IN FACT AND IN LAW EXPRESS

OCTOBER 2013

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PENSION AND BENEFITS

THE COMMITTEE ON PUBLIC FINANCE PRESENTS ITS VIEWS ON THE D'AMOURS REPORT

By François Parent

On September 17, 2013, after holding special consultations in June and August 2013,[1] the Committee on Public Finance published its conclusions and recommendations on the report of the Expert Committee regarding the future of the Quebec Retirement System (the "**D'Amours Report**"). This Expert Committee was formed in December 2011 by the Régie des rentes du Québec[2] (the "**Régie**") with the goal of improving the Quebec Retirement System and making it more viable and more efficient, while also taking into account new economic and demographic realities.

The D'Amours Report

The D'Amours Report, which is more than 200 pages long, was released in April 2013. In the report, the Expert Committee begins by identifying a certain number of pressures and loopholes which have the effect of weakening the Quebec Retirement System. The Expert Committee goes on to make 21 recommendations which would facilitate the implementation of a new system. Among these recommendations, the Expert Committee proposes, among other things, the creation of a "longevity pension" which would be administered by the Régie and which would provide all workers with a defined benefit ("**DB**") pension beginning at age 75. This pension would be funded by contributions made by both employers and employees.[3] With respect to the other recommendations made by the Expert Committee in the D'Amours Report, suffice it to say that the majority of them seek to ensure the sustainability of DB pension plans registered with the Régie. The Expert Committee proposes measures such as the adoption of a single method for assessing the funding of all DB plans[4] and the establishment of a 5-year period during which the parties can agree on certain modifications which should be made to the plan in order to ensure its sustainability. Finally, the Expert Committee also recommends the rapid implementation of the Voluntary Retirement Savings Plans (VRSP) provided for in Bill 39 (for more information on the recommendations made by the Expert Committee, we refer you to the D'Amours Report, which you can access by clicking here).

The Report of the Committee on Public Finance ("CPF")

In its nine-page report, the CPF essentially concludes that a number of the measures proposed in the D'Amours Report will require either more extensive studies or that further steps be taken in cooperation with the federal government or the governments of the other provinces. The CPF recommends that further studies be conducted with respect to such measures as the "longevity pension" and the funding of DB plans. However, no timetable has been set in this regard. The CPF also indicates that a number of stakeholders adopted positions regarding the restructuring of DB plans which were diametrically opposed to one another. The CPF therefore recommends that the government focus greater attention on this problem. Finally, the CPF recommends that the necessary assessments and steps be taken in order to facilitate the rapid implementation of the VRSP's as well as three more technical recommendations made with respect to DB plans.[5] (for more information on the CPF's recommendations, we refer you to its report, which you can access by clicking here).

Conclusion

In sum, even if everyone seems to agree that the current Retirement System in Quebec is flawed and that we need to find solutions to improve it, there is little unanimity regarding the best way to achieve this goal.

The D'Amours Report returned the very important issue of the future of pension plans to the forefront and in so doing, created an opportunity that should certainly be seized upon. Hopefully, concrete steps will be taken in this respect within a reasonable time following the release of the CPF's recommendations and that at the end of this process, we will all be left with something show for it!

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[1] During which the Committee heard representatives of groups, organizations, associations, businesses, cities, and actuarial firms.

[2] At the request of the Minister of Employment and Social Solidarity.

[3] The cost of this pension is assessed by the Expert Committee at 3.3% of salary, up to the maximum of eligible earnings (which have been fixed to $51,100 in 2013), to be shared equally between employers and employees.

[4] Such a method would more closely mirror actual costs.

[5] The method for calculating commuted values, the purchase of annuities with an insurer and the possibility of dividing the pension fund into two accounts.