
The Canada Pension (CPP) is a government income program designed to supplement the personal savings, pensions and other sources of retirement income. Starting in 2012 this program will undergo several changes.

Changes to the CPP Retirement Pension:

1) Pension Amounts Will Be Lower If Taken Before Age 65

- Prior to the change, if you chose to take CPP before the age of 65 then your pension would be reduced by 0.5% for each month. This meant, if you started receiving your CPP pension at age 60, your pension amount was 30% less than it would have been if you had waited to take it at age 65.
- From 2012 to 2016, the amount of the monthly reduction will gradually change from 0.5% to 0.6% per month. By 2016, if you start receiving your CPP pension at the age of 60, your pension amount will be 36% less than it would have been if you took it at age 65.

2) Pension Amounts Will Be Higher If Taken After Age 65

- Prior to the change, if you delayed receiving your CPP benefits after age 65 your benefit would have increased by 0.5% for each month deferred (up to age 70). This meant, if you started receiving your pension at age 70, your pension was 30% more than if you took the pension at age 65.
- From 2012 to 2013, the pension bonus will gradually increase from 0.5% per month to 0.7% per month. This means by 2013, if you start receiving your pension at age 70, your pension amount will be 42% more than it would have been if you had taken it at age 65.

3) Elimination of the Work Cessation Rules

- Before the change, to begin receiving CPP before the age of 65, you would have to stop working for a period of two months.
- Starting in 2012, the work cessation rule has been eliminated. This means you can continue to work while receiving CPP.

4) Introduction of the New Post-Retirement Benefit (PRB)

- Before the change, if you were receiving CPP and working, regardless of age, you did not pay CPP contributions.
- If you are under the age of 65 and you work while receiving CPP, you and your employer will have to make CPP contributions. These contributions will increase your CPP benefits.
- If you are age 65 to 70 and you work while receiving CPP, you can choose to make CPP contributions. If you choose to make contributions your employer will also have to make contributions on your behalf. These contributions will increase your CPP benefits.

5) Low to Zero Earnings Calculation

- Before the change, when calculating your average earnings, 15% of your lowest earnings were automatically dropped. This allowed up to 7 years of your lowest earnings to be dropped.
- Starting in 2012, the percentage will increase to 16% and then increase again to 17% in 2014. This allows for 8 years of your lowest earnings to be dropped from the calculation.