

Allow Access to CPP Pension at Age 60 Regardless of Employment Status

2007

The Canada Pension Plan Act outlines access to the contributors pension at age 60 stating that the contributor cannot be employed and that there is "intent to retire" before the contributor is eligible for his or her pension. If the contributor is 65 years of age, employment status is not an issue regarding eligibility.

The act therefore requires an employee/contributor to cease employment if applying for CPP between the age of 60 and 65. This is creating an unnecessary inconvenience to both the employer and employee to access a pension that has been contributed to by both the employee and the employer.

In many cases, the reason for application to the CPP at age 60 is because of financial hardship. To expect the applicant to cease employment to access the pension defeats the purpose of applying at age 60. While the Chamber recognizes the pension is designed to enhance income in retirement, the ability to access the pension at a reduced rate at age 60 allows the pensioner a better standard of living while still employed. At age 65, the option of retirement is improved by access to the Old Age Pension benefits. However, at age 65, eligibility for either pension is not tested by employment status.

With an ever increasing demand for workers and a shrinking workforce, business today is reviewing mandatory retirement ages and encouraging employees to continue employment in the senior years. Major employers and unions are reviewing the mandatory retirement at age 65 to facilitate the need for a qualified, skilled workforce.

A commonly used strategy is for the employee to ask to be laid off to create eligibility for the CPP & then be hired back when benefits start. This creates staffing issues and hardships for the employers due to missed work days and financial hardship for the employee. CPP regulations do not require a pensioner to be unemployed after pension contributions start.

The Canada Pension Plan is considered a defined contribution plan and is in place for the benefit of the employee.

With increasing life expectancy, allowing workers to be eligible for benefits without ceasing to be engaged in paid employment or self-employment would reduce the overall burden on the CPP. Moreover, some individuals would continue working who otherwise would not, thereby resulting in increased tax revenues for the federal government.

In consideration of the impact on the pension plan, CPP is available to Canadians at age 60 up to, or beyond age 65. When taken at age 60, there is a 30% reduction in benefits payable. This reduction has been actuarially determined by the Federal Government to ensure the viability of the plan.

Recommendation

That the federal government:

1. Conduct an actuarial review to confirm the viability and sustainability of the plan by this policy/resolution, and if confirmed,
2. Amend the Canada Pension Plan Act as follows: Division D, section 67, part 2(c) be removed to allow an applicant to be eligible for benefits without ceasing to be engaged in paid employment or self-employment