Canada Pension Plan: Reduction in the contribution rate

- The Canada Pension Plan (CPP) is a cornerstone of Canada's retirement income system, providing stable and predictable pensions to millions of Canadians.
- The CPP is funded by the contributions of employees, employers and self-employed people, and by the revenue earned on CPP investments. It covers virtually all workers in Canada, except Quebec, which operates its own comprehensive plan, the Québec Pension Plan (QPP).
- Canada's Ministers of Finance, as stewards of the CPP, are required to review the plan every three years to ensure its financial sustainability and that it continues to meet the needs of employees, employers, and beneficiaries.
- The 32nd Actuarial Report on the CPP, tabled in Canada's House of Commons on December 8, 2025, showed that the minimum contribution rate in the base CPP—the lowest rate required to financially sustain the plan over the next 75 years—is at least 69 basis points below the legislated rate.
- With unanimous support from provincial and territorial partners, the federal government announced in the *Spring Economic Update 2026* its intention to introduce legislation that would reduce the contribution rate in the base CPP from 9.9 per cent to 9.5 per cent, effective January 1, 2027.
- This 40-basis point reduction to the CPP contribution rate would translate into annual savings of about $133 for an employee earning $70,000 a year, with equivalent savings for their employer.
- Across roughly 16 million contributors, this measure would lower total contributions by more than $3 billion per year in Canada.
- The savings would provide contribution relief at a time when Canadians continue to face affordability pressures due to the high costs of essential goods, housing, and everyday expenses.
- This change is achieved while preserving the long-term sustainability of the plan and maintaining a prudent financial buffer to protect the CPP against future economic shocks or risks.