CPP, OAS, and GIS Benefits
Morneau Shepell Retirement Planning Seminars

Gregory Clooney
Western University
November 21, 2019
Government pension programs

- Canada/Québec Pension Plan (C/QPP)
- Old Age Security (OAS)
- Guaranteed Income Supplement (GIS)
C/QPP benefits overview

Canada/Québec Pension Plan (C/QPP)

- Mandatory public plan for workers earning over the basic exemption (2019 - $3,500)
- Funding: employee & employer contributions
  - Both contribute 5.1% of pay, up to YMPE
  - QPP – contribute 5.55%
C/QPP benefits overview

Canada Pension Plan (CPP)

- Benefits depend on:
  - Number of contributory years
  - Average salary (to a maximum)
- Currently about 25% of your average employment income during your career
  - Maximum earnings covered = Year’s Maximum Pensionable Earnings ($57,400 in 2019)
- Drop out years
  - 17% of your contributory period with lowest earnings (15% for QPP)
  - Apply for child rearing drop out provision!
# C/QPP benefits overview

## C/QPP

<table>
<thead>
<tr>
<th>Payment starts ...</th>
<th>Pension in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age 65</strong></td>
<td>Full pension</td>
</tr>
<tr>
<td></td>
<td>Maximum pension: $1,154.58 / month</td>
</tr>
<tr>
<td></td>
<td>or $13,854.96 / year</td>
</tr>
<tr>
<td><strong>Between 60 and 65</strong></td>
<td>Reduced by 0.6% per month (7.2% per year) for each month between the date the pension starts and age 65 – Forever!</td>
</tr>
<tr>
<td></td>
<td>Example: Pension starting at age 60: $8,867.17/year</td>
</tr>
<tr>
<td><strong>Between 65 and 70</strong></td>
<td>Increase of 0.7% per month (8.4% per year) for each month between age 65 and the date the pension starts – Forever!</td>
</tr>
<tr>
<td></td>
<td>Example: Pension starting at age 70: $19,674.04 / year</td>
</tr>
</tbody>
</table>
C/QPP benefits overview

CPP/QPP

- Must start before your 70th birthday
- Indexed annually (to Consumer Price Index)
- Taxable
- Disability pension also available (to 65)
C/QPP benefits overview

CPP/QPP

- Death benefit
  - Maximum $2,500
- Survivor’s pension (spouse)
  - Depends on age, kids and length of contributory period
- Children’s benefit (orphans)
  - Depends on age, kids and length of contributory period
C/QPP benefits overview

When to start collecting C/QPP benefits

- Number of influencing factors
  - Health
  - Death benefits
  - Still employed vs. retired
  - Taxes, pension sharing and the OAS clawback
  - Intrinsic value
  - Other sources of income

- The right time to start collecting this benefit is at a time that works best for you and your circumstances!
C/QPP benefits overview

C/QPP enhancement

- 2 steps:
  1. 2019-2023:
     - Increase benefit rate from 25% to 33% of average pensionable earnings
     - Increase contribution rate by 1% for both employee and employer
  2. 2024-2025: establish new “upper earnings limit” of 114% of YMPE
     - Based on 2019, YMPE increases from $57,400 to $65,400
     - Add 4% contribution on earnings between YMPE and upper earnings limit for both employee and employer

- Enhanced benefits apply for future years only
C/QPP benefits overview

C/QPP enhancement – benefit improvement

Based on 2019 YMPE, assuming earnings remain constant
C/QPP benefits overview

CPP enhancement – contribution increases*

- Employee and employer contributions:
  1. 2019-2023: increase from 4.95% to 5.95% of earnings up to YMPE
  2. 2024-2025: new contribution on earnings above YMPE to “upper earnings limit” – 4% for each of employee and employer

<table>
<thead>
<tr>
<th>Year</th>
<th>Employee Contribution</th>
<th>Employer Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$2,668</td>
<td>$2,668</td>
</tr>
<tr>
<td>2019</td>
<td>$2,749</td>
<td>$2,749</td>
</tr>
<tr>
<td>2020</td>
<td>$2,830</td>
<td>$2,830</td>
</tr>
<tr>
<td>2021</td>
<td>$2,938</td>
<td>$2,938</td>
</tr>
<tr>
<td>2022</td>
<td>$3,072</td>
<td>$3,072</td>
</tr>
<tr>
<td>2023</td>
<td>$3,207</td>
<td>$3,207</td>
</tr>
<tr>
<td>2024</td>
<td>$3,367</td>
<td>$3,367</td>
</tr>
<tr>
<td>2025</td>
<td>$3,527</td>
<td>$3,527</td>
</tr>
</tbody>
</table>

We are here!

* QPP changes include similar contribution increase of 1% and additional contribution of 4% on earnings above YMPE
C/QPP benefits overview

Applying for your CPP benefits

- Benefit payments do not begin automatically
- Application to Service Canada required
  - Apply online on the Service Canada website; or
  - Print and complete CPP retirement application Form ISP1000 and mail to Service Canada
- Can begin the application process up to a year prior to CPP commencement
- Have SIN and banking information (e.g. name of financial institution, branch number, account number) handy during application process
- Similar process required for applying for QPP benefits
Additional C/QPP sources of information

CPP/QPP
Sources of information:

- CPP Statement of Contributions
- QPP Statement of Participation

- servicecanada.gc.ca
- rrq.gouv.qc.ca
- CPP: 1.800.277.9914
- QPP: 1.800.463.5185
Other government sponsored pension programs

Old Age Security Program
- Old Age Security pension (OAS)
- Guaranteed Income Supplement (GIS)
- Spouse’s Allowance
OAS benefits overview

Old Age Security Pension (OAS)

- Public plan for Canadian residents
- Paid from the general revenues of federal government
- Payable at age 65
- Indexed quarterly to CPI
- Taxable
OAS benefits overview

OAS (October 1, 2019): $613.53 per month ($7,362.36/year)

- Clawback if 2019 net income is over $77,580

Annual income (2019) | $77,580 | $125,937

Reduction ($0.15 per dollar of income)
GIS benefits overview

Guaranteed Income Supplement (GIS)

- Paid from the general revenues of federal government
- Available to all recipients of OAS subject to income test
- Indexed quarterly to CPI
- Non-taxable
Applying for your OAS/GIS benefits

Applying for your OAS/GIS benefits (if eligible)

- Service Canada to provide a letter after you turn 64
  - Selected automatic enrolment – no action required
  - Eligible to receive OAS – complete forms included with letter

- Over 64 and no letter received?
  - Complete Application for the Old Age Security Pension and the Guaranteed Income Supplement Form ISP3550 – apply right away!
    - After age 65, Service Canada may at most provide you with 11 months of missed payments from the date they received your application

- Option to delay start of these benefits
  - Ensure inform Service Canada a year before commencement date
Additional sources of information

OAS & GIS

- Sources of information:

  - [www.servicecanada.gc.ca](http://www.servicecanada.gc.ca)
  - 1 800 277-9914 (English)
  - 1 800 277-9915 (French)
Other considerations

Living outside Canada

- C/QPP & OAS – non-resident tax?
- Elect to file Canadian return
  - If effective rate less than non-resident tax
- Request “Determination of Proposed Non-Residency” from CRA
- Information
  - Non-resident seniors - canada.ca
  - www.servicecanada.gc.ca
  - 1-800-277-9914
Questions?