March 2014

The Canada Pension Plan Retirement Pension

Canada's Economic Action Plan

Service Canada

Service Canada delivers the Canada Pension Plan (CPP) program on behalf Employment and Social Development Canada.

This publication contains general information on the CPP retirement pension. In case of dispute, the wording and provisions of the Canada Pension Plan legislation and regulations prevail.

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Produced by Service Canada

March 2014

Online version: **www.servicecanada.gc.ca**

La version française est intitulée
La pension de retraite du Régime de pensions du Canada
(ISPB-147-03-14F)

ISPB-147-03-14E

SG5-40/2014E
978-1-100-23389-5

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The Canada Pension Plan

The Canada Pension Plan (CPP) is designed to provide you and your family with a modest replacement of earnings in the case of retirement, disability or death.

The CPP is a contributory plan. This means that all costs are covered by the financial contributions that employees, employers, and self-employed workers pay, and from revenue earned on CPP investments.

The CPP operates in every province and territory in Canada except Quebec. The Province of Quebec administers its own program called the Quebec Pension Plan (QPP) for workers in Quebec. The two plans work together to ensure that all contributors are protected, no matter where they live.

◆ What is the CPP retirement pension?

The CPP retirement pension is a monthly benefit designed to replace about 25% of the average person's lifetime pre-retirement employment earnings, up to a maximum amount.

In 2014, the **maximum** monthly pension amount at age 65 is $1,038.33. The average monthly CPP retirement pension in January 2014 is $594.19. For the most up-to-date amounts, visit our Web site.

You qualify for a CPP retirement pension if you worked, have made at least one valid contribution to the CPP, or have at least one valid contribution from credit splitting, and are old enough to begin receiving your pension. The CPP offers significant flexibility regarding the age you can choose to begin your retirement pension. The standard age for starting the pension is 65; however, you can take a permanently reduced pension as early as age 60, or you can take an enhanced pension after age 65.

The CPP retirement pension is intended to be only one part of your retirement plan. Other sources of retirement income may include: benefits from the Government of Canada's Old Age Security program, personal savings, private pension plans and investments.

◆ What other benefits does the CPP provide?

In addition to the retirement pension, the CPP provides the following benefits:

- the **post-retirement benefit** (a fully-indexed lifetime benefit that can increase retirement income);
- **disability benefits** (for contributors with a disability and their dependent children); and
- **survivor benefits** (including the survivor's pension, the children's benefit and the death benefit).

◆ Who contributes to the CPP?

With very few exceptions, every person in Canada aged 18 and over who works and earns more than the minimum amount ($3,500 per year) must contribute to the CPP (or to the QPP in Quebec). You and your employer each pay half of the contributions. If you are self-employed, you pay both portions.

You do **not** make contributions:

- while you are receiving a CPP or QPP disability benefit; or
- if you work very little or remain out of the workforce entirely.

At age 70, you no longer contribute to the CPP, even if you have not yet started receiving your retirement pension, or are still working.

◆ How much do I contribute to the CPP?

The amount you contribute is based on your employment earnings. If you are self-employed, your contributions are based on your net business income (after expenses). You do **not** contribute on any other type of income, such as investment earnings. If, during a year, you contributed too much or earned less than a set minimum amount, your excess contributions will be refunded to you when you file your income tax return.

You make contributions only on your annual earnings between a **minimum** and a **maximum** amount (these are called your pensionable earnings). The minimum amount is $3,500. The maximum amount is adjusted each January, based on increases in the average wage. **For example, in 2014, the maximum amount is $52,500**. The contribution rate on these pensionable earnings is 9.9%, split equally between you and your employer. If you are self-employed, you pay the full 9.9%. The maximum contribution for employers and employees in 2014, for example, is **$2,425.50 each**. If you are self-employed, the maximum contribution is **$4,851.00**. For the most up-to-date amounts, visit our Web site.

Note

The minimum and maximum CPP contribution amounts also apply to CPP contributions made while working and receiving a CPP retirement pension. These contributions will go toward the post-retirement benefit.

◆ What is my contributory period and how is it used?

The time during which you can contribute to the CPP is called your contributory period. We use it to determine eligibility to benefits and to calculate the amount of any CPP benefit that you become eligible to receive (except for the post-retirement benefit).

Your contributory period begins when you reach age 18 (or January 1, 1966, whichever is later) and ends when you begin receiving your CPP retirement pension, reach age 70 or die, whichever happens first.

You do not contribute while receiving a CPP disability benefit, or during periods when you have no earnings or your earnings are below the $3,500 minimum amount.

As of 2012, if you are receiving your CPP retirement pension and you are working and contributing to the CPP, your contributions will **not** be included in your contributory period. Instead, they will count toward your post-retirement benefit.

◆ Why are my contributions important?

The CPP uses your contributions to determine whether you and/or your family are eligible for a CPP benefit and, if so, what the amount of the benefit will be. Important factors include both how long and how much you contribute (up to the maximum each year).

Usually, the more you earn and contribute to the CPP in the years before you take your retirement pension, the higher the benefit will be when you become eligible. That is because you have built up more CPP pension credits.

◆ How do I find out how much I have contributed?

You can visit our Web site to view or print a copy of your *CPP Statement of Contributions* through My Service Canada Account.

Your statement shows the total amount of your CPP contributions by year and the pensionable earnings on which your contributions are based. It also provides an estimate of what your pension or benefit would be if you and/or your family were eligible to receive it now.

If you cannot access your My Service Canada Account online, you can also ask us to mail you a copy of your statement.

Check your statement carefully, particularly your earnings and contributions. You should compare these amounts to any previous T4 tax information slips. If you disagree with any of the figures, contact us immediately.

Note

You will not be able to use My Service Canada Account if you have worked only in Quebec or currently live in Quebec and have worked in Quebec and another province. Contact the *Régie des rentes du Québec* for more information.

◆ What if I lived or worked in another country?

Canada has international social security agreements with many countries. These agreements can help you qualify for pensions or benefits from Canada as well as these other countries. For example, if you did not live or work long enough in another country to qualify under its rules, the time you spent there and/or the contributions you made in that country may be added to your contributions in Canada to allow you to meet the eligibility requirements.

If you have lived or worked in another country, or you are the survivor of someone who has lived or worked in another country, you may be eligible for benefits from Canada and abroad.

Visit **servicecanada.gc.ca/international** to find a list of social security agreements that Canada has with other countries.

◆ If I had some low-earning years, will that reduce my pension?

Periods when you had low or zero earnings may affect your benefits. CPP calculations take into account both **how much** and **how long** you contributed.

To keep your pension amount as high as possible, we automatically exclude the following periods from the calculation of your retirement pension:

- up to 8 of your lowest earning years will be dropped;
- any months you were receiving a CPP disability benefit; and
- any months you were working after the age of 65 can be used to replace lower earnings you had before.

The CPP Child Rearing Provision also helps ensure that you get the highest possible CPP payment. If you stopped working or your earnings were lower because you were raising your children under the age of seven, you can ask us to drop out these periods from the calculation of your benefit on your CPP application form.

Deciding when to begin your CPP retirement pension

You have flexibility in deciding when to begin your pension. You do **not** have to stop working to receive your retirement pension. How old you are when you choose to begin receiving your CPP retirement pension has a major effect on the payments you will get for the rest of your life.

Your retirement pension does **not** start automatically. **You must apply for it**.

◆ How does my age affect the amount of my pension?

Although the CPP retirement pension was originally intended to start the month after your 65^{th} birthday, you can begin receiving your CPP retirement pension as early as age 60. Your monthly payment will be smaller if you begin receiving it before age 65 and larger if you take it after age 65.

- **If you start your pension before age 65**: The CPP reduces your pension amount by a set percentage for each month that you take it before age 65, calculated from the time you begin receiving your pension. From 2012 to 2016, this early pension reduction is gradually increasing from 0.52% to 0.6% per month.

By 2016, if you apply and receive your CPP retirement pension at age 60, this results in a maximum reduction of 36%. This adjustment is permanent—if you choose to start your pension before age 65, your reduced pension amount does **not** increase when you reach age 65.

- **If you start your CPP retirement pension at age 65**: You will get the full pension amount you are eligible to receive.
- **If you start your pension after age 65**: You will increase your pension amount by 0.7% for each month that you delay receiving it after age 65, up to age 70 (representing a 42% increase over the amount you would have received had you taken it at age 65). There are no more increases after age 70.

Note

All CPP benefit amounts are adjusted each year in January if there is an increase in the cost of living as measured by the Consumer Price Index.

◆ How do I decide when to take my retirement pension?

The decision is yours and depends on your circumstances. Some considerations are:

- whether or not you still earn an income and contribute to the CPP;
- how long you have contributed;
- how much you have contributed and the amount of CPP retirement pension you can expect to receive;
- your other retirement income;
- your health; and
- your retirement plans.

◆ Can I get an estimate of my CPP retirement pension before I decide to take it?

Yes. For an estimate of your CPP retirement pension, check your *CPP Statement of Contributions*. You can view and print an up-to-date copy of your statement by visiting our Web site and using My Service Canada Account. You can also call us to ask us to send you your statement or request an estimate using the *Estimate Request for CPP Retirement Pension* form (ISP-1003).

The closer you are to the date you want your pension to begin, the more accurate the estimate will be.

In addition, the Canadian Retirement Income Calculator can help you estimate your future retirement income, including what your CPP and Old Age Security benefits will be when you are ready to retire. To use the Calculator, visit **servicecanada.gc.ca/calculator**.

◆ What happens if I don’t work after age 60 and delay receiving my pension until I turn 70?

If you choose to delay your pension until age 70, you will get the maximum pension amount you are eligible to receive — this represents a 42% increase over the amount you would have received had you taken it at age 65. In general, individuals who delay taking the CPP retirement pension until age 70 may receive roughly double the amount that they would have received if they had taken it at age 60.

◆ Do I have to stop working to receive my retirement pension?

You do **not** have to stop working to receive your retirement pension.

About the post-retirement benefit

◆ What is the post-retirement benefit?

The post-retirement benefit is for people who work in Canada (outside Quebec) and receive a retirement pension from the CPP or QPP. This benefit increases your retirement income.

◆ Who contributes to the post-retirement benefit?

If you are under age 65 and you work while receiving your CPP retirement pension, you and your employer will continue to make CPP contributions. If you are self-employed, you will have to contribute both the employee and employer portions. These contributions will go toward the post-retirement benefit.

If you are at least age 65 but under 70 and you work while receiving your CPP retirement pension, you can elect to stop making further CPP contributions toward the post-retirement benefit. To do so, visit the Canada Revenue Agency Web site at **www.cra.gc.ca** or call 1-800-959-8281.

If you decide to continue to make contributions, your employer will also have to contribute. If you are self-employed, you will have to pay both the employee and the employer portions.

◆ When would I receive my post-retirement benefit?

Unlike other CPP benefits, you do not have to apply for the post-retirement benefit. If you made contributions toward the post-retirement benefit, it will be paid to you automatically the year after your contributions were made and after you have filed your tax return for that year. It will be included in your CPP payment.

Applying for your retirement pension

◆ When should I apply?

We recommend that you apply at least six months before you want your pension to begin.

◆ How do I apply?

Option 1

You can complete the online application form and submit it electronically. At the end of the application process, you will be asked to print and sign a signature page and mail it to Service Canada.

Option 2

If you prefer, you can use the online PDF application form in one of two ways:

- you can complete the form electronically, print it, and then mail it; or
- you can print the form, complete it by hand, and then return it to us by mail.

If you need help completing your application, please call us.

◆ If I have contributed to both the CPP and QPP, where do I apply for my retirement pension?

If you have contributed to both the CPP and QPP, you apply to the QPP if you live in Quebec, or to the CPP if you live elsewhere in Canada.

If you live outside Canada, you apply to the QPP through the *Régie des rentes* if you were living in Quebec before you left the country. If you lived in any other province or territory before you left the country, you apply for the CPP through Service Canada.

Regardless of which plan pays your benefit, the amount is calculated according to your contributions to both plans and the legislation of the responsible plan.

◆ What if I apply late?

If you apply after you turn 65, Service Canada can only pay retroactive payments of the CPP retirement pension for up to 12 months (11 months plus the month you apply) but no earlier than the month following your 65th birthday. There are no retroactive payments for a retirement pension taken before age 65.

◆ What if I am incapable of applying?

Usually, you must apply for the CPP pension or benefits on your own behalf. If you are incapable of applying for a CPP pension or benefit because of an illness or infirmity, your designated representative can apply on your behalf. For information on how to apply for someone else, visit our Web site or call us at 1-800-277-9914.

◆ What happens if I die before I can apply for my retirement pension?

If you die before applying for your CPP retirement pension, we **cannot** pay your retirement pension to anyone else **unless** you were over 70 when you died and your estate submits a CPP retirement pension application no later than one year after your death. In this case, we can pay up to 12 months of retirement pension to your estate.

Also, your estate, spouse or common-law partner, or next-of-kin may be eligible for the CPP death benefit if minimum contribution requirements are met. In addition, your spouse or common-law partner may be eligible to receive the CPP survivor's pension, and your dependent children may be eligible to receive the CPP children's benefit.

For more information about these benefits, visit our Web site.

Receiving your retirement pension

◆ When would I start receiving my CPP pension?

It takes approximately eight weeks to receive your first payment from the date Service Canada receives your completed application.

If more than eight weeks have passed and you would like to find out the status of your application, contact us.

◆ Can I receive CPP payments outside Canada?

Yes, we can make payments anywhere in the world.

◆ What if I change my mind after I start receiving my pension?

If for any reason you change your mind after you start receiving your CPP retirement pension, you can cancel your pension up to six months after it starts. **You must request the cancellation in writing.** You must also pay back all the benefits you received within six months.

If you want to cancel your CPP retirement pension and you worked while you were receiving it, any contributions you made toward the post-retirement benefit will not be refunded to you if you earned more than the year's basic exemption of $3,500. These contributions will go toward your future CPP retirement pension under the plan, and not to the post-retirement benefit. Doing this may increase your retirement pension amount when you decide to take it later.

◆ What if I become disabled after I begin receiving my CPP retirement pension?

Your CPP retirement pension may be replaced by a disability benefit if:

- you are deemed to be disabled, as defined by the CPP legislation, **before** the age of 65 and **before** the effective date of your retirement pension;
- you have been receiving your CPP retirement pension for less than 15 months at the time your application for a disability benefit is received; and
- you apply for the disability benefit in writing.

Note

If you meet these criteria and you are granted a disability benefit, you must make a written request to cancel your retirement pension in favour of the disability benefit.You must pay back the retirement pension payments you received. Normally, we recover the retirement pension payments from your first disability payment.

◆ What happens to my disability benefit when I turn 65?

When you turn 65, if you are receiving a CPP disability benefit, it will automatically change to a retirement pension. Your CPP retirement pension will likely be less than your disability benefit.

However, at 65 you can also apply for the Old Age Security (OAS) pension and, if your income is low, you may be eligible to receive the Guaranteed Income Supplement. Your spouse or common-law partner may also be eligible for the Allowance. We will send you information about OAS at least six months before you turn 65.

For more information on CPP disability benefits, the OAS, the Guaranteed Income Supplement, and the Allowances, contact us.

Sharing your retirement pension

◆ What is pension sharing?

Spouses or common-law partners who are together, both at least 60 years old, and receiving the CPP retirement pension can share their CPP retirement pensions. This is called pension sharing and may result in tax savings.

The overall benefits paid do not increase or decrease with pension sharing.

◆ How does pension sharing work?

If only one of you is a CPP contributor, you or your spouse or common-law partner can apply to share that one pension for the years you have been together.

If both of you are CPP contributors, either you or your spouse or common-law partner can apply to receive an equal share of both CPP retirement pensions for the years you have been together.

The portion of your retirement pension that can be shared is calculated by counting the number of months you and your spouse or common-law partner lived together during your joint contributory period. Either one of you can apply to share your pensions, whether you are applying for the CPP or are already receiving the CPP retirement pension. The application form is available from our Web site.

Notes

To share your CPP retirement pension, you must apply. Pension sharing starts as soon as we approve your application. We cannot back-date a pension-sharing agreement. The post-retirement benefit is **not eligible** for pension sharing.

Pension sharing is **not** the same thing as pension income splitting. For information about pension income splitting, visit the Canada Revenue Agency Web site at **www.cra.gc.ca/seniors** or call 1-800-959-8281.

Splitting your pension credits

◆ What are CPP pension credits?

The CPP contributions you make over the years are called pension credits. Generally, the more credits you have, the higher your CPP benefit amounts will be.

◆ What is credit splitting?

When a marriage or common-law relationship ends, the CPP credits built up by a couple while they lived together can be divided equally between them. These credits can be split upon divorce or separation even if one spouse or common law-partner did **not** pay into the CPP.

The impact of credit splitting on spouses and common-law partners who are no longer together can vary considerably depending on individual circumstances.

Note

Months when a person is in receipt of a CPP retirement pension or a CPP disability benefit are not included in the periods to be split. Also, credits accumulated toward the post-retirement benefit by someone receiving the CPP retirement pension are not subject to credit splitting.

Combining CPP pension benefits

◆ Can I receive another pension from the CPP while I am getting a CPP retirement pension?

Yes. Even if you are already receiving a CPP retirement pension, you can also receive a CPP survivor's pension if you are eligible. The two pensions will be combined into a single monthly payment.

Please note the following restrictions to pension amounts:

- The most you can receive if eligible for both the CPP retirement pension and the CPP survivor's pension is the maximum retirement pension (which is more than the maximum survivor's pension).
- The total amount of combined CPP pension benefits is adjusted by your (the survivor's) age and other benefit amounts you are receiving.

Note

The rules for combining benefits do not apply to the post-retirement benefit. If you receive the post-retirement benefit, it will be added to your CPP retirement pension, even if you receive the maximum retirement pension.

Paying taxes on your CPP retirement pension

◆ Are my CPP retirement payments taxable?

Yes. Like most other retirement income, your CPP retirement pension is taxable. Any post-retirement benefit you receive is also taxable.

If you live in Canada, you can ask Service Canada to deduct income tax from your retirement payment each month. Visit our Web site to print and fill out the *Request for Income Tax Deductions* form (ISP-3520).

Note

If you are a non-resident of Canada for income tax purposes, your CPP payment may be subject to non-resident tax up to a maximum of 25% of the gross benefit amount. The tax rate depends on the country where you live. If your income is low, you can apply to have the rate reduced. For more information, please contact the Canada Revenue Agency.

Receiving other benefits

◆ Am I eligible for other benefits?

If you are aged 65 or older, you may be eligible for the Old Age Security pension. If you also have a low income, you may qualify for the Guaranteed Income Supplement. Visit our Web site to find out more about eligibility and payment rates.

If you are aged 60 to 64, are the spouse or common-law partner of an Old Age Security pensioner, and have a low combined annual income, you may qualify for the Allowance. If your spouse or common-law partner has died, you are aged 60 to 64, and you have not entered into a new marriage or common-law relationship, you may be eligible for the Allowance for the Survivor.

You could also be eligible for benefits under the *War Veterans Allowance Act* administered by Veterans Affairs Canada, or for benefits under the Employment Insurance program from Service Canada, as well as other provincial, territorial, and municipal income assistance programs and services.

The Benefits Finder is an online tool that can help you find other programs and benefits for which you may be eligible. Visit **www.canadabenefits.gc.ca**.

◆ Retirement planning tools

Service Canada offers an online checklist for retirement planning and other useful tools such as the Canadian Retirement Income Calculator at **servicecanada.gc.ca/retirement-planning**.

◆ Do my CPP benefits affect the amount I receive from other programs?

Yes, CPP benefits may affect the income you receive from other programs. Some income tested benefits take your CPP income into account, such as the War Veterans Allowance, Employment Insurance, the Guaranteed Income Supplement, the Allowance, and the Allowance for the Survivor, as well as provincial and territorial social assistance ("welfare") and most workers' compensation programs. CPP benefits may also affect how much you get from your employer pension or private-sector disability insurance.

Contact us

Click	**servicecanada.gc.ca**
Call	1-800-277-9914 (from Canada and the United States)
	1-800-255-4786 (TTY: if you have a hearing or speech impairment and use a teletypewriter)
	1-613-990-2244 (from all other countries, collect calls accepted)
Visit	a Service Canada Centre

Note

Please have your social insurance number ready when you call.