

# CPP and the ORPP – An Update



Earlier this month, we reported on the Ontario Retirement Pension Plan (the “ORPP”). The ORPP is a mandatory provincial pension plan. Enrolment in the ORPP was to begin on July 1, 2017 with contributions for affected employers and employees phased-in between January 1, 2018 and January 1, 2020. As we noted in our earlier post, the ORPP was designed to integrate with any future expansion of the Canada Pension Plan (“CPP”) and may not be implemented if CPP is enhanced.

On June 20<sup>th</sup>, the Canadian federal and provincial finance ministers met to discuss CPP enhancement. To the surprise of many, the federal government and the provinces, except for Quebec and Manitoba, reached an agreement in principle to enhance CPP. The enhancements will be phased-in starting on January 1, 2019.

With the enhancement of the CPP comes the end of the ORPP. The Ontario government has indicated that the ORPP will not be implemented if the agreement on CPP enhancement is ratified by July 15, 2016.

The agreement in principle regarding CPP enhancements includes the following:

- income replacement under CPP will be increased from one quarter to one third of pensionable earnings;
- the maximum amount of income subject to CPP will be increased by 14% (\$54,900 in 2016 to a projected amount of \$82,700 in 2025);
- the federal Working Income Tax Benefit will be enhanced in order to offset the impact of increased contributions on low-income workers; and
- a tax deduction (instead of a tax credit) will be provided for the employee contributions associated with the enhancement.

More details are expected in the coming weeks.

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