

CANADA PENSION PLAN (CPP)/QUEBEC PENSION PLAN (QPP)

A retirement plan and more

Thinking about retirement? Lots of options to consider, including phasing into retirement, ongoing semi-retirement, taking full retirement, and others. Understanding the Canada Pension Plan (CPP), Quebec Pension Plan (QPP), will be important in making some big decisions on moving into this stage of life.

CPP retirement pension

The CPP retirement pension is a monthly, taxable benefit that replaces part of an eligible person's income upon retirement. The CPP retirement pension is payable for the person's lifetime. To be eligible, the person must be at least 60 years old and have made at least one valid contribution to the CPP. Valid contributions can be either from work in Canada, or as the result of receiving credits from a former spouse or former common-law partner at the end of the relationship.

The standard age to begin collecting a CPP retirement pension is the month following age 65. However, a reduced retirement pension can start as early as age 60, and a person can wait to start taking their CPP pension as late as age 70.

A CPP retirement pension includes the following provisions:

Pension split – the retiree may be eligible to split their CPP retirement pension with their spouse.

Credit split – CPP contributions a person and their spouse made during the time they lived together may be equally divided after separation or divorce.

Child-rearing provision – a retiree may be eligible to increase their CPP retirement pension if they had no or low earnings due to being the primary caregiver raising their children.

Foreign benefits – a person who has lived or worked in Canada and in another country, or a survivor of someone who has, may be eligible for pensions and benefits from Canada and the other country.

QPP retirement pension

The Quebec Pension Plan (QPP) mirrors the CPP provisions. The CPP and QPP work together to make sure that all contributors receive a retirement pension.

Eligibility for a QPP retirement pension is based on one of the following:

- the person has only worked in Quebec
- the person has worked in Quebec and in at least one other province or territory, and is living in Quebec
- the person has worked in Quebec, currently lives outside Canada, and the last province of residence was Quebec

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Pension enhancement

The CPP/QPP enhancement was implemented in 2019 (only affects persons who work and make CPP/QPP contributions as of January 1, 2019) to gradually increase their retirement pension, post-retirement benefit, disability pension and survivor's pension. It works as a top-up to the base, or original CPP/QPP, and results in higher benefits in retirement in exchange for making higher contributions.

Post-retirement pension

A person who continues to work when aged 60 and under age 70, while receiving the CPP/QPP retirement pension, can continue to participate in the CPP/QPP and increase their retirement income with a lifetime benefit called a post-retirement benefit (PRB), which will increase their retirement income.

To get this benefit, the employee and employer will make CPP/QPP contributions. Those who are self-employed must pay both the employee and the employer portions. CPP/QPP contributions are mandatory until age 65, at which time the employee and employer can opt to cease contributions by completing the "Election to Stop Contributing" form.

Once the person reaches age 70, contributions to the CPP will cease. In Quebec, contributions automatically cease as of the 1st of January following the insured's 72nd birthday.

Children's benefit

Dependent children under age 18, or to age 25 if attending school full time, may be eligible for the children's benefit if their parent is receiving a CPP or QPP disability benefit or is a deceased CPP/QPP contributor.

Death benefit and survivor's benefit

The CPP/QPP death benefit consists of a lump-sum payment of up to \$2,500 and a survivor's benefit. However, if a spouse is already receiving a CPP retirement benefit, the maximum monthly amount (retirement plus survivor benefit) can't exceed the maximum retirement benefit and is adjusted based on the surviving spouse's age. This rule will apply for QPP when the surviving spouse is 65 or older. When

the surviving spouse is under 65, it's possible for the combined benefit to exceed the maximum retirement benefit.

Disability pension

The CPP/QPP disability benefit is a monthly payment to persons who are under 65, have made enough contributions into the CPP or QPP, have a mental or physical disability that regularly stops them from doing any type of substantially gainful work, and has a disability that is long-term and of indefinite duration, or is likely to result in death. A disability pension will be automatically converted to a retirement pension when the person turns age 65.

Post-retirement disability pension

Persons receiving the CPP or QPP retirement pension, are under age 65, who have a severe and prolonged disability, may continue to qualify post-retirement if they have made enough contributions. The amount of this benefit is added to the amount to the monthly retirement pension payment, payable to age 65.

Employment and CPP/QPP

Employees who choose to collect a CPP/QPP retirement pension while working often reduce their hours of work as they phase into full retirement. If they work the minimum hours as defined in the benefits contract, eligibility will continue for benefits.

Benefits and CPP/QPP

Group disability policies protect employees who are unable to work due to illness or injury. The amount of benefit payable is based on a percentage of reported income, less offsets of income payable by other sources such as the CPP or QPP.

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