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The Quebec Government's Action Plan for Making Pension Plans Equitable and Sustainable

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Last December, the Minister of Employment and Social Solidarity unveiled the Quebec government's action plan with the goal of [translation] "correcting and restoring the situation of pension plans". In this document, the government made the following main announcements:

- that the proposal for a longevity pension presented in the expert committee's report published in April 2013 (more commonly known as the D'Amours Report) will be discussed during federal, provincial and territorial meetings on the coverage of public pension plans;
- that it will study potential enhancements to the Quebec Pension Plan;
- that different funding solutions will have to be developed for both private sector and public sector (i.e. municipalities and universities) pension plans;
- that, for public sector pension plans, it will make 50/50 cost sharing between employers and active members mandatory for future service;
- that a process for restructuring defined-benefit pension plans (hereinafter "**DB Plans**") will be developed based first and foremost on the principle of negotiation between the employer and plan members.

THE WORKING FORUMS

The action plan published by the government also provides for the creation of three working forums, one for the private sector, one for municipalities, and one for the university sector. Within 24 hours following the publication of the action plan, the mayors of Montreal and Quebec City, as well as the Union of Quebec Municipalities, indicated that they did not want such a working forum and requested an accelerated process for the municipalities' DB Plans. Despite these demands, the three working forums were maintained and they have already started their work. Indeed, the work of the municipal sector forum started on January 21, the university sector forum on January 22, and the private sector forum on January 24.

The mandate of these forums is primarily to:

- determine the most efficient measures to be used for funding of DB Plans;
- propose the parameters to be used as the framework for the negotiations between the employers and members in the restructuring process;
- determine the criteria that will guide the decisions of the Commission des relations du travail (the "**CRT**") when it is required to resolve a dispute at the final stage of the restructuring process.

Each forum is comprised of employers' and union representatives from the sector concerned. The action plan also indicates that representatives of young workers and retirees will be associated with the discussions.

The work of these forums should help the government draft the bills it intends to present to

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implement its reform. It plans to introduce the first bill in February 2014 aimed at setting up the restructuring process explained above for the municipalities' pension plans. A bill for the same purpose, but for the university sector and private sector pension plans, should be presented in the spring of 2014. Finally, according to the action plan, another bill will be introduced in the fall of 2014 concerning the new funding rules for DB Plans. Some of the measures proposed by the D'Amours Report, and which were recommended for adoption by the Committee on Public Finance in September 2013, will be included in this bill. According to the government's announcement, each of these bills should be subject to public consultations.

DB PLANS RESTRUCTURING PROCESS

The restructuring process contemplated by the government should extend over a total period of two years. In light of the information presented in the action plan, it seems that this process should only apply to pension plans negotiated between employer and union, although the action plan is not totally clear on this point.

Once the parameters of this process have been determined, the affected parties will be allowed a six-month period of negotiation from July 1 to December 31, 2014. Failing an agreement between the parties by the end of this period, a conciliator reporting to the Ministry of Labour will be appointed for another period of six months (January 1 to June 30, 2015). If the parties are still unable to reach an agreement by the end of this period, the CRT would be tasked with finding a solution to the dispute. As part of the CRT's new role, it would call upon the Régie des rentes du Québec to validate the chosen proposals. A final six-month period (from July 1 to December 31, 2015) would be allowed if this last phase of the restructuring process is necessary.

Some parties are strongly opposed to giving the CRT the role of final arbiter of the disputes in the event of the failure of the negotiations. Until now, the Minister of Employment and Social Solidarity has maintained the CRT as the government's choice for this role.

DB PLANS FUNDING

According to the government's action plan, an adjusted version of the "enhanced funding" method proposed by the D'Amours Report will be chosen for the DB Plans of the private sector. The action plan does not address the issue of the adjustments that are to be made to this new funding method, so they will likely be discussed during the working forums.

As for the DB Plans of the public sector, the government intends to maintain the current funding rules, while consolidating them.

Thus, contrary to the recommendations of the D'Amours Report, which proposed that one funding method should henceforth be used for both the private and public sector plans (i.e. the " enhanced funding" method), the government seems to want to maintain separate funding rules for these two sectors.

CONCLUSION

Even though several aspects of the government's action plan still need to be clarified, or even developed per se, the positions announced by the government have sparked a lot of interest from the various actors and stakeholders in the pensions sector. It is worth noting that, in its report from September 2013, the Committee on Public Finance recommended that several measures proposed in the D'Amours Report should be analyzed or studied in greater depth. Few believed that the government would react so quickly and in this fashion.

The proposed restructuring process should, in principle, permit the revision or suspension of certain vested rights, allowing for a reduction in the costs of a pension plan. The Minister of Employment and Social Solidarity has not ruled out the option of enacting legislation that would also bring retirees

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into the restructuring process (thereby casting doubt on some of their entitlements):

[translation] If this is the means the parties come up with to solve their problems, we have the duty, during this exceptional period, because it will be lasting two years, to consider all options.

We will, of course, continue to carefully follow further developments at the various stages of the action plan, and keep you informed.

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