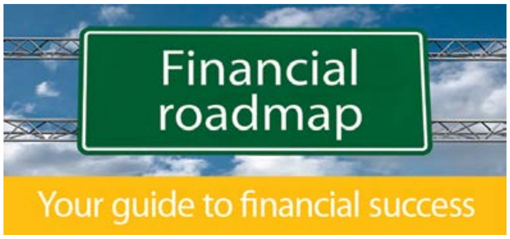


About the Canada Pension Plan

The Canada Pension Plan (CPP) is one of the two major components of Canada's social security benefits; Old Age Security (OAS) is the other. Unlike OAS, CPP requires contributions and it is funded by employer and employee contributions.

Participation in the CPP is compulsory for Canadian workers who are employed between 18 years and 65 years of age.

Contributions to CPP

Both you and the University contribute to CPP. Employee contributions are determined as a percentage of earnings (4.95%) above the basic exemption, up to a ceiling called the Year's Maximum Pensionable Earnings (YMPE). In 2015, the YMPE is $53,600 and the basic exemption is $3,500. Therefore, in 2015 the maximum annual employee CPP contribution is $2,479.75 [4.95% x ($53,600 - $3,500)].

The University matches your contributions.

CPP retirement pension

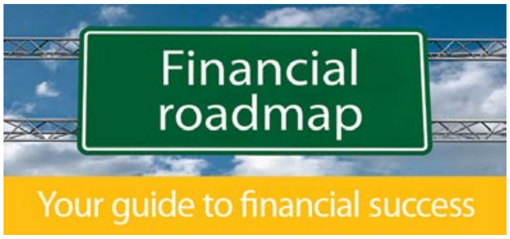
The amount of your CPP retirement pension is based on how much and how long you have contributed and at what age you begin receiving your pension. This differs from Old Age Security which is based only on age and residency.

Your CPP retirement pension at age 65 is equal to 25% of your average monthly pensionable earnings adjusted to reflect the average YMPE over the last five years. As a rule of thumb, you will receive the maximum CPP retirement pension if you contributed the maximum amount to CPP in at least 40 years. CPP benefits are taxable and are adjusted annually to reflect increases in inflation.

In 2015, the maximum CPP retirement pension, payable from age 65, is $1,065.

Drop-out Provision and Child Rearing Provision

Over your working life you might have had periods with low or zero earnings. In calculating your pension, CPP offers relief by dropping out 17% of your total contributory period, up to a maximum of 8 years. As well, if you or your spouse were the primary caregiver raising children under the age of 7, such years can be excluded by one spouse by completing the relevant parts of the application form. The drop out and child rearing provision will help increase your benefit by recognizing periods of low or no earnings.



Eligibility age

If you begin your CPP pension before age 65

You may choose to begin receiving your CPP pension as early as age 60, regardless of whether you are still working. Your pension will be reduced for early retirement. If you choose to begin receiving your CPP pension before age 65, while you are still working, you will be required to continue contributing to CPP until you reach age 65.

If you begin your CPP pension at age 65

If you choose to begin receiving your CPP pension at age 65, you will receive the full monthly pension you have earned in respect of your contributory service. If you continue to work beyond age 65 while receiving your pension, you will have the choice of whether to continue contributing.

If you begin your CPP pension after age 65

You also have the option to postpone the commencement of your CPP pension beyond age 65, but not later than age 70. In this case, your monthly pension will be increased accordingly.

Early or postponed CPP commencement

As you work and contribute to CPP, your pension continues to grow based on your service and earnings. In addition, there are age-related adjustments which apply on early or postponed CPP commencement to account for the longer or shorter anticipated payout period. These adjustments were recently changed with the 2011 amendments to the CPP. For example, CPP pensions commencing at age 70 will be 42% higher than those commencing at age 65. Starting in 2016, your CPP pension beginning at age 60 will be 36% lower than it would have been if you had stopped working at 60 but waited until age 65 to begin your pension.

Deciding when to start your CPP pension

There is a computable “break-even age” where two otherwise identical retirees, one starting earlier with a reduced CPP pension and one starting at age 65 with the normal CPP pension, will have accumulated the same total payments. For individuals who have earned the maximum CPP retirement benefit, this break-even is approximately age 73[1]. Since you cannot predict your mortality, you might want to think about which side of this break-even age at which you are most likely to enjoy the money. Many people feel they live the best years of their retirement in the early years. After age 70 or so, spending on consumables and travel may slow down; however, other expenses (e.g. healthcare) may rise. It’s important to anticipate your own spending patterns in retirement. More detail on this break-even calculation can be found in a separate article.

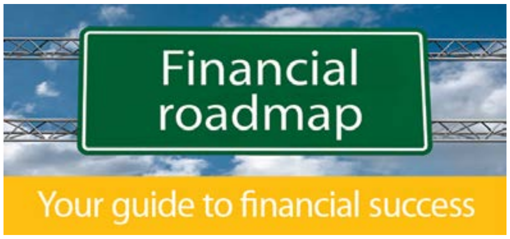
New CPP post-retirement benefits

Under the new rules, you no longer need to reduce your work hours or stop working in order to start collecting your CPP pension. If you begin your CPP pension before age 65 and continue working, both you and The University must continue making contributions to CPP. After age 65, if you continue to work, you decide whether to continue making CPP contributions or not. If you continue, the University must also continue contributing.

CPP contributions made after you start receiving your CPP pension are used to provide additional retirement benefits starting the following year, under the new CPP post-retirement benefit (PRB) provision. These additional PRB contributions[2] will not affect your other CPP benefits, nor are PRBs subject to credit splitting or pension sharing.

[1] It will be later for individuals who do not receive the maximum CPP pension due to a shorter contributory period

[2] PRB contributions are the same as current CPP contributions, i.e. both you and The University contribute 4.95% of earnings between the Year’s Basic Exemption ($3,500) and the YMPE ($53,600 in 2015).



The maximum PRB benefit you can earn each year is equal to $^{1}/_{40}{}^{th}$ of the maximum CPP retirement pension amount. In 2015, the maximum PRB benefit at age 65 is approximately $300 per year. PRBs are subject to the same early and postponed commencement adjustments and future indexing as regular CPP benefits.

Applying for CPP

Apply for your CPP pension at least six months before your anticipated retirement date.

Consider the following when applying for your CPP pension:

- Apply for the “child-rearing provision” if you have zero or low earnings because you were the primary caregiver raising your children. This may increase the amount of your CPP benefit.

- Sharing your CPP pension with your spouse or common-law partner may result in tax savings. To share your CPP pension, you must apply to Service Canada.

Visit the Service Canada website at http://www.servicecanada.gc.ca or call 1.800.277.9914.

For more information about how to apply for your CPP pension visit the Service Canada website.

Need more information?

You can find more information on CPP on the Service Canada website.

The Service Canada website—My Service Canada Account

Visit the Service Canada website at www.servicecanada.gc.ca to:

- Register as a new user
- Request a CPP personal access code (it will be sent to you through the mail)
- Log onto your *My Service Canada* account

Through your *My Service Canada* account, you will have access to a variety of information and tools, including:

- Your CPP Statement of Contributions – including a summary of your contributions and an estimate of the value of your benefits
- Your estimated monthly CPP pension amount
- A retirement income calculator to help you estimate your future retirement income from all sources
- The ability to request an estimate of your CPP pension at different retirement dates
- Online application for your CPP pension when you are ready to retire