



Canada Pension Plan Changes

What's new for 2025 and what does it mean for you?

What is the Canada Pension Plan?

The Canada Pension Plan (CPP) is a federal government program that provides pensions and benefits when people retire, become disabled or die. It covers almost all working Canadians over the age of 18, including people who are self-employed.

The CPP is funded by contributions from employers and employees, as well as investment earnings generated by the Canada Pension Plan Investment Board.

Secure and Predictable Retirement Income

CPP provides a secure and predictable retirement income for Canadians, outside the province of Quebec. Residents of Quebec are covered by the Quebec Pension Plan. Prior to the changes, someone who has contributed for at least 40 years under CPP is eligible to receive at age 65 an annual pension equal to 25% of his or her average earnings up to a ceiling; that pension is indexed to inflation.

WHAT'S NEW FOR 2025?

The higher ceiling called the Year's Additional Maximum Pensionable Earnings (YAMPE) that was introduced in 2024 for earnings covered by CPP is increasing. So, what does it mean for you?

An additional contribution is required

Starting with the first pay in 2025:



The CPP2 contribution of 4% will apply on earnings between the YMPE* and the YAMPE



The CPP2 contribution is based on your employment earnings between the YMPE (\$71,300) and the YAMPE (\$81,200)



McMaster will match your full CPP contributions

Higher benefits... eventually

You will also get higher CPP benefits but the increase will be gradual. Additional benefits will be based on the number of years that you contribute from 2019 to your benefit start date. The full effect of the changes to benefits will apply in roughly 40 years (by 2059).

* YMPE is the Year's Maximum Pensionable Earnings

Phased Approach For CPP Changes

Retirement Income is Enhanced

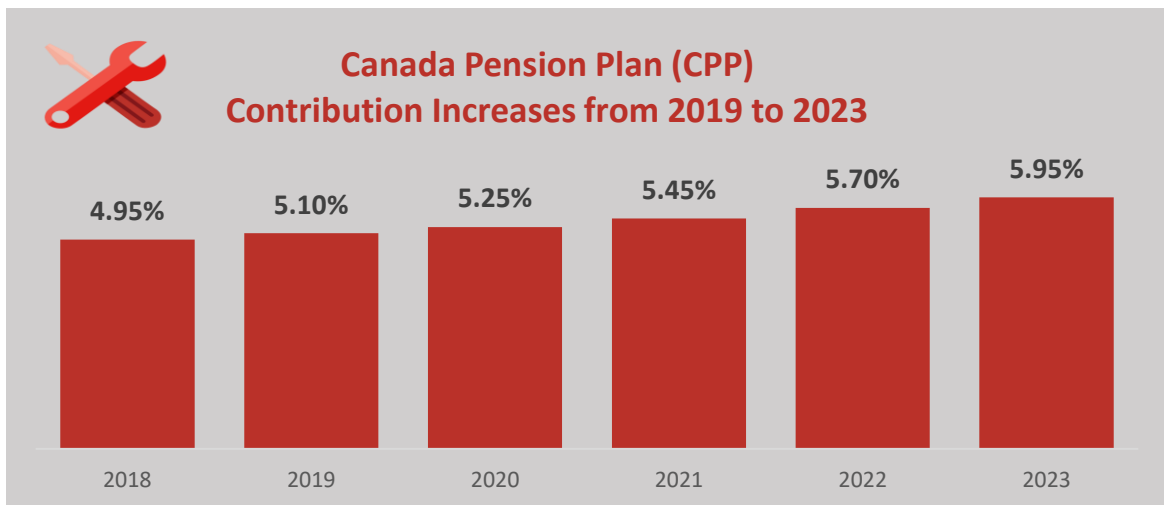
The federal government worked collaboratively with the provinces to increase the retirement income that will be paid from CPP to future retirees. The enhancement will see the benefit rate increase from 25% to 33% and the earnings ceiling increase by 14%. These enhancements are gradually being introduced. They started on January 1, 2019 and will be fully implemented over a 40-year period.

Contributions Have Been Increasing

In order to pay for the benefit enhancements under CPP, both employers and employees have seen their contributions increase.

Phase 1 (2019 to 2023)

Under the first phase, the rate of contribution on earnings covered by CPP increased each year from 2019 to 2023. Here is an overview of the contribution rates that you and McMaster, as your employer, have been paying under CPP:



Phase 2 (2024 – 2025)

A new second additional CPP contribution called the Year's Additional Maximum Pensionable Earnings (YAMPE) came into effect in 2024. It's based on a new earnings ceiling. In 2024, the YAMPE was approximately 7% higher than the YMPE. In 2025 and future years, the YAMPE will be approximately 14% higher than the YMPE. In addition to CPP contributions, in 2024 you began paying a second CPP contribution (CPP2) of 4% on your earnings in excess of the YMPE but not exceeding the YAMPE. McMaster also pays the additional 4% contribution.

The CPP2 contribution generates a tax deduction.

CPP Contributions Illustration

Here's an illustration of the maximum CPP and CPP2 Contributions in 2025 vs 2024. Your actual CPP contributions will be less if your earnings are below \$71,300. If your earnings are below \$71,300 the CPP2 Contribution will not apply to you.

CPP Contributions:	2024	2025
Year's Maximum Pensionable Earnings (YMPE)	\$68,500	\$71,300
Basic Exemption	\$3,500	\$3,500
CPP Contribution Rate	5.95%	5.95%
Calculation of Maximum Contributions for the Year	$(\$68,500 - \$3,500) \times 5.95\% = \$3,867.50$	$(\$71,300 - \$3,500) \times 5.95\% = \$4,034.10$
Increase in the Maximum CPP Contribution		\$166.60

CPP2 Contributions:	2024	2025
Year's Additional Maximum Pensionable Earnings (YAMPE)	\$73,200	\$81,200
Year's Maximum Pensionable Earnings (YMPE)	\$68,500	\$71,300
CPP Contribution Rate	4.0%	4.0%
Calculation of Maximum Contributions for the Year	$(\$73,200 - \$68,500) \times 4.0\% = \$188$	$(\$81,200 - \$71,300) \times 4.0\% = \$396$

Total Maximum CPP Contribution Plus Maximum Additional CPP Contribution	\$4,055.50	\$4,430.10
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McMaster University matches your contribution amounts.

Do I need to do anything?

There is nothing you need to do in respect of the CPP changes as they will happen automatically. CPP benefits constitute one source of retirement income for you. In light of the CPP changes, you should review your retirement income strategy considering all your sources of retirement income and savings.

More information about the CPP changes can be found on the [CRA's website](#).