

Memo

To: All Employees

From: Payroll Department

Date: Jan 8, 2019

Re: Upcoming Enhancements to the Canada Pension Plan (CPP)

According to the Canada Revenue Agency (CRA) an estimated 24% of Canadian families nearing retirement may not have enough income when they leave the workforce, partly due to the fact that Canadians are living longer and are carrying increased debt loads. As a result, the federal introduced **significant enhancements to the Canada Pension Plan (CPP) starting in 2019**.

Increased CPP contributions will be phased-in over a 7-year timeframe from 2019 to 2025, allowing employees and employers time to adjust to the changes. These enhancements will increase the retirement, disability and survivor's pensions you may receive. How much you will receive will depend on your pensionable earnings, period of contributions and your age at the commencement of your benefits.

CONTRIBUTIONS

If you are over the age of 18 and work in Canada, you contribute to CPP on annual employment earnings between \$3,500 and the annual earnings limit (\$55,900 in 2018). The CPP uses a Statement of Contributions to show you a record of your pensionable earnings and contributions to the Plan. Your Statement shows your total CPP contributions for each year and the earnings on which your contributions were based.

It also provides an estimate of what your pension or benefit would be if you and/or your family were eligible to receive it now. Employees can obtain a copy of their statement by contacting [Service Canada](#).

OVERVIEW OF CPP CHANGES

Phase 1:

Beginning in 2019 and through 2023, the contribution rate on earnings up to the annual earnings limit will gradually increase to 5.95% from the current rate of 4.95% which has been in place since 1994.

Year	Contribution Rate
2019	5.10%
2020	5.25%
2021	5.45%
2022	5.70%
2023	5.95%

Phase 2:

In 2024, employees will begin contributing 4% on an additional range of earnings that is beyond the basic annual earnings limit. Therefore, if you earn more, you will contribute more towards your CPP benefits in the future.

Your enhanced CPP contribution, as well as the new 4% contribution on the upper earnings value, will each be 100% matched by your employer.

To partially offset the increase to the CPP contributions, employees will receive a tax deduction for those contributions when filing their personal income tax return. Lower income earners could also be entitled to benefits under the new [Canada Workers Benefit](#).

NO ACTION IS REQUIRED FROM YOU

Effective from your first pay of 2019, the Payroll Department will calculate your CPP contributions from your pensionable earnings using the increased rates.

Following successful collaboration between the Canadian Payroll Association and the CRA, employees and employers will not be burdened with additional codes on pay statements, T4s. Deductions to an employee's taxable income, based on enhanced CPP contributions, will be calculated automatically by the CRA after employees file their personal income tax returns.

Note: If you are an employee aged 65 to 69, and are in receipt of a CPP retirement pension, you may choose to not make CPP contributions by completing the form CPT30, *Election to Stop Contributing to the Canada Pension Plan or Revocation of a Prior Election*. You must send the original CPT30 election form to the CRA and file a copy with the Payroll Department. No CPP contributions will be deducted on pay dates following the month the form is filed. You can [download the CPT30 form from the CRA's website](#).

MORE INFORMATION

More details on these changes and why they are being made can be found on the [CRA's website](#).