

A Beginner's Guide

TO
CANADA'S
PUBLIC
PENSION
SYSTEM





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FOREWORD

Many people who want to understand Canada's public pension system find that it is complicated and sometimes confusing. They also find at times that it is hard to get a picture of what Canadian public pensions are all about. Even though information is available, it can be difficult to find it in one place and in a form that is easy to understand.

This booklet is intended to provide a basic overview of Canada's public pensions. It is published by the *Gerontology Research Centre at Simon Fraser University* with funding from the *Royal Canadian Legion, Pacific Command*. It covers highlights only. On the last pages, you will find phone numbers and addresses in Canada where you can get further details.

The information here refers to both men and women. However, because Canadian women usually live longer than men and often interrupt their paid work for family responsibilities, there are some facts that are especially important for women to know. These will be marked with the sign ♀. The information in this booklet is current at the time of printing. Please check with sources indicated at the end of the booklet for further reference.

To distribute this booklet as widely as possible we encourage you to share your copy or to make copies and circulate them to other interested persons or groups.

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OLD AGE SECURITY

The Old Age Security Program (OAS) is a federal government program that is paid out of general tax revenues.

Benefits include:

- the basic OAS pension,
- the Guaranteed Income Supplement (GIS) and
- the Spouse's Allowance (SPA).

Benefits are increased every three months, in accordance with increases in the cost of living (*the Consumer Price Index*).

(1) OLD AGE SECURITY PENSION

The OAS pension is a monthly pension paid to anyone 65 years or over, if certain eligibility conditions are met.


These include:

- citizenship or
- legal residence in Canada – a minimum of 10 years of residence in Canada after age 18 is required.

If a person wants to receive the pension but lives outside of Canada, he or she must have lived a minimum of 20 years in Canada. The OAS benefit is taxable. You do not have to be retired to receive it.

If your personal annual income exceeds \$53,215, a portion of the benefit is repaid to the government according to a reduction repayment schedule. This is commonly referred to as the OAS 'clawback'. If your income exceeds approximately \$84,483 you will not get the OAS.

Canada has reciprocal agreements with a number of countries which allow payment of the OAS outside of Canada. These agreements assist people in meeting the basic (10 year) residence requirement. (*See the end of this booklet for further details*).

 You must apply for the pension – it will not be sent to you automatically when you reach the age of 65.

(2) GUARANTEED INCOME SUPPLEMENT

If you have little or no income except for the OAS, you may qualify for a *Guaranteed Income Supplement* (GIS). The monthly benefit is based on your income and the income of your spouse if you have a spouse.

You must reapply every year for the GIS.

(3) SPOUSE'S ALLOWANCE

This monthly allowance (SPA) is based on your and your spouse's income, which must not exceed a set limit. A spouse can be a legal or a common law partner.

Eligibility qualifications:

- your age (between 60-64),
- marital status (you must be the spouse of someone getting the OAS and the GIS) and
- your length of residence in Canada.

(4) WIDOWED SPOUSE'S ALLOWANCE

There is a *Widowed Spouse's Allowance* that is available to widowed persons aged 60-64 if income conditions are met.

PLEASE NOTE

♀ The government is proposing to change the present *Old Age Security* system in the year 2001. The new program will be called the *Seniors Benefit* and it will include the OAS and the GIS. The SPA will stay as it is. The proposed *Seniors Benefit* will be income tested, **based on the combined incomes of both spouses**. There will be an income threshold of \$25,921 of family net income. Above that income level the benefit will be gradually reduced. Single persons with incomes of \$51,721 or more and couples with combined incomes of \$77,521 or more will not receive benefits.

The *Seniors Benefit* will not be taxed, and will be indexed to the cost of living. GIS recipients will receive an extra \$120 per year over what they get now. You will only have to apply once for the benefit at age 65. Your level of benefits will be automatically recalculated for you according to your previous year's tax return. Persons who are 65 now and getting the OAS can continue in the present system. Those who were 60 or over on December 31, 1995 can choose the present system or move to the new system. It is important for you to keep informed about these proposed changes to the retirement system. Because the new system will be **based on the combined spousal income**, couples should find out what will happen to benefits on the death of a spouse (*to get copies of the proposed Seniors Benefit, see page 11*).

THE CANADA/QUÉBEC PENSION PLAN

The *Canada/Québec Pension Plan (C/QPP)* is an insurance plan that covers a large number of Canadians when they retire. It offers other benefits as well as a retirement pension. The funding of the C/QPP comes entirely from the contributions it receives from employees and employers. If you have a paid job, work full time or in some cases part time, you and your employer make matching contributions up to a maximum, which are automatically taken off your earnings. Self-employed persons must make the total contribution. The benefits you will receive are based on your earnings and the total years of contributions to the plan. Benefits are indexed to inflation. Québec workers come under the *Québec Pension Plan* which is co-ordinated with the CPP, and is very similar. Benefits, available anywhere in Canada, can include a retirement pension, survivor's, children's, disability and death benefits, and a child rearing drop out period. **You must apply for all C/QPP benefits – they are not sent out automatically.** If you paid into both the CPP and QPP you should apply to the plan you last paid into.



(1) RETIREMENT PENSION

Retirement benefits are equal to 25% of credited lifetime earnings. A full retirement pension starts at age 65. You may be eligible for early retirement benefits when you are aged between 60 and 64, but these will be reduced 1/2% per month of early retirement. You may postpone receiving benefits up to the age of 70 and benefits will be increased accordingly. Benefits are indexed every January to reflect increases in the cost of living. **You should apply for this pension at least 6 months in advance.** You can share retirement benefits with your spouse if you are married or living common law, if your spouse is at least 60 years of age.



Credit splitting

If you are divorced or separated you may divide any CPP credits that you or your spouse have earned. These may be divided equally over the life of the marriage, or the period of a common-law union. There are some provincial differences with regard to this.

(2) DISABILITY BENEFITS

If you are under 65, have CPP credits, and have a severe or prolonged disability (*according to CPP definitions*) you may be eligible for a CPP benefit. Benefits may also be paid on behalf of your dependent children if you are receiving a disability benefit, until they reach age 18, or up to age 25 if they continue to attend school full-time. There are similar *Orphan's Benefits*.



(3) SURVIVORS' BENEFITS

A spouse (*married or common-law*) of a deceased contributor may be eligible for a survivor's pension if he or she qualifies according to CPP requirements.

These include:

- the survivor's age,
- the amount of the deceased spouse's contributions and other eligibility qualifications.

Survivors' benefits continue to be paid if the recipient remarries.



(4) DROP-OUT PERIODS


Certain periods when you have low or no earnings – up to 15% of years between age 18 and 65 – may be excluded from calculations of your pensionable earnings when you apply for a pension. Also, periods of low or no earnings while you are caring for a child

who is under age 7 may be excluded from pensionable earnings. This child-care provision is commonly referred to as the 'child-rearing dropout'. Periods of CPP disability may also be excluded.



(5) DEATH BENEFITS

A lump sum death benefit is paid if the deceased had CPP contributions for a certain qualifying period. The minimum period is similar to that required to receive a surviving spouse's pension. This benefit is generally paid to the deceased's estate but can also be paid where there is no will or estate.

 None of the CPP benefits come to you automatically. You must apply for all CPP benefits.

PLEASE NOTE

The government is considering changes to the CPP which could affect contribution rates, disability benefits, death benefits, and survivor's benefits among other things.

The proposed changes to the CPP were tabled as draft legislation at the time of publication of this booklet.

It is important that you keep informed about any changes as these may affect you in the future.

VETERANS SERVICES AND BENEFITS

Veterans Affairs provides a wide range of services and benefits, including pensions for dependents and survivors, disability pensions, war veterans allowance, home care, long term care and other benefits. For information call the nearest *Veterans Affairs District Office* listed in the Government of Canada section of your telephone book. Information may also be obtained from *Provincial Command Offices of The Royal Canadian Legion*.

REGISTERED RETIREMENT SAVINGS PLANS

A Registered Retirement Savings Plan (RRSP) is an individual retirement savings plan. It allows you to save earned income within certain limits. What you save in your RRSP fund is tax deductible within limits and the investments that the fund earns are not taxed. You may withdraw money from your fund at any time before you retire, but these withdrawals are taxable. At a given age, currently 69, your fund must be converted to an annuity or a Registered Retirement Investment Fund (RRIF), and taxes must be paid.



REGISTERED PENSION PLANS

Registered Pension Plans (RPP) are employee retirement benefit programs provided by employers or unions to employees in both the public and private sectors. They are often referred to as private pension plans to make a distinction between them and the public pension system. RPP and Group RPP come under provincial and federal pension legislation. There are numerous types of plans, and they differ with regard to coverage, membership, benefits, retirement ages and so on. Survivors' benefits, not available in all private plans, can vary based on whether the beneficiary dies before or after retirement. If it is the latter, this survivor's benefit may be waived if both spouses have signed a waiver form.

FURTHER INFORMATION

By telephone – Income Security Programs

1-800-277-9914 (English)

1-800-277-9915 (French)

TDD call 1-800-255-4786 (hearing impaired)

Human Resources Development Canada Homepage:

http://hrdc-drhc.gc.ca/hrdc/isp/ispind_e.html (English)

http://hrdc-drhc.gc.ca/hrdc/isp/ispind_f.html (French)

For further information about the Seniors Benefit write to:

Distribution Centre, Department of Finance,
300 Laurier Avenue, Ottawa, ON, K1A 0G5
Phone: (613) 995-2855 or fax: (613) 996-0518.

For information about Canada's reciprocal social agreements with other countries call:

The nearest *Client Service Centre*, Income Security Programs Branch, Human Resources Development Canada at the above numbers or write to the addresses listed on the next page.

~ Income Security Programs Regional Offices ~

NEWFOUNDLAND

P.O. Box 9430
St. John's, NF
A1A 2Y5

PRINCE EDWARD ISLAND

P.O. Box 1238
Charlottetown, PEI
C1A 7M9

NEW BRUNSWICK

P.O. Box 250
Fredericton, NB
E3B 4Z6

NOVA SCOTIA

P.O. Box 1687,
Postal Station "M"
Halifax, NS
B3J 3J4

ONTARIO

P.O. Box 5100
Postal Station "D"
Scarborough, ON
M1R 5C8

70 Cedar Street South
P.O. Bag 2013
Timmins, ON
P4N 8C8

65 William Street South
P.O. Box 2020
Chatham, ON
N7M 6B2

QUÉBEC

330 Gare-du-Palais Street
P.O. Box 1816
Québec, QC
G1K 7L5

MANITOBA

P.O. Box 818, Station Main
Winnipeg, MB
R3C 2N4

SASKATCHEWAN

South Broad Plaza,
5th Floor, 2045 Broad Street
Regina, SK
S4P 1Y4

ALBERTA & NORTHWEST TERRITORIES

Suite 156A, Canada Place
9700 Jasper Avenue
Edmonton, AB
T5J 4K3

BRITISH COLUMBIA & YUKON

203 - 910 Government Street
Victoria, BC
V8W 1X3

