



Keeping in Touch

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Strengthening the Canada Pension Plan

Helping Canadians achieve a safe, secure and dignified retirement is a central part of the Government of Canada's plan to help the middle class and those working hard to join it. Middle class Canadians are working harder than ever, but many are worried that they won't have enough put away for their retirement. One in four families nearing retirement—1.1 million families are at risk of not saving enough.

That is why Canada's federal, provincial and territorial governments have reached an historic new agreement to strengthen the Canada Pension Plan (CPP), ensuring that future generations of Canadians can count on a more generous public pension system into their retirement years. Strengthening the CPP will provide retirement security for more Canadians and have a long-term impact on the Canadian economy.



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1. It will increase the share of annual earnings that Canadians will get in retirement from one-quarter to one-third. This means that an individual making \$50,000 a year over their working life will receive about \$16,000 per year in retirement instead of today's \$12,000.
2. It will also increase the point at which this new one-third replacement rate maxes out by about 14 per cent, which is projected to be equal to \$82,700 in 2025. This means that, if someone is making \$80,000 a year over their working life, they will get a third of that per year in retirement from the CPP.

What the CPP Agreement in Principle Means for Canadians

- Once fully in place, the CPP enhancement will increase the maximum CPP retirement benefit by about 50 per cent. The current maximum benefit is \$13,110. In today's dollar terms, the enhanced CPP represents an increase of nearly \$7,000, to a maximum benefit of nearly \$20,000.
- Enhanced benefits will accumulate gradually as individuals pay into the enhanced CPP. Young Canadians just entering the workforce will see the largest increase in benefits.
- To fund these enhanced benefits, annual CPP contributions will increase modestly over 7 years, starting in 2019. For example, an individual with earnings of \$54,900 will contribute about an additional \$6 a month in 2019. By the end of the 7-year phase-in period, contributions for that individual would be about an additional \$43 per month.
- To ensure that eligible low-income workers are not financially burdened as a result of the extra contributions, the Government of Canada will enhance the Working Income Tax Benefit, an existing benefit that is designed to help keep people in the workforce and encourage others to join it.
- Enhancing the CPP will significantly reduce the share of families at risk of not saving enough for retirement and the degree of under-saving.
- The CPP will always be there for Canadians: It helps to fill the gap for those who do not have a workplace pension plan, and it is portable across jobs and provinces.

Restoring Eligibility Ages of the Old Age Security Program

As an essential part of the Government's plan to strengthen public pensions and improve the lives of Canadian seniors, the eligibility ages of the Old Age Security (OAS) program are also being restored.

Budget 2016 cancelled the provisions in the OAS Act that the previous Government put into place to increase the age of eligibility for OAS and Guaranteed Income Supplement (GIS) benefits from 65 to 67 and Allowance benefits from age 60 to 62 between the years 2023 and 2029. Restoring the eligibility age will put thousands of dollars back in the pockets of Canadians, particularly low income seniors. Vulnerable seniors depend on this support, and without it, they face a much higher risk of living in poverty.

Budget 2016 also increased support for senior couples living apart for reasons beyond their control. These amendments will ensure that couples who receive Guaranteed Income Supplement and Allowance benefits that have to live apart (such as a requirement for long term care) will receive higher benefits based on their individual incomes. This will improve fairness for our seniors.

"A stronger CPP is a core promise we made to middle class Canadians, and it's one I'm proud to have worked with my provincial colleagues to deliver. The changes we're making mean that Canadian retirees will have more money to spend on their needs, like healthy food, transportation and housing costs, which will lead to a more secure retirement, better quality of life and create the conditions for overall economic growth in Canada."

- Bill Morneau, Minister of Finance