

UPCOMING CHANGES TO CANADA PENSION PLAN

1. A DECREASE IN EARLY RETIREMENT BENEFITS, OR AN INCREASE IF YOU COLLECT LATE

Increasing the early pension reduction from 0.5% to 0.6% per month for each month that CPP pension is taken before age 65. The change will be phased in over a period of five years, starting in 2012. This means that a person retiring at age 60 will have their pension reduced by 36% rather than the current 30% reduction.

On the other hand, the late pension increase will be gradually raised from 0.5% to 0.7% per month for each month up to age 70. This change will be phased in over a period of three years, starting in 2011.

2. ELIMINATION OF THE REQUIREMENT TO REDUCE EARNINGS OR STOP WORK

Currently, individuals under age 65 need to stop working (or be earning under a threshold) in order to collect CPP benefits. Commencing in 2012 individuals will be able to take their CPP benefit as early as age 60 without any work interruption or reduction in hours worked.

3 INCREASE IN THE GENERAL LOW EARNINGS DROP OUT PROVISION

The calculation of CPP Bennett's is determined based on the number of years a person has worked, beginning at age 18, and contributed to the plan based on their earned wages (up to a certain threshold) during their working life. In calculating the benefit, an average of their career earnings is determined, allowing for up to 15 percent of the years to be "dropped—out" of the calculation where earnings are very low or nil. An increase from 15 to 16 and 17 percent in the percentage of years that can be dropped out of the average earnings calculation will be phased in beginning in 2012 and 2014 respectively.

4 BARRIER TO "DOUBLE DIPPING" ELIMINATED

Current rules prevent continued contributions while earning additional benefits under CPP once you begin collecting a retirement benefit. This has often been referred to as "double dipping" and up until recently was prohibited under the Income Tax Act for workplace pension plans. The ability to "double dip" will be introduced and contributions to the CPP will be mandatory for both you and your employer if you continue to work while collecting an early retirement benefit before normal retirement age 65.