

Canada Pension Plan and Canada Pension Plan Disability



What You Need to Know

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Canada Pension Plan (CPP) and Canada Pension Plan Disability (CPPD) are cornerstones of Canada's public pension system. Both provide financial support to Canadians during retirement and help in times of need, such as disability or the loss of a loved one. This article covers aspects of the CPP and CPPD including its benefits, eligibility criteria, and how to apply.

What is the Canada Pension Plan?

Canada Pension Plan is a contributory program managed by the federal government. It is designed to replace a portion of your income when you retire, face a disability, or pass away (with benefits available for your family). The program is funded through contributions from workers, employers, and self-employed individuals.

CPP offers several benefits:

- 1. Retirement Pension:** Regular payments to provide income during retirement.
- 2. Disability Benefits:** Monthly income for contributors who cannot work due to a severe and prolonged disability.
- 3. Survivor Benefits:** Payments to the family of a deceased contributor, including a death benefit, survivor's pension, and children's benefits.

Types of Disability Benefits

For those facing disabilities, the CPP provides two options:

- 4. Standard Disability Benefit:** For individuals under 65 who meet contribution and disability requirements.
- 5. Post-Retirement Disability Benefit:** For individuals aged 60 to 65 who are already receiving a CPP retirement pension but later become disabled.

What constitutes a disability under CPPD?

Under Canada Pension Plan Disability, a disability constitutes an inability to maintain substantially gainful work due to a "grave condition" (more on that shortly), or an individual with a terminal illness. Gainful work is a job that pays wages equal to or greater than the maximum annual amount a person could receive

as a disability pension. So as an example, if you were a truck driver and can no longer drive because of your condition, you actually won't necessarily be approved as you may still be able to find other employment. A grave condition is a progressive medical condition like Parkinson's or Atypical Parkinsonism/Parkinson's Plus syndromes. A terminal illness is an illness that cannot be cured or adequately treated and is reasonably expected to result in death within six months.

Who is Eligible for CPP?

To qualify for any CPP benefit, you must have worked in Canada and contributed through your earnings. Contributions are mandatory for workers aged 18 to 70 who earn above the annual minimum threshold. Other eligibility depends on the specific benefit you are applying for:

Retirement Pension

- ✦ Must be at least 60 years old.
- ✦ Have made at least one valid CPP contribution.

Disability Benefits

- ✦ Be under 65 for the standard benefit or between 60 and 65 and receiving CPP retirement pension for the post-retirement benefit.
- ✦ Have a severe and prolonged disability that prevents gainful employment.
- ✦ Made sufficient contributions in at least four of the last six years (or three of the last six years if you contributed for 25+ years).

Survivor Benefits

- ✦ Available to family members of a deceased contributor, such as a spouse, common-law partner, or dependent children.

How Does CPP Work?

Contributions

- ✦ Employees contribute a percentage of their earnings, matched by their employers.
- ✦ Self-employed individuals pay both portions.

Benefit Amounts

- ✦ Payments depend on how much and how long you have contributed.

- ✦ Early retirement reduces your benefit, while delaying it increases the amount.

Inflation Adjustments

- ✦ Benefits are indexed annually to keep up with the cost of living.

Post-Retirement Contributions

- ✦ If you work while receiving CPP (and are under 70), additional contributions can increase your benefits.

Applying for CPP Benefits

You must apply to start CPP and CPPD benefits; they are not automatically granted (except for the Post-Retirement Benefit). For CPP in some cases you may only need to select when you want to start your pension and not require any additional steps. You will need to gather some documentation, submit your application (via mail or online through your My Service Canada account), and then wait for your notification of decision. If denied, you can request a reconsideration or appeal.

It is important to note that some applications for CPP/ CPPD may be declined. Reasons for being declined can include not having made CPP contributions or if your disability does not meet their criteria.

Additional Details

Combining Benefits: You can receive a combination of benefits, such as retirement and survivor benefits, though there are limits to the total amount.

Pension Splitting: Married or common-law partners can share CPP retirement pensions to reduce their overall tax burden.

Support for Returning to Work: Recipients of disability benefits may qualify for vocational rehabilitation support if they are able to rejoin the workforce.

Canada Pension Plan (CPP) and Canada Pension Plan Disability (CPPD) provide a critical financial support to Canadians throughout their lives, whether during retirement, in the face of a disability, or after the loss of a loved one. Understanding your eligibility and the application process can help you maximize your benefits and by staying informed, you can make the most of this program.