

## New Canada Pension Plan Regulations

### Overview

Beginning in 2011, the Government of Canada is changing the Canada Pension Plan (CPP). These changes will affect many Canadians, including workers who are still contributing to CPP, employers who match their employee's contributions, people who are contemplating retirement, and those thinking of collecting CPP in the near future.

It's important to note that taxpayers who already collect CPP and are no longer in the workforce will not be affected. Nevertheless, these changes do alter the options and amounts available to many individuals and organizations involved with the Canada Pension Plan.

Below is an overview of some of the relevant changes to the Plan.

### Monthly Retirement Pension Amount Increases after Age 65

From 2011 to 2013, the Government of Canada will gradually phase in increases to the monthly retirement pension amounts for Canadians willing to wait to collect their pensions until after the age 65. Currently, a taxpayer who begins to collect CPP at age 70 will receive 30% more each month than they would have if they had begun to collect CPP at age 65. By 2013, this amount will increase to 42% more each month than they would otherwise have received had they begun to collect CPP at age 65. These changes are summarized below:

	Current Canada Pension Plan	Canada Pension Plan (2013)
Maximum Monthly Pension at Age 65	\$934.17	\$934.17
Maximum Monthly Pension at Age 70	\$1,214.42	\$1,326.52



## Monthly Retirement Pension Amount Decreases before Age 65

From 2012 to 2016, the Government of Canada will gradually phase in decreases to the monthly retirement pension amounts for Canadians who apply to collect their pension payments before the age of 65. Currently, a taxpayer who begins to collect CPP at age 60 will receive 30% less each month than they would have if they had begun to collect CPP at age 65. By 2016, this amount will decrease to 36% less each month than they would otherwise have received had they begun to collect CPP at age 65. These changes are summarized below:

	Current Canada Pension Plan	Canada Pension Plan (2016)
Maximum Monthly Pension at Age 65	\$934.17	\$934.17
Maximum Monthly Pension at Age 60	\$653.92	\$597.86

## Longer Period of Low Earnings

The amount that an individual may collect from the Canada Pension Plan depends on their average earnings over their contribution history. As a result, people who have contributed the maximum amount to CPP on an annual basis will be eligible to collect more CPP when they reach retirement age. However, currently when the average earnings of an individual are calculated, up to 15% of the lowest earnings years are eliminated and do not count against their average.

The changes to CPP will increase this 15% figure to 17% by 2014. The effect will be that individuals, in general, will have higher earnings averages than in the past, making them eligible for larger pension payments when they retire.

## Collecting CPP without Work Interruption

Starting in 2012, contributors will no longer have to stop working for two consecutive months in order to begin to receive the CPP retirement pension before the age of 65. Contributors over the age of 60 will be able to apply to receive CPP retirement pension payments at any time, without any work interruptions.



## Post-Retirement Benefit

Starting in 2012, anyone who receives CPP retirement pension payments and continues to work may have to continue making CPP contributions. For people who are over the age of 60 and up to the age of 65, contributions will be mandatory. For those who are over the age of 65 and up to the age of 70, contributions will be optional. Employers will have to match employee contributions in either case.

These additional employee contributions to CPP after the age of 60 will increase workers' CPP benefits in the future once they do decide to retire. This additional amount, the Post Retirement Benefit, will be available once the individual enters retirement and will depend on their level of earnings and their contributions to CPP subsequent to their election to begin to receive the regular CPP retirement pension payments.

## Contact Us

As you can see, options should be carefully considered before making important decisions regarding their Canadian Pension Plan benefits and payments. The proposed revisions to the Canada Pension Plan are extensive, and it's expected that further changes will be made in the near future. If you are approaching the age of retirement, we encourage you to contact our Tax Department and we'd be pleased to assist you in determining the best course of action.

