6200 Dixie Road, Suite 210
Mississauga ON L5T 2E1
877-685-2515

25 Irvin Street
Kitchener ON N2H 3A1
866-536-0389

gmsinsurance.com

Benefits Bulletin

Benefit News to Keep You in the Know and the Now

September 2016

EI Changes to Impact Group Disability Plans

The 2016 Federal budget included enhancements to the Employment Insurance (EI) program. One such change is slated to take effect January 1st, 2017 and may impact some employer-sponsored benefit plans.

The Change

Currently EI has a 17-week benefit period. The first two weeks are an unpaid waiting period followed by a 15-week payment period. The new plan reduces the waiting period to one week and keeps the payment period at 15 weeks.

Impact to STD Plans

Employers with a Short-Term Disability (STD) plan can apply for an EI premium reduction so long as the STD plan at least matches the EI plan. Therefore, in order to remain eligible for the EI premium reduction program, employers with a waiting period of longer than 7 days, will need to amend their plan to shorten the waiting period.

Impact to LTD Plans

Many long-term disability (LTD) plans are designed to dove-tail with either an STD plan or EI. They typically have a 17-week waiting period before benefits become payable. For plans that do not have an STD program, there will be one week between EI and LTD where no benefits are payable. In this case, the LTD plan would need to be shortened by one week in order to dove-tail with the new EI plan. Most STD contracts are payable from the first day of injury or hospitalization and have a 17-week payment period and would therefore continue to transition seamlessly to an LTD payment period.

Insurance Companies Silent

Information as to how each of the insurance carriers plans to approach this issue is very scarce at this point. We expect some communication later in the fall and action will need to be taken at that time to be compliant with the January 1st effective date. The government has indicated they will provide a grace period for insurance companies and employers to amend their plans but has not yet provided any further details or deadlines.

Cost Impact

We anticipate that any change to move the payment of a benefit forward may have a nominal impact on rates. The impact is being reviewed. We suspect that any changes will flow through to renewals rather than a mid-term rate adjustment.

Stay Tuned…

GMS will continue to monitor this situation and communicate developments to you.

No More ORPP. Now What?

The Ontario government had always maintained that if the Federal government made changes to the CPP, they would not proceed with a provincial pension plan. After many consultations, the Federal and Provincial governments have agreed to move forward with changes to the CPP. As a result, the Ontario government is not moving forward with the ORPP.

The ORPP was introduced to fill a gap in retirement income. Now that it's not going ahead, what's CPP doing to fill that gap?

CPP aims to enhance the retirement benefit by increasing contributions.

The proposal is to phase-in changes starting January 1, 2019. This will allow businesses time to adjust.

The first phase will occur over the first five years. During that time we will see an increase to employee and employer contribution rates on amounts under the Yearly Maximum Pensionable Earnings (YMPE).

Throughout 2024 and 2025, the next phase will be implemented which will increase the upper earnings limit to $82,700. The increased earnings limit over the YMPE will attract a separate contribution rate. It is expected to be 4% for each the employee and employer.

At an earnings level of $54,900, these changes are estimated to work out to an additional $9 per month in contributions by both the employer and employee for 2019 and to increase to $43 by 2025.[1]

The plan to increase the contribution rates and the basis of contributions will result in greater retirement benefits. Each year of contribution into the enhanced portion of the CPP will result in partial additional benefits. Partial benefits are calculated on the number of years of contribution to the enhanced CPP. Full enhanced benefits will be available after making 40 years of contributions to the enhanced CPP.

Working Income Tax Benefit
The increased contribution levels may be burdensome for low-earning families. Therefore, the Working Income Tax Benefit (a refundable tax credit that supports low-income workers) will be increased to help offset the incremental CPP contributions.

Tax Deductibility of Contributions
Employee contributions on the existing CPP will continue to draw a tax-credit. However, employee contributions to the enhanced CPP will be tax deductible. This will help reduce income taxes for many middle-income workers.

Employer contributions are already deductible and will continue to be so.

Sources:

http://www.fin.gc.ca/n16/data/16-081_1-eng.asp

[1] http://www.theglobeandmail.com/globe-investor/retirement/cpp-reform-whats-changing-and-how-it-will-affectyou/article30551445/

Quiz Corner

Put your mental mettle to the test and a $50 prize in your pocket!

David has two yard sticks. He also has a twelve inch ruler. He laid them end to end in a line.
How many feet long is the line?

Send your answer to: info@gmsinsurance.com or by fax to 905-670-4146.

Our July Quiz Whiz was Patty Zurbrigg who knew the correct answer was:
Father/Son
Congratulations!