

Canada's Retirement Income System: The Three Pillars

Universal Government Benefits for Seniors	Canada/Quebec Pension Plan	Employment Plans and Individual Savings
<ul style="list-style-type: none">• Old Age Security (OAS)• Guaranteed Income Supplement (GIS)• Allowance and Survivor's Allowance• (* some provinces and territories provide further supplements for low-income seniors)	<ul style="list-style-type: none">• CPP operates throughout Canada, except Quebec where QPP provides similar benefits• virtually universal coverage• provides retirement, survivor, and disability benefits	<ul style="list-style-type: none">• voluntary employer- and union-sponsored pension and retirement plans• personal savings (including registered retirement savings plans and tax-free savings accounts)

Canada Pension Plan: How does it currently work?

Contributions	<ul style="list-style-type: none">• employer and employee contribute 4.95% each• contributions apply to pensionable earnings over Year's Basic Exemption (\$3,500) and below Year's Maximum Pensionable Earnings (YMPE) (\$54,900 in 2016)
Benefits	<ul style="list-style-type: none">• full pension at age 65, indexed annually• can begin pension from age 60 (with reduction) to age 70 (with increase)• benefits aim to replace 1/4 of pre-retirement income, subject to maximum amount
Funding	<ul style="list-style-type: none">• hybrid of steady-state contribution rate and full funding for new or increased benefits• financed solely by worker and employer contributions, with reserve fund to cover approximately 2-3 years of benefits• chief actuary submits actuarial report to Parliament every three years

Canada Pension Plan Enhancement: What do we know?

Contributions	<ul style="list-style-type: none">• contribution rate will increase to 5.95% each (phased in over 5 years beginning 2019)• YMPE will increase to \$72,500 (phased in over 2 years beginning 2024)• new “Upper Earnings Limit” will be introduced in 2024, subject to separate contribution rate of 4% each (\$74,900 in 2024, and \$82,700 in 2025)
Benefits	<ul style="list-style-type: none">• benefits will increase, with aim to replace 1/3 of pre-retirement income (likely subject to maximum amount)
Other Tax Changes	<ul style="list-style-type: none">• contributions to CPP enhancement will be tax-deductible• Working Income Tax Benefit will be increased for eligible low-income workers (*Finance Canada estimates offset will cost \$250 million per year)