

Pension, Payroll & Employee Benefits Division  
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## 2006 BUDGET BRIEFING NOTE – Fringe Benefit Rate

### Issue:

The recommended Fringe Benefit Rate for 2006 is 24.5%. City Programs and Agencies, Boards and Commissions (ABCs) have been advised to budget based on their 2005 actual experience, up to 24.5% of salary costs. The Fringe Benefit Rate consists of both government regulated and employer sponsored plans as follows:

- Canada Pension Plan
- Employment Insurance
- Employee Health Tax
- OMERS
- Long Term Disability
- Health
- Dental
- Life Insurance

### Background:

Based on actual costs up to November 2005 and projected to the end of the year, the following chart details the 2006 increase in Fringe Benefit Rates from 2005:

Benefits	2005 Projected Actual	2006 Estimate	2005-2006 Total Increase		Breakdown of 8.8% Total Increase
	\$ Million	\$ Million	\$ Million	%	
Canada Pension Plan	43.925	45.380	1.455	3.3%	0.5%
Employment Insurance	23.590	23.590	0	0.0%	0.0%
Employer Health Tax	28.339	29.697	1.358	4.8%	0.4%
OMERS	92.073	108.895	16.822	18.3%	5.3%
Long-Term Disability	25.432	26.707	1.274	5.0%	0.4%
Health	61.694	66.696	5.003	8.1%	1.6%
Dental	36.410	38.028	1.618	4.4%	0.5%
Life Insurance	9.981	10.597	0.616	6.2%	0.2%
<b>Total</b>	<b>321.444</b>	<b>349.590</b>	<b>28.146</b>	<b>8.8%</b>	<b>8.8%</b>

City Programs have budgeted for benefits based on their previous year's actual experience plus projected fringe benefit increases. Program areas will each have differing fringe benefit rates due to the composition of their workforce. For example, Programs with a substantial amount of their staff at higher salary rates will have a lower fringe benefit rate than a Program with a large workforce at a

lower salary. Due to City fiscal constraints, Programs have been asked to cap the budget at the corporate rate of 24.5% of salary costs.

**OMERS:**

As reflected in the above chart, the main contributor of this increase is the OMERS pension plan. This is as a result of a contribution rate increase for OMERS members and employers which came into effect with the first full pay in January 2006. This increase will average 0.6% of annual earnings, which works out to an increase of approximately 9% a member and employer will contribute. For example, a member contributing \$100 per pay in 2005 will pay about \$109 per pay in 2006, as will the City.

The OMERS contribution rates for 2005 – 2006 are as follows:

**OMERS CONTRIBUTION RATES: 2005 - 2006**

		<b>2005</b>	<b>2006</b>
<b>Normal retirement age 65</b>	Up to YMPE*	6.0%	6.5%
	Over YMPE*	8.8%	9.6%
<b>Normal retirement age 60</b>	Up to YMPE*	7.3%	7.9%
	Over YMPE*	9.8%	10.7%

\*2006 contribution rates use the 2006 year's maximum pensionable earnings (YMPE) limit of \$42,100

**Extended Health Care & Dental:**

The costs associated with providing these benefits increased based on inflationary factors as well as plan enhancements due to collective bargaining with CUPE Local 79 and TCEU Local 416 and flow-through increases for management/non-union employees.

**Key Point(s):**

- The main factor contributing to the increase in the Fringe Benefit Rate for 2006 is an increase in the OMERS pension contributions.
- The impact of OMERS' contribution rates has accounted for more than half of the projected increase in the 2006 benefits rate.
- The Fringe Benefit Rate includes government sponsored benefits and projections are made based on previously established rates along with forecasted changes in each of these benefits.

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