister of Health A. Anne McLellan outlined in a letter to her provincial/territorial counterparts a Canada Health Act Dispute Avoidance and Resolution process. It was agreed to by all provinces and territories, except Quebec. The process met federal and provincial/territorial interests of avoiding disputes related to the interpretation of the principles of CHA and, when this is not possible, resolving disputes in a fair, transparent and timely manner.

The process includes the dispute avoidance activities of government-to-government information exchange, discussions and clarification of issues as they arise, active participation of governments in ad hoc federal/provincial/territorial committees on CHA-related issues, and CHA advance assessments, upon request.

Where dispute avoidance activities prove unsuccessful, dispute resolution activities may be initiated, beginning with government-to-government fact finding and negotiations. If these are unsuccessful, either minister of health involved may refer the issues to a third-party panel to undertake fact finding and provide advice and recommendations. The federal minister of health has the final authority to interpret and enforce CHA. In deciding whether to invoke the noncompliance provisions of CHA, the minister takes the panel's report into consideration.

Petitpas Taylor Letter

In 2018, the former federal Minister of Health, Ginette Petitpas Taylor, formalized three Canada Health Act initiatives—the Diagnostic Services Policy, the Reimbursement Policy, and Strengthened Canada Health Act reporting.

Diagnostic Services Policy

The Diagnostic Services Policy, in effect since April 1, 2020, aims to eliminate patient charges for medically necessary diagnostic services, such as MRI and CT scans. This policy formalizes the longstanding federal position that medically necessary diagnostic services are insured health services regardless of where they are provided (i.e., in hospital or a private clinic).

Reimbursement Policy

Should a province or territory be subject to a mandatory deduction, this policy allows the federal Minister of Health the discretion to provide a reimbursement if the province or territory eliminates the patient charges that led to the deductions within a specified timeframe.

Strengthened Canada Health Act Reporting

The aim of the strengthened reporting is to ensure Health Canada has the information required to accurately assess compliance with the Act, as well as to increase transparency for Parliament and Canadians on the administration of the Act, and the state of the publicly funded health care insurance system.

Administration

The Canada Health Act Division (CHAD) of Health Canada is responsible for administering CHA. This includes:

(a) Monitoring and analyzing provincial/territorial health care insurance plans for compliance with the criteria, conditions, and extra billing and user charge provisions of CHA

(b) Asking the provinces and territories to investigate and provide information and clarification when possible compliance issues arise and, when necessary, recommending corrective action to them, in order to ensure the criteria and conditions of CHA are met

(c) Conducting issue analysis and policy research to provide strategic advice

(d) Informing the minister of possible noncompliance and recommending appropriate action to resolve issues

(e) Disseminating information on CHA

(f) Responding to information requests relating to CHA received by telephone, mail and the Internet from the public, members of Parliament, government departments, stakeholder organizations and the media

(g) Developing and maintaining relationships with health officials in provincial/territorial governments to share information

(h) Collaborating with the provinces and territories to encourage compliance with CHA

(i) Collaborating with provincial/territorial health department representatives through the Interprovincial Health Insurance Agreements Coordinating Committee (IHIACC)

(j) Working with Health Canada Legal Services and the Department of Justice on litigation issues that implicate CHA

(k) Producing the Canada Health Act Annual Report on the administration and operation of the Act.

CHAD chairs IHIACC and provides a secretariat for the committee. The committee addresses issues that affect the interprovincial billing of hospital and physician services as well as issues related to registration and eligibility for health care insurance coverage. It oversees the application of interprovincial health insurance agreements in accordance with CHA.

The within-Canada portability provisions of CHA are generally implemented through a series of bilateral reciprocal billing agreements between provinces and territories for hospital and physician services. This generally means that a patient's health card will be accepted, in lieu of payment, when the patient receives hospital or physician services in another province or territory. The province or territory providing the service will then directly bill the patient's home province. All provinces and territories participate in reciprocal hospital agreements and all, with the exception of Quebec, participate in reciprocal medical agreements. The intent of these agreements is to ensure that Canadian residents do not face point-of-service charges for medically required hospital and physician services when they travel in Canada. However, these agreements are interprovincial and interterritorial, and signing them is not a requirement of CHA.

Compliance

Part of the federal government's responsibilities in the health care system is to ensure that the provincial/territorial health care insurance plans comply with the criteria, conditions and provisions of CHA and are eligible to receive the full amount of CHT cash contribution.

CHAD monitors the operations of provincial/territorial health care insurance plans in order to provide advice to the minister on possible noncompliance with CHA. Sources for this information include provincial/territorial government officials and publications, media reports, and correspondence received from the public and other nongovernment organizations. Staff in the CHAD Compliance and Interpretation Unit assesses issues of concern and complaints on a case-by-case basis. The assessment process involves compiling all facts and information related to the issue and taking appropriate action. Verifying the facts with provincial/territorial health officials may reveal issues that are not directly related to CHA, while others may pertain to CHA but are a result of misunderstanding or miscommunication and are resolved quickly with provincial/territorial assistance. In instances where a CHA issue has been identified and has not been resolved, CHAD officials ask the jurisdiction in question to investigate the matter and report back. CHAD staff then discusses the issue and its possible resolution with provincial/territorial officials. Health Canada's approach to resolving possible compliance issues emphasizes transparency, consultation and dialogue with provincial/territorial health ministry officials. Only if the issue is not resolved to the satisfaction of CHAD after following the steps mentioned above is it brought to the attention of the federal minister of health. In most instances, issues are successfully resolved through consultation and discussion based on a thorough examination of the facts. Deductions against the full cash contribution have only been applied when all options to resolve the issue have been exhausted.

Additional Roles of the Federal Government

In addition to its responsibilities relating to CHA, the federal government holds additional responsibilities within the Canadian health care system, including:

(a) Direct delivery of primary and supplementary services to certain groups of people. These groups include First Nations people living on reserves, Inuit, serving members of the Canadian Forces, eligible veterans, inmates in federal penitentiaries and some groups of refugee claimants.

Direct delivery of services to First Nations people and Inuit includes primary care and emergency services on remote and isolated reserves where no provincial/territorial services are readily available, community-based health programs both on reserves and in Inuit communities, and a noninsured health benefits program (drug, dental and ancillary health services) for First Nations people and Inuit no matter where they live in Canada. Generally, these services are provided at nursing stations, health centres and inpatient treatment centres and through community health promotion programs. Increasingly, both levels of government are working together to integrate the delivery of these services within provincial/territorial systems.

(b) Health protection and regulation (e.g., regulation of pharmaceuticals, food and medical devices), consumer safety, disease surveillance and prevention, and support for health promotion and health research.

The federal government also provides certain health-related tax measures, including tax credits for medical expenses, disability, caregivers and infirm dependents; tax rebates to public institutions for health services; and deductions for private health insurance premiums for the self-employed.

Role of Provincial/Territorial Governments

The provinces and territories administer and deliver most of Canada's health care services. In order to receive the full CHT from the federal government, their health insurance plans are expected to meet national principles set out under CHA.

CHA does not define "medically necessary services" but does require that if a service is medically necessary, the full cost of the service must be covered by the public health care insurance plan. The provinces and territories, in consultation with the respective physician colleges or groups, determine which services are medically necessary for health insurance purposes.

If a service is not considered to be medically necessary, the province or territory does not need to cover it through its health care insurance plan. As a result, compliance with CHA requirements means that all provincial/territorial health care insurance plans share certain common features and basic standards of insured health care coverage (with slight differences).

All provinces/territories have enacted legislation governing the provision of CHA insured services. In some provinces and territories, the operations of the hospital and medical service plans are governed under separate legislation. In others, the two plans are combined for purposes of legislation and regulations.

The role of provincial/territorial governments in health care includes administering their health care insurance plans. This includes planning; paying for hospital care and other health facilities, physician care and the care provided by other health professionals; and negotiating fee schedules for health professionals. Most provincial/territorial governments offer "supplementary benefits" which are defined as benefits not covered under CHA for certain groups of people (e.g., low-income residents and seniors). Examples of supplementary benefits include drugs prescribed outside hospitals, ambulance costs, and hearing, vision and dental care not covered under CHA. Supplementary services are covered in more detail later in the reading.

Provincial/territorial jurisdictions' administration responsibilities include:

(a) Determining benefits eligible for coverage

(b) Planning and paying for hospital and physician care in hospitals and public health facilities and negotiating fee schedules for health professionals

(c) Registering those eligible for benefits (e.g., through a health insurance card)

(d) Registering diagnostic facilities

(e) Enrolling health care practitioners

(f) Processing and paying practitioners' bills for services rendered

(g) Auditing benefit claims for payment and auditing patterns of practice or billings submitted, etc.

Registration Requirements

Registration with the applicable jurisdiction is the first step for an individual to take. Registration and possession of a valid health insurance card are required in order to access insured services. New residents are advised to apply for coverage as soon as possible upon arrival in any given province or territory. It is the parents' responsibility to register a newborn or adopted child.

Effective Dates of Coverage

Effective dates of coverage for registered individuals vary by jurisdiction. Generally:

(a) Newborn children are entitled to coverage upon birth.

(b) Insured residents moving from one province or territory to another are generally entitled to coverage as of the first day of the third month following the month of arrival. (In a couple of provinces, it is the first day of the third month following residency.) For example, a person who moved from Prince Edward Island to British Columbia on September 15 would be entitled to coverage in Prince Edward Island for September, October and November. On December 1, that person would be entitled to coverage in British Columbia.

(c) Persons arriving from outside Canada to reestablish residence in Canada are entitled to coverage as of the day of arrival (provided they are Canadian citizens or hold permanent resident status).

(d) For new Canadians or immigrants, the waiting period is not greater than three months (as required by CHA), and it begins the day of arrival and/or day of legal entitlement.

(e) Discharged members of the Canadian Forces and released inmates of federal penitentiaries are entitled to coverage as of the day of discharge or release.

Certain other individuals such as some holders of study and/or work permits are covered for the duration of their permit.

Coverage During Temporary Absences Within Canada

Medically necessary hospital and physician coverage is provided to eligible residents during temporary absences within Canada. Temporary absence is when a person is absent from the home province or territory for business, education, vacation or other reasons without assuming permanent residence.

Within Canada, the portability provisions are generally implemented through a series of bilateral reciprocal agreements between the provinces and territories for hospital and physician services. Quebec is the exception. Quebec does follow this practice for hospital services but not for physician services. In Quebec, the cost for physician services received in another province or territory is reimbursed at the amount actually paid or the rate that would have been paid by the Régie de l'assurance maladie du Québec, whichever is less.

Reciprocal agreements are interprovincial and interterritorial, not federal. Signing them is not a requirement of CHA. The rates prescribed in these agreements are host provincial/territorial rates.

Reciprocal billing is a convenient administrative arrangement and only one method of satisfying the portability criterion of CHA. A requirement for patients to pay up front and seek reimbursement from their home province or territory also satisfies the portability criterion of CHA, as long as access to a medically necessary insured service is not denied due to the patient's inability to pay.

Coverage During Temporary Absences Outside Canada

The home province or territory provides coverage to residents during temporary absences outside Canada. Out-of-country insured inpatient and outpatient hospital services and physician services are covered for medically necessary emergency services at established rates. For reimbursement of out-of-Canada hospitalization, insured residents must support their claim for reimbursement with receipts from the facility where the services were rendered.

Specialized medically necessary hospital and physician services and insured elective hospital and physician services may be covered if the services are not available in the home province or territory.

Residence Rules to Qualify for Out-of-Province/Territory or Out-of-Country Coverage

The waiting period for eligibility to a provincial/territorial insurance plan must not exceed three months. After the waiting period, the new province or territory of residence assumes responsibility for health care coverage. With the exception of this requirement, CHA does not give guidance on minimum residence requirements with respect to an individual's eligibility for benefits under its health care insurance plan. In order to qualify for out-of-province/territory coverage, an individual must comply with the relevant home province/territory legislation and the rules regarding residency.

Prior Approval Requirements

Prior approval is not required for medically necessary insured services provided by accredited hospitals or licensed physicians in other provinces or territories. If a resident of a province or territory has to seek specialized hospital or physician care outside the country because the insured service is not available in Canada, provincial/territorial health care insurance plans will pay the costs of services necessary for the patient's care. However, it is necessary in these circumstances for such referrals to receive prior approval. Prior approval is not granted for out-of-country treatment of specialized services if the service is available in the province or territory of residence. Prior approval for out-of-province/territory health care services from the home province/territory plan for elective (nonemergency) health services is generally required.

Discontinuation of Coverage

Coverage is immediately discontinued when residents move permanently to other countries. In some provinces, coverage can be continued for students living outside Canada and/or for residents working outside Canada on a work permit.

Insured Services

Hospital Services

All provinces and territories cover treatment provided in acute care facilities for the entire period of time during which such services are medically required. Acute care includes health services provided to individuals suffering from serious and sudden health conditions that require ongoing professional nursing care and observation. Examples of acute care include postoperative observation in an intensive care unit and care while waiting for emergency surgery. Hospital services can be provided on an inpatient or outpatient basis.

Categories of insured hospital services generally include:

(a) Accommodation and meals at the standard or public ward rate and preferred accommodation if medically required

(b) Necessary nursing services

(c) Laboratory, radiological (x-ray) and other diagnostic procedures

(d) Drugs when administered in a hospital

(e) Use of operating room, case room and anesthetic facilities

(f) Use of radiotherapy and physiotherapy facilities

(g) Medical and surgical equipment and supplies

(h) Outpatient services. (An outpatient is a patient admitted to a hospital, clinic or other health care facility for treatment that does not require an overnight stay.)

Excluded (noninsured) hospital services are generally those considered not to be medically necessary. Hospital services for which patients may be charged include:

(a) Preferred accommodation (private and semiprivate rooms) at the patient's request

(b) Private duty nursing services

(c) Ambulance transportation costs

(d) Bedside telephones or television sets.

Physician Services

Insured physician services are medically necessary services (i.e., necessary to diagnose, treat, rehabilitate or otherwise alter a disease pattern) rendered by a medical practitioner. Persons who can provide insured physician services include:

(a) General practitioners, who are persons who engage in the general practice of medicine

(b) Physicians who are not specialists within the meaning of the clause

(c) Specialists, who are physicians and are recognized as specialists by the appropriate licensing body of the jurisdiction in which they practice.

Categories of insured physician services generally include:

(a) Diagnosis and treatment of illnesses and injuries

(b) Surgical services

(c) Maternity services

(d) Anesthesia services

(e) X-ray, laboratory and other diagnostic procedures.

Excluded (noninsured) physician services for which patients may be charged include:

(a) Cosmetic services

(b) The provision of medical certificates required by a third party (e.g., work, school, insurance purposes, fitness clubs)

(c) Telephone advice.

Dental Services

CHA defines "surgical-dental services" as any service performed by a dentist in a hospital, where a hospital is required to properly perform the procedure. Categories of insured surgical-dental services generally include:

(a) Oral and maxillary (related to the jaw or jawbone) facial surgery

(b) Routine extraction services provided for cardiac patients, transplant patients, immune-compromised patients and radiation patients, when these patients are undergoing active treatment in a hospital setting and the attendant medical procedure requires the removal of teeth

(c) All precancerous or cancerous dental surgical biopsies.

Extended Health Care Services

CHA defines "extended health care services" to include:

a) Certain aspects of long-term residential care, including:

- Nursing home intermediate care services, which provide institutional LTC services to meet the needs of individuals with high nursing care needs. Services offered include accommodation and care, respite care, day programs, night care, palliative care and in some instances convalescent care.
- Adult residential care services, which provide care and supervision in a protective, supportive environment for adults who can no longer be looked after in their own homes.

  Note that long-term facilities-based care is not publicly insured under the CHA, rather, it is governed by provincial and territorial legislation. These services are discussed later in the reading.

b) Health aspects of:

- Home care services, which provide professional nursing care to people of all ages in their own homes. These services are available on a nonemergency basis and can include assessment, teaching and consultation, care coordination and direct nursing care for clients requiring chronic, acute, palliative or rehabilitative services. They can also provide nonprofessional assistance with personal care and housekeeping provided by home support workers.
- Ambulatory care services, which can include services provided in hospital emergency rooms and day/night care in hospital facilities and health centres.

These services are included under the scope of CHA because they are generally viewed as an alternative to hospitalization. Extended health care services are not subject to the five criteria of CHA (public administration, comprehensiveness, universality, portability and

accessibility) or to the two provisions of extra billing and user charges. Also, unlike the insured health care services defined under CHA, extended health care services are not all provided on a prepaid basis without direct charges at point of access. Receipt of the full Canada Health Transfer by any jurisdiction depends upon the jurisdiction meeting the two "conditions" of the CHA:

(a) Providing information to the minister of health as prescribed by regulation under CHA, and

(b) Recognizing the federal financial contributions toward both insured and extended health care services.

Across the country, jurisdictions offer a different range of services and cost coverage. Consequently, there is little consistency across Canada in:

- What facilities are called (e.g., nursing home, personal care facility, residential continuing care facility, etc.);
- The level or type of care offered and how it is measured; and
- How facilities are governed or who owns them.

The provincial/territorial health care insurance plans cover the majority of nursing home costs for those who are without means by providing "ward" rates in a shared room. However, the wait for subsidized rooms can be several years. Unsubsidized rooms with significant cost are available more frequently. In all provinces and territories, most clients/residents pay a portion of the cost of nursing home care. Clients/residents pay for semiprivate and private accommodation in most institutions.

The provincial/territorial health care insurance plans also cover health aspects of home care (provided in an LTC context), at least to the level of public health nursing. Beyond these, the range of services and level of coverage and cost of these services vary considerably by province and territory. Services are generally based on an assessment of need (provinces and territories have their own assessment tools).

Payment for CHA Insured Services

In each province and territory, a public, nonprofit authority (plan administrator) is appointed to handle the administration of payment for insured services. Hospital operating costs are paid out of an annual budget the hospital negotiates with the provincial/territorial ministry of health or regional authority.

Health care providers in Canada fall into three categories, based on the way that the provider receives payment for their services.

1. When the public health care administrator (e.g., Ontario Health Insurance Plan (OHIP) in Ontario) reimburses the health care provider directly *at the rate defined by the jurisdiction's fee schedule,* the provider is considered a "participating" practitioner. This is regardless of whether the practitioner's services have been provided inside, or outside, of a hospital. If the jurisdiction imposes specific dollar limits on the amount that the public plan will reimburse, the insured person is responsible for paying any charges over that limit to the practitioner or health care facility.
2. When the health care provider bills their patient directly *at the rate set by the particular jurisdiction,* and the patient then seeks reimbursement from the public health care administrator, the provider is considered to be an "opted-out" practitioner. In order for the patient to receive reimbursement from the public plan, that individual must obtain sufficient billing information from the practitioner to satisfy the public plan administrator.
3. When the health care provider does not participate in the public plan, and as a result bills the patient directly *at a fee level established by the provider,* the practitioner is considered a "nonparticipating" practitioner. The practitioner must advise patients in advance that they do not participate in the public health care plan, and neither the practitioner nor the patient is eligible for any payments from the jurisdiction's public health care plan.

Conditions That Allow User Fees

CHA gave the federal government the authority to impose financial penalties on provincial/territorial jurisdictions that did not allow reasonable access to basic hospital and physician services without financial or other barriers.

CHA allows provinces and territories to charge a user fee without financial penalty for insured hospital services if the hospitalization is for chronic care (in the opinion of the attending physician), and the patient is more or less permanently resident in the health care facility. In the context of CHA, "chronic care" is care required by a person who is chronically ill or has a functional disability (physical or mental), whose acute phase of illness is over, whose vital processes may or may not be stable, and who requires a range of services and medical management that can only be provided by a hospital. A chronic care facility is a facility providing ongoing, long-term, inpatient medical services. Chronic care facilities do not include nursing homes.

Payment for Excluded Services

Insured residents are required to pay charges for excluded physician and excluded hospital services.

Taxation Provisions

Some jurisdictions help finance health care services through an employer payroll health tax or health care premiums payable by individuals in that jurisdiction. Employer payroll health tax payments and any portion of an employee's health care premium paid to the public health care plan can be deducted from the employer's taxable income. Any portion of a health care premium paid by an employer is considered taxable income to the employee. Health care premiums paid by employees are not deductible to the employee. Benefits received under the public health care plan are not taxable to the employee.

Supplementary Health Care Services Provided at Provincial/Territorial Discretion

All provincial/territorial jurisdictions have discretion to provide a range of health care services that fall outside the scope of CHA. These supplementary health care services are provided under terms and conditions set by each jurisdiction and vary considerably across jurisdictions.

Supplementary health care services covered (i.e., paid for partially or in full) by provincial/territorial plans are usually targeted at specific population groups (e.g., children, seniors or low-income families).

Note that under most provincial/territorial laws, private insurers are restricted from offering coverage that duplicates that of the publicly funded plans, but they can compete in the supplementary coverage market.

Types of Supplementary Health Care Services

Similarities and significant differences across the provincial/territorial plans are addressed below.

Prescription Drugs

There is considerable variation among provincial/territorial plans in terms of who is covered for what drugs and what user fees apply. Provincial/territorial health care insurance plans subsidize the costs for some residents, particularly low-income individuals and seniors.

Plans vary between those that cover a wider range of prescription drugs for a targeted group of people (e.g., seniors and low-income individuals) and those that provide benefits for a larger range of people but have a narrower range of drugs and higher copayments and deductibles in order to limit utilization.

Eye Examinations

Most provinces and territories cover eye examinations for seniors and/or children.

Dental Care

Most provinces and territories provide limited, nonhospitalized dental care coverage for children. The maximum eligible age varies in each jurisdiction. The emphasis is on basic services.

Aids to Independent Living

Aids to independent living include such items as hearing aids, wheelchairs and medical appliances. These aids are generally intended to enhance the independence of individuals living at home who have a chronic or terminal illness or disability. Some provinces cover a portion of the cost of some aids to independent living.

Paramedical Professional Services

All provinces and territories cover physiotherapy services outside of a hospital in an approved facility, provided certain conditions are met. Some provinces provide chiropractor services.

Funding

Unlike insured services that fall under the scope of CHA, provincial/territorial coverage for these services does not necessarily insure the full cost. Instead, provincial/territorial health care insurance plans supplement private (personal or employer-sponsored) insurance and private payment by households. Government coverage for these supplementary services is generally accompanied by copayments, deductibles, and income and means testing.

Administration

There are significant variations among the jurisdictions in administration, plan eligibility, plan funding and plan cost for supplementary services. Most of these services are administered by the provincial/territorial authority having responsibility for the administration of services provided under CHA. Some provinces and territories have special programs administered by Social Services or a separate program of their Ministry of Health or their Ministry of Human Resources.

Residence Requirements

Each province or territory is responsible for establishing its own minimum residence requirements regarding eligibility under its health care insurance plan. CHA does not give guidance on minimum residence requirements beyond an initial waiting period (no greater than three months) to establish eligibility for insured services. Provinces and territories may require minimum residence annually in a province or territory and evidence of intention of returning to that province or territory for that minimum residence period each year.

Registration Requirements

Registration under the provincial/territorial insurance plans and possession of a valid health insurance card are required in order to access supplementary health care services. New residents should apply for coverage as soon as possible upon arrival in any given province or territory.

Out-of-Province/Territory Coverage

Provincial/territorial reciprocal agreements do not apply to all services provided under the provincial/territorial health plans. For most supplementary health care services, there is no coverage if the service is rendered outside the province or territory of residence, or the coverage is limited to the amounts payable in the home province or territory.

Given the variability in provincial/territorial plans, there is extremely limited interprovincial/interterritorial portability of drug plans.

Payment for Supplementary Services

Payment for insured supplementary health care services is handled by an appointed administrator in each jurisdiction. Payment processes and types of practitioners (participating, opted-out and nonparticipating) are as described above for CHA insured health care services.

Conditions That Allow User Fees

CHA allows provinces and territories to charge a user fee for services that are considered noninsured services under CHA, as is the case with supplementary health care services.