

Enhanced CPP

Canada Pension Plan (CPP) changes effective January 1st will impact your pay statement

The CPP provides a retirement income to employees who have made contributions during their working lives. The plan is funded by equal contributions from employees and employers. Contributions are mandatory and are deducted from each pay.

Over the next 5 years, the contribution rate will gradually increase from 4.95% to 5.95% and in 2024 an enhanced earnings limit will come into effect. Employee contributions on the difference between the base and enhanced earnings limit will be 4%.

The following illustrates the employee CPP deductions on an annual basis assuming earnings of \$50,000. *(Note that this income is below the maximum pensionable earnings limit and therefore the enhanced earnings limit that comes into effect in 2024 is not relevant.)*

Year	Contribution Earnings	Contribution Rate	Contribution Amount	Year over Year Increase
2018	\$46,500	4.95%	\$2,301.75	
2019	\$46,500	5.10%	\$2,371.50	\$69.75
2020	\$46,500	5.25%	\$2,441.25	\$69.75
2021	\$46,500	5.45%	\$2,534.25	\$93.00
2022	\$46,500	5.70%	\$2,650.50	\$116.25
2023	\$46,500	5.95%	\$2,766.75	\$116.25
2024	\$46,500	5.95%	\$2,766.75	\$0.00
2025	\$46,500	5.95%	\$2,766.75	\$0.00

The goal of the Enhanced CPP is to provide working Canadians with more income in retirement. Currently the CPP retirement pension replaces approximately 25% of average earnings. The goal is to increase this number to 33%. How much this change impacts your personal pension amount depends on various factors including how long you have contributed to the Enhanced CPP.

For more information on CPP please visit www.canada.ca/cpp