



JOHNSTONE'S JOURNAL is published monthly, and designed to provide topical information of interest not only to plan administrators, but to all employees who enjoy coverage under the benefit plan. Feel free to make copies, and use as a payroll staffer.

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## Employment Insurance (EI) and Disability Arrangements

### EI Disability Changes

The federal government has announced that effective January 1, 2011, they have increased the EI maximum insurable earnings amount and increased the corresponding weekly maximum benefit. The maximum insurable earnings will increase to \$44,200 a year (from \$43,200) and accordingly, the **new maximum EI benefit** amount will increase to \$468 a week (from \$457).

### EI Disability Provisions

EI provides for payment of disability benefits in the event of sickness or accident. Benefits begin after an employee has been away from work for longer than two weeks (the elimination period). Then EI will pay the disabled employee a weekly benefit equal to 55% of their **weekly earnings** up to the new weekly maximum of \$468. Benefits will continue to be paid for **up to 15 weeks**, and are **taxable**.

### Increase to Weekly Indemnity Benefit

If you have a weekly indemnity or short term disability benefit set at the EI maximum, this will automatically increase to \$468/week effective January 1st, 2011.

We will automatically recalculate and adjust benefits for all employees who are currently receiving the maximum. You will see these changes reflected on your January 2011 invoice. We will also provide new wallet ID cards for the employees that this has affected.

### Topping Up the EI Payments

As an employer, you may feel that the EI benefit provision is insufficient, and so you want to top up the benefit. Unfortunately, any benefit paid by the employer to an employee will cause a dollar-for-dollar reduction in EI payments. However, if it is included in the sick leave policy, the employer may pay benefits to cover the two-week elimination

period. To provide benefits in excess of the EI maximum, the employer can introduce an alternative plan or a SUB plan.

### Alternative Plan

Many employers choose to duplicate or improve upon the EI provisions. By implementing an alternate plan (either weekly indemnity or short term disability plan), the employer can:

- Shorten the waiting period, often down to one day in the event of an accident or seven days in the event of an illness, or
- Provide benefit levels that exceed the EI maximum, or
- Provide employees with non-taxable benefit payments.

Implementing an alternate plan that's equal to, or better than, EI may qualify for an EI rate reduction. To qualify, you must register your alternative plan with them for their review.

### SUB Plans

Another option is to implement a SUB plan (Supplementary Unemployment Benefit plan). As with the Alternative Plan, the employer must also register with EI. The application must identify under what circumstances these payments will be made, to whom and for how long. In return, EI will allow a top up of EI benefits without the dollar-for-dollar reduction. The payments received under a SUB plan are taxable, but E.I. does not consider them income for EI and CPP contribution purposes.

### Insured or Self Insured

Employers can choose to self-insure these alternative plans or use the services of an insurer.

If you'd like to know more, give us a call.

For more information about the E.I. rate reduction program and how to apply, go to:  
[www.jbenefits.com/Links & Forms/Federal and Provincial Government Sites/EI Rate Reduction](http://www.jbenefits.com/Links & Forms/Federal and Provincial Government Sites/EI Rate Reduction)