FTR Now

Changes to the Canada Pension Plan (CPP): Important Information For Employers

Date: December 22, 2011

Changes to required employer deductions for CPP contributions are coming into effect on January 1, 2012. This *FTR Now* reviews these changes to the CPP.

NO WORK INTERRUPTION

As of January 1, 2012, employees will no longer be required to either stop working or reduce their earnings in order to receive their CPP pension. As a result, employers will be able to retain employees who might have otherwise stopped working in order to receive their CPP pension.

EMPLOYEES UNDER AGE 65: EMPLOYERS MUST DEDUCT CPP CONTRIBUTIONS

As of January 1, 2012, an employer will be required to start deducting CPP contributions for any employee receiving a CPP pension who continues to work. These contributions will fund the new Post-Retirement Benefit (PRB) under the CPP, which will gradually increase the employee's CPP retirement income. The employee's PRB will be effective as of January 1 of the year following the year in which the employee's PRB contributions are made and will be added to the employee's current CPP pension.

EMPLOYEES BETWEEN AGE 65 AND 70: EMPLOYEE ELECTION

If an employee is at least age 65 but under age 70 and continues to work while receiving a CPP pension, the employer must deduct CPP contributions (and make the required employer CPP contributions) towards the new PRB unless the employee elects not to contribute by giving the employer a signed and completed copy of the new Form CPT30, *Election to Stop Contributing to the Canada Pension Plan, or Revocation of a Prior Election*. The employee must send the original of this form to the Canada Revenue Agency. The election is effective on the first of the month following the date the employee gave the signed and completed Form CPT30 to the employer.

An employee between age 65 and 70 who elects not to contribute to the CPP PRB may later change this decision by signing and completing another Form CPT30. Once an employee revokes a prior election not to contribute, the employee cannot make another election until the next calendar year.

EMPLOYEES OVER AGE 70: NO CPP DEDUCTIONS PERMITTED

The current rules continue to apply in respect of employees over age 70. Employees cannot contribute to the CPP after the month in which they reach age 70.

OTHER CHANGES TO CPP: BILL C-13

On December 15, 2011, Bill C-13, *Keeping Canada's Economy and Jobs Growing Act* received Royal Assent. For employers that provide disability benefits to their employees through self-funded or administrative services only (ASO) arrangements, Bill C-13 amends the CPP to require that employers deduct CPP contributions from such benefits. In the new year, our Pension and Benefits Group will be releasing an *FTR Now* providing more information on the CPP changes implemented in Bill C-13.

If you have questions about the changes to the CPP, please contact any member of our Pension and Benefits Group.
