



Planning for Retirement

Changes to the Canadian Pension Plan and How it Affects You

Recently, the Federal government reached an agreement with the Provinces and announced upcoming changes to improve the Canadian Pension Plan (CPP) Program. This was done in response to growing concerns that many workers will not have enough income to support them during their retirement years. Changes to the CPP will be phased in gradually starting in 2019 up until 2025.

How is the Canadian Pension Plan changing?

Starting in 2019, CPP benefit levels will increase from 25% to 33% of pensionable (or replacement) earnings by the year 2025, and the eligible income cap will rise from \$54,900 up to a new maximum limit of \$82,700. This means that higher income workers will begin contributing more into the program and will also receive a higher benefit.

Nearly 11 million workers in Canada do not have access to a workplace pension plan

Currently, in 2016, the maximum CPP benefit a person can receive is \$13,110 a year. By 2025, the maximum benefit amount is expected to be \$17,478 a year. It is important to remember, however, that very few Canadians receive the maximum CPP benefit amounts. The average monthly CPP benefit paid out at age 65 in 2015, for example, was \$640.23.



To fund this expansion of the CPP, workers and employers will start contributing more into the program. Starting in 2019, employee and employer contributions will slowly rise from 4.95% of earnings to 5.95% in 2025.

Who will these new changes benefit the most?



Because these changes to the CPP will be gradually phased in starting in 2019 (with full implementation in 2025), not all workers will see the same benefit improvements.

Changes to the CPP will be most beneficial for young workers in the labour market. This is important due to the fact that many employers are moving away from providing company-backed pension plans or employers moving from defined-benefit pension plans to defined-contribution plans.

Workers who are retiring before 2019 will not see any benefit improvements, while those who are retiring just after 2019 will see only modest increases.

The CPP program was introduced in 1965

What are some other Federal income programs for retired workers?

In addition to the CPP, the **Old Age Security (OAS)** benefit and the **Guaranteed Income Supplement (GIS)** are two additional income support programs retiring workers may be eligible to receive.

The OAS is a monthly benefit for those who have lived in Canada for more than 10 years after age 18 and are aged 65 and over. The GIS is targeted for low-income Canadians over the age of 65 and who are receiving the OAS benefit.

Please note that you must apply in order to receive these benefits.

How do I check what my CPP contributions and future retirement earnings will be?



The CPP benefits you will receive will depend on how long you have worked and how much you have earned. Remember, you can apply for CPP benefits as early as age 60 (at a reduced rate) or as late as age 70 (for a higher rate). The majority of Canadians begin collecting CPP benefits at age 65.

Service Canada provides online services where you can view your CPP contributions to date, as well as receive an estimate of what your future retirement income will be with their “*Canadian Retirement Income Calculator*”.

To access these tools, please visit:
www.servicecanada.gc.ca/

Please note that you will have to register for a “My Service Canada Account”. Instructions on opening an account can be found on their website.

Where do I get more information?

For more information on CPP, OAS, and GIS, or to apply for these benefits, please visit:
servicecanada.gc.ca

You can also call Service Canada at: **1-800-277-9914** or visit a local Service Canada Office near you.

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