

Canada Pension Plan Changes

Changes to the Canada Pension Plan are being gradually introduced until 2016. The changes are especially important to those applying for benefits before age 65, those who want to retire but work part-time, or anyone who entered the workforce late or was out of the workforce for extended times.

Note: These are administrative changes only to the CPP benefits. They are not related to the call for an expansion of CPP for all Canadians.

Are You Affected By the Changes?

These changes will affect you if you:

- contribute to the CPP, whether you are just starting your career or you are planning to retire soon; or
- are between the ages of 60 and 70 and you work while receiving your CPP retirement pension (or if you work outside of Quebec while receiving a QPP retirement pension).

You will not be affected by these changes if you started receiving a CPP retirement pension before December 31, 2010, and you remain out of the work force. If you started receipt of your CPP retirement pension after December 31, 2010, the changes applicable at the time your CPP began were incorporated into the calculation; your pension will not be further affected by any of the changes mentioned below.

Note: The changes also affect employers who are required to match your contributions to the CPP.

What are the changes being made to the CPP?

- Your monthly CPP retirement pension amount will increase by a larger percentage if you take it after age 65.
- Your monthly CPP retirement pension amount will decrease by a larger percentage if you take it before age 65.
- If you are under 65 and you work while receiving your CPP retirement pension, you and your employer will have to make CPP contributions. These contributions will increase your CPP retirement benefit.
- If you are age 65 to 70 and you work while receiving your CPP retirement pension, you can choose to make CPP contributions. These contributions will increase your CPP retirement benefit.
- The number of years of low or zero earnings that are automatically dropped from the calculation of your CPP pension will increase.
- You can begin to receive your CPP retirement pension without any work interruption.

PENSIONS AND BENEFITS

CPP FACT SHEET #1

Your monthly CPP retirement pension amount will *decrease* by a larger percentage if you take it before age 65.

Before the changes, your CPP retirement pension was reduced by 0.5% for each month before age 65 that you began receiving it. This meant that, if you started receiving your CPP pension at 60, your pension amount was 30% less than it would have been if you had waited to take it at 65.

From 2012 to 2016, the Government is gradually changing this early pension reduction from 0.5% to 0.6% per month. This means that, by 2016, if you start receiving your CPP pension at the age of 60, your pension amount will be 36% less than it would have been if you had taken it at 65, an additional 6% reduction.

Your monthly CPP retirement pension amount will *increase* by a larger percentage if you take it after age 65.

Before the changes, your CPP retirement pension increased by 0.5% for each month after age 65 (and up to age 70) that you delayed receiving it. This meant that, if you started receiving your CPP pension at 70, your pension amount was 30% more than it would have been if you had taken it at 65.

The Government of Canada has increased this percentage from 0.5% per month (6% per year) to 0.7% per month (8.4% per year). This means that if you start receiving your CPP pension at the age of 70, your pension amount will be 42% more than it would have been if you had taken it at 65, an additional 12% increase.

If you are under age 65 and you work while receiving your CPP retirement pension, you and your employer must make CPP contributions. These contributions will increase your CPP retirement benefits.

Before the change, if you were receiving a CPP retirement pension and working, regardless of your age you did not pay CPP contributions.

Now if you are under age 65 and you are work working, even if you are receiving your CPP retirement pension, you and your employer have to make mandatory CPP contributions. These contributions go towards a new Post-Retirement Benefit (PRB), which is effective January 1 of the year following your PRB contribution. This additional benefit will be added to your current retirement benefit each year, gradually increasing your retirement income.

If you are age 65 to 70 and you work while receiving your CPP retirement pension, you can choose to make CPP contributions. These contributions will increase your CPP retirement benefits.

Before the change, if you were receiving a CPP retirement pension and working, regardless of your age, you did not pay CPP contributions.

Now if you are age 65 to 70, you work, and you are receiving your CPP retirement pension, you can either choose to make CPP contributions or you can opt out of making these contributions. If you decide to make the contributions, your employer will also have to make CPP contributions. These contributions will allow you to continue to build your CPP Post-Retirement Benefit (PRB), even if you are already receiving the maximum CPP pension amount. Each year you make contributions the PRB is calculated and will gradually increase your retirement income.

The number of years of low or zero earnings that are automatically dropped from the calculation of your CPP pension will increase.

Before the changes when Service Canada calculated your average earnings over your contributory period, 15% of your lowest earnings were automatically dropped. This is called the "general drop-out provision." Under this provision, up to 7 years of your lowest earnings were automatically dropped from the calculation of your average earnings.

Now the percentage is 17%, allowing up to 8 years of your lowest earnings to be dropped from the calculation.

Note: This change benefits all CPP contributors who haven't already commenced receipt of their CPP retirement pension.

You will be able to begin receiving your CPP retirement pension without any work interruption.

Before the change if you decided to take your CPP retirement pension before age 65, you had to either stop working or significantly reduce your earnings for at least two months. This requirement was called the "work cessation test." After this two-month period you could return to work or start earning more.

Now the work cessation test will no longer apply. This means that you will be able to take your CPP retirement pension as early as age 60 without having to stop working or reduce your earnings.

Planning for Your Retirement

These changes to the CPP may affect your retirement planning, including when you decide to apply for your CPP retirement pension. How the changes to the CPP affect you will depend on your age, your work history, and when you plan to retire.

The CPP, which is designed to replace about 25% of your average pre-retirement employment earnings up to a maximum amount, is one part of your retirement plan. The other components of retirement income include the Government of Canada's Old Age Security (OAS) pension, employer pension plans, and personal savings and investments.

Need more information?

For additional general information regarding Canada Pension Plan, contact Service Canada at www.servicecanada.ca or by telephoning Toll-free in Canada and the United States: **1-800-277-9914**. If you have a hearing or speech impairment and use a teletypewriter (TTY): **1-800-255-4786** from outside Canada and the United States (collect calls accepted): **613-990-2244**

If you wish to contact the OPSEU Pensions and Benefits unit, please email us at pensionsandbenefits@opseu.org.

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