



# Human Resources and Social Development

## **Canada's Public Pensions**

- Old Age Security (OAS)
- Canada Pension Plan (CPP)
- International Social Security Agreements

# CANADA'S RETIREMENT INCOME SYSTEM

## The 3 levels of Canada's Retirement Income System



**3** Private Savings  
Employer Pensions

**2** Canada Pension Plan  
Québec Pension Plan

**1** Old Age Security

*39.0% of paid workers are contributing to an employer-sponsored pension plan in 2004*

<http://www40.statcan.ca/l01/cst01/labor26a.htm>

## Canada's Retirement Income System

- On average, 70% of pre-retirement income is required to maintain pre-retirement lifestyle
- The OAS pension and CPP retirement pension are designed to replace about 40% of the average pre-retirement income (Avg. 5 yr. YMPE \$42,460 x 40%= \$16,984)
- **OAS and CPP retirement benefits in year 2008 is about \$16,600**

Max CPP (per month) for 2008 - \$884.58

Max OAS (per month) for 2008 (Jan to Mar) - \$502.31

$\$ 884.58(12) + \$502.31(12) = \$16,642.68$

## Old Age Security Pension Background

- Based on age, legal status, and years of residence in Canada
- 2 types of pension - Full and Partial
- Pension is taxable
- May be subject to OAS repayment of pension

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- Minimum of 10 years in Canada needed for any OAS benefit to be paid (can be made up with international agreements).
- If you don't qualify for 'full' benefit then a "partial" benefit can be paid to eligible persons at a rate of 1/40<sup>th</sup> for each established year of residence.
- Financed from general tax revenues of Government of Canada
- **4,397,011** Canadians were OAS beneficiaries in October 2007
- The OAS benefits and expenditures are forecasted at \$25 billion in 2007-2008

## Old Age Security - Sustainability

- Financed from general tax revenues of the Government of Canada
- OAS on solid ground – Actuarial studies
- Canada's Gross Domestic product (GDP) and individual incomes to rise

Recipients will rise from 4 million to 9.5 million by 2035

2010 = 2.4% of GDP to pay OAS

2030 = 3.2%

2050 = 2.7%

There is a strong government commitment to OAS and GIS. Poverty among seniors has declined from 21.3% in 1980 to 5.6% in 2004.

There is also a very large advocacy demographic as the number of seniors increases as the baby boom generation ages.

## OAS Pension - Eligibility

- Age - 65 years of age or more
- Legal status and residence requirements
  - Canadian citizen; **or**
  - A legal resident of Canada (on the day preceding the approval of the application **or** on the day before the day applicant stopped living in Canada)
- Must apply in writing

- Applicants must have resided in Canada for at least 10 years after age 18.

## OAS Residence Requirements

### People living outside of Canada

- Must have been a Canadian citizen or a legal resident of Canada when you left Canada
- Must have resided in Canada for at least **20 years** after the age of 18 (can be met through one of Canada's International Social Security Agreements)

## Full OAS Pension

### **Must:**

- Have resided in Canada for at least 40 years after age 18 and before your application is approved;  
**or**
- Meet the 10 year residence rule; **or**
- Meet the “3 for 1” residence rule.

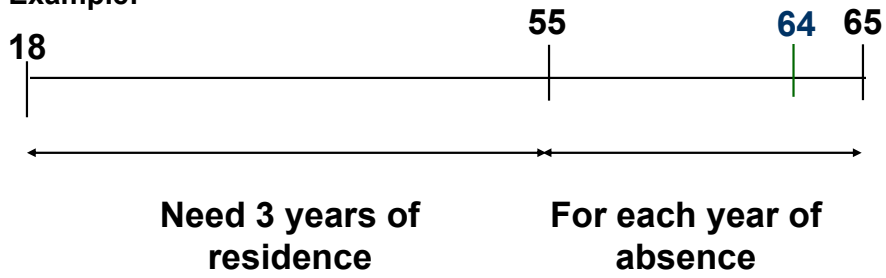
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- Requirements for both 10 yrs residence rule and “3 for 1” residence rule:
  1. born on or before July 1, 1952; and
  2. have resided in Canada at some point between age 18 and July 1, 1977
- 10 yrs – have lived in Canada for the 10 years right before your application is approved
- “3 for 1” residence rule:
  1. must reside in Canada the year before your application is approved
  2. must have 3 years of residence in Canada after age 18 for each year you were absent during the 10 years before your application is approved.

## Full OAS Pension

“3 for 1” Residence Rule

Example:



## Partial OAS Pension

- You do not qualify for a full OAS pension
- 1/40<sup>th</sup> of a full OAS pension for each full year of residence in Canada after the age of 18
- Minimum of 10 years residence required (can be met through one of Canada's International Social Security Agreements)
- Once approved, a partial OAS pension will not be increased following additional years of residence in Canada

## OAS Pension Start and End Guidelines

### Starts (later of):

- Month after 65th birthday
- Month after application is approved
- Month after the residence requirements are met

### Ends (earliest of):

- 7th month after month of departure from Canada
- Month after death
- At client's request

- Up to 11 months of retroactive payment

### Ends (first of):

- 7th month after the month client leaves Canada if he/she has less than 20 years of residence i.e. paid for the month of departure and 6 additional months;
- Month after death (last payment made for the month of death).
- Month in which the Minister approves the client's request that pension cease to be payable. (see section 9.1 OAS Act -Minister's approval to cease)

## Portability

**To have the OAS pension paid  
outside Canada, you must:**

- Have 20 years of residence in Canada after age 18; **or**
- Meet the 20-year residence requirement through one of Canada's International Social Security Agreements



## OAS Pension – Repayment of Pension

- OAS pension higher-income pensioners
- Net World Income from \$64,178 to \$104,903 (2008)
- 15% for residents, varies for non-residents
- Based on previous year's income
- Monthly deductions from OAS pension
- CRA International Tax Services Office

**1-800-267-6999** (Canada or U.S.)  
[www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)

Only 5% of Canadians are currently affected by the Repayment of Benefits (AKA “clawback) and only 2% lose their benefit altogether.

## OAS Pension Repayment

**Example:**

Actual income..... \$74,246  
Net world income..... - \$64,178  
Income affected by Recovery Tax **\$10,068**

Tax for that year: 15% X \$10,068 = **\$ 1,510.20**

Extracted at source:

$\$1,510.20 \times 1/12 = \$125.85$  per month

OAS amount each month:

$\$502.31 - \$125.85 = \$376.46$

(Jan - March 2008)

For example purposes only

## **Old Age Security Program**

### **Other Benefits**

- Guaranteed Income Supplement (GIS)
- Allowance
- Allowance for the survivor

## GIS - Background

- For low-income seniors
- Added to the OAS pension
- Based on income and marital status
- Based on combined income, if the applicant has a spouse/common law partner
- Not taxable

### •Under the OAS Program:

**a spouse is:**

a person legally married to someone else

**a common-law partner is:**

a person who is living in a conjugal relationship with someone of the same or opposite sex for at least one continuous year.

•Poverty among seniors has declined from 21.3% in 1980 to 5.6% in 2004.

•**1,593,392** people received GIS benefits in October 2007

•GIS - \$7.3 billion paid out in 2007

•GIS projected - \$6.7 billion in 2006 and \$19 billion in 2030

## GIS - Eligibility

### Must:

- Be in receipt of an OAS pension
- Reside in Canada
- Apply in writing



## GIS - Start and End Guidelines

### Starts (later of):

- Month after 65th birthday
- Month after application is approved

### Ends (earliest of):

- In July
- 7th month after month of departure from Canada
- Month after death
- At client's request

### Ends (first of):

- **With payment for month of June** - (if income/combined income in the previous year exceeds the maximum income allowed, **or** if client failed to reapply **or** file income tax return with CRA);
- Paid for the month of departure and 6 additional months;
- **Month after death** - Last payment made for the month of death
- **At client's request.** - month in which the Minister approves client's request to cease benefit. (See Section 9.1 OAS Act [Minister's approval to cease])
  
- **Automatic Renewal** for clients who file their tax return. If client does not file tax return, an application is sent.

## GIS Increase – Budget 2005

The increases took place in two (2) phases: January 2006 and January 2007

- The single recipient rate increased by \$18 each year; a total increase of \$36 by January 2007
- The combined couples rate increased by \$29 each year; a total increase of \$58 by January 2007

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•As announced in the 2005 Budget speech on Feb. 23/05, the Government of Canada increased the Guaranteed Income Supplement (GIS), the Allowance, and the Allowance for the survivor by seven percent. This was phased in over two years.

•The Guaranteed Income Supplement was increased by \$36 a month for single recipients and by \$58 a month for couples. The increases were phased in over two years. Half the increase took effect January 2006 and the other half took effect in January 2007.

•Effective January 2006 the maximum single rate was increased by \$18 a month and the combined married rate by \$29 a month. Identical increases were made in January 2007.

•Everyone receiving the GIS, Allowance and Allowance for the Survivor automatically got the following increases in January 2006 and January 2007. For those who were not in receipt of GIS, take up letters were sent in November and December 2005 and January 2006 and included a GIS increase message at that time. The mail-out included letters to 25,000 seniors who would become eligible for the GIS once the income cut-off were changed as a result of the increase. The 25,000 newly eligible seniors were identified through CRA data. For the 2007 increase, we are looking at 26,000 newly eligible seniors.

The following table provides the amount of the increase for each group:

	<b>2006</b>	<b>2007</b>	
GIS Single	18.00		18.00
GIS Married both 65	14.50 for	14.50 for	
each pensioner each pensioner			
GIS Married with spouse under 60	18.00		18.00
GIS (Married with spouse	14.50	14.50	
receiving the allowance)			
(Allowance)	14.50		14.50
Allowance for the Survivor	18.00	18.00	

For additional information about the GIS increase: <http://www.sdc.gc.ca/en/cs/comm/sd/budget/2005/seniors.shtml>

## How much can be received?

- GIS rates for single, widowed or divorced pensioners
- Select your annual income range:

Example: From \$2,568.00 to \$2,591.99 = GIS \$527.02 /mth  
(Jan – March 2008)

For more information on rates for OAS, GIS, Allowance and Allowance for the survivor visit our website

[www.hrsdc.gc.ca](http://www.hrsdc.gc.ca)

### Maximum Monthly GIS Payment

The following chart shows the **maximum** monthly Guaranteed Income Supplement that may be paid for **January to March 2008** based on **Nil income**.

**GIS – Single** **\$ 634.02**

#### **GIS Married - Spouse/Partner is:**

an OAS pensioner (65+) **\$ 418.69**

a Non-pensioner (under 65) **\$ 634.02**

an Allowance pensioner (60-64) **\$ 418.69**

**Allowance** **\$ 921.00**

**Allowance for the Survivor** **\$ 1,020.91**

(widow/widower 60-64)

## Allowance

- For low-income seniors **who meet the eligibility conditions**
- Based on combined income from the previous year
- Not taxable
- Must apply in writing

## Allowance - Eligibility



**Must be:**

- Between the ages of 60 and 64
- The spouse/common-law partner of a GIS recipient
- A Canadian citizen or a legal resident (same as OAS)
- A resident of Canada for at least 10 years after age 18 (can be met through one of Canada's International Social Security Agreements)

•Spouse: a person legally married to someone else

•Common-law Partner: a person living in a conjugal relationship with someone of the same or opposite sex for at least one continuous year.

## Allowance - Start and End Guidelines

### Starts (later of):

- Month after 60th birthday
- Month after eligibility requirement is met
- Month after the residence and income requirements are met
- Month the spouse/partner qualifies for GIS

### Ends (earliest of):

- In July
- 7th month after month of departure from Canada
- Month the spouse/partner does not qualify for GIS
- 4th month after pensioners voluntarily separated
- Month after 65th birthday
- Month after pensioner's death or spouse's/partner's death

### Starts:

- 11 months retroactivity

### Ends:

With payment for the month of June (if combined income in the previous year exceeds the maximum income allowed, **or** if client failed to reapply **or** file an income tax return with CRA)

- Paid for the month of departure and 6 additional months
- At age 65 spouse will become eligible for his/her own OAS
- Last payment made for the month of death

### Voluntary Separation:

Does not apply to spouses/partners living apart for reasons beyond their control 'involuntary separation' (nursing home). Both spouses/partners 65 or over and receiving GIS may be considered as either single, married or common-law whichever is to their advantage.

## Allowance for the Survivor

- For low-income seniors **who meet the eligibility conditions**
- Based on previous year's income
- Not taxable
- Must apply in writing

## Allowance for the Survivor - Eligibility



### Must be:

- Between the ages of 60 and 64
- A survivor
- A Canadian citizen or legal resident (same as OAS)
- A resident of Canada for at least 10 years after age 18 (can be met through one of Canada's International Social Security Agreements)

## Under the OAS Program, a **Survivor** is:

- a person whose spouse or common-law partner has died; **and**
- since the death, has not become the spouse/common-law partner of someone else at any point in time even if the common-law relationship has ended.

## Allowance for the Survivor Start and End Guidelines

### Starts (later of):

- Month after 60th birthday
- Month after eligibility requirement met
- Month after the residence and income requirements are met
- Month after the death of spouse/common-law partner

### Ends (earliest of):

- Month after remarriage
- Month after common-law relationship is recognized under the *CPP/OAS Act*
- 7th month after month of departure from Canada
- In July
- Month after 65<sup>th</sup> birthday
- Month after death

- In July, if pensioner's income in the previous year exceeds the maximum income allowed, (**or if he/she failed to reapply or file an income tax return with CRA**) ;
- Under the *CPP* and the *OAS Act*, a common-law partnership is recognized after the partners have been cohabiting in a conjugal relationship for a continuous period of at least one year i.e. ends the month after the 12 months
- At age 65, the Allowance and Allowance for the survivor **stops**, recipients must then apply for their own OAS pension. They may also qualify for the GIS.

## **Allowance and Allowance for the Survivor at age 65**

- At age 65, the Allowance and Allowance for the Survivor stop
- Must apply for OAS Pension
- May also qualify for the GIS

Although, generally speaking, the beneficiary must apply for the OAS pension, an application may be “deemed” to have been made [Section 5(2) of the OAS Act]

## Voluntary Separation

- Spouses/common-law partners living apart\* after they started receiving GIS
- After 3 months of separation, each will be considered as a single person for GIS purposes
- If one of the spouses/common-law partners receives the Allowance, payments will cease after 3 months of separation

\* This does not include situations of living apart due to reasons beyond their control.

## Involuntary Separation

- Spouses/partners living apart for reasons beyond their control (*nursing home*)
- GIS payments may be increased
- Both spouses/partners 65 or over and receiving the GIS may be considered as either single, married or common-law whichever is to their advantage

If spouses or common-law partners are separated for reasons beyond their control (hospital or nursing home), contact HRSDC for more information.

There is no impact on Allowance

## Non-Sponsored Immigrants

### **A non-sponsored immigrant is:**

- A person legally admitted to Canada as a permanent resident without a Sponsorship Agreement.

## **Non-Sponsored Immigrants**

- 1/10th of the GIS or Allowance benefit for each year of residence in Canada after age 18
- Benefit amount is increased gradually over the 10-year period

## Sponsorship of Immigrants

### **‘Sponsored Immigrant’:**

- A person admitted to Canada as a permanent resident under a sponsorship agreement

### **Sponsorship Agreement:**

- A family member (Canadian Citizen or permanent resident 18+) who agrees to provide financial and physical support while that person is living in Canada
- Maximum duration up to 10 years

## Sponsored Immigrants

Not eligible for the GIS, the Allowance or the Allowance for the Survivor:

- During the period of the sponsorship (up to 10 years) except in exceptional circumstances -
  - Death of the sponsor
  - Bankruptcy of the sponsor
  - Incarceration of the sponsor in a prison for a period of more than 6 months
  - Conviction of a sponsor of elder abuse of the sponsored immigrant
- Until acquiring 10 years of residence in Canada

(whichever comes first)

Note: referred to as the 'special qualifying factor' (S.2, OAS Act)

## Portability

GIS, Allowance and Allowance for the Survivor may only be paid outside of Canada for:

- The month of your departure, and
- The following six months



## Renewal of GIS, Allowance and Allowance for the Survivor

- Once initial application has been made, even if income in subsequent year(s) is “too high”, will not have to renew each year provided a tax return is filed prior to April 30
- If the tax return is not filed or filed too late, a renewal form is sent

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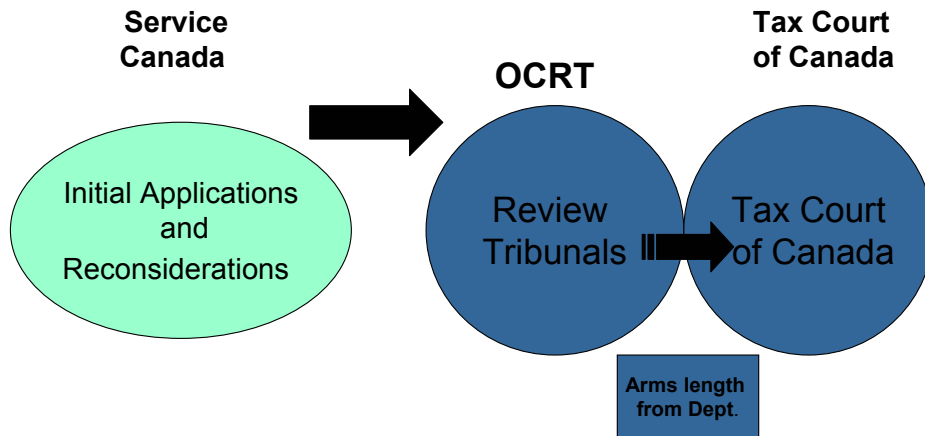
- A letter is sent in July of each year to advise about the new monthly payment amount

- For a couple, we require both incomes

- A person must apply for the Old Age Security (OAS) pension. However, provided eligibility has been established, an application for the OAS pension is not required when a person turns 65 years old and is in receipt of an Allowance or Allowance for the Survivor. Upon conversion of the Allowance or the Allowance for the Survivor where the individual has less than the required 40 years of residence for a full OAS pension, an additional review of the client’s residence may be required.

- Allowance/Allowance for the Survivor accounts with 40 years of residence will automatically be converted to OAS/GIS.**

## OAS Decision-Making Process



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An OAS client can appeal to the Office of the Commissioner of Review Tribunals. If the grounds for appeal are based on S28(2) of the *OAS Act* (the decision made by the Minister on income or income from a particular source(s) has been incorrectly made, the appeal is referred to the Tax Court of Canada.)

# CANADA PENSION PLAN

## Canada Pension Plan – Background

- Began in January 1966
- Employment-based contributions
- Self-supporting
- Payable outside Canada
- Reviewed and revised regularly
- Québec has a program with similar benefits (QPP)

- Administrative costs are 1.6% of expenditures (RPP 2005-2006, p.46) compared to an average of 5% for private pension plans.
- Changes in 1998 made us “one of the best designed public pension systems in the world” – Professor John Miles of Florida State University 2000.

## Canada Pension Plan - Sustainability

- Financing provisions of the CPP changed
- Established the CPP Investment Board
- Actuarial Reports show that the plan is on solid financial ground



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- Changes in 1998:
  - Increased Contributions
  - New Investment Board
  - New way of calculating benefits (new formula for combined and 5 Year Maximum Pensionable Earnings (YMPE) average instead of 3 years)
- Check out website for most recent information. ([www.cppib.ca](http://www.cppib.ca))
- Actuarial reports built on 4.1% real rate of return (return over and above inflation) for CPPIB
- DO NOT need investments to pay benefits for about 15 years (until 2021)

## CPP Investment Board

- Separate Act, Minister of Finance is responsible
- 12 person board ***with proven financial expertise***
- Operates at arm's length from government

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## CPP Investment Board

- Professionally manages the CPP fund (investments not needed to pay benefits)
- Broadly subject to the same investment rules as other pension funds
- Reports its investments and returns regularly

***[www.cppib.ca](http://www.cppib.ca)***

**...cont'd**

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Check out website for most recent information. ([www.cppib.ca](http://www.cppib.ca))

Actuarial reports built on 4.1% real rate of return (return over and above inflation) for CPPIB

DO NOT need investments to pay benefits for about 15 years!

## Contribution Rates Schedule

Year	Employee	Employer	Self-Employed
2001	4.3%	4.3%	8.6%
2002	4.7%	4.7%	9.4%
2003	4.95%	4.95%	9.9%
<b>2004</b>	<b>4.95%</b>	<b>4.95%</b>	<b>9.9%</b>
<b>2005</b>	<b>4.95%</b>	<b>4.95%</b>	<b>9.9%</b>
<b>2006</b>	<b>4.95%</b>	<b>4.95%</b>	<b>9.9%</b>
<b>2007</b>	<b>4.95%</b>	<b>4.95%</b>	<b>9.9%</b>
<b>2008</b>	<b>4.95%</b>	<b>4.95%</b>	<b>9.9%</b>

*(Contribution Rate will now be maintained at this maximum rate of 9.9%)*

### **Adjusted Earnings:**

Protects pension by taking growth of wages into account

## CPP Contributors

- CPP acts as a social insurance plan for all qualified contributors, including the self-employed
- Types of benefits are same for all CPP contributors (retirement, disability and death)
- Almost all employed person over 18 must pay into CPP or QPP (in Quebec)
- Employee and employer each pay half of the contributions
- Contribute only on annual earnings between the minimum and maximum level (called 'pensionable' earnings)

cont'd...

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- The CPP ensures a measure of protection to a contributor and his/her family against the loss of income due to retirement, disability and death.
- With very few exceptions, every person in Canada over 18 who has employment earnings must pay into the CPP. The employer and the employee each pay half of the contributions.
- Contributions are paid only on annual earnings between a minimum and a maximum level (these are called "pensionable" earnings).
- The minimum level is frozen at \$3,500. The maximum is adjusted each January, based on increases in the average wage. In 2007, the maximum level is \$43,700.
- If net earnings for the year are less than \$3,500, no contributions to CPP are made for that year.
- If, during a year, the person contributes too much or earned less than a set minimum amount, excess contributions will be calculated and returned when income tax form is filed.
- The amount of the benefit the contributor is eligible to receive is based on how much, and for how long they have contributed to the Plan. The age at which they choose to retire also affects the amount they will receive.

## CPP Contributors

- Do not contribute on any other type of income, such as investment income
- Self-employed contributor is considered both employee and employer. He/she pays both portions of the contribution
- Amount of contribution is based on net business income (after expenses)
- Self-employed should pay into the CPP both to build up future retirement pension and to provide basic long-term disability insurance coverage

cont'd.<sub>46</sub>

•The amount of contribution is based on current employment earnings. For the self-employed person, it is based on net business income (after expenses). Contributions are not made on any other type of income, such as investment earnings.

•A fact sheet has been developed specifically for self-employed persons that answers questions about CPP benefits. Many self-employed people do not understand what benefits are available to them through CPP. We encourage you to help educate these entrepreneurs.

## Contributory Period

### **Starts (later of):**

- January 1966; or
- Month after your 18th birthday

### **Ends (earliest of):**

- Month before your CPP Retirement pension starts; or
- Month of your 70<sup>th</sup> birthday; or
- Month you die; or
- When eligible for CPP Disability benefits

## Contributions for Year 2008

### Maximum Contributory Earnings:

\$44,900 (Year's Maximum Pensionable Earnings [YMPE])

- \$3,500 (Year's Basic Exemption [YBE]) = \$41,400

<b>Employee</b>	Rate: <b>4.95%</b>
	Amount: <b>\$2,049.30</b>
<b>Employer</b>	Rate: <b>4.95%</b>
	Amount: <b>\$2,049.30</b>
<b>Self-Employed</b>	Rate: <b>9.9%</b>
	Amount: <b>\$4,098.60</b>

•Should have 5 years' worth of benefits by 2017. The balance of assets in the CPP will be equal to 5 years of benefit payouts by 2017. Assets are expected to be about \$260 billion by 2017 with expenditures of \$60 billion for that year.

•For rates of contributions and other matters, go to SC website at [www.servicecanada.gc.ca](http://www.servicecanada.gc.ca)

•For more information call: 1 800 O-Canada (1 800 622-6232).

## Working for Different Employers

- CPP contributions are not deducted on yearly earnings under \$3,500 (*about \$70 a week*)
- If the total yearly earnings is more than \$3,500 and no CPP contributions were deducted, you may complete Form CPT 20 “Election to Pay Canada Pension Plan Contributions”

The form CPT 20 “Election to Pay Canada Pension Plan Contributions” can be found at:

<http://www.cra-arc.gc.ca/E/pbg/tf/cpt20/README.html>



## **CPP Drop-Out Provisions - Definition**

- Periods of time that can be excluded from the contributory period when calculating the amount of a retirement, disability or survivor benefit

## CPP Drop Out Provisions

- Periods of CPP Disability
- Periods over age 65
- Periods during which children were raised up to age 7 (Child Rearing)
- 15% of the lowest earning years in the contributory period (calculated on remaining years)

These provisions are taken into account (or dropped out) when calculating RTR or determining eligibility for a disability benefit. However, you must apply for the Child Rearing Provision. The other provisions are automatically considered when the department does the calculation.

- Periods when earnings were lower or stopped while raising children under age 7 may be excluded from CPP benefit calculations
- The Child Rearing Provision (CRP) may increase the amount of a CPP benefit
- The CRP may also help applicants meet eligibility requirements for disability and survivor benefits

Because many clients are not aware of the CRP and that it must be applied for – I want to focus on this for a moment. You may have constituents who are eligible but not receiving the advantage.

e.g. In dealing with a low income constituent, you may become aware that in addition to working outside the home, she also raised a large family. It would be advantageous to ask if when he/she applied for the CPP retirement or disability pension he/she applied for the CRP. If the response is 'I don't know' it is worth a call to the department to check. An application for the CRP can then be submitted.

## Child Rearing Provision - Eligibility

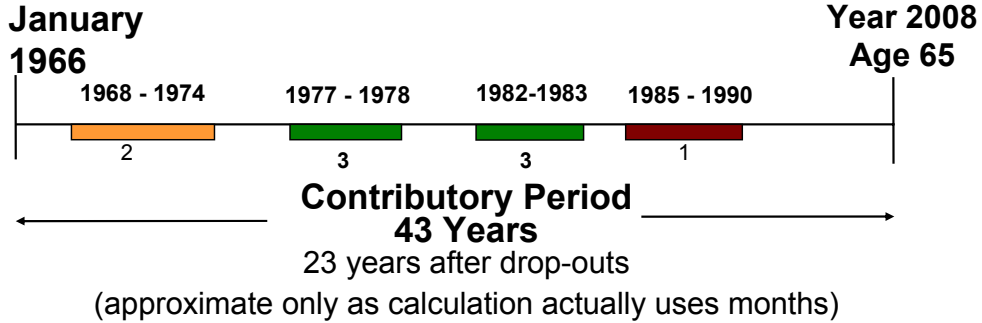
### Must have:

- Child born after December 31st, 1958
- Left or reduced work to care for the child while under the age of 7
- Received the Family Allowances **or** been eligible for the Child Tax Benefit
- Must apply in writing



Always we encourage clients to apply and let us determine if they will benefit from this provision. Don't self screen!

### Drop-Out Provisions Example:



- |  |                |
|--|----------------|
| <b>1. Periods of disability (1985 to 1990)</b> | <b>6 Years</b> |
| <b>2. Raising children (1968 to 1974)</b>      | <b>7 Years</b> |
| <b>3. 15% (40 - 13 = 27 years x 15%)</b>       | <b>4 Years</b> |

Note – Birth evidence is required to confirm the age of a child(ren) for the Child Rearing Provision

## Canada Pension Plan Benefits

### Retirement pension

### Disability benefit

- Disabled Contributor Child's benefit

### Survivor benefits

- Death benefit
- Survivor's pension
- Surviving Child's benefit

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•CPP is NOT just a Retirement Plan.

•Cannot compare to an investment only plan as CPP offers insurance protection against loss of wages due to death and disability as well as retirement.

### Number of beneficiaries and benefits paid (November 2006)

#### Canada Pension Plan

CPP Retirement pension	3.3 M pensioners (0.6M aged 60-64, 2.7M aged 65+)	\$17.7B
CPP Disability benefit	304,000 persons with disabilities	\$3.1B
	87,000 children of disability beneficiaries	\$263M
CPP Survivors and Death benefit		
	982,000 Survivors of deceased contributors	\$3.5B
	77,000 Orphans of deceased contributors	\$216M
	113,000 payments to estates	\$239M
<b>Total: CPP</b>	<b>4.7 million people</b>	<b>\$24.9B</b>

### Gross Average Monthly Amount paid (2005-2006)

Retirement	\$472.90	Disability	\$772.54
Child	\$200.47	Survivor's	\$307.09
Orphan	\$200.47	Death	\$2,237.40

•All CPP benefits are taxable (with very few exceptions)

## CPP – Retirement Pension



May start receiving the Retirement pension:

- Between age 60 and 65 (if substantially ceased working)
- Anytime after age 65
- Must have made at least one valid contribution

- All benefits have an income related component to their calculation with the exception of Children's benefits which are flat rate benefits.
- Amount of benefit is based on how much and how long you have contributed to CPP and in some cases, age at which benefit is paid.

### Substantially Ceased Work - Cessation Test for Early RTR (Age 60-64)

- Earnings received from employment/self-employment must be below the maximum monthly CPP retirement pension for the month before and the month the pension starts being paid.
- Can go back to work the next month with no impact on benefit but can no longer contribute to CPP.

## CPP - Retirement Pension

### Age 65 = “Basic”

- Paid the month after 65th birthday

### Age 60-65 = “Flexible”

- Amount decreased by 0.5% for each month under age 65 (max. 30%)

### Age 65-70 = “Flexible”

- Increased by 0.5% for each month over age 65 (max. 30%)

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- Age 65 is considered normal age of retirement
- At age 65 - (max. benefit payable is \$863.75 for 2007)
- Can continue to work
- Up to 11 months retroactive payment (if applied sometime after age 65)
- May be withdrawn within 6 months
- No readjustment of pension amount

Between age 60-65

- No re-adjustment of pension amount at age 65
- No retroactivity
- Stop or earn up to a maximum amount for period of time***
- Stops contributing to CPP

Between age 65-70

- Retroactivity a maximum of 11 months prior to application (back to age 65 only) after 1996
- Cannot contribute after age 70
- No actuarial increase after age 70

## Substantially Ceased Working Cessation Test For Early Retirement

- Stop working (not working) by the end of the month before the Retirement pension starts **and** for the month the pension starts being paid

**or**

- Earnings from employment must be below the maximum monthly CPP Retirement pension for the month before the Retirement pension starts **and** for the month the pension starts being paid
- Max. of **\$884.58** for each month (**2008**)

Refers to Bullet #1:

- Can go back to work next month with no impact on benefit.

## Maximum Retirement Pension

### Calculation:

25% of 1/12 of the average YMPE for the last five years

25% of your average monthly pensionable income as it is calculated over your entire contributory period.

## Flexible Retirement Pension Maximum 2008 Rates

Age 60 .....	\$619.21
Age 61 .....	\$672.28
Age 62 .....	\$725.36
Age 63 .....	\$778.43
Age 64 .....	\$831.51

**Age 65 .....\$884.58**

Age 66 .....	\$937.65
Age 67 .....	\$990.73
Age 68 .....	\$1043.80
Age 69 .....	\$1096.88
Age 70 .....	\$1149.95

- The average RTR age was 62.5 for 2005
- The average RTR amount was \$464.36 for 2005
- In 2005 62% of new retirees took early retirement
- In 2005 33% of people retired at 65.

## Basic Retirement Pension

### 5-Step Calculation:

#### Step 1.

Average of the last 5 years YMPE  
including the year of retirement

2004 \$40,500

2005 \$41,100

2006 \$42,100

2007 \$43,700

2008 \$44,900

Total \$212,300 ÷ 5 = **\$42,460**

**\$42,460 = \$3,538 X 25% = \$884.58 (maximum retirement pension in 2008)**

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## Basic Retirement Pension Calculation

### Step 2.

**Adjust all of the contributor's earnings into year of retirement value**

In 1967, the contributor made \$2,300 in earnings while the YMPE for that year was \$5,000

In year 2008 value, his \$2,300 earnings would be worth

\$2,300	is to	\$5,000
as "X"	is to	\$42,460

"X" =  $2,300 \times 42,460 \div 5,000 = 97,658,000 \div 5,000 = \mathbf{\$19,531.60}$

## Basic Retirement Pension Calculation

### Step 3.

**Apply the 15% and other drop-out provisions to the contributory period**

25 years left in the in contributory period

### Step 4.

**Calculate the Yearly Average Pensionable Earnings in year 2008 value**

Let's say that the total amount of earnings for the 25 years left in the contributory period is \$433,440

$$\$433,440 \div 25 = \$17,337.60$$

Step 3:

1. 1967-2008 = 41 year contributory period
2. 41 years x 15% = approx. 6 year (up to 15% of an individual contributory period may be excluded when calculating the average monthly pensionable earnings) and add another 10 years of other drop-out provisions (for example purposes)
3. 41 years - 6 years (at 15%) - 10 years (other drop-out provisions) = 25 years

## Basic Retirement Pension Calculation

### Step 5.

#### Calculate the Retirement pension

The yearly amount of a Retirement pension is equal to 25% of the contributor's Yearly Average Pensionable Earnings

$$\$17,337.60 \times 25\% = \mathbf{\$4,334.40}$$

The monthly Retirement pension is:

$$\$4,334.40 \div 12 = \mathbf{\$361.20}$$

## Sharing your retirement pension with your spouse or common-law partner

- Both spouses or common-law partners must be at least 60
- Must be married or living in a common-law relationship
- Must be in receipt of a RTR pension if they contributed to the Plan
- One or both spouses/partners must have valid CPP contributions
- Payments to both spouses/partners are taxable

### What does "pension sharing" mean?

Spouses or common-law partners who are together (not separated or divorced), who are both at least 60 years of age, and who receive CPP/QPP retirement pensions can share their pension benefits. **This may result in tax savings.** If only one of you is a CPP contributor, you share that one pension. The overall benefits paid do not increase or decrease with pension sharing.

## Sharing Retirement Pensions

- Linked to the cohabitation period
- Split not necessarily at 50/50
- Total Retirement pension(s) amount before and after Assignment is the same
- Two separate T4 slips issued

The amount that can be shared is the percentage of shared co-habitation years in contributory period as it related to the whole contributory period.

e.g. What percentage of your contributory period was spent in co-habitation?

## Sharing Retirement Pensions

### **Starts:**

- As soon as the application is approved

### **Ends (earliest of)**

- Month after either spouse or common-law partner dies
- Month after month of divorce
- 12<sup>th</sup> month following the month the spouses/ partners separated
- Month non-contributor spouse/partner becomes a contributor
- Upon written request signed by both spouses/partners

## Credit Splitting

- “Credits” may be divided upon divorce, legal annulment or separation of spouses or common-law partners
- “Credits” may create eligibility or increase/ decrease entitlement to CPP benefits
- Applicant’s former spouse/former partner is notified of the request in writing



cont'd...

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## Under the Canada Pension Plan

### **spouses are:**

persons legally married to one another.

### **common-law partners are:**

persons of the opposite or same-sex who have been living together in a conjugal relationship for at least one continuous year.

For more information, refer to the following website:

<http://www.hrsdc.gc.ca/en/isp/pub/factsheets/credit.shtml>

## **Credit Splitting Between January 1, 1978 and December 31, 1986**

- On January 1, 1978 credit splitting became available, for legal marriages only, in cases of divorce or annulment
- Spouses must have lived together for at least 3 consecutive years
- Marriage ended in divorce or legal annulment
- Must request the credit splitting within 36 months of the divorce or annulment unless both spouses agree in writing to the credit split

## **Credit Splitting**

### **Divorce or Legal Annulment on or after January 1, 1987**

- Spouses must have lived together for at least 12 consecutive months
- Marriage ended in divorce or legal annulment
- Mandatory on receipt of a request and the necessary information
- No withdrawal allowed

**cont'd...**

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1. Any spousal agreement in existence must be submitted. Some agreements contain an explicit provision that refers to the Canada Pension Plan and indicates that there be no division of credits, particularly if they were signed:
  - before June 4, 1986
  - in British Columbia, Alberta, Saskatchewan, or Quebec
2. No split will be made if the result would be a loss of benefits to both spouses/common-law partners

## **Credit Splitting** **Separation of Spouses (married couple)** **on or after January 1, 1987**

- Lived together for at least 12 consecutive months
- Separated for at least 12 months
- Either spouse must apply in writing
- **No time limit** to apply
- Must apply **within 3 years of death** of one of the spouses
- Withdrawal allowed **within 60 days** of notification

**cont'd...**

## **Credit Splitting** **End of Common-law Union** **on or after January 1, 1987**

- Lived together in a conjugal relationship for at least 12 consecutive months
- Separated for at least 12 months (unless one of the partners dies)
- Either partner must apply in writing within 4 years of the date of separation unless both partners agree in writing to the credit split
- Withdrawal allowed within 60 days of notification

**cont'd...**

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•Former common-law partners of the same-sex may be eligible for credit split if separation occurred after July 2000 and they have been separated for at least 12 months since that date.

# **Canada Pension Plan**

## **Disability Benefits**

## CPP Disability - Overview

- Canada's largest long-term disability insurance program
- Provides basic earnings replacement for CPP contributors who cannot work at any job due to a "severe" and "prolonged" mental or physical disability
- Making application process more client-friendly is an ongoing priority:
  - Telephone contact with each applicant during application process
- Return to work supports have been significantly expanded
  - Automatic Reinstatement, Fast Track Re-application and Allowable Earnings

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•CPP Disability is the single largest long-term disability insurance provider in Canada in terms of caseload and benefits paid. It is larger than all private long term disability insurance companies combined.

•CPP Disability has a number of return to work incentives to support CPPD beneficiaries who wish to attempt a return to work or participate in their community.

•Reassessment activity to confirm continuing eligibility

## CPP Disability Benefits

Monthly benefit for:

- Eligible contributor
- Dependent children of a CPP disability beneficiary
  - The CPP provides a monthly benefit for dependent children of a contributor who is receiving a CPP disability benefit

(Both benefits are taxable)

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•CPP disability benefits are taxable. CPP allows clients to set their own income tax deduction amount (**call Canada Revenue Agency at 1-800 959-8281 or visit their website at [www.cra.gc.ca](http://www.cra.gc.ca)**)

•\$3.0B paid annually to 304,000 clients and their 86,000 children (approx. 13% of CPP benefit expenditures for 2004-05)

•CPP Disability benefit:

- max. monthly benefit (2007) is \$1,053.77
- average monthly amount is (2006) \$763.37
- average annual benefit is approx. \$9,100

•60,000 applications annually

•**Who is considered to be a “dependent child”**

- A natural or adopted child, or child in the beneficiary’s care and control. To be considered dependent, the child must be either under the age 18 or between 18 and 25 and attending a recognized school or university full-time.

•Child’s benefit is taxable in the child’s name. Since most children do not have sufficient income to file tax return, no T4 is issued for child’s benefit. Disabled Contributor Child’s Benefit - \$204.68 /month per eligible child (2007).

## CPP Disability Benefit – Eligibility

- Under age 65; and
- Meet contributory and medical requirement; and
- Must apply in writing

cont'd...

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•Employed Canadians between the ages of 18 to 65 who are not in receipt of their CPP RTR pension and earn more than \$3,500 must pay a percentage (4.95% in 2007) of the money earned into the CPP, up to a maximum amount of \$1,989.90. For 2007, the maximum amount on which a worker can pay contributions is \$43,700. An employee and employer each pay ½ of the contributions. The self-employed pay both portions (9.9%).

•An estate cannot apply for a Disability benefit after the death of a contributor

### Applicants disabled after January 1, 1998

•Earnings must be at least 10% of YMPE (*Disability Basic Exemption - DBE*) rounded down to nearest \$100

•YMPE for 2007 is \$43,700

•DBE for 2007 is \$4,300

### Applicants considered disabled before 1998

•5 of last 10 years; **or**

•5 years, if less than 10 years in the contributory period; **or**

•2 of last 3 years; **or**

•2 years, if only 2 years in the contributory period.

## CPP Disability Benefit – Eligibility

### Contributory Requirement:

- CPP contributions in 4 of the last 6 years on a minimum level of earnings (\$4,400 for 2008)  
**(Legislative change to be introduced following provincial Governor-in-Council approval: long-term CPP contributors with 25 years and more of contributions will only require contributions in 3 of the last 6 years)**

cont'd...

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•The CPP disability benefit is available to people who contributed recently to the CPP while they worked, and then became unable to work at **any job** at a substantially gainful level on a regular basis because of a disability. There are benefits for dependent children of a CPP disability beneficiary.

•The individual must have made enough CPP contributions in at least 4 of the last 6 years (indicating “recent” attachment to work force).

•4 years, if there is less than 6 years in the contributory period.

## CPP Disability Benefit – Eligibility

**Medical Requirement:** must have a “severe” and “prolonged” disability, defined in relation to the capacity to work, not just the diagnosis/prognosis:

- Must be unable to do any work (not just previous job) on a regular basis
- Personal characteristics such as age, education and work experience are considered
- Socio-economic factors such as availability of work are not considered

cont'd....

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- There is no common definition of disability in Canada. Under CPP legislation, Part 2, s. 42(2)(a) and (b), “severe” means that a person is incapable of regularly pursuing any substantially gainful occupation. “Prolonged” means that the disability is long lasting, of indefinite duration, or is likely to result in death.
- CPP considers a number of factors:
  - the nature and severity of the medical condition;
  - the impact of the medical condition and treatment on his or her capacity to work;
  - his or her prognosis;
  - personal characteristics such as age and education.
- Under CPP legislation, socio-economic factors, such as the availability of suitable employment in the applicant's geographical location is not considered.

## CPP Disability Benefit Start and End Guidelines

### Starts (later of):

- 4th month after considered disabled
- Up to 11 months of retroactive payment

### Ends (earliest of):

- Month after no longer disabled
- Month after age 65
- Month after death

- See CPP legislation, Part 2, s. 42(2) (a) and (b)
- A disability benefit commences effective the **month after** the month the contributor is deemed to have become disabled in cases where a second or subsequent disability benefit becomes payable to the contributor *and* the previous disability benefit ceased within five (5) years before the onset date of the second or subsequent disability.
- Up to 11 months of retroactive payment

## Disability Benefit

- Flat rate + 75% of calculated Retirement pension
- Flat rate for 2008 is \$414.08
- Maximum Disability benefit for 2008 is \$1,077.52
- Benefit is paid monthly
- Taxable

## **Disability Benefit- Eligibility Provisions for Late Applicants**

- Protects eligible applicants who are late applying
- Must meet the minimum qualifying period at time considered disabled
- Up to 11 months retroactive payments

## **CPP Disability – Return to Work (RTW) Incentives**

- Due to the severe and prolonged nature of the disability, most CPP disability recipients are unable to attempt to return to work
- For recipients who may try to return to work, CPP Disability offers a range of work incentives and supports

**cont'd...**

## **CPP Disability Return to Work Incentives Automatic Reinstatement - What is it?**

- A new entitlement that provides a two year safety net during which benefits can be reinstated if the client cannot continue working because their disability recurs
- This CPP provision came into effect on January 31st, 2005
- Supports CPP Disability clients who want to try working
- Client feedback has been positive

**cont'd...**

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•A March 2005 fact sheet with respect to automatic reinstatement is available on the HRSDC website at:

English: <http://www.sdc.gc.ca/en/isp/pub/factsheets/reinstatementben.pdf>

## **Automatic Reinstatement – What is it?**

- Applies to all CPP Disability clients who report a return to work and had their benefits stopped on or after January 31st, 2005
- No need to qualify on earnings
- Clients have up to 1 year after stopping work to request benefits
- Eligible children can also have their benefits reinstated

**cont'd...**

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•Clients have up to one year from the month they stop working because of their disability to inform HRSDC to reinstate their disability benefits.

## **Automatic Reinstatement - Why is it important?**

- Recognizes that clients who have a severe and prolonged disability face significant barriers to return to work and require extra incentives
- Fewer than 1% currently attempt return to work - it is hoped that numbers will rise because of availability of Automatic Reinstatement
- Especially important for clients with episodic and recurring disabilities
- Extends impact of other CPP Disability work incentives.

## Requesting a Reinstatement

- Two simple forms need to be completed:
  - One by the client, requesting reinstatement
  - Another by the doctor, confirming that the disability has recurred
- There is no limit to the number of times this entitlement can be used

- CPP Disability recipients receive an Automatic Renewal Departure Kit when leaving benefits.
- The kit consists of an information sheet and automatic reinstatement request forms.
- Some clients have already had their disability benefit reinstated through this new CPP disability entitlement.
  
- Note: statistics not yet available.

## Automatic Reinstatement Client Contact is Key

- Pro-active client contact from CPP Disability
- Working with clients who have left the benefit
- Reinstating - not re-adjudicating
  - Clients have already met the CPP criteria of 'severe' and 'prolonged'
- HRSDC Websites:
  - English: <http://www.sdc.gc.ca/en/isp/pub/factsheets/reinstataben.pdf>
  - French: <http://www.dsc.gc.ca/fr/psr/pub/feuillet/retablipres.pdf>

- This is **not** a reapplication or a re-adjudication; the CPP requirements have already been met.
- A simple confirmation from the client and his/her doctor using forms provided in the departure kit will serve to re-start the CPP Disability benefits.

## Fast Track Re-Application

- A simpler and faster process than filing a new application
- Fast-track reapplication is available for up to five years after benefits have been stopped
- Client must have stopped working because their disability recurred
- Must also qualify on earnings

•Fast-track reapplications, clients whose same or related disability recurs now have **one year** rather than six months to reapply using the Fast Track Re-application process.

•Under Fast Track reapplication, applicants need to qualify on earnings and contributions; under Automatic Reinstatement, clients do not need to qualify on earnings and contributions since they are requesting a reinstatement of their benefits.

## CPP Disability – Other Return to Work (RTW) Incentives

On their own, recipients can:

- Volunteer or attend school while remaining on benefits
- Work and earn up to \$4,400 in 2008, without having to report these earnings to CPP
  - This is not a point when benefits stop, but rather an opportunity for the recipient and CPP disability staff to discuss whether additional assistance could help in a return to work on a regular basis.

**cont'd...**

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- In recent years, greater efforts have been made to actively support CPP Disability recipients in attempting a return to work. These recipients have diverse needs and require different kinds of supports depending on their individual situations.
- Volunteering can help people feel connected to their communities and, for some people, it can be a valuable first step towards an eventual return to the paid workforce. Recipients can volunteer while remaining on CPP benefits.
- Disability recipients who return to school have to report when they complete their studies.
- In May 2001, HRSDC clarified the amount that clients can earn before having to inform the Department. In 2007, this amount is \$4,300. This is a time for the medical adjudicator to engage the recipient in a discussion of his/her individual situation and see if other supports or RTW incentives could be provided.
- The program is voluntary

## **CPP Disability – Other Return to Work (RTW) Incentives**

In consultation with CPP, recipients can:

- Participate in a paid work trial for up to three months while still receiving a benefit
- Participate in CPP's Vocational Rehabilitation Program, a service to help recipients go back to work, by providing individualized return to work planning and support

**cont'd...**

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- There is a three-month paid work trial where recipients can work and still collect CPP Disability benefits.
- The paid work trial gives the client and CPP time to evaluate the recipient's transition back to work.

## **Disability Benefit – Reassessment**

### **Eligibility may be reviewed when:**

- CRA reports earnings;
- condition was expected to improve;
- condition has improved;
- reviews at random.

### **What could the recipient be required to do?**

- Answer questions about work or income;
- Have a doctor complete a medical report;
- Undergo a medical examination.

## **Disability Benefit- Continuing Eligibility**

### **Remember: Recipient must inform the Canada Pension Plan of:**

- Improvement in medical condition
- When allowable earnings have been exceeded  
(**2008 - \$4,400**)
- Successful completion of a school program
- Returning to work support will be offered

# Canada Pension Plan

## Survivor Benefits

## Canada Pension Plan Survivor's Benefits

- Maximum Lump Sum Death benefit = \$2,500
- Survivor's pension
- Surviving Child's benefit

### Death Benefit

**Max. lump sum benefit** **\$2,500.**  
 (6x the retirement pension to a maximum of \$2,500)

### Survivor's Pension

Number of beneficiaries (2005/2006)	<b>962,000</b>
<b>Total expenditure (2005/2006):</b>	<b>\$3.5 B</b>

### Child's Benefit

# of Children receiving Surviving Child's benefit (2005/2006)	<b>83,000</b>
<b>Total expenditure (2005/2006):</b>	
<b>\$216 M</b>	

## Survivor's Benefits - Eligibility

### Minimum Contribution Required

- Deceased contributor must have paid into CPP for 1/3 of his/her contributory period
- **or**
- 10 years (whichever is less)
- **and**
- Have a minimum of 3 years of contributions

...cont'd

## Survivor's Pension – Eligibility

- Paid to the survivor of the deceased contributor (deceased contributor must have met minimum qualifying period)
- Survivor must be considered 'married' or 'common-law' under the CPP legislation
- Survivor must be over age 35, or have a dependent child, or be/become disabled
- Pension continues upon change in marital status

...cont'd

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### **Survivor of a deceased contributor is:**

a person who was the common-law partner (*same or opposite sex*), and who had lived in a conjugal relationship with the contributor for at least one continuous year at the time of death or

a person who was married to the contributor at the time of death.

## **Survivor's Pension – Eligibility**

- Up to 11 months retroactive payments
- Taxable
- Must apply in writing

## Survivor's Pension

AGE	AMOUNT
Over 65	60% of the deceased's calculated Retirement Pension
45-65 or under 45 and disabled or with dependent child	Flat rate + 37.5% of calculated Retirement Pension
35-45 not disabled, no dependent child	Flat rate + 37.5% of calculated Retirement Pension reduced by 1/120th for each month under age 45
Under 35 with dependent children or disabled	Flat rate + 37.5% of calculated Retirement Pension

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If not receiving another CPP benefit the amount would be:

- 60% of the deceased's calculated Retirement Pension
- Flat rate + 37.5% of calculated Retirement Pension
- Flat rate + 37.5% of calculated Retirement Pension reduced by 1/120th for each month under age 45
  
- Survivor under age 35 with no dependent children, nor disabled
  - pension deferred until age 65
  - need to reapply

## Survivor's Pension

Number of beneficiaries

**(November 2006):** **982,000**

**Max. monthly benefit (2007):** **\$482.30 (-65) and \$518.25 (+65)**

**Total expenditure (2005/2006):** **\$ 3.5B**

## **Combined Benefits Retirement pension & Survivor's pension**

- Paid to Retirement pension recipients who also receive a Survivor's pension
- Maximum monthly benefit is \$884.58 (2008)
- Taxable

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- People who are receiving a survivor's benefit may also have contributed to the CPP on the basis of their own earnings. Thus, they may be entitled to a retirement pension or disability benefit in their own right. In such cases, the survivor receives a combined benefit which is calculated as follows:
  1. If the survivor is under age 65, one flat-rate benefit is payable. If the survivor also receives a disability benefit, the larger of the two flat-rate amounts is paid.
  2. In addition, any earnings-related benefits or benefit components may be added to each other, but their total may not exceed:
    - a) in the case of a combined survivor/disability benefit, 75 per cent of the maximum retirement pension payable for the year in which the contributor becomes eligible for the second benefit; and
    - b) in the case of a combined survivor/retirement pension, the maximum retirement benefit payable for the year in which the contributor becomes eligible for the second benefit.
  3. If a person takes early or late retirement, the rate adjustment to the retirement pension will be made only after the above rules have been applied to determine the survivor's pension.
- Not 100% of RTR plus 100% of SVR
- Reduction based on survivor's age and amount and type of benefits they are receiving

## **Combined Benefits Disability benefit & Survivor's pension**

- Paid to Disability benefit recipients who also receive a Survivor's pension
- Maximum monthly benefit is \$1,077.52 (2008)
- Taxable

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- Not 100% of Disability benefit plus 100% of Survivor pension
- Reduction based on survivor's age and amount and type of benefits they are receiving
- The total amount of the combined survivor/disability benefit cannot exceed the maximum disability benefit payable in the year in which the person becomes eligible for the second benefit.

## Death Benefit

- 6 times the deceased's calculated retirement pension to a maximum of \$2,500
- Paid in full to estate, survivor or next-of-kin
- Individual or agency only get paid for the amount of the funeral expenses
- Taxable
- Must apply in writing

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The CPP and Regulations specify that when the payment of a Death Benefit is approved, payment is to be made in order of the following priority:

### 1. ESTATE OF THE CONTRIBUTOR

Section 71(1) stipulates that payment is to be made to the Estate of the contributor.

Only in the following special circumstances can someone other than the estate be paid:

- there is no estate;
- the Estate has not applied for the Death Benefit within 60 days after death; or
- the Death Benefit is less than two thirds of 10% of the YMPE for the year in which the contributor dies.

### 2. INSTITUTION/INDIVIDUAL PAYING FOR THE FUNERAL

If there is no estate, or, one of the above-mentioned situations exists, payment is to be made to the institution or individual who has paid, or who is responsible for payment of the deceased contributor's funeral expenses.

No amount in excess of the actual funeral expenses shall be paid. Please refer to subsection [2-5-7](#) for the procedure to follow as it relates to the remainder of the death benefit.

### 3. SURVIVING SPOUSE/PARTNER

If there is no individual or institution responsible for the funeral expenses, payment is to be made to the surviving spouse of the deceased contributor.

### 4. NEXT OF KIN

If none of the above are applicable, payment is to be made to the next of kin.

Where payment of the Death Benefit is made in accordance with (2), (3) or (4) above, the Minister is not liable to make that payment to any subsequent applicant.

## Child's Benefit

- Dependent child of a deceased CPP contributor or CPP disability beneficiary
- Maximum of two benefits may be paid per child
- Taxable
- Must apply in writing

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### •Who is considered to be a “dependent child”

- A natural or adopted child, or child in the client's care and control. To be considered dependent, the child must be either under the age 18 or between 18 and 25 and attending school or university full-time.

### Child's Benefit

Number of beneficiaries (2005/2006):

Disabled Contributor Child's benefit	<b>90,000</b>	
Surviving Child's benefit		<b>83,000</b>

**Flat-rate monthly benefit (2007):**      **\$204.68**

Total expenditure (2005/2006)                      **\$479M**

## Child's Benefit

### Starts (later of):

- Month after contributor's death
- Month disability benefit starts
- 11 months before the month of application, if late applying
- Month school attendance begins (if +18)

### Ends (earliest of):

- Month after Child's 18<sup>th</sup> birthday and is not in full-time school attendance
- Month after Child between 18 and 25 stops full-time attendance
- Month after Child's 25<sup>th</sup> birthday
- When the contributor's disability benefit ends
- Month after death of the child

### **Definition: Full Time Attendance at School**

1. Acceptable educational institution
2. Must confirm attendance each year/semester
3. May be deemed in school, if absence is due to illness - Only possible to be "deemed" in school (after an absence due to illness) if student eventually returns to school)
4. Benefits paid during vacation period

## Incapacity

- An application for CPP benefits or a request for a Credit Split can be made “retroactively”
- The applicant must have been incapable of forming or expressing an intention to make an application before the day on which the application was actually made
- No one else made an application on their behalf

Unable to express or form the intent to apply.... Coma, mental institution...incapacity must begin on or after January 1991

## International Social Security Agreements

- Protect social security rights
- Coordinate social security programs
- Help meet eligibility requirements for benefits from both countries

48 agreements are currently in force  
50 agreements have been signed



International agreements can help an applicant meet the eligibility requirements for a CPP (disability or survivor benefit) and OAS benefit (OAS, Allowance, Allowance for the survivor)

## International Agreements

Antigua and Barbuda Australia Austria Barbados Belgium Chile Croatia Cyprus Czech Republic Denmark Dominica Estonia Finland France Germany Greece Grenada	Hungary Iceland Ireland Israel • Italy Jamaica Japan* Jersey and Guernsey Korea Latvia Lithuania Luxembourg Malta Mexico Morocco* Netherlands New Zealand Norway	Philippines Portugal St. Kitts and Nevis Saint Lucia Saint Vincent and the Grenadines Slovakia Slovenia Spain Sweden Switzerland Trinidad and Tobago Turkey United Kingdom • United States Uruguay
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• *Limited agreement*

\* *Not yet in force*

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Negotiations continue with other countries.

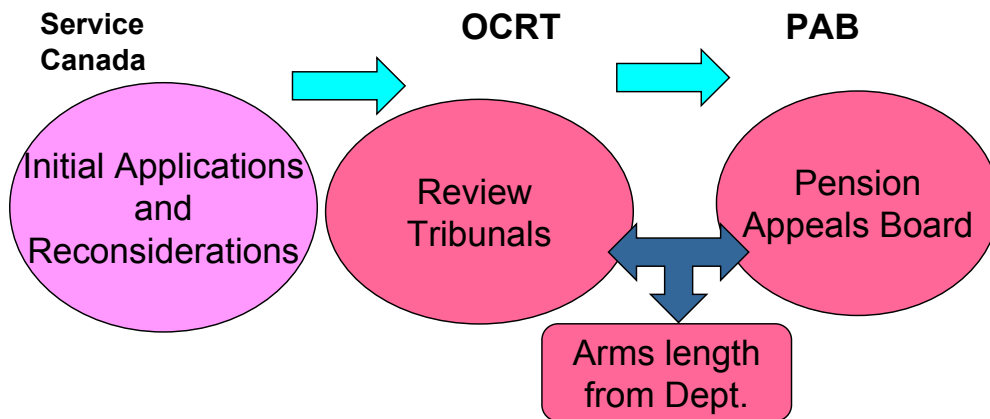
## Non-Resident Tax

Applies only to people living abroad and receiving benefits from the:

- Old Age Security (OAS)
- Canada Pension Plan (CPP)
- Québec Pension Plan (QPP)
  
- Maximum of 25%
- Deducted monthly from benefit payments
- Letter advising of the deduction rate

Tax Agreements with some countries reduce the amount payable

## CPP Decision-Making Process



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- Service Canada is responsible for making decisions on CPP applications (initial adjudication).
- Applicants not satisfied with the decision may request a Reconsideration by the Minister of Human Resource Social Development Canada of the initial decision. The application is reconsidered by a different staff member than the one who did the original adjudication.
- Persons who are dissatisfied with Service Canada's reconsideration decision may choose to appeal their decision to the Office of the Commissioner of Review Tribunals (OCRT) and request leave to appeal at the Pension Appeals Board (PAB), in that order.
- Both the OCRT and the PAB are independent agencies and operate at arm's length from HRSDC.
- **Neither the RT or PAB can make decisions on compassionate grounds.**

### **Office of the Commission of Review Tribunals (OCRT)**

- The OCRT is an administrative body which organizes appeals.
- Appeals are heard by a 3-member panel. The chair is always a lawyer. In the case of a disability claim, one member is from the Health profession and the third is from the community at large.
- The OCRT attempts to schedule these hearings close to the home of the appellant.

### **The Pension Appeals Board (PAB)**

- The PAB is a judicial body comprised of former and current judges.
- Must request leave to appeal
- Three judges sit on an appeal panel.
- The schematic slide (above) provides a summary of the CPP decision making [process](#).

## **Reconsideration**

### **Internal Administrative Review**

- In writing to the Minister of HRSDC
- Within 90 days from receipt of the decision letter
- Review of all facts will be conducted by staff who were not involved with the original decision
- Call and letter sent explaining the decision and reasons and providing appeal rights

## **Review Tribunal**

### **First Level of Appeal**

- Office of the Commissioner of Review Tribunals (OCRT)
- Independent agency at arm's length from HRSDC
- Appeal in writing within 90 days of decision of Reconsideration
- Review Tribunal consists of 3 panel members
- Either party may request leave to appeal of a Review Tribunal decision to the Pension Appeals Board

## **Pension Appeals Board Second Level of Appeal**

- CPP only
- Separate from HRSDC (independent agency)
- Must request the right to appeal in writing within 90 days of decision of the First Level Appeal (RT)
- Usually 3 judges
- Final decision binding on claimant and Minister subject to judicial review by the Federal Court

## **Beneficiary's Rights and Responsibilities**



## **Beneficiary's Rights**

- To receive benefits to which you are entitled
- To receive cost of living increases
- To receive the correct entitlement
- To receive CPP anywhere in the world
- To appeal a decision

## **Beneficiary's Responsibilities**

- Apply in writing
- Provide required documents
- Advise of any change in circumstances
- Report benefits as taxable income (except for GIS, Allowance and Allowance for the survivor)
- Be informed

## Documents That May Be Required

- Birth certificate
- Marriage certificate
- Statutory Declaration and supporting document(s) (common-law partners)
- Death certificate
- Immigration document/passport

For Common Law relationships:

- Agreements of commitment
- Joint Ownership
- Bank Accounts (joint)
- Wills etc...

## Protection of Information

- Protects the privacy of individuals and provides individuals with a right to access personal information about themselves
- Personal information about an individual will not be released without consent from that individual

**cont'd...**

Section 104 of the Canada Pension Plan  
Section 33 of the *Old Age Security Act*.

## Protection of Information

### Information can be shared with specified:

- Federal institutions
- Provincial institutions or
- Non-governmental organizations

For the purpose of the administration of CPP/OAS programs or where allowed under the CPP or OAS Act

## Direct Deposit



- Bank, Credit Union or Financial Institution
- 83% of CPP clients receive their monthly payment through direct deposit
- 86% of OAS clients receive their monthly payment through direct deposit

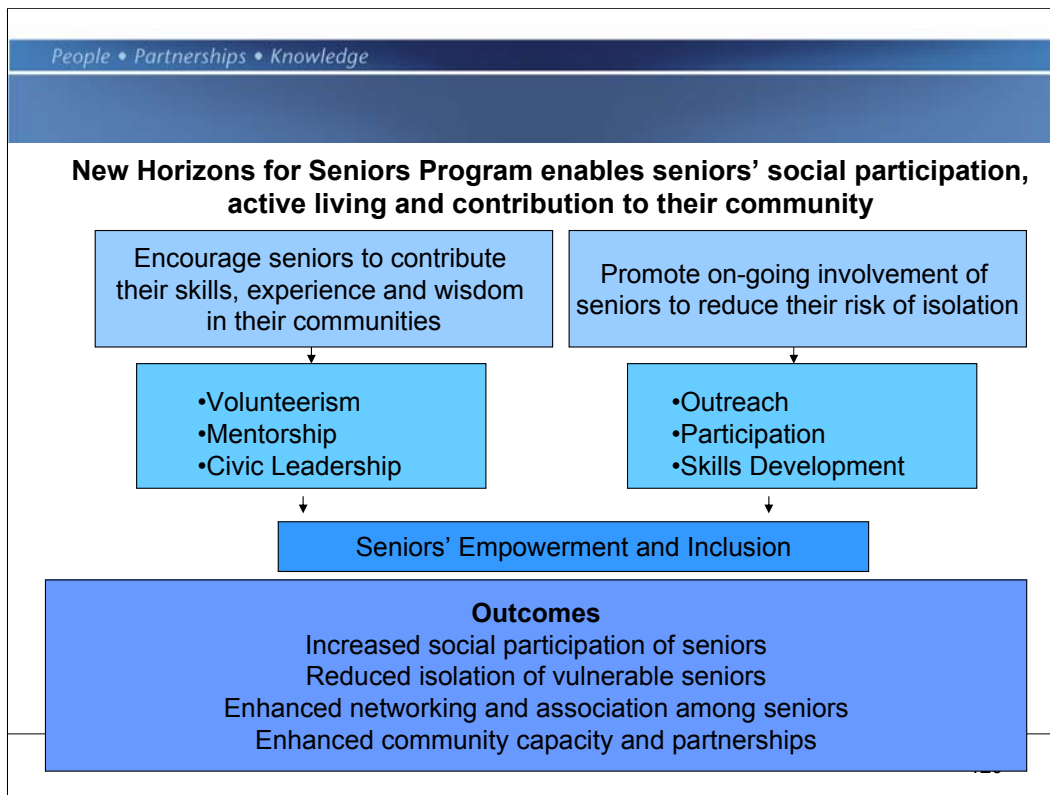
For CPP there were **4.7 million** clients in pay and of these clients approximately **3.9 million (83%)** received their payments by direct deposit (October 2006).

For OAS there were **4.3 million** clients in pay and of these clients approximately **3.7 million (86%)** received their payments by direct deposit (October 2006).

## **New Horizons for Seniors Program**

Provides grants for community-based projects that:

- Encourage seniors to share their skills, experience and wisdom in support of their communities
- Promote the ongoing involvement of seniors in their communities to reduce the risk of social isolation



- The 2004 Budget announced by former Prime Minister Martin set the broad objective of the program.
- It announced a “community-based program” across the country that will enable seniors’ social participation, active living and contribution to their community.
- We have set two specific objectives for the new program which focus on the role the program will play in supporting the empowerment and inclusion of seniors:
  - Encourage seniors to contribute their skills, experience and wisdom in support of social well-being in their communities; and
  - Promote the ongoing involvement of seniors in their communities to reduce their risk of social isolation.
- Building strong communities means supporting innovative ways for seniors to continue to play an important role in their community – by helping others in need, by providing leadership, and by sharing their wisdom and experiences with others.

## **New Horizons for Seniors Program**

- Accepts applications once or twice a year
- Provides up to \$25,000 in funding
- Projects should:
  - Engage seniors as leaders
  - Promote volunteerism
  - Benefit the local community
  - Invest in partnerships

To find out more, visit the website at  
[www.hrsdc.gc.ca/en/isp/horizons/toc.shtml](http://www.hrsdc.gc.ca/en/isp/horizons/toc.shtml)

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- The program was launched October 22, 2004.
- The program will provide a maximum of \$25K in federal funding to projects led by local seniors organizations. This funding cap reflects our interest in providing as much funding as possible for grassroots initiatives.
- The program is not intended to cover on-going services nor will it support large capital projects such as seniors' centres.
- Projects will be assessed on how well they demonstrate community support, investments in local partnership, and have a positive impact on seniors and community.
- We expect that seniors groups might come forward with activities such as:
  - Intergenerational volunteer programs where seniors and youth identify problems of mutual concern and develop collaborative responses
  - The development of a support network for non-English speaking seniors living in care centres
  - The development of telephone support networks for isolated rural seniors
  - Community gardens organized by community gardeners to grow food for Food Banks.
- The program will be regionally delivered and project funding will be allocated to each province and territory on the basis of their seniors population.

## **Service Canada Government of Canada's new service delivery organization**

- Service Canada brings Government of Canada services and benefits together in a single service delivery network
- The goal is to provide Canadians with one-stop, easy-to-access, personalized service
- Through the Service Canada network, Canadians can receive the help they need when they want, where they want, and how they want: by phone, Internet, mail, or in person at one of the 320 Service Canada Centres across the country

## **Service Canada - Accessibility**

Easy accessibility for all Canadians is a key priority of Service Canada:

- Call Centres – TTY
- Web site – large print, screen readable, radio buttons, etc
- Service Canada Centres – accessible to persons with disabilities
- Mobile Outreach – brings targeted GoC services to groups or individuals with special needs – in seniors' homes, for example

## Service Canada's Service Commitment

- **Service Charter** – explains what can be expected from this new service delivery organization and how to provide feedback on the quality of Government of Canada services
- **Office of Client Satisfaction** – set up to receive the views of Canadians on the quality of service they receive
- **Service Standards** – clearly sets out the level of service the government is committed to providing, consistent with the objectives laid out in the Service Charter
- **Performance Scorecard** – success in living up to Service Standards will be reported annually

## **E-Services Available**

**Our clients can go On-Line to:**

- View their CPP Statement of Contributions and estimated benefit amounts
- Plan for their retirement using the Canadian Retirement Income Calculator
- Apply for their CPP retirement pension
- Download the application form for Old Age Security
- View their new CPP and OAS benefit amounts when the rates change
- View and update their mailing address and direct deposit destination
- View and print their CPP and OAS T4s
- Get more information about all of our programs and services

Although not technically an online service, a Simplified OAS Pension Application in a fillable PDF format has been available online since March 2006.

Note: Many of the services require a client to get a Personal Access Code (PAC) first so they can access these services securely.

## E-Services Available

- All of our application forms and e-services are available on [www.servicecanada.gc.ca](http://www.servicecanada.gc.ca)

We are actively working to increase awareness and use of these services through:

- Targeted mailings (SOC insert, T4 insert, etc)
- Messaging in forms and letters
- Messaging on the Interactive Voice Response system
- Cross referencing with other websites and hyper linking
- Employee promotion
- Partnering with other gov't depts and the private sector ( CRA, E-File Association of Canada, etc)

We encourage you to promote the availability and use of these on-line services.

## Contact us for information and applications



### Service Canada

- 1 800 O-Canada (1 800 622-6232)
- TDD/TTY: 1 800 926-9105

### Pensions:

- 1 800 277-9914 (English)
- 1 800 277-9915 (French)
- TDD/TTY: 1 800 255-4786

[www.servicecanada.gc.ca](http://www.servicecanada.gc.ca)

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- You are encouraged to use our website to obtain information about CPP and OAS programs and to contact the branch with any questions you may have.
- All our applications are available for print from the website!
- Some offices operate by an appointment system so please Phone First!
- Encourage everyone to use the website!



# Appendix I

## Tax Provisions for Seniors

## Tax Provisions for Seniors

A number of tax provisions specifically concern tax-paying seniors:

- Pension Sharing
  
- Pension Splitting
  
- Age Amount

(cont'd)...

## Tax Provisions for Seniors (cont'd...)

- Guaranteed Income Supplement: Non-taxable income.
  
- Old Age Security: Taxable income - At \$64,718 in annual income, OAS benefits must be partially paid back (At \$104,903 in annual income, OAS benefits must be paid back in full).
  
- Canada Pension Plan: Taxable income (maximum pensionable earnings are \$44,900 for 2008 – for contributors only).
  
- Employer-Sponsored Pension Plan: Taxable income.

## Pension Sharing

- What is it?

Pension sharing splits CPP payments between a married or common-law couple and may reduce their tax burden.

- Who qualifies?

Married or common-law partners living together who are both 60 or older and receiving CPP Retirement pension benefits. Either partner can apply, and at least one must be a CPP contributor.

- How does it work?

Couples can share the portion of their CPP Retirement pension benefit earned during their time living together. A single CPP Retirement pension can also be shared.

## Pension Splitting

- What is it?

Pension splitting allows for individuals to allocate up to one-half of their eligible pension incomes to a spouse or common-law partner. This provision was introduced in 2007.

- What is “eligible pension income?”

Eligible pension income is the taxable part of pension payments from a superannuation or pension fund/plan, regardless of age. For individuals who are 65 or older, this also includes annuity, RRIF, and RRSP payments. Pension income is also eligible if this income is allocated as the result of the death of a spouse or common-law partner (e.g., a spouse’s private pension survivor benefits).

OAS payments, CPP (and QPP) payments, periodic RRSP withdrawals, and payments from a Retirement Compensation Agency (RCA) are **not** eligible pension incomes for splitting.

RRIF - Registered Retirement Income Fund

LIF – Life Income Fund

## Pension Splitting (con't)

- How does it work?

Pension recipients can allocate up to one-half of their incomes to a spouse or common-law partner, depending on the spouse's or partner's income, by reporting it on their tax returns.

As pension splitting affects the calculation of income and tax payable for both persons, they must both agree to the allocation in their tax returns for the year in question.

To find out more, please visit the following website:

<http://www.cra-arc.gc.ca/tax/individuals/segments/seniors/menu-e.html>

## Age Amount

- **What is it?**

Individuals who attain the age of 65 before the end of the year may claim an **age amount** in calculating their federal non-refundable tax credits. The maximum claim is \$5,177 (2008).

- **Who qualifies?**

If a person turns 65 before the end of the year, and his or her net income was:

- \$30,936 or less, the **full** credit can be claimed;
- more than \$30,936, but less than \$65,449, a **portion** of the credit can be claimed;
- \$65,449 or more, the amount **cannot** be claimed.
- An individual's spouse or common-law partner may be eligible to claim all or a portion of the age tax credit, subject to certain limitations.

## Pensions (other than CPP and OAS)

Pension plans are a common form of retirement investment used by individuals. Some types include:

- Registered Retirement Savings Plans
- Employer-Sponsored Pension Plans
- Annuities

Each person's private pension plan is unique to his or her circumstances. For more information on private pensions, consult a financial advisor.

The Canada Revenue Agency publishes the pamphlet "When You Retire," which is available on the CRA Web site at:  
<http://www.cra-arc.gc.ca/E/pub/tg/p119/p119-e.html>

## Tax Rates – 2007

### **Federal tax rates for 2007 are:**

- **15.5% on the first \$37,178** of taxable income
- **22% on the next \$37,179** of taxable income (on the portion of taxable income between \$37,178 and \$74,357)
- **26% on the next \$46,530** of taxable income (on the portion of taxable income between \$74,357 and \$120,887)
- **29% of taxable income over \$120,887**

Source: CRA, <http://www.cra-arc.gc.ca/tax/individuals/faq/taxrates-e.html>