



6200 Dixie Road, Suite 210  
Mississauga ON L5T 2E1  
877-685-2515

25 Irvin Street  
Kitchener ON N2H 3A1  
866-536-0389

[gmsinsurance.com](http://gmsinsurance.com)

# Benefits Bulletin

*Benefit News to Keep You in the Know and the Now*

## **A New Year, A New CPP**

January 1<sup>st</sup> saw the biggest changes to CPP since its inception in 1965. The Canada Pension Plan (CPP) is a federally administered pension plan that provides a retirement income, death benefits, and disability benefits to working Canadians who have made contributions throughout their careers. The retirement pension amount will depend on how long and how much each individual contributes to the plan.

Currently CPP replaces approximately 25% of the average working income at normal retirement (age 65). As such the plan is meant to *supplement* rather than replace other retirement savings. The new CPP aims to replace 33% of income in retirement. However, a worker must have contributed for 40 years under the new scheme in order to achieve the full 33% replacement. Therefore most workers today will see an average replacement of 25-33%

CPP is funded by contributions by employees and employers. Therefore, to increase the benefit, the contributions must rise. Over the past number of years, the contribution rate has been stable at 4.95% for each of the employees and employers with only the yearly maximum pensionable earnings (YMPE) increasing annually. (note: self-employed individuals pay both the employee and employer share of the contributions – i.e. 9.9%)

Over the next 5 years, the contribution rate will gradually increase from 4.95% to 5.95%. As per usual, the YMPE will also be adjusted annually.

In years 6 and 7, the contribution rate will be held at 5.95% while the YMPE continues to be adjusted upwards. However a secondary element, the *Enhanced CPP*, takes effect. The Enhanced CPP portion provides a secondary, higher upper earnings limit and separate contribution limit.

Workers and employers will pay 5.95% on earnings up to the YMPE (less the basic annual exemption, currently \$3,500). For earnings between the YMPE and the Upper Earnings Limit, workers and employers will *each* pay 4% on that difference.

Please refer to the chart below.

Year	YMPE	New Upper Earnings Limit	New Contribution (below YMPE)		New Contribution (above YMPE)
			CPP	QPP	
2018	\$55,900		4.95%	5.40%	
2019	\$57,700		5.10%	5.55%	
2020	\$59,600		5.25%	5.70%	
2021	\$61,500		5.45%	5.90%	
2022	\$63,500		5.70%	6.15%	
2023	\$65,600		5.95%	6.40%	
2024	\$67,700	<b>\$72,400</b>	<b>5.95%</b>	<b>6.40%</b>	<b>4.00%</b>
2025	\$69,900	<b>\$79,700</b>	<b>5.95%</b>	<b>6.40%</b>	<b>4.00%</b>

To help your employees understand the impact to their pay, we have drafted a couple of sample letters for you.

[CPP Changes for incomes under YMPE](#)

[CPP Changes for incomes over the YMPE](#)