



Supplemental Unemployment Benefit Program

A Guide for employers offering supplemental unemployment benefits to their employees.

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Introduction

Supplemental Unemployment Benefit Program

This program allows employers to register Supplemental Unemployment Benefit (SUB) plans that meet the requirements of article 37 of the Employment Insurance Regulations and policies set by Service Canada.

The purpose of a SUB plan is to provide supplemental payments to Employment Insurance (EI) benefits during a period of unemployment due to:

- temporary stoppage of work;
- training;
- illness, injury or quarantine.

The employer chooses which of the above-mentioned types of unemployment he wishes to supplement.

Note: Employers offering supplements to maternity, parental (including adoption) and compassionate care benefits do not have to register their plans with the SUB Program. Information on Supplements to EI maternity, parental and compassionate care benefits is available by contacting your local Service Canada Office or by visiting the Supplement to Employment Insurance (EI) maternity, parental and compassionate care benefits section of our site.

Advantages of a SUB Plan

Employers use SUB plans to increase the employee's weekly earnings during periods of unemployment. Payments from registered plans are not deducted from the employee's EI benefits.

Payments under a registered SUB plan are not considered as insurable earnings; therefore, EI premiums are not deducted.

Plan Document(s)

The SUB plan must include a complete description of the benefits and must meet the conditions listed in Part I – Plan Requirements.

One or more of the following documents may be used to describe a plan:

- a union or association agreement;
- a trust agreement;
- a private carrier's insurance policy;
- an employee handbook;
- a personnel policy bulletin;
- any signed commitment by the employer.

Part I - Plan Requirements

Items from *Identification of employees covered to Other remuneration*, **inclusive**, are mandatory (with the exception of *SUB payments when employee is not in receipt of EI benefits*) and must appear in the plan description.

A sample SUB plan is found in Part II. Each item below corresponds to the same number in the sample plan.

Identification of Employees Covered

The plan must identify the group(s) of employees covered e.g. all employees, hourly paid employees, employees at a certain plant or location, union group(s), etc. It may also identify an employee position e.g. accountant, administrator, lawyer, etc. Any employee may be covered; however, do not identify individuals by name. When employees of affiliated companies are covered, the names of these companies must be included.

Types of Unemployment

The plan must indicate that it covers unemployment caused by one or a combination of the following:

Temporary Stoppage of Work

SUB plans are intended for periods of unemployment caused by a temporary stoppage of work. Termination of employment caused by a re-organization or a shutdown of a plant or operation is not considered temporary unemployment. SUB payments may not form part of a separation package, be used to bridge to retirement, nor form any part of a work sharing agreement or short-week benefits.

Recall rights do not necessarily constitute a reason for determining a lay-off to be temporary. The employer should be able to estimate the date of the employee's return to work.

EI benefits paid for temporary lay-off are regular benefits and **are paid to claimants who are available for, able to and looking for work**. Claimants must continue to meet all EI requirements even though they are on temporary stoppage of work.

Training

Employees must be in receipt of Employment Insurance benefits.

Illness, Injury or Quarantine

The employee must be in receipt of EI sickness benefits.

Receipt of Employment Insurance (EI) Benefits

The plan must indicate that the employee must apply for and be in receipt of EI benefits.

SUB Payments When Employee is not in Receipt of EI Benefits

Notwithstanding item *Receipt of Employment Insurance (EI) benefits*, the plan may provide SUB payments up to a maximum of 95% of the normal weekly earnings when the employee is **not in receipt of EI benefits**, and:

- is serving the two-week EI waiting period; or
- has insufficient hours of insurable employment to qualify for EI benefits; or
- has exhausted the EI benefit entitlement.

The employer decides which, if any, of the above situations are covered by the plan. If an employer introduces a SUB plan **to offset the EI two-week waiting period only**, a complete description of the plan must be submitted for approval.

Supplemental Unemployment Benefit (SUB)

SUB Payments

The SUB plan must indicate the value of the payments, either as a percentage of the employee's normal weekly earnings, or a fixed amount.

The weekly SUB payment plus the weekly EI benefit rate applicable to this employment must not exceed 95% of your employee's normal weekly earnings. It should be noted that a lump sum payment does not meet this requirement.

There are two acceptable methods of calculating the amount of SUB payments in order to meet the 95% requirement:

- the gross weekly EI benefit (benefit rate) is deducted from the 95% calculation.
- the EI benefit amount (after earnings are deducted) and any other money considered earnings are deducted from the 95% calculation.

At the present time, the basic EI benefit rate is equal to 55% of the employee's weekly insurable earnings up to a maximum payment of \$485 per week. Changes to the basic rate of EI benefits could influence the amount of the SUB payments. The plan may provide for an automatic adjustment of the SUB payments when the EI rate is increased or decreased. It should be noted that the basic benefit rate can be altered based on the following:

- a legislative change could increase or decrease the EI rate;
- a family income supplement can increase the EI rate to more than 55% because the employee is in a low-income family and in receipt of the Canada Child Tax Benefit (CCTB). If the employee is entitled to receive the family income supplement, the EI rate will be adjusted automatically.

SUB Calculation – No Other Earnings

Example 1: SUB payable when the employee is receiving regular, training or sickness benefits and has no other earnings.

1. Employee's normal weekly earnings \$900
2. Employee's other earnings \$0
3. 95% of normal weekly earnings \$855
4. Maximum EI payment \$485 ¹
5. **Calculation of maximum SUB payment (C – D = E) \$370**

SUB Calculation – Regular or Training Benefits Plus Other Earnings

In any week of unemployment caused by temporary stoppage of work or training, a claimant is allowed to retain up to 50% of their earnings. Once the claimant has earned 90% of the average weekly earnings amount used to calculate their benefit rate, then the earnings are deducted dollar for dollar. The claimant must report all earnings. The employer may wish to consider these other earnings and the EI benefit amount when calculating the SUB payment. Refer to example 2 below for the difference in the SUB payments.

Note: Under the Working While on Claim pilot project, a claimant receiving EI regular, parental or compassionate care benefits will also have 50% of their earnings deducted from their benefit rate. Once the claimant has earned 90% of their weekly earnings amount, the earnings are deducted dollar for dollar from their benefits. This pilot project is in effect from August 5, 2012 to August 1, 2015.

¹ Supplemental unemployment benefits may be paid to a claimant who worked for more than one employer. To calculate the payment, each employer offering a SUB must identify the portion of the weekly EI benefit rate based on his employee's insurable earnings. To obtain confirmation of this amount, please contact your local Service Canada Centre.

Example 2: *The employee is receiving regular or training benefits and also has other earnings.*

1. Employee's normal weekly earnings \$900
2. Employee's other earnings \$225
3. Maximum EI payment \$485 ¹
4. 50% of the earnings (\$225 x 50%) \$113
5. **EI benefit [C - D = E] [\$485 - \$113] \$372**

Scenario A: SUB payable without consideration of other earnings

(Sample Plan – Part II - item 5 option A or B)

1. 95% of normal weekly earnings \$855
2. Maximum EI payment \$485 ¹
3. **SUB (A - B = C) \$370**

Scenario B: SUB payable if the employer includes other earnings and EI benefit

(Sample Plan – Part II - item 5 option C)

1. 95% of normal weekly earnings \$855
2. EI Benefit (as per E above) \$372 ¹
3. Other earnings \$225
4. **SUB (A - B - C = D) \$258**

SUB Calculation – Sickness Benefits Plus Other Earnings

If a claimant receives earnings during a period of **absence from work because of illness**, 100 % of the earnings (excluding registered SUB) are deducted from the EI benefits paid for that week. The claimant must declare all earnings. The SUB payment will be the same in both situations, as shown in example 3 below.

¹ Supplemental unemployment benefits may be paid to a claimant who worked for more than one employer. To calculate the payment, each employer offering a SUB must identify the portion of the weekly EI benefit rate based on his employee's insurable earnings. To obtain confirmation of this amount, please contact your local Service Canada Centre.

Example 3: The employee is receiving sickness benefits and has other earnings

1. Employee's normal weekly earnings \$900
2. Employee's other earnings \$225
3. Maximum EI payment \$485 ¹
4. **EI benefit (C - B = D) (\$485 - \$225) \$260**

Scenario A: SUB payable without consideration of other earnings

1. 95% of normal weekly earnings \$855
2. Maximum EI payment \$485 ¹
3. **SUB (A - B = C) \$370**

Scenario B: SUB payable if the employer includes other earnings and EI benefit

1. 95% of normal weekly earnings \$855
2. EI Benefit (as per D above) \$260 ¹
3. Other earnings \$225
4. **SUB (A - B - C = D) \$370**

Benefit Duration

The plan must indicate the maximum number of weeks for which the SUB payments will be made. Some plans pay benefits for varying periods based on years of service, salary or employee groups. The regulations do not set a minimum or maximum number of weeks for the payments.

Plan

Duration

The plan must indicate a start and end date.

Approval from HRSDC-SUB Program **must be received before the implementation date of the plan**. The plan's duration must be at least one year. However, it can be in effect for up to five years. If the plan is contained within a collective agreement, it will be valid until the expiry date of that document.

¹ Supplemental unemployment benefits may be paid to a claimant who worked for more than one employer. To calculate the payment, each employer offering a SUB must identify the portion of the weekly EI benefit rate based on his employee's insurable earnings. To obtain confirmation of this amount, please contact your local Service Canada Centre.

Subsequent Changes

The plan must indicate that a written notice of any change will be given to HRSDC-SUB Program within thirty (30) days of the effective date of the change. This also includes changes to the administrators or contact persons.

If there is a major reorganization in the company, such as a merger or a take-over, the employer must send us details of the changes including the new or updated plan description.

Financing

The plan must indicate the method used to finance the SUB payments. Financing is the sole responsibility of the employer and must be done in one of the following three ways:

- by making the payments from the general revenues of the company;
- by making deposits into a trust fund established to provide the SUB payments;
- paying 100% of the insurance premiums that are required to finance the SUB payments.

Separate Records

The plan must indicate that the employer will keep a record of all SUB payments.

Other Remuneration

Payments in respect of guaranteed annual remuneration, deferred remuneration or severance pay must not be reduced or increased by SUB received under the plan.

These amounts include any benefits to which the employee is entitled such as sick leave, vacation leave, commissions, bonus, etc.

Repayment of EI Benefits

An employee whose net income (including EI and SUB) is above 1.25 times the maximum yearly insurable earnings may be required to repay some or all of the EI benefits received.

The employer may offset the repayment of EI benefits under the SUB plan. **The amount of the offset when added to the previous payments (SUB and the gross EI benefits from that employment) must not exceed 95 percent of the employee's normal weekly earnings.**

Therefore, if the SUB plan has supplemented to 70%, the maximum amount of the offset cannot exceed 25% of the employee's normal weekly earnings multiplied by the number of weeks in which EI benefits were received.

The amount of repayment is calculated when completing the Income Tax return and is based on a taxation year. For more information on repayment of EI benefits contact your Service Canada Centre.

Trust fund

Termination Clause

When the plan is administered through a trust fund, it must indicate that upon termination of the plan, all of the remaining assets will:

- revert to the employer;
- be used for ongoing payments under the plan; and/or
- be used for the administration costs of the plan.

Vested Rights

The plan must indicate that the employee has no vested right to SUB payments except during periods of unemployment specified in the plan.

Note: SUB plans may specify any other requirements imposed by the employer for the receipt of the SUB, e.g. the minimum period of employment required before payments are made; that the employee must return to work for a specified period after supplemental unemployment benefits are paid; conditions set by a collective agreement, etc.

The employer may provide for varying benefits (e.g. benefit duration, payments, type of coverage) for certain employee groups within the plan.

Part II - Sample Plan

The following sample contains all the information required in a SUB plan. **The information in Bold should be included in your plan description.** Any information following the asterisk (*) is an example, and should be replaced with information reflecting your own situation.

Details on each of the following items are found in Part I – Plan Requirements.

1. **The following group(s) of employees is/are covered by the plan:** * All full time employees with one year of service.
2. **The plan will supplement EI benefits for periods of unemployment caused by** * a temporary stoppage of work.
3. **Verification that the employees have applied for and are in receipt of EI benefits will be made before SUB payments are paid.**
Item SUB Payments When Employee is not in Receipt of EI Benefits is needed only when the employer will pay a SUB during periods of non-receipt of EI.
4. **The SUB is payable at** * 95% **of the employee's normal weekly earnings while** * the employee is serving the two-week EI waiting period.
5. **Please choose one of the following options:**
 - ⇒ Option A (percentage or fixed amount): **The benefit paid under this plan is set at** * 40% **of the employees' normal weekly earnings** or \$200 (fixed amount). **The weekly SUB payment plus the gross amount of EI benefit from this employment will not exceed 95% of the employee's normal weekly earnings.**
 - ⇒ Option B (automatic adjustment): **The plan provides that the gross amount of EI benefit from this employment plus the SUB payment will equal** * 95% **of the employee's normal weekly earnings.**
 - ⇒ Option C (other earnings considered): **The plan provides that the SUB payment, any other earnings plus the EI benefit from this employment will equal** * 90% **of the employee's normal weekly earnings.**
6. **The SUB benefit will be paid for** * 10 weeks.
7. a) **The duration of the plan is from** * January 5, 2003 **to** * December 31, 2005.
b) **Service Canada - SUB Program will be informed in writing of any change to the plan within thirty (30) days of the effective date of the change.**
8. a) **The plan is financed** * by the employer's general revenues.
b) **A separate record of all the SUB payments will be kept.**
9. **Payments of guaranteed annual remuneration, deferred remuneration, or severance pay will not be reduced or increased by payments received under the SUB plan.**

Item Repayment of EI Benefits is needed only when the employer wishes to offset the repayment of EI benefits paid for temporary stoppage of work or training.

-
- 10. This plan provides for an offset of EI benefits that may have to be repaid as part of the employee's income tax return. The weekly gross EI benefit from this employment, the SUB payments previously paid plus this offset amount will not exceed 95% of the employee's normal weekly earnings.**

Items *Trust Fund - Termination Clause* and *Trust Fund - Vested Right* are needed only when SUB payments are financed by a trust fund.

- 11. On termination of the plan, all remaining assets will revert to the employer, be used for SUB payments and/or be used for the administrative costs of the plan.**
- 12. Employees do not have a right to SUB payments except during the period of unemployment specified in the plan.**

Signature(s) of authorized officer(s).

Date* date of signing.

Part III - Additional Information

Record of Employment

The employer completes a Record of Employment (ROE) when the employee is separated from employment because of a temporary stoppage of work, training, illness, injury or quarantine. The employer also indicates that the employee is entitled to supplemental unemployment benefits **by entering “SUB plan benefit” in the “other monies” section**. If you issue ROEs in a paper format, the employee must submit this form to the local Service Canada Centre when applying for EI benefits. If you issue ROEs electronically, they do not have to submit it. The employer’s business number for payroll deductions (RP) indicated on the ROE will be used to verify whether the employer has an approved registered SUB plan.

Verification of Employment Insurance benefits paid and weekly benefit rate

The employer or the administrator responsible for paying the SUB must verify that the employee is in receipt of EI benefits and the employee’s weekly EI benefit rate before the SUB payment can be made. The weekly SUB payment plus the weekly EI benefit rate applicable to the employment must not exceed 95% of the employee’s normal weekly earnings.

There are two methods of verifying the receipt of EI benefits and the weekly benefit rate:

- By obtaining the EI benefit information directly from your employees (please note that your employees can view, copy or print their claim information online using their My Service Canada Account); or
- By consulting a system-generated report provided by Service Canada at the employer’s request.

Payroll deductions

Payments from a registered SUB plan are not insurable; therefore, EI premiums are not deducted. SUB payments are generally subject to Canada Pension Plan or Quebec Pension Plan deductions as well as income tax. For more information on this subject contact a Canada Revenue Agency office or the Régie des rentes du Québec.

Part IV - Plan Registration

Registration of a SUB plan

The employer must submit a **copy of the SUB plan** with the enclosed registration form and any additional documents that may be required to:

Service Canada

Supplemental Unemployment Benefit (SUB) Program

120 Harbourview Boulevard

P.O. Box 11,000

Bathurst, New Brunswick

E2A 4T5

Telephone: 1-800-561-7923

Fax: (506) 548-7473

Additional documents

The employer must submit the following documentation, if applicable, with the SUB plan:

- a copy of the current collective agreement(s), if the plan covers employees who are members of a certified bargaining unit, i.e. unionized employees;
- a copy of the relevant section of the insurance policy used to administer the SUB plans (if the policy does not contain a complete plan description, a document signed by the employer containing the missing information must be included);
- a copy of the Trust Agreement;
- any company policies and/or personnel guidelines containing information about the plan, as well as any declarations or documents the employees have to sign to receive the SUB payment.

Approval and renewal

The registration date of the SUB plan is the date on which it is submitted, if all the required conditions are met and all supporting documents are received. The plan will be registered under the employer's business number for payroll deductions (RP) and a notification of the approval will be sent to the employer. Also, the local Service Canada Centre will be advised of the registration of the plan. Employers who are already participating in the program will receive a request to renew from Service Canada - SUB Program.

When a plan does not qualify, the employer is advised of the change(s) that must be made. A copy of the amendments to the plan should be submitted as soon as possible. Until the plan is registered any amounts paid will be treated as earnings and may be deducted from the employee's EI benefits. Service Canada's decision on the SUB plan's approval cannot be appealed. However, a review of the decision may be requested.

SUB Plan Registration Form

You must use the Supplemental Unemployment Benefit (SUB) Plan Registration form to register your plan. It may be printed, then completed and mailed to us. If you have a PDF reader installed on your computer, you may download and complete the form on screen, then print the completed application and mail it to us. Instructions for completing the application are accessible by positioning the mouse over each question on the form.



SUB PLAN REGISTRATION

NOTE : YOU MUST ENCLOSE A COPY OF YOUR SUB PLAN

THE GUIDE CONTAINS A SAMPLE SUB PLAN AND A LIST OF ADDITIONAL DOCUMENTS WHICH MAY BE REQUIRED.

Failure to submit all supporting documents could delay the registration date.

1. Business Number (BN) for payroll deductions		R	P
2. a. Legal Name			
b. Operating Name (if applicable)			
3. Address			
City		Province	Postal Code
4. Contact Person (please print)		Telephone No. ()	
Title		Fax No. ()	
		E-mail	
5. Number of employees under the above payroll number that are covered by your SUB plan. _____			
6. Of those in questions 5, are any employees members of a union? <input type="checkbox"/> Yes <input type="checkbox"/> No			
If yes, you must send a complete copy of the current collective agreement for each union group.			
7. Is your SUB plan contained in an insurance policy? <input type="checkbox"/> Yes <input type="checkbox"/> No			
If yes, are you paying 100% of the premiums for this coverage? <input type="checkbox"/> Yes <input type="checkbox"/> No			
A complete copy of the insurance policy must accompany the SUB plan.			
8. How will you confirm receipt of Employment Insurance (EI) benefits?			
a. an examination of the employee's EI benefit cheque stub.		<input type="checkbox"/>	
b. a verification of the computer report issued by HRSDC indicating the amount of EI benefits paid.		<input type="checkbox"/>	

BY SUBMITTING THIS FORM, YOU ARE DECLARING THAT THE INFORMATION GIVEN HEREIN IS TRUE AND ACCURATE TO THE BEST OF YOUR KNOWLEDGE.

_____ Authorized Officer	_____ Title	_____ Date
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SUB Program
120 Harbourview Boulevard
P.O. Box 11,000
Bathurst, NB E2A 4T5
Tel.: 1-800-561-7923
Fax.: 1-506-548-7473
Internet: www.servicecanada.gc.ca/eng/cs/sub/documents/sub.pdf