

## Canada Pension Plan Enhancement

Since 2019, the Canada Pension Plan (CPP) is being gradually enhanced. This means you will receive higher benefits in exchange for making higher contributions. The CPP enhancement will only impact you if, as of 2019, you work and make contributions to the CPP.

### Payment increase

If you apply for CPP and have made enhancement contributions, you can expect to receive the enhanced portion of your payment to be included as part of your monthly CPP benefit. The increase is based on how much and for how long you contributed to the CPP enhancement since January 1, 2019.

### Effects on CPP retirement pension and post-retirement benefit

Up until 2019, the CPP retirement pension replaced **one quarter** of your average work earnings. This average is based on your work earnings, up to a maximum limit each year. Other sources of income, make up the rest of your retirement income.

The enhancement means that the CPP will begin to grow to replace **one third** of the average work earnings you receive after 2019. The maximum limit used to determine your average work earnings will also gradually increase by 14% by 2025.

Your pension will increase based on how much and for how long you contribute to the enhanced CPP. The CPP enhancements will increase the maximum CPP retirement pension by up to 50% for those who make enhanced contributions for 40 years.

The enhancement also applies to the CPP post-retirement benefit. If you are receiving the CPP retirement pension and you continue to work and make CPP contributions in 2019 or later, your post-retirement benefits will be higher.

### Effects on CPP disability and survivor's pension

The increase you will receive will depend on how much and for how long you contribute to the enhanced CPP. If you began receiving CPP disability pension or your survivor's pension prior to 2019, it will not be impacted by the enhancement.

### Changes to CPP contributions

You begin contributing to the CPP if you are over the age of 18, work in Canada (outside of Quebec) and earn more than \$3,500 a year.

You only contribute on employment earnings between \$3,500 and the annual earnings limit (**Years Maximum Pensionable Earnings (YMPE)** which is adjusted yearly). For the current year, the limit is \$66,600 (2023).

Prior to January 1<sup>st</sup> 2019, employees contributed 4.95% on these earnings to the CPP with employers making an equal contribution. The increase in contributions because of the enhancement will be phase in gradually over years in 2 steps:

#### **Step 1: 2019 to 2023**

From 2019 to 2023, the contribution rate for employees has been gradually increasing by one percent.

Year	Employee/Employer Increase	Employer/Employee rate
2019	.15%	5.10%
2020	.15%	5.25%
2021	.20%	5.45%
2022	.25%	5.70%
2023	.25%	5.95%

#### **Step 2: 2024 to 2025**

Starting in 2024, a second higher limit will be introduced. This limit is referred to as the second earnings ceiling (**Years Additional Maximum Pensionable Earnings (YAMPE)**). This new range will start at the **YMPE** (estimated to be \$69,700 in 2025) and go to the **YAMPE** which will be 14% higher by 2025. This second earning ceiling will increase each year to reflect wage growth. If you earn more, you will contribute more towards your CPP benefits for the future.

### Need more information?

For additional general information regarding Canada Pension Plan, contact Service Canada at [www.canada.ca](http://www.canada.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**;

If you wish to contact the OPSEU/SEFPO Pensions and Benefits unit, please email us at [pensionsandbenefits@opseu.org](mailto:pensionsandbenefits@opseu.org)

OPSEU/SEFPO does not represent members in CPP appeals. This publication contains general information and is intended as a reference only. It is not intended as a substitute for independent legal advice regarding your situation.