

## Case File: Individual B

### Introduction

This report examines the impacts of a 2013 amendment to the Canada Pension Plan (CPP) regulations, which exempted certain earnings from being considered as pensionable earnings under the CPP.

In order to illustrate the negative impact of this change on Individual B, this report calculates what her CPP retirement pension will be at age 65 if she makes zero CPP contributions for the next 10 years, as compared to what it would have been if she had made maximum contributions for that same period of time.

### Methodology

All calculations are done in 2016 dollars. They are guaranteed to be 99.9% accurate, considering the following information:

- Calculations for Individual B's CPP retirement pension are based on her Unadjusted Pensionable Earnings (UPE) data provided from age 18 through to 2013, as detailed on her CPP statement of contributions. The calculations assume that her future CPP contributions will all be at the maximum level until age 65, aside from the 10-year period in question.
- The 10-year period subject to zero CPP contributions versus maximum contributions is January 2014 through December 2023.
- The months subject to the Child Rearing Dropout (CRDO) provision are November 1996 through June 2009, based on three children, born in October 1996, July 1999 and June 2002.

### Calculation Results

Individual B	With 10 years of zero CPP contributions	With 10 years of maximum CPP contributions	Value of 10 years of maximum CPP contributions
CPP retirement pension at age 65	\$702.68	\$1,023.32	+ \$320.64

**Note:** The above amounts are supported by the attached detailed calculation sheets, as follows:

- A-1 Individual B's age-65 CPP retirement pension, calculated with zero CPP contributions during the 10-year period
- A-2 Individual B's age-65 CPP retirement pension, calculated with maximum CPP contributions during the 10-year period

## **Impact of Child Rearing Dropout (CRDO) years**

As indicated in Appendix A-2, Individual B had 120 months of low-earning years during her potential CRDO period. This means that after the general 17% dropout, her pensionable earnings would be averaged over her best 30.67 years instead of the “normal 39.0 years” that would apply for someone starting their CPP at age 65 and if they didn’t qualify for the CRDO provision.

This means that each year of maximum pensionable earnings is worth \$35.62 towards her age-65 CPP retirement pension calculation, instead of the normal value of \$28.01. This further means that the 10-year period of zero contributions will negatively impact her by \$76.10 monthly more than if she hadn’t been a child-rearing parent.

## **Impact of additional years of post-secondary schooling**

As indicated in Appendix A-2, Individual B had 75 months of low earnings at the beginning of her contributory period, with 39 months of those being zero-earnings years. This means that she will drop out some or all of these months under the general 17% dropout when her CPP retirement pension is calculated and she therefore won’t be able to drop out as many of the years of zero earnings during the 10-year period than she otherwise could.

While it’s difficult to quantify the impact of this factor, it definitely means that the 10-year period of zero contributions will negatively impact her more than if she had been working during those early years, instead of attending the additional years of post-secondary education.

# *DR* Pensions Consulting

## **Abbreviations**

The following abbreviations are used in this document and on the following calculation sheets.

<b>AMPE</b>	Average Monthly Pensionable Earnings
<b>APE</b>	Adjusted Pensionable Earnings
<b>AYMPE</b>	Average Year's Maximum Pensionable Earnings
<b>CPP</b>	Canada Pension Plan
<b>CRDO</b>	Child Rearing Dropout
<b>DSB</b>	Disability
<b>DUPE</b>	Division of Unadjusted Pensionable Earnings
<b>RTR</b>	Retirement Pension
<b>Flex RTR</b>	Retirement Pension adjusted for taking in earlier or later than age 65
<b>SVR</b>	Survivor's benefit
<b>TNCM</b>	Total Number of Contributory Months
<b>UPE</b>	Unadjusted Pensionable Earnings
<b>YMPE</b>	Year's Maximum Pensionable Earnings

Year	Contrib mths	UPE	YMPE	APE	Number of dropout months					Total mths dropout	APE after dropout
					15-17%	CRDO 1	CRDO 2	DSB	over 65		
1966	0		\$5,000	\$0.00						0	\$0.00
1967	0		\$5,000	\$0.00						0	\$0.00
1968	0		\$5,100	\$0.00						0	\$0.00
1969	0		\$5,200	\$0.00						0	\$0.00
1970	0		\$5,300	\$0.00						0	\$0.00
1971	0		\$5,400	\$0.00						0	\$0.00
1972	0		\$5,500	\$0.00						0	\$0.00
1973	0		\$5,600	\$0.00						0	\$0.00
1974	0		\$6,600	\$0.00						0	\$0.00
1975	0		\$7,400	\$0.00						0	\$0.00
1976	0		\$8,300	\$0.00						0	\$0.00
1977	0		\$9,300	\$0.00						0	\$0.00
1978	0		\$10,400	\$0.00						0	\$0.00
1979	0		\$11,700	\$0.00						0	\$0.00
1980	0		\$13,100	\$0.00						0	\$0.00
1981	0		\$14,700	\$0.00						0	\$0.00
1982	3	\$0	\$16,500	\$0.00	3					3	\$0.00
1983	12	\$1,877	\$18,500	\$5,321.00						0	\$5,321.00
1984	12	\$3,508	\$20,800	\$8,844.00						0	\$8,844.00
1985	12	\$4,045	\$23,400	\$9,065.00						0	\$9,065.00
1986	12	\$0	\$25,800	\$0.00	12					12	\$0.00
1987	12	\$0	\$25,900	\$0.00	12					12	\$0.00
1988	12	\$0	\$26,500	\$0.00	12					12	\$0.00
1989	12	\$13,605	\$27,700	\$25,756.00						0	\$25,756.00
1990	12	\$28,212	\$28,900	\$51,192.00						0	\$51,192.00
1991	12	\$30,500	\$30,500	\$52,440.00						0	\$52,440.00
1992	12	\$27,592	\$32,200	\$44,936.00						0	\$44,936.00
1993	12	\$7,146	\$33,400	\$11,220.00						0	\$11,220.00
1994	12	\$34,400	\$34,400	\$52,440.00						0	\$52,440.00
1995	12	\$34,900	\$34,900	\$52,440.00						0	\$52,440.00
1996	12	\$32,321	\$35,400	\$47,879.00						0	\$47,879.00
1997	12	\$23,930	\$35,800	\$35,053.00						0	\$35,053.00
1998	12	\$27,412	\$36,900	\$38,956.00						0	\$38,956.00
1999	12	\$27,508	\$37,400	\$38,570.00						0	\$38,570.00
2000	12	\$0	\$37,600	\$0.00		12				12	\$0.00
2001	12	\$16,323	\$38,300	\$22,349.00			12			12	\$0.00
2002	12	\$5,487	\$39,100	\$7,359.00			12			12	\$0.00
2003	12	\$0	\$39,900	\$0.00		12				12	\$0.00
2004	12	\$8,814	\$40,500	\$11,412.00			12			12	\$0.00
2005	12	\$0	\$41,100	\$0.00		12				12	\$0.00
2006	12	\$0	\$42,100	\$0.00		12				12	\$0.00
2007	12	\$32,812	\$43,700	\$39,374.00						0	\$39,374.00
2008	12	\$44,900	\$44,900	\$52,440.00						0	\$52,440.00
2009	12	\$46,300	\$46,300	\$52,440.00						0	\$52,440.00
2010	12	\$37,314	\$47,200	\$41,456.00						0	\$41,456.00
2011	12	\$48,300	\$48,300	\$52,440.00						0	\$52,440.00
2012	12	\$50,100	\$50,100	\$52,440.00						0	\$52,440.00
2013	12	\$51,100	\$51,100	\$52,440.00						0	\$52,440.00
2014	12	\$0	\$52,500	\$0.00	12					12	\$0.00
2015	12	\$0	\$53,600	\$0.00	12					12	\$0.00
2016	12	\$0	\$54,900	\$0.00	12					12	\$0.00
2017	12	\$0	\$54,900	\$0.00	7					7	\$0.00
2018	12	\$0	\$54,900	\$0.00						0	\$0.00
2019	12	\$0	\$54,900	\$0.00						0	\$0.00
2020	12	\$0	\$54,900	\$0.00						0	\$0.00
2021	12	\$0	\$54,900	\$0.00						0	\$0.00
2022	12	\$0	\$54,900	\$0.00						0	\$0.00
2023	12	\$0	\$54,900	\$0.00						0	\$0.00
2024	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2025	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2026	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2027	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2028	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2029	9	\$54,900	\$54,900	\$39,330.00						0	\$39,330.00
2030	0		\$54,900	\$0.00						0	\$0.00
2031	0		\$54,900	\$0.00						0	\$0.00
2032	0		\$54,900	\$0.00						0	\$0.00
2033	0		\$54,900	\$0.00						0	\$0.00
2034	0		\$54,900	\$0.00						0	\$0.00
2035	0		\$54,900	\$0.00						0	\$0.00
<b>Total</b>	<b>564</b>			<b>\$1,159,792.00</b>	<b>82</b>	<b>48</b>	<b>36</b>	<b>0</b>	<b>0</b>	<b>166</b>	<b>\$1,118,672.00</b>

<b>TNCM after dropouts</b>	<b>398</b>	Client SIN	
<b>15-17% dropout</b>	<b>82</b>	Client name	Individual B
		Year of birth	1964
<b>AYMPE for year*</b>	<b>\$52,440</b>	Month of birth	9
<b>AMPE</b>	<b>\$2,810.73</b>	Year of RTR	2029
<b>RTR estimate</b>	<b>\$702.68</b>	Month of RTR	10
<b>"Flex" factor</b>	<b>100.00%</b>	"Flex" factor	100.00%
<b>flex RTR</b>	<b>\$702.68</b>	DSB flat-rate	\$471.43
		SVR flat-rate	\$183.93
<b>DSB Estimate</b>	<b>\$998.44</b>		
<b>&gt;65 SVR Estimate</b>	<b>\$421.61</b>	CRDO start	Nov-96
<b>&lt;65 SVR Estimate</b>	<b>\$447.44</b>	CRDO end	Jun-09
		AYPE for CRDO 2	\$26,971.91

Note: AYMPE is 3-year average pre-1998, 4-year average for 1998 and 5-year average post-1998.  
 Note: Shaded area above (if any) indicates period subject to DUPE (credit split)

Year	Contrib mths	UPE	YMPE	APE	Number of dropout months					Total mths dropout	APE after dropout
					15-17%	CRDO 1	CRDO 2	DSB	over 65		
1966	0		\$5,000	\$0.00						0	\$0.00
1967	0		\$5,000	\$0.00						0	\$0.00
1968	0		\$5,100	\$0.00						0	\$0.00
1969	0		\$5,200	\$0.00						0	\$0.00
1970	0		\$5,300	\$0.00						0	\$0.00
1971	0		\$5,400	\$0.00						0	\$0.00
1972	0		\$5,500	\$0.00						0	\$0.00
1973	0		\$5,600	\$0.00						0	\$0.00
1974	0		\$6,600	\$0.00						0	\$0.00
1975	0		\$7,400	\$0.00						0	\$0.00
1976	0		\$8,300	\$0.00						0	\$0.00
1977	0		\$9,300	\$0.00						0	\$0.00
1978	0		\$10,400	\$0.00						0	\$0.00
1979	0		\$11,700	\$0.00						0	\$0.00
1980	0		\$13,100	\$0.00						0	\$0.00
1981	0		\$14,700	\$0.00						0	\$0.00
1982	3	\$0	\$16,500	\$0.00	3					3	\$0.00
1983	12	\$1,877	\$18,500	\$5,321.00	12					12	\$0.00
1984	12	\$3,508	\$20,800	\$8,844.00	12					12	\$0.00
1985	12	\$4,045	\$23,400	\$9,065.00	12					12	\$0.00
1986	12	\$0	\$25,800	\$0.00	12					12	\$0.00
1987	12	\$0	\$25,900	\$0.00	12					12	\$0.00
1988	12	\$0	\$26,500	\$0.00	12					12	\$0.00
1989	12	\$13,605	\$27,700	\$25,756.00						0	\$25,756.00
1990	12	\$28,212	\$28,900	\$51,192.00						0	\$51,192.00
1991	12	\$30,500	\$30,500	\$52,440.00						0	\$52,440.00
1992	12	\$27,592	\$32,200	\$44,936.00						0	\$44,936.00
1993	12	\$7,146	\$33,400	\$11,220.00	1					1	\$10,285.00
1994	12	\$34,400	\$34,400	\$52,440.00						0	\$52,440.00
1995	12	\$34,900	\$34,900	\$52,440.00						0	\$52,440.00
1996	12	\$32,321	\$35,400	\$47,879.00						0	\$47,879.00
1997	12	\$23,930	\$35,800	\$35,053.00			12			12	\$0.00
1998	12	\$27,412	\$36,900	\$38,956.00			12			12	\$0.00
1999	12	\$27,508	\$37,400	\$38,570.00			12			12	\$0.00
2000	12	\$0	\$37,600	\$0.00			12			12	\$0.00
2001	12	\$16,323	\$38,300	\$22,349.00			12			12	\$0.00
2002	12	\$5,487	\$39,100	\$7,359.00			12			12	\$0.00
2003	12	\$0	\$39,900	\$0.00			12			12	\$0.00
2004	12	\$8,814	\$40,500	\$11,412.00			12			12	\$0.00
2005	12	\$0	\$41,100	\$0.00			12			12	\$0.00
2006	12	\$0	\$42,100	\$0.00			12			12	\$0.00
2007	12	\$32,812	\$43,700	\$39,374.00						0	\$39,374.00
2008	12	\$44,900	\$44,900	\$52,440.00						0	\$52,440.00
2009	12	\$46,300	\$46,300	\$52,440.00						0	\$52,440.00
2010	12	\$37,314	\$47,200	\$41,456.00						0	\$41,456.00
2011	12	\$48,300	\$48,300	\$52,440.00						0	\$52,440.00
2012	12	\$50,100	\$50,100	\$52,440.00						0	\$52,440.00
2013	12	\$51,100	\$51,100	\$52,440.00						0	\$52,440.00
2014	12	\$52,500	\$52,500	\$52,440.00						0	\$52,440.00
2015	12	\$53,600	\$53,600	\$52,440.00						0	\$52,440.00
2016	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2017	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2018	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2019	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2020	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2021	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2022	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2023	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2024	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2025	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2026	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2027	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2028	12	\$54,900	\$54,900	\$52,440.00						0	\$52,440.00
2029	9	\$54,900	\$54,900	\$39,330.00						0	\$39,330.00
2030	0		\$54,900	\$0.00						0	\$0.00
2031	0		\$54,900	\$0.00						0	\$0.00
2032	0		\$54,900	\$0.00						0	\$0.00
2033	0		\$54,900	\$0.00						0	\$0.00
2034	0		\$54,900	\$0.00						0	\$0.00
2035	0		\$54,900	\$0.00						0	\$0.00
<b>Total</b>	<b>564</b>			<b>\$1,684,192.00</b>	<b>76</b>	<b>48</b>	<b>72</b>	<b>0</b>	<b>0</b>	<b>196</b>	<b>\$1,506,328.00</b>

<b>TNCM after dropouts</b>	<b>368</b>	Client SIN	
<b>15-17% dropout</b>	<b>76</b>	Client name	Individual B
		Year of birth	1964
		Month of birth	9
<b>AYMPE for year*</b>	<b>\$52,440</b>	Reduction factor	0.006 /mth
<b>AMPE</b>	<b>\$4,093.28</b>	Year of RTR	2029
<b>RTR estimate</b>	<b>\$1,023.32</b>	Month of RTR	10
<b>"Flex" factor</b>	<b>100.00%</b>	"Flex" factor	100.00%
<b>flex RTR</b>	<b>\$1,023.32</b>	DSB flat-rate	\$471.43
		SVR flat-rate	\$183.93
<b>DSB Estimate</b>	<b>\$1,238.92</b>		
<b>&gt;65 SVR Estimate</b>	<b>\$613.99</b>	CRDO start	Nov-96
<b>&lt;65 SVR Estimate</b>	<b>\$567.68</b>	CRDO end	Jun-09
		AYPE for CRDO 2	\$39,167.26

Note: AYMPE is 3-year average pre-1998, 4-year average for 1998 and 5-year average post-1998.  
 Note: Shaded area above (if any) indicates period subject to DUPE (credit split)