Today’s Objectives

- To discuss the economic problem of old age and ways to attack it

- To discuss Old Age Security (OAS)

Economic Problem of Old Age

The economic problem of old age consists of the following:

1. Growing population of older people
2. Loss of earned income because of retirement
3. Longer retirement period
4. Insufficient income and assets
5. Poor health
6. Long term care
7. Heavy property taxes
8. Inflation
9. Other financial problems
10. Abuse of the elderly

<u>Economic Problem of Old Age</u> (continued)

5. **Poor health**
   - Those in old age see doctors more, are more likely to become disabled, have longer hospital stays, need more prescription drugs
   - We will also look at this area further

6. **Long term care**
   - This deals with receiving care in a nursing home or some other health care facility (including home care)
   - We will also focus on this area

Economic Problem of Old Age (continued)

7. **Heavy property taxes**
   – Property taxes can be significant portion of income
   – Increasing rent can also be a problem (esp. for those on fixed income)

8. **Inflation**
   – Affects cost of food, housing, clothing and other expenses

9. **Other financial problems**
   – E.g. transportation costs

10. **Abuse of the elderly**
    – Financial exploitation and scams
      https://www.bloomberg.com/news/features/2018-05-03/america-s-elderly-are-losing-37-billion-a-year-to-fraud

Attacking the Economic Problem of Old Age

- Various techniques can and have been used to help address old age problems such as; retirement (no more working income), reduced health (using health care system more), nursing home, poverty among the elderly

- These techniques include
  1. Continued employment
  2. Retirement planning programs
  3. Age discrimination in employment laws (addressing discrimination)
  4. Tax relief
  5. Other measures

- **We will focus on attacking the problem of the loss of earned income because of retirement**

Module 2 – Old Age
→ Government Pension Programs (Ch 2 of *Morneau Shepell Handbook*)

Attacking the Problem of Loss of Earned Income because of Retirement

- The (*traditional*) **Three Pillars of Old Age Financial Security** (aka the three-legged stool)

Pillar I – Government Plans

Pillar II – Group or Employer (E'er) Plans

Pillar III – Individual Savings Plans

<u>Attacking the Economic Problem of Old Age</u> (continued)

- A few things to consider before we review ‘the Pillars’:

  a) There are other sources of retirement income (not in “the pillars”), that are worth mentioning:

     i. Post retirement employment
        - Often retirees work part-time or on contract
        - Around 25% of retirees have income from earnings
        - This has and may become more important in future as pressures build on social security programs

     ii. Private intergenerational transfers

     iii. Reverse mortgages and other emerging techniques
        - With a reverse mortgage, part of retiree’s home equity is converted into a steady stream of income payments

Attacking the Economic Problem of Old Age (continued)

b) We need to also distinguish between:

- **Retirement savings** – these are efforts to save money for retirement
- **Retirement income** – turning your savings into income upon retiring
- The two are linked – to obtain retirement income you need to have retirement savings plans/programs in place

Government Plans

- The three core components of government retirement plans are:
  1. Old Age Security (OAS) Pension
  2. GIS and Allowance Benefits
     - This includes Guaranteed Income Supplement (GIS), **Spouse's Allowance** and **Allowance for the survivor**
     - These are all **often referred to as "OAS Benefits"**
  3. Canada Pension Plan (CPP/QPP)

- There are also some provincial based supporting programs

Module 2 – Old Age
→ Government Pension Programs (Ch 2 of *Morneau Shepell Handbook*)

1. <u>Old Age Security (OAS) Pension</u>

- OAS provides a flat monthly pension for Canadians age 65 and older who meet certain residency requirements

Historical Highlights – Old Age Security Act

- OAS pension **introduced in 1952** as a universal benefit (no means test)
  – The benefit started at age 70 and the payment as $40/month
- In **1965**
  – Age gradually reduced to 65 (for OAS pension)
  – Monthly benefit gradually raised
  – GIS was added effective 1967 (needs based supplement)

1. Old Age Security (OAS) Pension

Historical Highlights – Old Age Security Act

- In **1972** benefits were fully indexed (quarterly, to cost of living), started in 1973
- In **1989** benefits 'clawbacks' introduced (which erodes universality intent)
- In **2013**
  - Option to defer OAS payments (up to 5 years) was introduced
  - Automatic enrollment process was introduced (completed in 2015)

1. Old Age Security (OAS) Pension

OAS Pension Benefit

- Monthly payments (if residency test met) commence at age 65
- **Current max. monthly OAS pension** (Jan 1, 2020) is **$613.53**
- The OAS pension benefit is considered taxable income
- The OAS pension benefit is indexed to the Consumer Price Index (CPI) and adjusted quarterly
- The 'clawback' provisions results in those with very high income in retirement receiving little or no OAS benefit
  - Some recipients receive a proportionate amount of this benefit (based on residency criteria - see eligibility comments)

1. Old Age Security (OAS) Pension

OAS Pension Benefit

- There is the option to defer the OAS pension start date
  - There is an increase of 0.6% in the OAS pension for each month of deferral beyond age 65, but the pension must start by age 70

- Note that:
  1. OAS is paid in addition to CPP benefits
  2. If a person is late in applying for OAS, they can apply for up to 12 months of missed payments (with the automated enrollment process that was recently implemented, there are fewer of these cases)

1. <u>Old Age Security (OAS) Pension</u>

OAS Eligibility

- To qualify for OAS, a person must apply, provide proof of age and meet the residency requirements
- Residency requirement rules are fairly detailed but those who have lived most/all their adult life in Canada will likely qualify

- There are two sets of residency rules that may come in to play
  - **i. "Pre-1977 rules"** can apply to anyone who was 25 year or older on July 1, 1977 and who also resided in Canada on or prior to July 11, 1977
  - **ii. Current ('new' rules)** which **took effect in 1977**

1. <u>Old Age Security (OAS) Pension</u>

OAS Eligibility

i. Old or "Pre-1977 Residency Rules"
   - Can qualify for the full OAS pension if meet 1 of these conditions:
     - 40 years of residence in Canada after age 18 OR
     - 10 years continuous residence in Canada immediately prior applying OR
     - If applicant did not have 10 years of Canadian residency between ages 55-65, each missing year could be offset by 3 years of residency between ages 18 and 55, but must be residing in Canada for at least one year prior to date of application
   - Note that these rules now are essentially phased out (those 25+ in 1977 are now more than age 65)

1. Old Age Security (OAS) Pension

OAS Eligibility

ii. New or "Post-1977 Residency Rules"

- Need 40 years of residence in Canada after age 18
- Notes
  1. A Proportionate benefit is payable for those with 10 to 40 years of residency after age 18.
  2. If not residing in Canada in year prior to turning 65, then need at least 20 years of residency (after age 18) to qualify for proportionate benefits
  3. Those that were 25 years or more on July 1, 1977 (and resided in Canada prior to July 1, 1977) can be assessed under old or new rules (whichever gives best benefit)

Example – OAS Residency Rules

- Determine what proportion of the OAS benefit each of the 3 individuals below were eligible for on March 1, 2017. Assume each individual was born on March 1, 1952.
  a) Jim Smith has lived in Canada for a total of 27 years as follows:
     - from ages 18-25 (7 years)
     - ages 32-40 (8 years)
     - ages 48-56 (8 years)
     - ages 61-65 (4 years)
  b) Tom Brown lived in Canada from ages 23-27 (4 years) and ages 49-65 (16 years)
  c) Penny Jones has lived in Canada since her 37th birthday (28 years)

Example – OAS Residency Rules

a) Jim Smith has lived in Canada for a total of 27 years
   - During the 10 years prior to retirement he lived in Canada for 1 year (age 56) plus another 4 years (from ages 61-65)
   - The missing 5 years from the period before retirement is offset by 15 years of prior residency (1-for-3) out of the total of 22 years of prior residency
   - Therefore Jim Smith is eligible for full OAS benefits

Example – OAS Residency Rules

b) Tom Brown lived in Canada for more than 10 years prior to retirement from ages 49-65 (16 years)
  - Therefore Tom Brown is eligible for full OAS benefits
  - Prior residency from ages 23-27 does not need to be considered

c) Penny Jones has only lived in Canada since her 37th birthday (28 years) and did not live in Canada prior to July 1, 1977
  - Therefore Penny Jones is not eligible under the pre-1977 rules
  - She is eligible under the post-1977 rules for a proportionate benefits of 28/40 or 70% of full OAS benefits

Today's Objectives

- To discuss Old Age Security (OAS)
- To discuss the Guaranteed Income Supplement (GIS) and Allowance benefits

Recall that:

OAS Eligibility

i. Old or "Pre-1977 Residency Rules"
   - Can qualify for the full OAS pension if meet 1 of these conditions:
     - 40 years of residence in Canada after age 18 OR
     - 10 years continuous residence in Canada immediately prior applying OR
     - If applicant did not have 10 years of Canadian residency between ages 55-65, each missing year could be offset by 3 years of residency between ages 18 and 55, but must be residing in Canada for at least one year prior to date of application
   - Note that these rules now are essentially phased out (those 25+ in 1977 are now more than age 65)

Also recall that:

OAS Eligibility

ii. New or "Post-1977 Residency Rules"

- Need 40 years of residence in Canada after age 18
- Notes
  1. A Proportionate benefit is payable for those with 10 to 40 years of residency after age 18.
  2. If not residing in Canada in year prior to turning 65, then need at least 20 years of residency (after age 18) to qualify for proportionate benefits
  3. Those that were 25 years or more on July 1, 1977 (and resided in Canada prior to July 1, 1977) can be assessed under old or new rules (whichever gives best benefit)

Previously looked at the following example:

- Determine what proportion of the OAS benefit each of the 3 individuals below were eligible for on March 1, 2017. Assume each individual was born on March 1, 1952.
  a) Jim Smith has lived in Canada for a total of 27 years as follows:
     - from ages 18-25 (7 years)
     - ages 32-40 (8 years)
     - ages 48-56 (8 years)
     - ages 61-65 (4 years)
  b) Tom Brown lived in Canada from ages 23-27 (4 years) and ages 49-65 (16 years)
  c) Penny Jones has lived in Canada since her 37th birthday (28 years)

Example – OAS Residency Rules

- Assuming instead that each individual was born on September 1, 1952, determine what proportion of the OAS benefit each of the 3 individuals below were eligible for on September 1, 2017.
  a) Jim Smith has lived in Canada for a total of 27 years as follows:
     - from ages 18-25 (7 years)
     - ages 32-40 (8 years)
     - ages 48-56 (8 years)
     - ages 61-65 (4 years)
  b) Tom Brown lived in Canada from ages 23-27 (4 years) and ages 49-65 (16 years)

Example – OAS Residency Rules

a) Jim Smith has lived in Canada for a total of 27 years prior to retirement
   - Aged 25 after July 1, 1977, therefore Jim Smith is not eligible under the pre-1977 rules
   - He is eligible under the post-1977 rules for a proportionate benefits of 27/40 of full OAS benefits

b) Tom Brown lived in Canada for a total of 20 years prior to retirement
   - Aged 25 after July 1, 1977, therefore Tom Brown is not eligible under the pre-1977 rules
   - He is eligible under the post-1977 rules for a proportionate benefits of 20/40 or 50% of full OAS benefits

1. Old Age Security (OAS) Pension

Portability

- **Canada has reciprocal agreements with some countries** so that social security benefits may be preserved when people emigrate or immigrate
  - So, if you're eligible for OAS benefits and you move to one of these countries when you turn 65 (or older), your OAS benefits will continue to be paid to you
  - Some people receive partial social security payments from more than one country (based on where they lived prior to 65)

1. Old Age Security (OAS) Pension

Portability

- **Where no portability agreement exists**, then
  - If pensioner has at least 20 years of residency in Canada (since age 18), benefits will be paid as normal outside of Canada
  - If not, then benefits are paid for the month of departure, plus 6 additional months, after which the OAS benefit will end
    - If you return to Canada (after your OAS benefits have stopped), you may be able to resume your OAS benefits, but will not be able to get back any benefits missed while you were away

Module 2 – Old Age
→ Government Pension Programs (Ch 2 of *Morneau Shepell Handbook*)

1. Old Age Security (OAS) Pension

Clawbacks

- Prior to 1989 OAS pension was considered a universal benefit
- A special tax or 'clawback' (Recovery Tax) on the OAS pension was introduced in 1989, which eroded the universality concept
- OAS pensions are now paid out on a net basis (i.e., net of clawback) based on previous year's income
  - Any differences are reconciled in annual tax filing

1. Old Age Security (OAS) Pension

Clawbacks

- Here is how the clawback works:
  - If net income is ≤ a threshold amount ($79,054 is the 2020 threshold), then the full benefit is paid
  - If net income > this threshold, the OAS benefit is reduced by 15% of the excess up to the full amount of the benefit
  - In 2020, if net income is $128,137 or more, then the OAS benefit will be fully clawed back (i.e., the OAS benefit = $0)

- **Note: The OAS pension benefit is considered taxable income**

Example – OAS Clawback

- You are given that an individual, who has lived in Canada all his life, has a reported 2019 net income of $95,000
- You are also given that the current maximum monthly OAS pension is $613.53 and that the 2019 threshold income for the OAS recovery tax (clawback) is $77,580
- What net OAS monthly benefit will this individual receive this month?

Example – OAS Clawback

• Net income:	$95,000
• Less Threshold amount:	$77,580
• Excess income:	$17,420
• Full OAS benefit:	$613.53/month
• Less clawback (15% of excess):	$2,613.00 or $217.75/month
• Reduced OAS benefit:	$395.78/month

1. Old Age Security (OAS) Pension

Financing

- The OAS program is financed on a pay-as-you-go basis out of Government of Canada general tax revenues
- The financial costs of this program is assessed regularly
- In the 2012 Actuarial Report, it was reported that:
  - The cost of the OAS program will be 2.3% of GDP in 2013, rising to 2.8% in 2030
  - Total annual expenditures are expected to increase from $43 billion in 2013 to $96 billion in 2030 to $181 billion in 2080
  - # of OAS pension beneficiaries expected to grow from 5.3 million in 2013 to 8.4 million in 2033
- **Note: The 2012 report reflected the OAS age of entitlement rising gradually from age 65 to 67 but this was reversed under the current Liberal government**

2. Guaranteed Income Supplement and Allowance Benefit

- We will review **Guaranteed Income Supplement (GIS)**, **Spouses Allowance** and **Allowance for the Survivor**
- These are income-tested benefits that are designed for pensioners, their spouses and for surviving spouses, who have a low annual income
- Note: Where term married / spouse / partner are used in lecture notes, this is meant to cover all recognized common law situations

2a) Guaranteed Income Supplement (GIS)

Eligibility

- Person must be receiving OAS benefits and meet a needs test and test/benefit determination depends on whether OAS pensioner is:
  i. Single, widowed, divorced or separated
  ii. Married but spouse not eligible for OAS or spouse's allowance
  iii. Married and spouse is also receiving OAS (both OAS pensioners)

2a) <u>Guaranteed Income Supplement (GIS)</u>

Benefit Highlights

- GIS benefit is indexed, quarterly, to increases in the CPI
  - Jan 1, 2020 max GIS benefit - single person is $916.38
  - Jan 1, 2020 max GIS benefit - if Spouse has no OAS is $916.38
  - Jan 1, 2020 max GIS benefit - if Spouse has OAS - for each is $551.63

- Recipients must re-apply annually for GIS by completing an income tax return or filing an income statement
- Benefits paid from July to June are based on previous year's income (more below on GIS benefit determination)

2a) Guaranteed Income Supplement (GIS)

Benefit Highlights

- Benefits may increase/decrease each year
  - This depends on changes in recipient's yearly income
- GIS benefits are not taxable
- GIS is only payable outside of Canada for 6 months, no matter how long person has lived in Canada
- GIS is financed out of general tax revenue

2a) Guaranteed Income Supplement (GIS)

Benefits

i. Single, widowed, divorced or separated pensioners:
   - The maximum monthly GIS benefit is currently **$916.38**
   - This maximum is reduced by $1 for every $2 of other monthly income over and above the OAS pension
   - Currently **if reported income is $18,600+, no benefit**

ii. Married, spouse not eligible for OAS or spouse's allowance:
   - The maximum monthly benefit is also currently **$916.38**
   - This maximum is reduced by $1 for every $4 of combined income (over and above OAS pension)
   - Currently **if reported combined income is $44,592+ , no benefit**

2a) Guaranteed Income Supplement (GIS)

Benefits

iii. Married couples where both are OAS pensioners:

- The maximum monthly benefit is currently **$551.63** for each spouse
- This maximum for each spouse is reduced by $1 for every $4 of their combined income (over and above OAS pensions)
- Currently **if reported combined income is $24,576+, no benefit**

Example 1 – GIS benefit calculation (single)

- Bill Thornton, who is single, is currently eligible for a 75% proportionate OAS benefit. Income in the year 2018 from all sources is $17,170. What is the size of the 2019 monthly GIS benefit that Bill is eligible for?

- For this problem, we will work with current OAS pension amount of $613.53 and the current GIS maximum payment of $916.38

Example 1 – GIS benefit calculation (single)

- Income: $17,170
- Less OAS Benefit (75%×$613.53×12): $5,521.77
- Income excluding OAS: $11,648.23

- Max GIS benefit: $916.38/month
- Less GIS reduction ($11,648.23÷2): $5,824.12 or $485.34/month
- Reduced GIS benefit: $431.04/month

Today's Objectives

- To discuss the Guaranteed Income Supplement (GIS) and Allowance benefits
- To discuss the Canada Pension Plan (CPP)

Recall that:

GIS Benefits

i. Single, widowed, divorced or separated pensioners:
   - The maximum monthly GIS benefit is currently **$916.38**
   - This maximum is reduced by $1 for every $2 of other monthly income over and above the OAS pension

ii. Married, spouse not eligible for OAS or spouse’s allowance:
   - The maximum monthly benefit is also currently **$916.38**
   - This maximum is reduced by $1 for every $4 of combined income (over and above OAS pension)

iii. Married couples where both are OAS pensioners:
   - The maximum monthly benefit is currently **$551.63** for each spouse
   - This maximum for each spouse is reduced by $1 for every $4 of their combined income (over and above OAS pensions)

Example 2 – GIS benefit calculation (single)

- Suppose Alexandra Jones, who is single is currently receiving a monthly OAS pension and a monthly GIS benefit of $617. She has lived in Canada all of her life. What was her total income earned?

- For this problem we will also work with the current OAS pension amount of $613.53 and the current GIS maximum payment of $916.38

Example 2 – GIS benefit calculation (single)

- Max GIS benefit: $916.38/month
- Less Reduced GIS benefit: $617/month
- GIS reduction: $299.38/month or $3,592.56

- Income excl. OAS ($3,592.56 ×2): $7,185.12
- Plus OAS Benefit ($613.53×12): $7,362.36
- Income including OAS: $14,547.48

Example 3 – GIS benefit calculation (married)

- A married person is currently eligible for the full OAS monthly benefit ($613.53). Her total income is $11,200. Her spouse also had total earned income of $14,300. What is the size of the GIS benefit if her spouse:
  i. is not eligible for OAS?
  ii. is eligible for the full OAS benefit?

- We will work with current GIS maximums in this problem, that is for (i) GIS maximum benefit is $916.38 and for (ii) GIS maximum benefit is $551.63.

Example 3 – GIS benefit calculation (married)

If spouse is not eligible for OAS

• Income:	\$11,200
• Less OAS Benefit (\$613.53×12):	\$7,362.36
• Income excluding OAS:	\$3,837.64
• Spouse's Income:	\$14,300
• Total income for couple:	\$18,137.64
• Max GIS benefit:	\$916.38/month
• Less GIS reduction (\$18,137.64÷4):	\$4,534.41 or \$377.87/month
• Reduced GIS benefit:	\$538.51/month

Example 3 – GIS benefit calculation (married)

If spouse is eligible for OAS

• Income excluding OAS (from i.):	\$3,837.64
• Spouse's Income:	\$14,300
• Less OAS Benefit (\$613.53×12):	\$7,362.36
• Spouse's Income excluding OAS:	\$6,937.64
• Total income for couple:	\$10,775.28
• Max GIS benefit (for each):	\$551.63/month
• Less GIS reduction \$10,775.28÷4):	\$2,693.82 or \$224.49/month
• Reduced GIS benefit (for each):	\$327.14/month
• Total reduced GIS benefits:	\$654.28/month

2b) Spouse's Allowance/Allowance for the Survivor

- This is an income tested benefit paid to the spouse or widow/widower of a single income pensioner (receiving OAS)
- It is designed to recognize the difficulties faced by many surviving persons and/or couples living on the pension of only one spouse

Eligibility

- The applicants spouse must be receiving/entitled to receive OAS and GIS
- The applicant must:
  - be between the ages of 60-64 (less than age 65)
  - have lived in Canada for at least 10 years after age 18

2b) Spouse's Allowance/Allowance for the Survivor

Benefits

- To qualify for any benefit, the combined annual income of the couple (or widow's income) cannot exceed certain limits
- Recipients must re-apply annually
- Benefits are indexed quarterly to CPI
- Benefits are not taxable
- Benefits are payable outside of Canada for a maximum of 6 months
- Benefits stop when applicant (i.e spouse of OAS pensioner) **
    i. becomes eligible for OAS at age 65
    ii. dies
    iii. remarries (if survivor allowance) or the couple separates (if spousal allowance)

** Whichever of (i) – (iii) occurs first

2b) Spouse's Allowance/Allowance for the Survivor

Benefits

- The current maximum monthly Allowance benefits are:
  i. Maximum Spousal Allowance: **$1,165.16**
     - Maximum benefit is reduced for reported income (see below)
     - Currently there would be **no spousal allowance benefit if combined income is $34,416 or more**
  ii. Maximum Survivor Allowance: **$1,388.92**
     - Maximum benefit is reduced for reported income (see below)
     - Currently there would be **no benefit if survivor's (widow's) income is $25,056 or more**

1&2) OAS, GIS and Spouse's Allowance/Allowance for the Survivor

Benefits

Effective Date	OAS Monthly Benefit	GIS Monthly Benefit (Single)	GIS Monthly Benefit (Married)	Regular Allowance	Survivor's Allowance
2020-01-01	$613.53	$916.38	$551.63	$1,165.16	$1,388.92
2019-01-01	$601.45	$898.32	$540.77	$1,142.22	$1,361.56
2018-01-01	$586.66	$876.23	$527.48	$1,114.14	$1,328.08
2017-01-01	$578.53	$864.09	$520.17	$1,098.70	$1,309.67
2016-01-01	$570.52	$773.60	$512.96	$1,083.48	$1,213.00
2015-01-01	$563.74	$764.40	$506.86	$1,070.60	$1,198.58
2014-01-01	$551.54	$747.86	$495.89	$1,047.43	$1,172.65

2b) Spouse's Allowance/Allowance for the Survivor

Benefit Calculations (will not be covering)

- The spouse's allowance is reduced by $3 for every $4 of the couple's income from sources other than OAS, until the reduction is equal to the OAS pension
  - After that, the reduction is $1 for every $4 of couples combined monthly income (and $1 for every $2 above OAS reduction if survivor allowance)

3) <u>Canada/Quebec Pension Plan (C/QPP)</u>

Highlights

- The CPP came into effect January 1, 1966
- The Province of Quebec opted out of the Federal plan and created the QPP which overall is quite similar to the CPP
- C/QPP are compulsory programs that cover practically all employed people, including those that are self-employed
- Benefits are supported by contributions from employers and employees (not federal taxes or government subsidy)
- Benefits are earnings related and indexed annually
- Benefits include:
  - Retirement Benefits
  - Disability Benefits
  - Survivors Benefits-dependent pension, Death Benefit

3) Canada/Quebec Pension Plan (C/QPP)

Highlights

- C/QPP Retirement Benefit (core benefit)
  - The CPP benefit level was set to provide, along with OAS, a replacement ratio of approximately 40% of income up to the national average wage whereby 15% came from OAS and 25% came from the CPP
  - With recent changes tabled (CPP expansion) the CPP benefit level (25%) will be adjusted upward (more on this later)

- C/QPP Contributions (cover all CPP benefits)
  - Contributions are paid on earnings between the:
    - YBE – Year's Basic Exemption and
    - YMPE – Year's Maximum Pensionable Earnings

3) Canada/Quebec Pension Plan (C/QPP)

Contributions

- From 1966 to 1986, the contribution rate was 1.8% for employees (e'ees) and 1.8% for employers (e'ers) and 3.6% for those that were self-employed
- The contribution rate was progressively increased starting in 1987
  - As a result of the **1985 CPP Actuarial Report**, when it was determined that the 3.6% rate was inadequate to meet the long-term benefit obligations of the CPP
  - The total contribution rates moved from 3.6% to 5.8% (split 50/50 between e'er/e'ee) by 1997 (see chart in text)

3) Canada/Quebec Pension Plan (C/QPP)

Contributions

- In the **1997 Actuarial Report**, it was reported that if the contribution rate continued to rise by only 0.2% per year, CPP would run out of money by 2015
- Total contribution rates were gradually increased from 5.8% in 1997 to 9.9% in 2003 and where e'ee and e'er each contributed **4.95%**
  - Note: QPP contribution rates are now a bit higher than CPP
- In 2019, the contribution rate was a total of 10.2% (e'ee and e'er each contribute **5.1%**) of salary (with caps) and in 2020 it is a total of 10.5% (e'ee and e'er each contribute **5.25%**)
  - Increase is in consideration of CPP enhancements (more later)

3) <u>Canada/Quebec Pension Plan (C/QPP)</u>

Contributions

- **Contributions required** from workers who are age 18 **to the earliest of {death, start of CPP retirement pension, age 70}**
- Employee contributions are based on all earned income in excess of YBE until the maximums for the year has been paid
  - Contributions are deducted from pay
  - If an employee (e'ee) works for more than one employer (e'er) in any year, deductions are made by each employer
- 2020 employee and employer contributions are:

$$Total = \frac{10.5\%}{2} \times \min[(YMPE - YBE), (actual\ income - YBE)]$$

  - If self-employed, contributions are at full 10.5%