

ILLUSTRATING THE VALUE OF PAYROLL IN BENEFITS ADMINISTRATION

How many employment and retirement benefits are there? Which are the most common? How much do they cost to administer? The Canadian Payroll Association (CPA) received responses from nearly 4,000 payroll practitioners nationwide on over 90 employment and retirement benefits.

Employer-provided benefits form an important part of an organization's total compensation package, and knowing how to administer them is integral to payroll compliance. Recognizing the importance of payroll's role in administering benefits, the CPA first undertook market research on employer-provided benefits in 2005, then again in 2008/2009. This survey helps the Association better understand the challenges and successes of payroll practitioners in administering benefits, ensuring we provide appropriate payroll compliance guidance and support.

Our Employment and Retirement Benefits survey also measured the difficulty and amount of time spent administering benefits to more fully understand the challenges faced by employers. "Market research is a core objective of the CPA," said Rachel De Grâce, the CPA's Manager of Advocacy and Legislative Content. "Our findings enable the Association to address compliance obstacles with government agencies and departments using fact-based market research."

"Knowing which benefits are most commonly offered by employers adds focus to ongoing enhancements of Professional Development Seminars, webinars, Payroll Best Practices Guidelines and online compliance tools," said Janet Spence, the CPA's Manager of Compliance Services and Programs. "For example, in 2015 the CPA offered webinars on how to reduce your employer EI premium rates by offering short-term disability plans, and how to administer gifts

and awards—both currently available as archived presentations on our website. This is just a snapshot of our offerings, and we will continue to add more based on continuing research of member needs."

SURVEY REFLECTS WIDE RANGE OF STAKEHOLDERS AND DEMOGRAPHIC GROUPS

The 4,000 respondents spanned a wide demographic. The majority of respondents were payroll administrators and coordinators, while many respondents had other backgrounds, including human resources and accounting. They ranged from junior level to CFOs, Vice Presidents and owners. Some respondents indicated that certain benefits were administered by accounts payable, such as relocation expenses.

"If benefits reimbursements and direction are processed through accounts payable, payroll practitioners must be able to provide education to other departments on benefits and compliance issues."

Maureen Olson, CPM,
Senior Payroll Manager, EPCOR Utilities Inc.

Consistent with the CPA's membership base, organization size was also widely represented. There was nearly an even split among organizations with less than 100 employees (29%) those with 100 and 500 employees (33%) and those with over 500 employees (38%).



Industries were also well represented (no surprise, since all employers rely on the payroll function). Survey responses were consistent with population data from Statistics Canada's 2011 Census. For example, Ontario, which has both the largest population and employer base, generated the most responses.



More than half of the respondents (53%) are certified as either a Payroll Compliance Practitioner (PCP) or Certified Payroll Manager (CPM). Another 7% are currently enrolled in the CPA's PCP certification program. This shows that employers are increasingly looking for certified payroll professionals who can provide payroll compliance knowledge in their organizations.

ORGANIZATION COMPLEXITY IMPACTS PAYROLL ADMINISTRATION

More than half (57%) of survey respondents indicated their organization administers more than one Canada Revenue Agency (CRA) business number, and over two-thirds (69%) administer more than one payroll account number (RP extensions or "RPs").

There are several reasons why an organization would have multiple RP extensions and all speak to the complexity of payroll. Organizations commonly have different RPs for regular employer EI premiums and another for reduced EI premiums. Multiple RPs could also be due to multiple organizational divisions, or the result of growth or acquisition. Organizations often have RP extensions for contractors, as well.

"As a best practice, payroll practitioners should close RP numbers if they know will not be used."

Sherry Wilson, PCP, Compliance Manager, Irving Transportation Services

Of the respondents that administer union contracts or collective agreements, more than two-thirds (69%) administer two or more agreements, further adding to the complexity of their payroll administration, particularly when each agreement provides for different benefits.

SURVEY DATA CONTRIBUTES TO 'EI EFFICIENCIES' ADVOCACY EFFORTS

The survey showed nearly three-quarters of respondents (72%) pay some or all of their employees on a biweekly schedule. A further 26% indicated some employees are paid on a semi-monthly basis, while only 17% pay on a weekly basis. Many respondents had multiple payroll frequencies depending on employee class (salaried, hourly-paid, and executive) and collective agreements.

"We shared these results with key government staff at Service Canada," said Frank Lilley, Chair of the EI Efficiencies Task Force at the CPA. "The CPA is advocating for Service Canada to use existing payroll data for EI administration, rather than costly, onerous forms like the Record of Employment (ROE) and the unpopular Request for Payroll Information Form (which uses a Sunday to Saturday weekly format)."

"My CPM certification makes me more skilled at understanding and communicating to management and employees the impact that benefits have on payroll."

Isabelle Logan, CPM, Payroll Supervisor, Horizon Health Network

HEALTH, DENTAL AND LIFE INSURANCE MOST POPULAR BENEFITS

| Most Common Employment Benefits | |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Health and dental insurance – employer-paid premiums |
| 2 | Group term life insurance policies – employer-paid premiums |
| 3 | Training expenses – related to job |
| 4 | Automobile and motor vehicle allowances |
| 5 | Gifts and awards—non-cash and near-cash |
| 6 | Cellular phone service – non-cash |
| 7 | Counselling services |
| 8 | Disability-related employment benefits |
| 9 | Income maintenance plans and other insurance plans (including short and long-term disability, accidental death and dismemberment, and group sickness plans) |
| 10 | Registered retirement savings plan (RRSP) - contributions – in cash |

Employer-paid premiums for health and dental insurance topped the most common benefits list, exceeding group term life insurance policies, which captured the number one spot in 2008. “This change may be due to employee-employer cost-sharing methods,” said Jeffrey Stinchcombe, Partner at People Corporation and lead instructor for the CPA’s Seminar on Best Practices of Employee Group Benefits. “If the employer wants employees to share the cost of group benefits, it is more cost efficient that employers cover the health and dental premiums, since they are tax-free outside of Quebec, and to have employees pay for group term life insurance to avoid the taxable benefit.”

Group Registered Retirement Pension Plan, Defined Benefit and Defined Contribution Pension Plans were all included in the top 15 most common benefits offered to employees. “Given the popularity of these retirement benefits across the country, the CPA strongly recommends that the Ontario Retirement Pension Plan not go forward starting January 1, 2017,” said Patrick Culhane, President and CEO of the CPA. “Employers, payroll software providers, software developers and the government should not be burdened with implementing a program that should be replaced with a modest enhancement to the Canada Pension Plan.”

SURVEY RESULTS SUPPORT TRAINING AND ADVOCACY INITIATIVES

Respondents were also asked to rank the administrative burden of benefits, in order for the CPA to better understand the difficulties faced by practitioners. The survey found that the most difficult benefit to administer was ‘security options including cash outs’. The Canadian Payroll Association previously offered a webinar on this topic, and our Compliance Services and Programs team is currently developing documentation to bring clarity to this complex issue.

“One of the biggest compliance obstacles is getting the third party vendor information we need to meet reporting deadlines, not only for stock options, but for other group benefits as well,” said Deirdre

Joachim, CPM, and Senior Payroll Manager with TD Bank Group, when discussing her biggest challenge in administering benefits. “Practitioners may be dealing with varying year-end and fiscal year-end dates, which can complicate administration for payroll.”

More than three-quarters (79%) of respondents said employer-provided parking was a difficult benefit to administer. This supports the concerns received on the CPA’s Payroll InfoLine by employers who struggle with the CRA’s scramble parking rules, particularly when the lot is open to the general public.

“The CPA will be addressing this compliance obstacle with the CRA,” said Alan Mitchell, Chair of the CPA’s Federal Government Relations Advisory Council (FGRAC) and Manager of Payroll and Benefits Accounting with School District 36 in Surrey, British Columbia.

CPA ADVOCACY MADE OVERTIME AND MEAL ALLOWANCE ADMINISTRATION EASIER

When the preliminary results of the survey were presented to the FGRAC in November 2015, council members were pleased that overtime meals were ranked among the least difficult benefits to administer. This is likely a result of work done in 2008, when the CPA successfully advocated for changes to the CRA’s policy on overtime meals and allowances, which resulted in key revisions in 2009.

“Administering overtime meal allowances is much easier since the CRA changed its policy and helped to clarify what a *reasonable* allowance is [generally up to \$17],” said Marie Lafrance, Payroll Director, SNC-Lavalin Inc. “The policy now covers meal allowances for eligible employees working two or more hours of overtime (instead of three) and the allowance can be provided three or more times per week on an occasional basis to meet workload demands.”

CPA TOP SOURCE OF COMPLIANCE INFORMATION

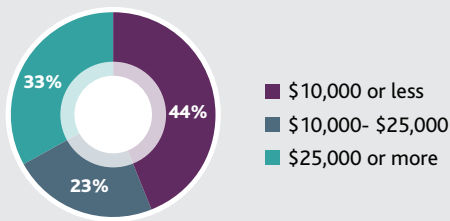
When respondents were asked where they go for clarification on tax treatment of benefits, 85% answered the CPA is a top source of compliance information. Another 80% also utilize CRA resources. Results also indicated a strong reliance on Revenu Québec for benefits information (in proportion to responses from Quebec).

“Benefits details are extensive and I always turn to the CPA when I need clarification or information on employee benefits administration,” said Shawn Parago, PCP, Senior Financial Analyst, IC Group LP. “I have been a CPA member since 2008 and I appreciate their Payroll InfoLine service where I can email my question to a Payroll Compliance Advisor and get an accurate answer the same day.”

ADMINISTRATION OF AVERAGE RETIREE LIFE INSURANCE OUTWEIGHS GOVERNMENT REVENUE

Medical and dental insurance and reimbursements were also identified as the most commonly administered benefits for retirees, followed by life insurance. Compared to active employees, the amount of policy coverage for retiree life insurance is considerably lower. Almost two-thirds (62%) of retirees have \$25,000 in coverage or less, with 40% having coverage of \$10,000 or less—equivalent to the average cost of a funeral in Canada.

WHAT IS THE VALUE OF THE AVERAGE LIFE INSURANCE POLICY PER RETIREE?



The CPA calculated the average cost per \$1,000 of retiree life insurance at \$0.30/month. For \$25,000 of retiree life insurance coverage, premiums are \$7.50/month. The average survey respondent spends 20 hours/year administering the benefit (calculating and reporting the taxable benefit). The average Payroll Coordinator makes \$50,000/year (\$26/hour), according Hays and Robert Half Salary Guides. It therefore costs employers an average of \$520/year or \$43.33/month to administer this taxable benefit of \$7.50 per retiree.

Since retiree life insurance is often the only earning reported on the T4A, employers pay an additional \$5 per slip. At an estimated personal tax rate of 22%, this \$7.50 taxable benefit generates only \$1.65/month in tax revenue to the government. While this is an initial calculation based on benefit administration for a single retiree, the calculation underscores the disproportionate cost of employer administration versus the tax received by the CRA.

For these reasons, the CPA continues to advocate for the reinstatement of the \$25,000 retiree life insurance threshold. "The current cost associated with assessing and processing this benefit is not warranted given the low tax revenue generated to the government," said Rachel De Grâce. "Reinstating the threshold would save employers and the CRA administrative burden and the costs associated with processing the T4As, without a significant revenue loss for the government."

CHILD CARE AND SPOUSE TRAVEL EXPENSES RANK AMONG LEAST COMMON BENEFITS

The least common benefits aligned with previous years' results, with child care benefits and spouse/common law partner travel remaining low on the list of employment benefits. Frequent flyer programs, utilities allowances and housing losses in cash also made the least common list.

| Least Common Employment Benefits | |
|----------------------------------|------------------------------------------------------------------------------------------|
| 1 | Child Care expenses |
| 2 | BC Medical Services Plan - cash |
| 3 | Frequent flyer programs (employer controlled) |
| 4 | Spouse or common-law partner's travelling expenses – cash or non-cash |
| 5 | Utilities allowance – in cash |
| 6 | Housing loss – in cash |
| 7 | Utilities benefit, rent-free or low-rent – non cash |
| 8 | Power saws and tree trimmers; rental paid by employer for employee-owned tools – in cash |
| 9 | School services subsidies (for children of employee's who work in remote areas) |
| 10 | Clergy: housing and utility benefits and allowance |

PAYROLL IS A CRITICAL COMPONENT IN BENEFITS ADMINISTRATION

Canada's 1.5 million employers count on payroll professionals to annually pay \$901 billion in wages and taxable benefits, \$305 billion in federal and provincial statutory remittances, and \$169 billion in health and retirement benefits, as well as produce 26 million T4s, 9 million T4As, and 7 million RL-1s—all while complying with over 200 regulatory requirements. It's no wonder why payroll remains a critical piece of the organizational puzzle.

For the CPA, these survey results continue to inform and prioritize advocacy opportunities. "Results help the Association know where to invest our time and effort to make the biggest impact," said Robert Dicaire, FCPA, Chair of the Quebec Government Relations Advisory Council and President at R2D1 Inc. "Considering the most difficult benefits for employers, I believe this presents a good opportunity for the Association to further evaluate the mechanisms in place to support these pain points, whether through education or advocacy."

A special thanks to all who took the time to complete this survey. A random draw for one of five iPad minis was held. Said one happy winner, Linda MacKinnon, Payroll and Benefits Administrator at McGorman MacLean: "Thanks to the CPA for my new iPad Mini. As an appreciative CPA member, I always take the time to fill out your surveys, but until now I always did so anonymously. I'd now encourage everyone to take the extra minute to fill in their name!"

SURVEY CAPTURES RESPONSES FROM ACCELERATED THRESHOLD 2 REMITTERS

The survey showed that 60% of respondents are Accelerated Threshold 2 remitters. These organizations have only three business days to make their final remittances of the year. Their timeframe is far more onerous than the semi-monthly or monthly remittance requirements, and the January 15th final remittance deadline, of smaller employers with less complex payrolls.

Our responses from Accelerated Threshold 2 remitters was 6% lower than in the CPA's 2014 Employer Remittance Survey, a reflection of last year's Federal and Quebec Budget announcements. "While the CPA is pleased that our advocacy efforts resulted in the Federal and Quebec governments increasing the Threshold 2 average monthly withholding amounts from \$50,000 to \$100,000, we continue to raise concerns on behalf of employers regarding deadlines for the final year remittance," said Rachel De Grâce.

