

Decisions, Decisions: CPP-Disability or CPP-Retirement?

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Over 60 years old and leaving work due to ill health, fatigue or treatment?

Should you apply for CPP-Disability or CPP-Retirement? – Practical information to help make your decision

Imagine this situation – you are in your early 60’s and diagnosed with Sjogren’s or coping with Sjogren’s-related health concerns. You are thinking of leaving work, and need to secure your finances. One potential source for income replacement is the Canada Pension Plan. But within this Plan there are two options to consider – Canada Pension Plan Retirement Pension (CPP-R) and Canada Pension Plan Disability Pension (CPP-D). Here is some practical information to further explain the programs, their criteria, and your options to consider.

Program Introductions:

	Canada Pension Plan – Disability	Canada Pension Plan - Retirement
Eligibility Criteria	<ul style="list-style-type: none"> ▪ Must have made contributions to the CPP Program in 4 of the last 6 years that you worked (some exceptions exist) ▪ Under the age of 65 ▪ Have a certified disability as defined by CPP-D legislation 	<ul style="list-style-type: none"> ▪ Must have made at least one valid contribution to the program ▪ Be at least 65 years old or between 60-64 years old and have stopped working for at least one month prior to application or earned less than \$844.58 in each of the last 2 months prior to application
Application Processing Time	<p>A CPP-D application is generally processed in 4-6 months</p> <ul style="list-style-type: none"> ▪ people with terminal conditions will be approved quicker ▪ frequently, applications may take longer than 6 months for a decision to be made 	<p>A CPP-R application is generally processed in 2 months; sometimes applications may be processed quicker</p>
Definition of Disability	<p>Under Canada Pension Plan legislation, a defined disability is one that is severe and prolonged. This includes that the disability makes the person incapable of pursuing any gainful occupation as a result of the disability, and the disability is likely to last greater than 12 months or is likely to result in death</p>	<p>There is no disability requirement to apply for CPP-R</p>
	<ul style="list-style-type: none"> ▪ \$1031.05 – CPP-D maximum 	<ul style="list-style-type: none"> ▪ \$844.58 – CPP-R

Amount of Payment	monthly entitlement (2006 figure) <ul style="list-style-type: none"> • \$758.86 – CPP-D average monthly entitlement (2005 figure) 	maximum monthly entitlement for recipient over 65 years old (2006) <ul style="list-style-type: none"> • \$463.95 – CPP-R average monthly entitlement for recipients over 65 years old (2005)
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Questions to Ponder:

What are the differences between CPP-D and CPP-R?

There are a couple of key points to consider if you are trying to decide which program to apply to. They include:

- Have you contributed to CPP in four of the last six years in order to be potentially eligible for CPP-D?
- Is your illness severe enough and prolonged enough for you to be accepted onto CPP-Disability? You may want to speak with your physician to gain their opinion about your health and the criteria CPP-D uses to determine disability
- CPP-Disability always pays more than CPP-Retirement.
- Your CPP-R will most likely be granted much quicker than CPP-Disability.
- Do you want to receive a lesser amount from CPP-R but receive your pension much quicker? Can you afford to wait the extra time for your CPP-D to be adjudicated and granted?
- Your CPP-R monthly pension will be adjusted down by 0.5% for each month before your 65th birthday and when you begin to receive your pension. As well, if you take your CPP-R prior to age 65, your monthly entitlement will not increase when you turn 65.

Can I apply to both programs?

Yes. You can submit applications to both programs, called “simultaneous applications”. This means that you can send in both applications together or if sending applications separately then complete a CPP form letter to both indicating that you are applying to both. Your CPP-R application will also ask if you have applied for other CPP benefits and you can note on this application your application to CPP-D.

Likely your CPP-R will be granted first. If your CPP-D application is approved at a later date, CPP-D will re-adjust your monthly payment so that you will now receive a regular CPP-D pension, and any retro-active top-up (the difference between CPP-D and CPP-R) will be sent to you. **HOWEVER, ONLY** if your disability is adjudicated to have begun prior to the start date of your CPP-Retirement. If your disability is determined to have started after your CPP-R pension started, your application for CPP-D will not be granted and you will continue to receive CPP-R.

Why would I apply to both?

There is no penalty in applying to both programs. The main reason to consider two applications is if you want to receive money quicker from CPP-R while waiting to learn if you are considered disabled by CPP-D. Your entitlement will increase if you are granted CPP-D (see note above on condition), but at least you will have a smaller pension coming from CPP-R in the meantime. However, some people may want to apply to CPP-D first, if denied, then decide if they want to apply to CPP-R or wait until a later time or their 65th birthday to access (in order to receive a full pension).

The one risk to applying for both is that you are taking your CPP-R prior to age 65, and your monthly pension will be 0.5% less per month for every month early that you access your pension. For example if your CPP-R pension would be \$500/month at age 65, and you take your pension at age 62, your payment will be reduced by 18% (36 months x 0.5%). Your pension would then be \$410/month. Your pension will not increase at age 65, and will only increase by any yearly cost of living.

If I am turned down for CPP-D, can I apply for CPP-R?

Yes. The only thing to remember is that your CPP-R pension is adjusted down by 0.5% for each month early that you take your pension prior to age 65.

If I am on CPP-R and become disabled, can I apply for CPP-D?

No. If you are on CPP-R and become disabled, you will not be eligible for CPP-D. Your disability began after the date your CPP-R started.

What happens when I turn 65?

If you are receiving CPP-D, you will have your benefit changed to CPP-R, and your pension will decrease to reflect the CPP-R rates.

If you are receiving CPP-R, your pension benefit amount will remain the same.

It is important to consider the intricate program details when accessing the CPP pension program. It may be your need for financial income and/or your disability that may determine the path you take.

For more information about CPP Pensions, contact 1-800-277-9914 (English), 1-800-277-9915 (French) or visit www.servicecanada.gc.ca or visit www.servicecanada.gc.ca .