



**CANADA PENSION  
PLAN**

February 2005

# Retirement Pension



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## Introduction

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Canada's retirement income system has three levels: Old Age Security (OAS), the Canada Pension Plan (CPP) and private pensions and savings.

The CPP, which was established in 1966, provides basic benefits when a contributor to the Plan becomes disabled or retires. At the contributor's death, the Plan provides benefits to his or her survivors.

Please note that the information in this booklet is general and reflects the CPP as of January 2005. If questions arise, CPP legislation is the final authority.





# CPP retirement pension

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## > What is a CPP retirement pension?

A CPP retirement pension is a monthly benefit paid to people who have contributed to the Canada Pension Plan.

The pension is designed to replace about 25 percent of the earnings on which a person's contributions were based.

## > How do I qualify?

You qualify for a CPP retirement pension if you have made at least one valid contribution (payment) to the Plan and if:

- you are at least 65; **or**
- you are between 60 and 64, and meet the earning requirements set out in the legislation.

Your retirement pension does **not** start automatically. **You must apply for it** (unless you already receive a CPP disability benefit and turn 65, at which point your disability benefit automatically changes to a retirement pension).

## > If I am between 60 and 64, how do I qualify for a retirement pension?

To qualify for a retirement pension between the ages of 60 and 64, you need to do one of the following:

- **Stop working** – This means that you are not working by the end of the month before the CPP retirement pension begins and during the month in which it begins. For example, if you want your pension to begin in April, you have to stop working by the end of March and you cannot work during the month of April.

**OR**

- **Earn less than a specified amount** – This means you earn less than the current monthly maximum CPP retirement pension payment (\$828.75 in 2005) in the month before your pension begins and in the month it begins. For example, if you want your pension to begin in April 2005, you need to earn less than \$828.75 in both March and April.

Once you start receiving your CPP pension, you can work as much as you want without affecting your pension amount. However, you cannot contribute to the CPP on any future earnings from employment.

### **> How does the CPP calculate my retirement pension?**

Your CPP retirement pension is based on how much and how long you contributed to the Plan (or to both the CPP and the Quebec Pension Plan). The age at which you choose to retire also affects the amount you receive.

The CPP protects your pension by making certain adjustments before calculating 25 percent of the earnings on which you contributed over your working life. For example, some low-earning periods during your career are “dropped out” (see page 18), so they do not reduce the amount of your pension.

The CPP retirement pension is indexed to the Consumer Price Index annually. The average monthly retirement pension in 2004 was \$457.99.

## > How does my age affect the amount of my pension?

Your retirement pension normally starts the month after your 65<sup>th</sup> birthday. Your monthly payment is smaller if you begin receiving it before then, and larger if you take it after. This “flexible” pension can start as early as at the age of 60 or any time up to the age of 70.

The CPP adjusts the amount of your pension by 0.5 percent for each month before or after your 65<sup>th</sup> birthday from the time you begin to receive your pension. The adjustment is permanent. This means that if you choose to start your pension early, the payment does **not** increase when you reach 65.

For example, if you start your pension at 60, your monthly payment is 30 percent **lower** than if you wait until you’re 65. However, by starting it sooner, you will probably receive it for a longer time. If you start your pension at 70, your monthly payment is 30 percent **higher** than if you had taken it at 65. There is no financial benefit in delaying receiving your pension after the age of 70.



## > How do I decide when to take my retirement pension?

It depends on your circumstances. Some considerations are:

- whether or not you still earn an income and contribute to the Plan;
- how long you have contributed;
- how much your earnings were (which affects how much you contributed);
- your other retirement income;
- your health; **and**
- your retirement plans.

The decision is yours.

## > Can I get an estimate of my retirement pension before I decide to apply?

Yes. For an estimate of your CPP retirement pension, check your CPP Statement of Contributions (see page 21), or contact us (see page 34).

The closer you are to the date you want your pension to begin, the more accurate the estimate will be.



## Applying for your retirement pension

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### > When should I apply?

Although it is not a requirement, it is best to apply at least six months before you want your pension to begin. Please note that there are legislative restrictions on retroactive payments. A delay in applying could result in lost benefits. For more information, contact us.

### > How do I apply?

You must complete an application. Application kits are available from our website, from any Human Resource Centre of Canada, or call us to have a kit mailed to you (see page 34).

#### **Did you have children after 1958?**

If your earnings either stopped or were lower because you were raising your children under the age of seven, you can ask us to exclude that period of time from the calculation of your retirement pension. This is called the “child rearing drop-out” provision. It means we do not count these child-rearing years when calculating the amount of your benefit and ensures that you get the highest possible payment. Please contact us to find out more.

## > What happens if a CPP contributor dies before applying for a retirement pension?

If a CPP contributor dies without having applied, the CPP does **not** pay a retirement pension unless he or she was over 70 years of age (in this case, up to 12 months of benefits can be paid). However, his or her surviving spouse or common-law partner (of either sex) may be eligible for a CPP survivor's pension. If you know of such a case, call us for advice. You may also request the booklet *Survivor Benefits – Canada Pension Plan*.





## Receiving your retirement pension

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### > When does my pension begin?

Your pension starts at the **latest** of the following times:

- the month after your 60<sup>th</sup> birthday,
- the month you specify on your application, or
- the month after the CPP receives your application.

If you apply to begin receiving your pension before you turn 65, your pension will begin:

- the month after you stop working, or
- when you earn less than the allowable maximum pension payment (\$828.75 in 2005) for two consecutive months.

In some cases, the CPP can make back payments of up to 12 months.



## > What if I change my mind after I start receiving my pension?

You can cancel your retirement pension up to six months after it starts, but you must request the cancellation in writing. You must also pay back **all** the benefits you received, and pay CPP contributions on any earnings while you were receiving the pension.

## > Can I receive a disability benefit after my retirement pension begins?

You can apply to have your retirement pension replaced by a CPP disability benefit if you became disabled (according to CPP legislation):

- before you turned 65; **and**
- before your retirement pension began.

Any retirement pension payments you have already received may be deducted from your disability benefit. For more information on the CPP disability benefit, contact us to order the booklet *Disability Benefits – Canada Pension Plan*.

## > **When can I expect my payments each month?**

CPP retirement payments usually arrive during the last three banking days of each month. Please see page 24 for information on direct deposit.

## > **When do payments stop?**

The last payment is for the month in which the contributor dies.





## Sharing your retirement pension

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### > What is a “spouse” or a “common-law partner”?

A “spouse” is a person to whom you are legally married. The CPP defines a “common-law partner” as a person who has lived in a conjugal relationship with a partner of either sex for at least one year.

### > 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 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.

**To share your pension, you must apply.**

## > How does pension sharing work?

You or your spouse or common-law partner can apply to receive an equal share of the retirement pensions you both earned during the years you were together. The amounts depend on how long you lived together and your contributions to the Plan during that time.

For example, if you lived together for 20 years during both your contributory periods:

- you add together the pension earned by each of you during the 20-year period; and
- divide it equally between you and your spouse or common-law partner; **and**
- each of you keeps the rest of your pension earned outside the time you lived together.

The combined total amount of the two pensions stays the same.

## > When can we start sharing our pensions?

Pension sharing starts as soon as your application is approved. The sharing arrangements cannot be backdated. Either one of you can apply. Contact us for an application.



## > When does pension sharing stop?

Your pension-sharing arrangement stops:

- if you and your spouse or common-law partner ask the CPP to end the arrangement;
- the 12<sup>th</sup> month after you separate;
- the month you divorce;
- if one of you has never paid into the CPP (or QPP) and begins contributing; **or**
- the month one of you dies.

## > What happens to my CPP retirement pension when pension sharing ends?

The amount of the CPP pension will be the same as if there had been no pension sharing.





## Combining CPP benefits

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### > Can I receive another pension from the Canada Pension Plan while I am getting a CPP retirement pension?

Yes. If you already receive a CPP retirement pension, you can also receive a CPP survivor's pension if you are eligible. The two benefits will be combined into a single monthly payment.

Please note the following restrictions to benefit amounts:

- The most that can be paid to a person who is eligible for both the CPP retirement pension and the CPP survivor's pension is the maximum retirement pension (which is more than the maximum survivor's pension).
- The total amount of the combined CPP benefits paid is adjusted based on the survivor's age and other benefits received.

In other words, you cannot receive a full survivor's pension while also receiving a full CPP retirement pension.



## General information about the Canada Pension Plan

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### > What benefits does the Canada Pension Plan provide?

There are three kinds of Canada Pension Plan benefits:

- the **retirement pension**;
- **disability benefits** (for contributors with a disability and their dependent children); and
- **survivor benefits** (including the death benefit, the survivor's pension and the children's benefit).

The CPP operates throughout Canada. The province of Quebec administers its own program, the Quebec Pension Plan (QPP), for workers in Quebec. The two plans work together to ensure that all contributors are protected, no matter where they live.



## > How is the Canada Pension Plan financed?

The CPP is a “contributory” plan. This means that all costs are covered by the financial contributions paid by employees, employers and self-employed workers, and from revenue earned on CPP investments. The CPP is **not** funded through general tax revenues.

## > What is the CPP Investment Board?

The CPP Investment Board has been created to operate at arm’s length from the federal and provincial governments. The Board invests CPP funds in financial markets, broadly following the same investment rules as other pension plans.

The Board is accountable to the public and regularly reports its investment results.

Visit [www.cppib.ca](http://www.cppib.ca) for more information on the CPP Investment Board.



## > Who pays into the CPP?

With very few exceptions, every person in Canada over 18 who earns more than the basic exempted amount (\$3,500 per year) must pay into the CPP (or the QPP in Quebec). You and your employer each pay half the contributions. If you are self-employed, you pay both portions.

You do **not** make contributions if you receive a CPP or QPP disability benefit or retirement pension. At the age of 70, you stop contributing even if you have not started your retirement pension.

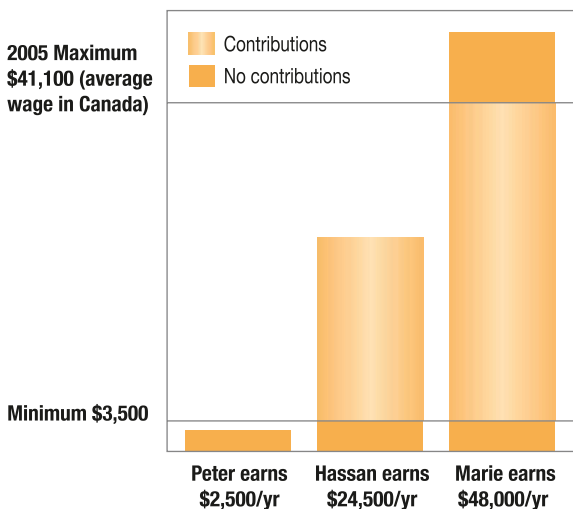
## > How much do I pay into the CPP?

The amount you pay is based on your employment earnings. If you are self-employed, it is based on your net business income (after expenses). You do **not** contribute on any other type of income, such as investment income. If, during a year, you contributed too much or earned less than a set minimum amount, your excess contributions will be calculated when you file your income taxes.

You pay contributions only on your annual earnings between a **minimum** and a **maximum** level (these are called your “pensionable” earnings).

The minimum level is frozen at \$3,500. The maximum level is adjusted each January, based on increases in the average wage. In 2005, the maximum level is \$41,100.

## Contributions On Employment Income



### > Why are my contributions important?

The CPP uses your contributions to determine whether you or your family are eligible for a benefit and, if so, its amount. Both how long and

how much you contribute (up to the maximum each year) are factors.

Normally, the more you earn and contribute to the CPP over the years, the higher the benefit will be (when you become entitled) because you have built up more CPP pension credits.

Your CPP credits can also be affected by “credit splitting” (see page 22).

### **> What is my “contributory period” and how is it used?**

The time when you may contribute to the CPP is called your “contributory period”. It is used in calculating the amount of any CPP benefit to which you are entitled. You do not contribute while you receive a CPP disability benefit. Removing that time from your contributory period protects the calculation of your future benefits (see next question).

The CPP contributory period starts when you are 18 years of age (or January 1, 1966, whichever is later) and ends when you start getting your retirement pension, die, or turn 70.

## > If I had some low-earning years, will that reduce my pension?

CPP calculations include both **how much** and **how long** you contributed.

To keep your pension as high as possible, the CPP drops out some parts of your contributory period from the calculation:

- periods when you stop working or your earnings are lower while you raise your children under the age of seven;
- months **after** the age of 65 (which can be used to replace any low-earning months before 65);
- any month when you were eligible for a CPP disability benefit;
- the 15 percent of your contributory period in which your earnings were lowest.

## > How does the CPP keep track of my contributions?

Since its implementation in 1966, the CPP has kept a record for each person who pays into the Plan, and for people who pay into both the CPP and QPP. The information is supplied through the Canada Revenue Agency and Revenu Québec.



It is **important** that you check your T4 slip (the statement of earnings you receive from your employer each year) to make sure your name and social insurance number (SIN) are the same as they are on your SIN card. If they are not, your CPP contributions may not be credited to your CPP record. This could mean not getting benefits to which you are entitled.

**If you change your name or lose your social insurance card**, you should contact your local Human Resource Centre of Canada as soon as possible. It is listed in the Government of Canada section of most phone books.

### > **How do I find out how much I have contributed?**

A Statement of Contributions is available by mail. Contact us (see page 34).

Your Statement shows the total amount of your CPP contributions by year, and your “pensionable” earnings (see page 18) on which they are based. It also provides an estimate of what your pension or benefit would be if you were eligible to receive it now.

Check your Statement carefully, particularly your earnings and contributions. You should compare these amounts to any previous T4 (income tax) slips. If you disagree with any of the figures, contact us immediately. A discrepancy could affect the amount of your future CPP benefits.

### > What are CPP “pension credits”?

The CPP records your contributions over the years as “pension credits”.

Generally, the more credits you have, the higher your CPP benefits will be.

### > What is “credit splitting”?

When a marriage or common-law relationship ends, the CPP credits built up by a couple while they lived together can be divided equally between them. These credits can be split even if one spouse or common-law partner did **not** pay into the CPP.

Credit splitting can affect the CPP entitlements of both former spouses or common-law partners. For more information, contact us and ask for the CPP booklet, *Credit Splitting Upon Divorce or Separation* or visit the publications section of our website.

For definitions of “spouse” and “common-law partner”, see page 11.

### > What happens if I pay into the Quebec Pension Plan (QPP)?

Which plan you pay into (CPP or QPP) depends on where you **work**, not where you live. If you work in Quebec, you pay into the QPP. If you work in any other province or territory, you pay into the CPP. Depending on where you work over the years, you may pay into **both** plans.

The two plans provide similar benefits. If you pay into only one of the plans, you apply to **that** plan for your pension or benefits.

If you have contributed to both the CPP and QPP, you apply to the QPP if you live in Quebec when applying for a benefit and to the CPP if you live elsewhere in Canada when you apply.

If you live outside Canada, you apply to the last province in which you lived before you left the country.

Regardless of which plan pays your benefit, the amount is calculated according to your contributions to both plans and the legislation of the plan responsible.

## > What if I lived or worked in another country?

Canada has international social security agreements with many countries. These agreements can help you get pensions or benefits from either country. If you did not live or work long enough in another country to qualify under its rules, the time you spent there may be added to your time in Canada to enable you to meet eligibility requirements.

If you have lived or worked in another country, you should contact us for more information.

## > Can my payments be deposited directly to my bank account?

Yes. You can obtain a direct deposit form from our website as well as from many banks, caisses populaires, credit unions and trust companies. Or you can call us.

If your payment comes by **cheque**, it usually arrives during the last three banking days of each month. If you have **direct deposit**, the money will be deposited in your account during the third-last banking day of each month.

## > Can I receive CPP payments outside Canada?

Yes, provided you meet all eligibility conditions, payments are made anywhere in the world.

## > Do I get cost-of-living increases?

Yes. Your CPP payments are indexed to the cost of living. Payments are adjusted in January, if needed.

Payments will **not** decrease if the cost of living goes down.

## > What if someone is incapable of applying?

If, because of an illness or infirmity, you are incapable of applying for a CPP pension or benefit, your representative can apply on your behalf.





## Appealing a decision

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### > What if I do not understand or if I disagree with a CPP decision that affects me?

If you do not understand a decision, you should ask the CPP to explain it.

If you are dissatisfied, you can ask the CPP to reconsider the decision.

If you are still dissatisfied after reconsideration, you may appeal.





## Protecting your information

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### > Who can see the information on my CPP file?

Your information is protected by Canada Pension Plan legislation, the *Access to Information Act* and the *Privacy Act*. Information may be made available to a federal or provincial institution or to a non-governmental organization to administer the CPP. Information may also be made available to specified federal departments or provincial institutions to administer a federal or provincial law, or to foreign institutions under a social security agreement.

### > Can I see the information on my file?

Yes. You can see and obtain a copy of any information about you in a federal government file. You can obtain the forms to request this information and the Treasury Board publication, *Info Source: Sources of Federal Government Information*, in government offices, public libraries and federal constituency offices.

If you live outside Canada, these publications may be available at Canadian embassies and consulates. They are also available from the Treasury Board Secretariat online at [www.tbs-sct.gc.ca](http://www.tbs-sct.gc.ca).







## Taxation and your CPP benefits

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### > Are my CPP payments taxable?

Yes. CPP payments are taxable income.

If you wish, you may ask Social Development Canada to deduct income tax each month. Contact us for more information.

If you do not request monthly tax deductions, you may have to pay income tax in quarterly installments. For more information, contact the Canada Revenue Agency at 1 800 959-8281.

If you live outside Canada and are not considered a Canadian resident for income tax purposes, a non-resident tax is withheld from your monthly CPP payment. The tax rate is 25 percent unless it is reduced or exempted by a tax treaty between Canada and your country of residence. If your income is low, you can apply for a reduction in the withholding rate. If you have tax-related questions, call the International Tax Services Office of the Canada Revenue Agency at

**1 800 267-3395** (from Canada and the U.S.), **(613) 952-2344** (from all other countries), or send a fax to **(613) 941-6905**. You can also get copies of many Canadian tax forms and publications from your Canadian embassy or consulate.

Early each year, you receive a T4A(P) slip showing the amount of CPP payments you received the previous year. You need this slip to complete your income tax form and must include it with your tax return.

### **An alternative way to get your CPP and OAS tax information slips**

If you choose, use the Tax Information Slips online service to:

- view and print your CPP and OAS tax information slips from the Internet for your income tax return.
- notify us online if you wish to stop receiving your CPP and OAS tax information slips by mail.

Visit [www.sdc.gc.ca](http://www.sdc.gc.ca) and look under E-Services to use this service and to take advantage of several new online services.



## Other benefits

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### > Am I eligible for other benefits?

You may be.

If you are over 65, you may be eligible for a pension under the *Old Age Security Act*. If you have a low income, you may also qualify for the income-based Guaranteed Income Supplement.

If you are between 60 and 64, are the spouse or common-law partner of an OAS pensioner and have a low income, you may qualify for the Allowance. If your spouse or common-law partner has died, you may be eligible for the Allowance for the survivor.

You may also be eligible for benefits under the *War Veterans Allowances Act*, administered by Veterans Affairs Canada, or for Employment Insurance benefits from Human Resources and Skills Development Canada, other provincial/territorial and municipal income assistance and services.

**> Do my CPP benefits affect the amount I receive from other programs?**

Yes, they may. Income-based benefits from programs such as War Veterans Allowances, the Guaranteed Income Supplement, the Allowance and Allowance for the Survivor, and provincial/territorial social assistance (“welfare”) take your CPP income into account.

CPP benefits may also affect how much you get from your employer pension or private-sector disability insurance.

Most workers’ compensation programs also take CPP income into account.





## Other publications

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(available in print and/or online)

### Canada Pension Plan

- *Annual Report*
- *Disability Benefits*
- *Survivor Benefits*
- *Credit Splitting Upon Divorce or Separation*

### Old Age Security

- *Old Age Security Pension*
- *The Allowance and the Allowance for the Survivor*

### General

- *Canada's Retirement Income System*
- *Overview (of the Canada Pension Plan and Old Age Security programs)*

Fact sheets on social security agreements are also available.

## > Contact us



**1 800 277-9914** (toll-free)

 **1 800 255-4786**

(if you use a TTY machine)



On the Internet or by email:

**[www.sdc.gc.ca](http://www.sdc.gc.ca)**

***\* Our lines are busiest at the beginning and end of the month. If your inquiry can wait, it's best to call at other times. Please have your social insurance number ready.***





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