

## Changes to the Canada Pension Plan

We have become accustomed to frequent revisions to tax legislation over the years, however there have not been major changes to CPP since its inception in 1966. The amendments to the CPP were introduced in Bill C-51, the Economic Recovery Act (stimulus), which received Royal Assent on December 15, 2009. These changes will be gradually implemented starting January 1, 2010 with full implementation expected by 2016.

The changes to the Plan are intended to better reflect the many different paths people take to retirement. As the mandatory retirement age of 65 is no longer in effect in most provinces, changes to the CPP are required in order to meet the changing lifestyles of Canadians.

### Who Will be Affected by the CPP Changes

These changes will affect you if you are:

-an employee who contributes to the Canada Pension Plan (CPP), whether you are just starting your career or you are planning to retire soon.

-a self-employed person who contributes to the CPP; between the ages of 60 and 70 and you work while receiving your CPP retirement pension (or if you work outside of Quebec while receiving a Quebec Pension Plan (QPP) retirement pension).

-an employer who contributes to the CPP on behalf of its employees.

### Who Is Not Affected by CPP Changes

You will **not** be affected by these changes if you started receiving CPP benefits before December 31, 2010, and do not return to the workforce.

### How CPP Changes Will Affect You

If you are between the ages of 60 and 65 and plan to receive your pension early, you should consider how the new changes to CPP may influence your decision. Based on your projected lifespan, coupled with your cash flow requirements and your overall health, you can determine whether it makes sense in your particular circumstances to apply early for CPP benefits.

### Overview of Changes

#### Pension Adjustment For Late Retirement

##### *Current Rule*

CPP retirement benefits increase by 0.5% for each month after age 65 (up to age 70) during which contributors delay receiving them. If you decide to delay retirement until 70, your pension benefits would increase by 30%.

##### *New Rule*

From 2011 to 2013, the pension factor has been increased. The following table outlines the increase in the monthly actuarial factor for each year:

Year	Monthly Increase	Annual Increase to Benefits
2011	.57	6.84%
2012	.64	7.68%
2013	.70	8.40%

This means that by 2013, if contributors start receiving their CPP pension at the age of 70, their pension amounts will be 42% more than if taken at age 65.

#### Pension Adjustment For Early Retirement

##### *Current Rule*

CPP retirement pensions are reduced by 0.5% for each month before age 65 that contributors begin receiving them. If you decide to retire at 60, your pension benefits decrease by 30%.

##### *New Rule*

From 2012 to 2016, the amount by which a contributor's early pension will be reduced will increase. The following table outlines the increase in the monthly actuarial factor for each year:

Year	Monthly Decrease	Annual Decrease to Benefits
2012	0.52	6.24%
2013	0.54	6.48%
2014	0.56	6.72%
2015	0.58	6.96%
2016	0.60	7.20%

By 2016, if contributors start receiving their CPP pensions at the age of 60, their pension benefits will be 36% less than if taken at age 65.

#### Changes to the General Drop-out Provision

##### *Current Rule*

Service Canada calculates average earnings over a contributor's entire career (from age 18 until retirement), and 15% of the contributor's career period with the lowest earnings are automatically dropped. This allows individuals to drop up to seven years of their lowest earnings from the calculations of their average earnings.

#### Breakfast Seminar

##### **An Employer's Guide to the Year's most Compelling Legislative and Employment Law Developments**

Please join us on Thursday, December 16, 2010 at the Hampton Inn for a breakfast seminar with Sheri Farahani and Jacques Emond of Emond Harnden, LLP who will be discussing "An Employer's Guide to the Year's most Compelling Legislative and Employment Law Developments". To register visit our website [www.logankatz.com/](http://www.logankatz.com/) events or contact Michelle 613-228-8282 ext. 101. We look forward to seeing you!

##### *New Rule*

Starting in 2012, the percentage of low earnings will increase to 16%, which will allow up to 7.5 years of a contributor's lowest earnings to be dropped from the calculation. In 2014, the percentage will increase to 17%, which will allow up to eight years of a contributor's lowest earnings to be dropped.

#### Elimination of the Work Cessation Test

##### *Current Rule*

Before 2012, in order to apply for CPP benefits from age 60 to 64, you must either stop working by both the end of the month before your CPP retirement benefits begin and during the month in which they begin, or your earnings must be less than the current monthly maximum CPP retirement pension benefit in both the month before your pension begins and in the month it begins.

##### *New Rule*

Starting in 2012, contributors can begin receiving their CPP retirement benefits without any work interruption.

#### Introduction of the Post-Retirement Benefit

##### *Current Rule*

Once you start receiving your CPP pension, you can work as much as you want but you are not required nor will you benefit from any further contributions made to CPP.

##### *New Rule*

Starting in 2012, if contributors are receiving CPP retirement benefits and they choose to work, they would continue to make CPP contributions that will increase their benefits through the Post-Retirement Benefit (PRB). If you are age 65 to 70, contributions will be voluntary and employers would have to contribute if you opt to.

#### ***This'n That at Logan Katz***

##### Ride for Juvenile Diabetes

Logan Katz was a proud first time participant in Juvenile Diabetes Research Foundation's **Ride for Diabetes Research** held on October 15, 2010. This was an exciting, fast paced, inspirational day that brought corporate Ottawa together in a friendly competition to see who can clock the most kilometres and raise the most money.

We would like to offer our sincerest gratitude to our clients, friends, and family for their overwhelming generosity and support. Logan Katz was the third highest single team fundraiser in the Ottawa event! We are truly honoured to be part of such a generous community, and of an incredible network that always comes through.

##### Logan Katz Food Drive

As the holiday season is approaching, we are reminded of those less fortunate than ourselves. The spirit of giving fills our hearts as we proudly announce the launch of our first ever Holiday Food Drive to support the Ottawa Food Bank!

We encourage all our clients to bring in a donation of non-perishable food or household products on their next visit to our offices.