THE UNIVERSITY OF BRITISH COLUMBIA

CANADA PENSION PLAN RETIREMENT BENEFITS

Years ago, UBC faculty would retire at the mandatory retirement age of 65 and start collecting their UBC pension, Canada Pension Plan (CPP) retirement benefits and, if applicable, Old Age Security (OAS). Today, with the prohibition of mandatory retirement, marked improvements in mortality rates, and changes to the CPP and OAS programs, planning for retirement has become less straightforward. There are many decisions to be made, including:

- When, or even whether, to stop working completely;
- When to start receiving your pension income from the UBC Faculty Pension Plan (FPP);
- When to start your CPP retirement pension;
- Whether to contribute to the CPP after age 65 if you are still working and receiving your CPP retirement pension; and
- Whether and how to split your various sources of pension income with your spouse, if applicable.

This article focuses on the decisions related to your CPP retirement pension— when to start taking it, whether to contribute additional amounts, and the implications of those choices.

If you are age 55 or over, you are eligible to retire and elect the FPP retirement income options. You may elect to retire under the FPP as early as the first month following your 55th birthday or the first of any succeeding month. Under the Income Tax Act, the latest you can defer receiving your FPP pension is the end of the year in which you turn 71, regardless of whether you are still working.

You can elect to start receiving your CPP retirement pension as early as age 60, even if you continue to work. The CPP rules provide flexibility as you transition from active employment to retirement, recognizing this is often an ongoing process rather than a one-time event.

Your CPP Statement of Contributions, available from Service Canada, will confirm how much you have contributed to the CPP and assist you in estimating your CPP retirement pension. CPP retirement pension is intended to replace approximately 25% of CPP pensionable earnings[1]. An enhancement project for the CPP started on January 1, 2019 and was fully implemented on January 1, 2025. The enhancements will see gradual increases in contribution rates and increases in the amount of benefits received. The enhancements only affects those who contribute to the CPP in 2019 or after. In order to receive the full benefit from the program enhancement, an individual contributing under the new regime for 40 years from the 2019 start date can expect to replace 33% of the new amount of CPP pensionable earnings.

[1] Between the Year's Basic Exemption (YBE) ($3,500) and the Year's Maximum Pensionable Earnings (YMPE) ($71,300 in 2025)

Early or Delayed CPP Commencement

As you work and contribute to the CPP, your CPP retirement benefit continues to grow based on your years of service and earnings. When you start your CPP retirement pension, there are age-related adjustments which apply if you choose an earlier or a later commencement date.

CPP retirement benefits normally begin at age 65. If you start your CPP retirement pension before age 65, payments decrease by 0.6% each month, equivalent to 7.2% per year, up to a maximum reduction of 36% if you start at age 60. If you start your CPP retirement pension after age 65, payments increase by 0.7% each month, equivalent to 8.4% per year, up to a maximum of 42% at age 70.

Deciding when to start your CPP Pension

Deciding when to start your CPP retirement pension will depend on your personal and financial circumstances. There is a computable "break-even age" where two otherwise identical retirees, one starting a reduced CPP retirement pension at the earliest date and one starting at age 65 with the normal CPP retirement pension, will have accumulated the same total payments. For individuals earning the maximum CPP retirement benefit, the break-even age is approximately age 73. Since you cannot predict your mortality, you might want to think about which side of this break-even age 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 73 or so, spending on consumables and travel may slow down; however, other costs, e.g. healthcare, may rise. It is important to consider your own likely spending patterns into retirement.

CPP Post-Retirement Benefits

You do not need to reduce your work hours or stop working in order to start collecting CPP. If you start your CPP retirement pension before age 65 but continue to work, both you and UBC must continue making CPP contributions. After age 65, if you continue to work, you choose whether to continue making CPP contributions or not. If you continue, UBC must also continue their share.

CPP contributions made after you start receiving your CPP retirement pension are used to provide additional retirement benefits starting the following year under the CPP Post-Retirement Benefit (PRB) provision. These additional PRB contributions[2] will not affect your other CPP benefits, nor are PRBs subject to Canada Revenue Agency's pension income splitting or (CPP) pension sharing.

Your decisions regarding when to start receiving CPP retirement pension and whether to continue making CPP contributions should be made within the context of your overall personal financial circumstances. You will need to consider several issues, including the cost of additional CPP contributions relative to the PRBs earned, and the tax implications of the available options.

More Information

To learn more about your Canadian public pensions, visit the Government of Canada website at canada.ca/en/services/benefits/publicpensions. For information about your UBC FPP retirement options, visit the FPP website at faculty.pensions.ubc.ca.

[2] PRB contributions are the same as current CPP contributions; both you and UBC contribute 5.95% of earnings between the Year's Basic Exemption ($3,500) and the Year's Maximum Pensionable Earnings (YMPE) ($71,300 in 2025), and 4.0% of earnings between the YMPE and the Year's Additional Maximum Pensionable Earnings (YAMPE) ($81,200 in 2025).