

CANADA - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	Retirement age is 65 for men and women. Old Age Security provides a non-contributory flat-rate pension of CAD 524.23 a month (Jan 2011) to age 65, accruing at the rate of 1/40 th for each year of residence. In addition, the Canada Pension Plan (CPP) provides an earnings-related pension between age 60 and 70. The full CPP pension at age 65 is 25% of average career earnings, up to a maximum pension of CAD 960.00 a month (Jan 2011). A reduced pension is available between age 60 and 65. The Quebec Pension Plan (QPP) provides similar benefits for residents in Québec. The CPP and QPP also provide survivors' and disability pensions. In order to improve pension coverage for lower paid employees, the government may consider enhancements to the defined benefits from the CPP in 2011. Medical care is provided by the Provinces under the hospital insurance program and the medical insurance program. The services vary according to the Province.		
Typical New Pension Plan	Most new employees are provided with retirement benefits from Registered Pension Plans (RPPs) on a defined contribution (DC) basis. Separate plans may be provided for non-union and union employees. Executive employees may be provided with a defined benefit (DB) pension plan typically based on 2% of final average earnings per year of service, integrated with the CPP. Post-retirement survivors' pensions are available as an option at retirement. Most plans include a pre-retirement lump sum death benefit of one to three times earnings, and may provide survivors' and disability pensions. Group health and dental plans are also provided.		
Typical Costs	Contributions to the CPP are 4.95% of covered earnings by both employer and employee. Covered earnings are earnings between the Basic Exemption (CAD 3,500 for 2011) and Maximum Pensionable Earnings (CAD 48,300 for 2011). Contributions for medical care vary according to the Province. Contribution levels for private plans vary widely and are normally shared between employer and employees. The typical contribution to DC plans is 7% by the employer and 5% by the employee.		
Tax Implications	Employer and employee contributions to registered pension plans are tax deductible subject to a combined limit of CAD 22,450 (2011). Benefits from the CPP and private plans are taxable.		
Labour Law Issues	Pensions are regulated according to the Province of employment. This covers such areas as conditions for membership, vesting, form of pension, death benefits, etc. Generally, pension rights vest after two years' membership.		
Pooling Potential	Life insurance and long term disability insurance offered to Canadian employees can be included in multinational pooling arrangements.		
International Financial Reporting	International Financial Reporting Standards are due to be adopted in 2011. In the meantime, listed companies are permitted to use IFRSs with the approval of their provincial securities regulator. Unlisted companies are not permitted to use IFRSs.		
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