

# CHANGES TO CPP AFFECTING EARLY AND LATE RETIREMENT BENEFIT RATES

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Beginning in 2011, the Federal government introduced changes affecting the payment rates for early and late CPP retirement benefits. These changes will take place gradually from 2011 until 2016. One major change is that the incentive to begin receiving CPP retirement benefits between ages 60 and 64 will be reduced, while the incentives to delay collecting CPP retirement benefits until after you reach the ages of 66 to 70 will be increased.

Previously, if contributors started receiving their CPP retirement benefits at the age of 60, their pension amounts were 30% less than if they started receiving their pension at age 65. By 2016, if contributors start receiving their CPP retirement benefits at the age of 60, their pension amounts will be 36% less than if taken at age 65.

Previously, contributors who started receiving their CPP retirement benefits at the age of 70 had their pension amounts increased by 30% more than what they would have received if they had taken the benefit at the age of 65. By 2013, if contributors delay receipt of their CPP retirement benefits to age 70, their pension amounts will be 42% more than if taken at the age of 65. These changes reflect the government's objective of encouraging people to begin receiving CPP retirement benefits later.

## **CPP BENEFITS AT AGE 60 AND CONTINUED EMPLOYMENT**

Starting in 2012, contributors can begin receiving CPP retirement benefits at age 60 while still continuing to work. Previously, in order to receive early CPP retirement benefits, there was a requirement that contributors stop working or that contributors receive less than \$960.00 per month in employment income. This "stop work" requirement has been eliminated. However, those who are considering applying to receive CPP retirement benefits before they turn 65 should think carefully as this will mean the amount received will be lower.

## **CPP CONTRIBUTIONS AND THE POST-RETIREMENT BENEFIT**

If individuals continue to work between the ages of 60 and 64, CPP contributions continue to be mandatory, both for the workers and for their employers. If individuals continue to work between the ages of 65 and 70, they have the option of continuing to make CPP contributions. Should they choose to do so this will increase the amount of income that they will receive through a newly introduced benefit called the Post-Retirement Benefit ("PRB"). Employers will be required to contribute to the PRB if their employee contributes. Unlike CPP retirement benefits, the PRB will not be subject to credit splitting or retirement benefit sharing. The PRB will be paid for life. The PRB is separate from the CPP retirement benefit and it will be added to an individual's CPP retirement benefit even if the maximum is already being received.

## **STATEMENT OF CONTRIBUTIONS**

The decision about whether or not to take early CPP retirement benefits is a complex one. One of the biggest factors is a person's life expectancy. An individual's life expectancy is, to a large extent, an unknown quantity. In any case, it is a good idea for individuals to obtain their statements of contributions and their estimated monthly CPP retirement benefits.

Individuals can obtain a statement of contributions that contains a history of their contributions to CPP, as well as estimates of any CPP retirement benefits they may be eligible to receive. To request a statement of contributions, individuals can contact the Income Security Programs Office at 1-800-277-9914 and press Option "6". The statement of contributions can also be obtained online at: <<http://www.servicecanada.gc.ca>>.