

*Information Sheet*  
**Changes to the Canada Pension Plan**

On December 15, 2009, several changes to the Canadian Pension Plan (CPP) recommended by the federal, provincial and territorial governments became law. The new rules mandate plan participation for working beneficiaries under age 65, gradually adjust your pension for early and late CPP take-up, remove the work cessation test, and enhance the general drop-out provision.

These new changes will be gradually phased in over five years starting in 2011. However, the changes will have no impact on your benefits if you started receiving a CPP retirement pension, disability benefit, survivor benefit or combined benefits prior to 2011.

If you are between the ages of 60 and 65 and plan to apply for a CPP pension early, your benefits will be reduced and if you are working while collecting your CPP benefits, you will be required to make CPP contributions again.

**MANDATORY CONTRIBUTIONS TO CPP FOR CPP PENSIONERS UNDER AGE 65**

- Prior to 2012, those who received CPP pension benefits and returned to work were not required to restart contributions to CPP
- Under the new rules, an employee who works and receives a CPP retirement pension will now have to contribute to the CPP if he or she is:
  - 60 to 65 years of age
  - 65 to 70 years of age, **unless** the employee has filed an election with the employer to stop paying CPP contributions (the election will take effect on the first day of the month following the month the employee provides a completed and signed election form);
  - 65 to 70 years of age, if the employee revoked his or her election to stop paying CPP contributions in 2013 or later.
  - The election can be downloaded [HERE](#)

**PENSION ADJUSTMENTS FOR EARLY AND LATE CPP TAKE-UP:**

- The normal age of CPP take-up is 65. Provisions allow take-up of the retirement benefit as early as age 60. As well, take-up of the CPP can be delayed beyond age 65. To ensure that there is fairness in the provisions, regardless of the age that the retirement benefit is taken-up, a second step in the pension calculation makes “actuarial adjustments” to the basic amount that would be provided at age 65. These adjustments are made for pensions taken early (before age 65) and late (after age 65). There are no further adjustments for delaying pension take-up beyond age 70
- For **early** CPP take-up, there will be a reduction in benefits by 7.2% per year or 0.6% per month (*from 6% per year, or 0.5% per month*) for each month that the pension is taken before age 65 to a maximum reduction of 36% (*from 30%*). This increase will be implemented gradually over a five year period beginning in 2012
- For **late** CPP take-up, there will be an increase in benefits by 8.4% per year or 0.7% per month (*from 6% per year, or 0.5% per month*) for each month that the pension is taken after age 65 and up to the age of 70 to a maximum increase of 42% (*from 30%*). This increase will be implemented gradually over a three year period beginning in 2011

**REMOVAL OF THE WORK CESSATION TEST**

- Starting in 2012, the requirement to stop working or significantly reduce your earnings to take-up early CPP will no longer apply. Previously, you had to stop working or reduce earnings for at least two months

#### **INCREASE IN GENERAL LOW EARNINGS DROP OUT**

- The general drop-out provision will increase to 16% in 2012 and 17% in 2014 (*from 15%*). This will allow a maximum of almost 7.5 years (*from 7%*) of low or zero earnings to be dropped in the CPP benefit calculation for years 2012 to 2013 and 8 years of low or zero earnings to be dropped starting in 2014

Please call us at 905-898-4900 if you have any questions regarding the above