PLANNING FOR

Retirement

SEVENTH-DAY ADVENTIST CHURCH

June 2011

Changes to the Canada Pension Plan

The Canada Pension Plan (CPP) is updating its provisions to more accurately reflect the needs of today's retirees. But not to worry—your CPP benefit will remain a secure, inflation-protected, lifetime stream of income.

While the changes will be of immediate interest to those of you closer to retirement, it is important for all Canadians to understand what CPP benefits are and how they work. That's why, in this issue of Planning for Retirement, we'll outline what the changes are and how they might impact you.

What Are the CPP Changes?

The changes to the CPP will take place over the next five years (2011-2016) and will include:

- Decreased early retirement monthly pension, if you receive your CPP benefit before age 65
- Increased deferred monthly pension, if you receive your CPP benefit after age 65
- Increased number of low-income drop-out years
- Receive benefits without having to stop working
- Required continued contributions to CPP for working retirees under 65
- Optional continued contributions to CPP for working retirees aged 65 to 70

Let's look at the changes in more detail.

Early vs. Deferred Monthly Pension

Your CPP benefit is based on the number of years you've worked and contributed to the CPP, and the average wage you've earned over your career. The normal CPP retirement age is 65, though you can start receiving your benefit as early as age 60 or as late as age 70.

To ensure retirees receive benefits of equal value regardless of when they retire, an *actuarial adjustment* is made as follows:

Early retirement benefits: Currently, benefits are reduced by 0.5% for each month the pension is taken before age 65 to account for the shorter period of time the retiree is paying into the CPP and the longer period of time the pension will be paid. Starting in 2012, the early retirement reduction will gradually increase to 0.6% for each month that the pension is taken before age 65 (see table below).

Deferred retirement benefits: Currently, benefits are increased by 0.5% for each month the pension is taken after age 65 to account for the longer period of CPP contributions and the shorter period of time the pension will be paid. Starting in 2011, the deferred retirement increase will gradually rise to 0.7% for each month that the pension is taken after age 65, up to age 70 (see table below).

Under the New Provisions

	Monthly Early Retirement Reduction	Monthly Deferred Retirement Increase
2011	N/A	0.57%
2012	0.52%	0.64%
2013	0.54%	0.70%
2014	0.56%	N/A
2015	0.58%	N/A
2016	0.60%	N/A

Example

Paul will reach his normal retirement date in 2021 at age 65. Based on his *CPP Statement of Contributions*, he expects his annual CPP benefit payable at age 65 to be $7,300, which will grow with inflation each year. Let's look at the difference in Paul's pension if he decides to retire at age 60, 65 or 70 under the old provisions versus the new provisions.

Under the Old Provisions ($ = monthly benefit)		Under the New Provisions ($ = monthly benefit)	
At age 60… $7,300 x (1 - 0.5% x 60 months)	$5,110	**At age 60…** $7,300 x (1 - 0.6% x 60 months)	$4,672
At age 65…	$7,300	**At age 65…**	$7,300
At age 70… $7,300 x (1+ 0.5% x 60 months)	$9,490	**At age 70…** $7,300 x (1+ 0.7% x 60 months)	$10,366

Your Annual Retirement Statement is Ready!

Your Annual Retirement Statement is available on the Retirement Planner! Just click the link on the welcome page and get ready to view your pension information.

To get started, visit https://www.tptools.ca/SDARetirementPlanner.

Who Will Be Impacted?

- **Current, working retirees under age 65.** Anyone under the age of 65 currently working and receiving CPP benefits.
- **Near-future retirees.** Anyone who applied for CPP benefits in 2010 and who will receive CPP benefits in 2011.
- **Employers.** Contribution requirements for some working CPP retirees and their employers will be affected by the proposed changes.

Who Will Not Be Impacted?

- **Current retirees over age 65.** Retirees over age 65, working or not working, will not be impacted by the changes unless they choose to continue contributing to the CPP until age 70.
- **Current retirees over age 70.** Retirees over age 70, working or not working, will not be impacted by the changes.

CPP Statement of Contributions

To view your *CPP Statement of Contributions* online, visit the Canada Service website. First-time users will need to request a personal access code by clicking the *personal access code* link and following the steps outlined.

To get started, visit http://www.servicecanada.gc.ca/eng/isp/common/proceed/socinfo.shtml.

CPP Changes: More Info

The changes to the CPP provisions will impact retirees in different ways depending on their personal circumstances. If you would like more information about the changes, please contact the Canada Revenue website http://www.servicecanada.gc.ca or call toll-free 1 800 0-Canada (1-800-622-6232).

What About the Quebec Pension Plan?

The changes to the CPP do not affect the Quebec Pension Plan (QPP). For information about the QPP, please visit http://www.rrq.gouv.qc.ca/en/accueil/Pages/accueil.aspx.

Your Church Pension

The Church provides you with a guaranteed, monthly pension for your life and, if applicable, the life of your spouse. This is a fully paid benefit — you do not need to contribute — and, as with the CPP, you can take your pension early (reduced by 0.5% for each month the pension is taken before age 65, unless you are age 60 with 95 points when you retire) or delay it up to age 71.

Drop-out Years

The *general low earnings drop-out* provision allows you to drop up to seven of your lowest income-earning years (or 15%) from the formula that determines your CPP benefit.

The new CPP provision will increase the number of drop-out years from seven to:

- Up to seven and a half years (or 16%) in 2012
- Up to eight years (or 17%) in 2014

Since your benefit is based on the number of years you have worked and contributed to the CPP, as well as your average career wages, dropping seven of your lowest income-earning years could boost your CPP benefit.

Keep Working

The current *work cessation* provision requires you to stop working or reduce your earnings for at least two months before you can receive your early retirement CPP benefits. As of 2012, work cessation will no longer be required.

You will be able to apply for benefits as early as age 60 without having to stop or reduce your work hours. This means that if you are looking to enhance your income with your CPP benefits while still working, you'll be able to do so without losing two months of full or partial wages

Keep Contributing

Under the present provision, you can't contribute to the CPP once you begin receiving your benefits. Your CPP pension is calculated at the time you retire and your monthly benefit changes only with inflation.

As of 2012, if you retire early and continue to work:

- You and your employer will be required to contribute to the CPP up to age 65
- You may volunteer to contribute from age 65 up to age 70 (your employer is not required to contribute)

This change will allow you to work, receive benefits and continue to grow your CPP pension even after you retire. This may be of particular interest to employees who have not contributed to the CPP for a long period of time.

Your Total Retirement Income

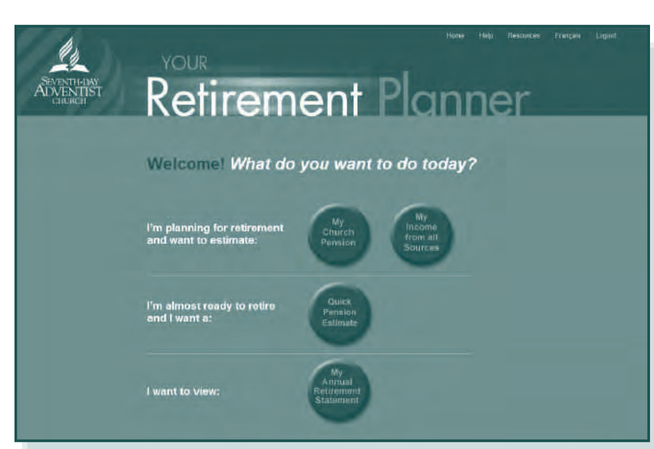
So now that you understand your CPP benefits a little more, you have a better idea of what to expect when you retire. But remember that your CPP benefits are just one aspect of your retirement income—your Church pension and your personal savings also play a part.

Doing the Math

How can you know if you'll have enough income to meet your retirement goals?
There are two steps that you can take to help ensure you can retire when and how you want:

Step 1 ▸

Visit the Retirement Planner at https://www.tptools.ca/SDARetirementPlanner. In a few easy steps, the Planner will estimate your potential retirement income, including your Church pension plan, personal savings and government benefits.



Step 2 ▸

Speak with a financial advisor. Personal financial advising is not only for wealthy people or for those close to retirement. A financial advisor can help you plan for retirement, balancing your financial needs with your desired retirement lifestyle.

Tell Us What You Think!

If you have any questions, comments or suggestions, please don't hesitate to contact us. **We appreciate your feedback!**
You can contact the Retirement Department at **905-433-0011** or write to **retirement@sdacc.org**.