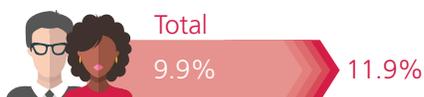


Canada Pension Plan Expansion

On June 20th, federal and provincial finance ministers announced an agreement to expand the Canada Pension Plan (CPP). If approved this summer, all employers and employees would be required to contribute more starting on January 1, 2019. Some elements are still in development and the Office of the Chief Actuary needs to confirm some details, but here is what we know so far.

Increased rate on income currently subject to CPP:

- ▶ Employer and employee premiums would each rise from the current 4.95% of employees' pensionable earnings to 5.95% (phased in from 2019 to 2023).
- ▶ Total contributions would eventually rise from 9.9% to 11.9% of pensionable earnings.



New income bracket subject to 4% premium:

- ▶ Beginning in 2024, a new "Upper Earnings Limit" would be created.
- ▶ The limit would be set at 7% above the Yearly Maximum Pensionable Earnings level in 2024 and 14% above it in 2025 and beyond. The limit is projected to be about \$82,700 in 2025.
- ▶ Employers and employees would each pay a 4% premium on any income between the two levels.

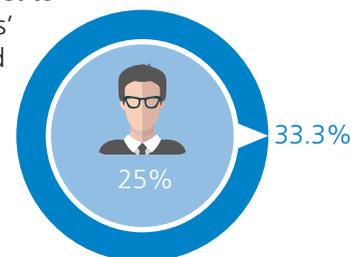


Tax implications:

- ▶ Additional employee premiums would be deductible against personal income, while the original premiums would remain a credit.
- ▶ All employer and self-employed premiums would remain deductible against business income. Business owners and self-employed pay both shares of CPP.
- ▶ To offset the negative effect of higher premiums on low income workers, the Working Income Tax Credit would be expanded.

Retirement benefits:

- ▶ Benefits would be expanded from 25% to 33.3% of pensionable earnings, over a 40 year period, though the exact schedule has yet to be published. Employees' CPP entitlements earned to date would remain as is; they would only receive additional CPP entitlements based on earnings between 2019 and retirement.
- ▶ No changes were announced regarding disability, survivor or death benefits.



Sample calculations

Combined employer and employee additional annual premiums (rounded to the nearest \$10)

	Earnings = \$27,450	Earnings = \$54,900*	Earnings = \$85,000
2018	0	0	0
2019	70	150	170
2020	140	310	350
2021	240	510	600
2022	360	770	930
2023	480	1,030	1,290
2024	480	1,030	1,720
2025	480	1,030	2,200

* 2016 Yearly Maximum Pensionable Earnings
Source: Federal Department of Finance