CANADA – QUEBEC
FINAL AGREEMENT
ON THE QUEBEC PARENTAL
INSURANCE PLAN
# TABLE OF CONTENT

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>PARTIES</td>
<td>..............................................................................................................</td>
<td>3</td>
</tr>
<tr>
<td>PREAMBLE</td>
<td>..............................................................................................................</td>
<td>3</td>
</tr>
<tr>
<td>1</td>
<td>Purpose, scope and principles of the present Agreement</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Definitions</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Financing</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Transition Period</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Specific Provisions</td>
<td>6</td>
</tr>
<tr>
<td>5.1</td>
<td>Interprovincial mobility</td>
<td>6</td>
</tr>
<tr>
<td>5.2</td>
<td>Handling of Premiums</td>
<td>6</td>
</tr>
<tr>
<td>5.3</td>
<td>Management of the interface between the QPIP and EI, and information sharing</td>
<td>6</td>
</tr>
<tr>
<td>5.4</td>
<td>Specific Clientele</td>
<td>7</td>
</tr>
<tr>
<td>5.5</td>
<td>Notion of Participant - Part II of EI Act</td>
<td>8</td>
</tr>
<tr>
<td>6</td>
<td>General provisions</td>
<td>8</td>
</tr>
<tr>
<td>6.1</td>
<td>Information to the public</td>
<td>8</td>
</tr>
<tr>
<td>6.2</td>
<td>Agreement monitoring mechanisms</td>
<td>8</td>
</tr>
<tr>
<td>6.3</td>
<td>Administrative agreements</td>
<td>8</td>
</tr>
<tr>
<td>6.4</td>
<td>Duration and modification</td>
<td>8</td>
</tr>
<tr>
<td>6.5</td>
<td>Legislative and regulatory measures</td>
<td>9</td>
</tr>
<tr>
<td>6.6</td>
<td>Supreme Court of Canada decision</td>
<td>9</td>
</tr>
<tr>
<td>ANNEX 1</td>
<td>Methodology Used in the Calculation of the Premium Rate Reduction</td>
<td>11</td>
</tr>
<tr>
<td>ANNEX 2</td>
<td>Administration costs</td>
<td>13</td>
</tr>
</tbody>
</table>
PARTIES

BETWEEN: The Government of Canada, hereinafter referred to as “Canada,” represented by the President of the Queen’s Privy Council for Canada, Minister of Intergovernmental Affairs and Minister of Human Resources and Skills Development;

AND: The Government of Quebec, hereinafter referred to as “Quebec” represented by the Ministre de l’Emploi et de la Solidarité sociale and by the Ministre délégué aux Affaires intergouvernementales canadiennes, à la Francophonie canadienne et à la Réforme des institutions démocratiques;

Hereinafter referred to as “the Parties”;

PREAMBLE

Whereas on May 21, 2004, the Parties signed the Canada-Quebec Agreement in Principle on the Quebec Parental Insurance Plan with the intention of concluding a final agreement concerning the implementation of Quebec’s Parental Insurance Plan.

The Parties agree as follows:

1 Purpose, scope and principles of the present Agreement

1.1 Purpose and scope

1.1.1 Canada and Quebec agree that the aim of the present Agreement is to define the terms and conditions for the implementation of the Agreement in principle signed on May 21, 2004.

1.1.2 If the provisions set out in the Agreement in principle and those contained in the present Agreement cannot be reconciled, the present Agreement shall prevail.

1.1.3 The annexes are an integral of the present Agreement.

1.2 Principles

The present Agreement is based on the following principles:

1.2.1 Claimants under the Parental Insurance Plan shall not receive employment-insurance benefits for the same period and the same purpose as those provided in the Quebec regime.

1.2.2 To facilitate interprovincial mobility, claimants receiving benefits under a plan shall continue to receive the benefits to which they are entitled under this plan, even if in the course of the benefit period they move to another province or territory.

1.2.3 The methodology used to establish the Employment Insurance premium rate reduction shall be made public.

1.2.4 In the delivery of their respective program, the Parties shall establish methods to effectively ensure minimal negative repercussions on users having to deal with either one of the governments.

1.2.5 The Parties shall inform one another of modifications planned for their respective regime and likely to have an impact on measures offered by the other government.
1.2.6 The Parties undertake to share the information necessary for implementation of the present Agreement.

Canada commits to the following principles:

1.2.7 The methodology used by Canada to calculate the Employment Insurance premium rate reduction resulting from the implementation of the Quebec Parental Insurance Plan shall apply to all provinces or territories that eventually decide to establish their own parental insurance plan.

1.2.8 Canada will ensure that EI premiums paid by people not residing in Quebec will not be affected by the present Agreement.

1.2.9 Canada shall report publicly on elements of the EI program affected by the present Agreement.

1.2.10 The establishment of such a plan must be cost-neutral for Canada.

2 Definitions

For the purposes of the present Agreement, unless the context otherwise requires:

2.1 EI: Canada’s Employment Insurance program.


2.3 EI Act: Reference to the “EI Act” also includes its implementing regulations.

2.4 An Act respecting parental insurance: Reference to “an Act respecting parental insurance” also includes its implementing regulations.

2.5 MPA benefits: the maternity and parental benefits, including those for the purposes of adoption, provided under the EI Act.

2.6 QPIP: Quebec's Parental Insurance Plan.

2.7 EI base rate: the portion of the EI premium rate covering benefits offered by the EI program, including those paid out in Quebec, but excluding EI MPA benefits. The portion of this rate takes into account the administration costs as described in Annex 2 of the present Agreement.

2.8 EI MPA rate: the portion of the EI premium rate covering MPA benefits paid out in provinces and territories where Canada continues to pay out EI MPA benefits. This rate is described in Table B of Annex 1. This portion of the rate takes into account the administration costs as determined in annexe 2. It should be noted that the portion of the rate associated with administration costs, when applied to Quebec, will correspond to the values provided in sections 3.2 and 4.7 of the Agreement.

3 Financing

3.1 In accordance with Approach 2 described in Annex 1 of the Agreement in Principle Canada will provide to contributors of EI in Quebec a reduction of the premium rate equivalent to the EI MPA rate. This reduction will take effect upon the implementation of the QPIP.

3.2 The value of the portion of the EI MPA rate associated with administration costs, which is added to the premium rate reduction linked with benefits paid in Quebec, will be no less than $5M.

3.3 The calculation method of the EI base rate and the reduction of the premium rate described in section 3.1 and 3.2, are set out in Annex 1 of the Agreement.
3.4 The rates used to establish the EI premium rate reduction for EI contributors in Quebec will be established by Canada once a year.

3.5 The EI premium rate reduction granted to EI contributors in Quebec will be published annually in the same manner used to publish the EI premium rate and other reductions to the EI premium rate.

3.6 Canada undertakes to report on EI MPA benefits either separately or accompanying the document which will announce the EI premium rate reduction granted to EI contributors in Quebec. A description of the data sources can be found in Annex 1 of the present Agreement.

3.7 Parties agree that Canada will use actuarial projections to establish the rates used to establish the EI premium rate reduction granted to EI contributors in Quebec.

3.8 Canada commits to insure a balance between premiums collected and benefits paid with regards to MPA benefits outside of Quebec, including the administration of these benefits, in order to avoid inter-financing between regular benefits, sickness benefits and compassionate care benefits in Canada and MPA benefits outside of Quebec.

3.9 In the event where the amount of MPA benefits diverges systematically from the amount of premiums collected, creating a significant cumulative imbalance over a period of at least 3 consecutive years, Canada commits to review and to introduce necessary corrections to the method used to produce the actuarial projections of section 3.7 of the Agreement. This revision would be undertaken after 3 complete years for which real data is available.

3.10 With the exception of the amounts provided in this Agreement, each government will assume its own costs related to the implementation of the QPIP, including recurring costs.

4 Transition Period

4.1 The transition period corresponds to the first year of implementation of the QPIP.

4.2 Quebec shall begin to collect QPIP premiums upon implementation of the regime.

4.3 Upon implementation of the QPIP, Quebec shall be responsible for all new claims for maternity, paternity or adoption benefits made by residents of Quebec with respect to a birth or an adoption which takes place after the implementation of the QPIP. Quebec will not treat EI MPA claims for which the beginning of the benefit period occurs before the implementation of the QPIP.

4.4 Canada will continue to pay active EI MPA claims whose benefit period started prior to the date of implementation of the QPIP or for births or adoptions that took place before the implementation of the QPIP.

4.5 At the end of the transition period, Quebec will reimburse Canada for EI MPA benefits paid out by Canada to Quebec residents for which the benefit period started before the implementation of the QPIP or for which the birth or adoption took place before the implementation of the QPIP. This reimbursement includes administration costs related to these EI MPA benefits for up to $2.5M. It is understood that this reimbursement relates to benefits payable during the transition period to claimants residing in Quebec at the beginning of their benefit period.

4.6 The reimbursement mechanism for benefits paid by Canada to cover these claims will be subject to an administrative agreement.
4.7 Canada will contribute up to $200M to support the implementation of the QPIP. This amount will be offered as a one-time payment and will come from the Consolidated Revenue Fund for fiscal year 2004-2005.

5 Specific Provisions

5.1 Inter-provincial mobility

5.1.1 For the purpose of respecting inter-provincial mobility, the benefits related to the birth or the adoption of a child shall be payable to claimants pursuant to the Loi sur l’assurance parentale du Québec or pursuant to the EI Act, on the basis of, among other things, their place of residence when their benefit period started. The plan so determined shall continue to pay the benefits to which the claimants are entitled until the end of their benefit period, even if they move to another province or territory, or leave Canada during the period in question.

5.1.2 In situations where parents of a child subject to QPIP or MPA benefits do not reside in the same province, the regime for which each parent will be admissible is to be determined by their place of residence. In these situations, through administrative agreements, Parties will provide for mechanisms to allow the sharing of weeks of payable benefits between parents under either one of the regimes.

5.2 Treatment of Premiums

5.2.1 For the purpose of facilitating inter-provincial mobility, Parties recognize that workers’ premiums related to EI MPA benefits or related to the QPIP, collected under one of these regimes on the insurable earnings of a person, will be deemed to be a premium paid to the other regime by this person in order to establish his or her coverage or eligibility to benefits under the other regime, and to determine the premium paid in respect of the other plan, the balance this person owes to this other regime, and to authorise the calculation of adjustment between the Parties, if needed.

5.2.2 When a worker’s premium, as well as the portion of an employer’s premium related to this worker’s premium, has been collected under either the EI MPA or the QPIP, and if the person for whom the premium has been collected is not covered by the regime to which he or she has contributed because of his or her place of residence on December 31 of the year for which premiums have been collected, or because of an international agreement, adjustment payments between the Parties will be made, as long as this person is covered under the other regime.

5.2.3 The modality regarding the adjustment payments will be subject to administrative agreements between the Parties. Parties convene that these modalities, as well as other administration elements concerning adjustment payments, will be established in a manner that provides for simplicity, equity and coherence to adjustments between Quebec and Canada and for the concerned persons. The employee premiums paid in excess will be reimbursed or credited to workers.

5.3 Management of the interface between the QPIP and EI, and information sharing

5.3.1 The Parties agree to share the required personal information on clients on an as-needed basis for the administration of their respective regime. The information thus shared shall reach the Parties as soon as possible so as to ensure quality service. All information required and the agreed time frames for transmitting the information, as well as the terms and conditions for sharing the information, including electronic exchanges between the two plans, will be further described in administrative agreements to be concluded, by June 30, 2005 where possible, between the Parties or between the governments’ departments or agencies.
5.3.2 Information exchanged between Parties or between agencies or other government organisations will not be used or communicated for means other than those provided by the present Agreement and following an administrative agreement to be concluded, unless prescribed by law or if consented to by the Party which provided the information.

5.3.3 Notwithstanding previous sections of this Agreement, information provided by Quebec to Canada for the purpose of managing the interface between EI and the QPIP will only be considered for EI claims received under the *EI Act* and includes, for each claim:

a) the weekly amount of benefits paid or payable to people receiving benefits under the QPIP.
b) the total amount of benefits paid or payable.
c) the period for which benefits are paid or are payable under the QPIP.

5.3.4 The sharing of personal information shall respect applicable legislation and, in particular, Canadian and Quebec legislation on the sharing and use of personal information and protecting privacy. As a minimum, this information exchange will make it possible to:

a) process claims submitted under either plan or both plans at the same time.
b) determine the qualifying period and level of benefits, and
c) prevent people from simultaneously collecting, under both plans, benefits to which they are not entitled.

5.3.5 In order to determine whether workers are entitled to the QPIP, Canada authorizes Quebec to use the Record of Employment and grants automated access to its four Record of Employment data bases used for the purposes of the EI program on the following conditions:

a) the Parties undertake to inform the employers of the use of the Record of Employment for the purposes of the QPIP.
b) provided that it notifies Quebec at least six months in advance, Canada reserves the right to make any changes to the Record of Employment that it deems necessary for the management of the EI program.
c) the Parties agree that all terms and conditions regarding the use of the Record of Employment be specified in an administrative agreement. This agreement may be revoked by either Party at any time. If a Party wants to terminate the agreement, a written notice of termination shall be issued at least twelve months before the termination comes into effect.

5.3.6 Provided that the issues regarding the protection of personal information and privacy are resolved and that an administrative agreement is reached, as mentioned in section 5.3.1, Canada authorizes the use of the Social Insurance Number by Quebec to facilitate file matching between Quebec and Canada.

5.3.7 Parties agree to the creation of an expert committee to oversee the implementation of administrative agreements dealing with the exchange of information. Among other things, this committee will be responsible for resolving disagreements that may arise from the implementation of section 5.3.

5.4 Specific Clientele

5.4.1 During the implementation year of the QPIP, Quebec guarantees that any person residing in Quebec will receive a global amount of benefits substantially equivalent to the one they would have been entitled to under the MPA EI regime.

5.4.2 At the end of the first year, the Parties agree to examine the treatment of the clientele affected by section 5.4.1.

5.4.3 Non-Canadian workers working in Quebec and residing outside of Canada will continue to be covered by the EI regime. Adjustment mechanisms prescribed in section 5.2 will apply to premiums collected in Quebec with regards to these workers.
5.5 Notion of Participant - Part II of EI Act

5.5.1 The Parties agree that a person who has received QPIP benefits and who would otherwise be entitled to Part I EI benefits under the EI Act will be deemed to have received MPA benefits for determining if that person meets the definition of an “insured participant” in the EI Act.

5.5.2 In order to determine if a person is an “insured participant” and therefore has the right to receive employment benefits provided in Part II of the EI Act, Quebec undertakes to provide Canada with all the necessary information that was used in the determination of QPIP eligibility.

6 General provisions

6.1 Information to the public

6.1.1 The Parties agree to coordinate their efforts so as to provide coherent information to the public with respect to changes and repercussions resulting from the implementation of the QPIP. To this end, Parties commit to:

a) Mutually inform one another of public information initiatives concerning this Agreement and to do it sufficiently in advance to allow the Parties to coordinate their efforts.

b) Consult one another on the content of respective communication products during the transition period.

c) Exchange information on best practices for public information and do it through the joint Canada-Quebec Committee on the follow-up to the Agreement.

d) Provide sufficiently in advance for strategies and communication products required to ensure adequate dissemination to concerned users of any legislative changes that may impact on the parental insurance plan.

6.2 Agreement monitoring mechanisms

6.2.1 In order to insure the follow-up of this Agreement and of any other administrative agreement provided by this Agreement, a committee composed of the Deputy Ministers responsible for the administration of the QPIP in Quebec and the Deputy Ministers responsible for EI MPA benefits in Canada, or their delegates, will be formed. Issues raised by officials that remain unsolved will be referred to this committee. This committee will establish sub-committees or technical work groups if needed. This committee is to convene at least once a year.

6.3 Administrative agreements

6.3.1 The concerned departments, agencies, commissions as well as other organizations reporting to the Government of Quebec and the Government of Canada may conclude administrative agreements to facilitate the administration of operational issues or any other issues resulting from the present Agreement. It is agreed that these administrative agreements cannot run counter to the present Agreement, and that the latter shall always prevail.

6.4 Duration and Modification

6.4.1 Each Party can terminate the present Agreement if it provides a one year notice.

6.4.2 This Agreement can only be amended with the mutual written consent of the Parties.
6.5 Legislative and regulatory measures

6.5.1 The Parties undertake to propose to their relevant authorities the legislative and regulatory amendments required for the implementation of the present Agreement.

6.6 Supreme court of Canada decision

6.6.1 The present Agreement shall be entered into subject to the respective positions of the Parties in Attorney General of Canada v. Attorney General of Quebec, bearing No. 30187 at the Registry of the Supreme Court of Canada.
ANNEX 1

METHODOLOGY USED IN THE CALCULATION OF THE PREMIUM RATE REDUCTION

Establishing the rates:

- **EI contributors outside Quebec** will pay the EI rate applicable to all of Canada excluding Quebec; this rate includes the portion of the rate attributable to benefits other than EI MPA benefits and the portion of the EI MPA benefit rate outside Quebec ($Y$).

- **EI contributors in Quebec** will receive an EI premium rate reduction equivalent to the portion of the EI rate attributable to MPA benefits outside Quebec. They will thus pay the portion of the EI rate for benefits other than EI MPA benefits ($X$).

* In provinces and territories where Canada continues to provide benefits.

**HOW THE APPROACH WORKS**

Two rates must be established to determine the premium rate reduction. The tables below provide a numerical example illustrating how the selected approach works. The figures and data used in the following tables are used for illustrative purposes only.
Table A

Premium Rate

1) Premium rate for the rest of Canada (Y)

| Base EI rate: Portion of EI premium rate attributable to benefits offered under the EI program, including those paid in Quebec, except EI MPA benefits, plus administration costs. | $1.5696 |
| Plus EI MPA rate: Portion of EI premium rate attributable to MPA benefits provided in the provinces and territories outside Quebec where Canada continues to provide EI MPA benefits, including related administration costs. The value of the portion of the rate associated with administration costs awarded to Quebec will be no less than $5M for each year starting with the first year of implementation. | $0.3191 |
| Premium rate for the rest of Canada | $1.8887 |

2) Premium rate reduction for EI contributors in Quebec (Y minus X)

| EI MPA rate: Portion of EI premium rate attributable to MPA benefits provided in the provinces and territories outside Quebec where Canada continues to provide EI MPA benefits, including related administration costs. The value of the portion of the rate associated with administration costs awarded to Quebec will be no less than $5M for each year starting with the first year of implementation of the QPIP. | $0.3191 |

Table B

Calculation of the MPA Benefit Premium Rate

<table>
<thead>
<tr>
<th>MPA benefit premium rate in provinces and territories outside Quebec</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of EI MPA benefits for the rest of Canada</td>
<td>$2,097,618,000</td>
</tr>
<tr>
<td>Administration costs associated with MPA benefits</td>
<td>$15,692,000</td>
</tr>
<tr>
<td>Total amount</td>
<td>$2,113,310,000</td>
</tr>
<tr>
<td>Insurable earnings base for the rest of Canada</td>
<td>$275,904,000,000</td>
</tr>
<tr>
<td>MPA benefit premium rate in provinces and territories outside Quebec</td>
<td>$0.3191</td>
</tr>
</tbody>
</table>

As indicated in the above Table B, add the EI MPA benefit amount for the rest of Canada to the administration costs associated with those benefits. Divide this total by the insurable earnings base for the rest of Canada according to the present EI premium rate calculation formula. Afterwards, divide the result by 2.4 and multiply it by 100.

DATA SOURCE

The various EI premium rates will be calculated on the basis of Human Resources and Skills Development Canada's administrative data as well as the Canada Revenue Agency's T1 and T4 information.
ANNEX 2
ADMINISTRATION COSTS

The administration costs of section 2.8 include all administration costs associated with the administration of the EI regime except for the costs described in the following paragraph:

The administration costs of section 2.9 include all additional administration costs associated with the administration of MPA benefits outside Quebec. These costs represent the savings that Canada would make if it did not provide EI MPA benefits in another province or territory.

These additional administration costs will be calculated on a yearly basis and will be based on real costs associated with service delivery. The calculation of these costs will be based on methods normally used in financial allocations within the Government of Canada.

Scope

Since the premiums take into account administrative costs, it follows that the costs considered are only the variable costs attributable to claims processing of MPA claim at the federal level. These costs represent the savings to Canada if it ceased to provide EI MPA benefits in another province or territory.

Methodology for the Calculation of Administrative Costs

The calculation of the administrative costs is described below:

A. Processing of claims:
   - number of MPA claims outside Quebec for which only MPA benefits are provided (excluding mixed benefit claims)
   - divided by the normal productivity rate for processing of claims for this type of claim (1122 in 2004-2005; 1333 forecast for 2005-2006)
   - divided by the productivity rate (77% in 2004-2005, 75 % forecast for 2005-2006)

B. In-Kind Services:
   - an estimate of the marginal costs for in-kind services for MPA claims. The following elements will be considered:
     - the number of MPA claims received in person and the time required to process these claims;
     - the resources dedicated to in-kind requests for information and an estimate of the proportion of these requests that are related to MPA claims;
     - the minimum number of employees required in a local office

C. Supervision:
   - The number of supervisors required for MPA claims will be based on the normal number of employees required for claims processing and in-kind services as calculated in A & B above

D. Insurance Payment Operational Centres:
   - Includes the cost of manual pay, purge & recreate, overpayment calculation, and various other services related to MPA claims

E. Call Centres
   - According to the resource determination model for MPA claims

F. Appeals (to the Board of Referees or the Umpire)
   - According to the resource determination model for the number of appeals received on MPA claims

G. Information Technology Centres (ITCs)
   - Variable costs attributable to printing, postage, and processing payments, correspondence and T4s for MPA claims.

H. Corporate costs
   - These costs will be calculated according to the standard methods used within the federal government, taking into account the number of
employees required for MPA claims. These costs include costs for accommodation, telecommunications, photocopies and other indirect costs for equipment, furnishings and training related to information technology (IT).

### Parental/Maternity Administration Costs
**Total for all provinces, not including Quebec**

<table>
<thead>
<tr>
<th>Salary</th>
<th>FTE</th>
<th>$ (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Salaries (Program areas)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims processing</td>
<td>142.6</td>
<td>5 940</td>
</tr>
<tr>
<td>Claims processing support (team leader)</td>
<td>7</td>
<td>342</td>
</tr>
<tr>
<td>In-Person Services</td>
<td>31</td>
<td>1 292</td>
</tr>
<tr>
<td>IPOCs</td>
<td>10</td>
<td>415</td>
</tr>
<tr>
<td>Call Centres</td>
<td>18.41</td>
<td>796</td>
</tr>
<tr>
<td>Appeals</td>
<td>0.67</td>
<td>31</td>
</tr>
<tr>
<td><strong>Total Salaries (program areas)</strong></td>
<td>209.68</td>
<td>8 816</td>
</tr>
<tr>
<td><strong>Salaries (Corporate services)</strong></td>
<td>7.33</td>
<td>404</td>
</tr>
<tr>
<td><strong>Bilingual Bonus</strong></td>
<td></td>
<td>88</td>
</tr>
<tr>
<td><strong>Sub-total (Salaries)</strong></td>
<td></td>
<td>9 308</td>
</tr>
<tr>
<td><strong>Employee Benefit Plan</strong></td>
<td></td>
<td>1 874</td>
</tr>
<tr>
<td><strong>Total Salaries</strong></td>
<td>217.01</td>
<td>11 182</td>
</tr>
<tr>
<td><strong>Non Salary Costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accomodations</td>
<td>1 351</td>
<td></td>
</tr>
<tr>
<td>Non-salary Indirect</td>
<td>1 391</td>
<td></td>
</tr>
<tr>
<td>Non-Salary direct</td>
<td>1 768</td>
<td></td>
</tr>
<tr>
<td><strong>Total Non-Salary Costs</strong></td>
<td></td>
<td>4 510</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>217.01</td>
<td>15 692</td>
</tr>
</tbody>
</table>

1* Represents 05-06 productivity levels, based on unit cost study and automation efficiencies