



## *Public Consultation on the Quebec Pension Plan*

*Integrating  
Design  
& Delivery*

On Thursday, October 23, 2003, the Quebec Minister of Employment, Social Security and Family Welfare, Mr. Claude Béchar, announced that public consultations will be held in 2004 on the Quebec Pension Plan (“QPP”). Following the announcement, the Minister presented to the National Assembly a working paper entitled “Adapting the Pension Plan to Quebec’s new realities”. This paper proposes several changes to the QPP in order to adapt it to these new realities.

Among the reasons justifying the proposed reform, the paper stated that, based on the results of the last actuarial valuation of the QPP, the current contribution rate of 9.9% should be increased by 0.3% to maintain the balance between the plan’s reserve and the annual disbursements. If the reforms are adopted, the proposed changes will enable the contribution rate to be maintained at 9.9%. It also stated that by adopting the proposed changes, the financial gap between the QPP and the Canada Pension Plan will be narrowed to an acceptable level, enabling the two plans to remain equivalent.

## **MAJOR CHANGES PROPOSED**

### **Unconditional payment of the retirement pension possible as of age 60**

The QPP currently provides that a worker is entitled to receive his pension as of age 65 even if he continues to work. However, a worker may request to receive his pension as of age 60 if he has stopped working, or plans to earn less than 25% of the maximum pensionable earnings (less than \$9,975 in 2003) during the 12 months following a pension application, or if his salary is reduced by at least 20% as part of a phased retirement agreement with the employer.

In order to provide workers with an incentive to remain at work longer, the Minister proposes abolishing any condition for a worker to receive his QPP pension as of age 60 even if he continues to work. The pension will still be reduced by 0.5% for each month retirement precedes the age of 65.

### **Retirement pension**

A retirement pension is currently calculated on the earnings from the age of 18 until the time a worker begins receiving the retirement pension from the QPP, excluding 15% of the years with the lowest earnings. This 15% rule would no longer apply. In addition, substantially equivalent provisions to the existing ones are planned to provide that the years spent taking care of a child under the age of 7 will be excluded.

Finally, based on the proposed changes, the earnings on which a worker has made contributions after he began receiving the retirement pension would be used to increase the pension up to a maximum payable (\$801 per month in 2003 for a pension payable as of age 65). Under the current plan, a different approach is used.

### **Pension adjustment after age 65**

The Minister also proposes that the retirement pension of those who defer their pension until after age 65 be further increased. At the present time, the pension is increased by 0.5% per month for each month of delayed retirement between age 65 and the date payment begins. The proposed changes would increase this rate to 0.7% up to the date payment begins (70 being the limit to apply for a retirement pension).

### **Disability pension**

According to the proposed changes, a person would be considered “disabled” if he is under age 65 and unable to perform any type of paid work. In addition, the proposed changes would abolish a more flexible rule applicable to persons aged 60 to 64. These persons are currently considered “disabled” if they are unable to perform their usual work.

The disability pension consists of two components: the flat-rate benefit and the retirement pension. The flat-rate benefit (currently at \$370) would be increased to the same amount as the Old Age Security pension from the federal government and would end at age 65. The retirement pension would be established based on the contributions made by the worker up to the date of the disability and would be payable for life and indexed annually based on inflation.

### **Surviving spouse's pension**

The Minister proposes that the pension payable to a surviving spouse vary depending on whether the spouse is able to work or is retired. Therefore, a surviving spouse who is able to work would be entitled to transfer to his account 60% of the earnings in the deceased spouse's account accrued during their life together. The surviving spouse would also be entitled to a pension payable for three years, which

would correspond to the pension payable in case of disability. A surviving spouse who is retired would be entitled to 60% of the deceased spouse's retirement pension for life.

#### **Orphan's pension**

With regard to the orphan's pension, any minor child of a deceased worker would be entitled to a monthly pension of \$187 (in 2003) indexed annually up to age 18. Presently, the monthly pension payable to a minor child is \$59.

#### **Pension for a child of a disabled person**

Two options are being examined with respect to the pension for a child of a disabled person: one is to pay the child a pension that is the same as an orphan's pension, and the other is to abolish it.

#### **ACCUMULATION OF BENEFITS**

Please remember that, normally, a person entitled to more than one pension (for example, a retirement pension and a surviving spouse's pension) cannot receive more than the maximum pension payable under the QPP (\$801 a month in 2003).

#### **EFFECTIVE DATE OF THE MEASURES**

The proposals concerning the retirement pension would gradually come into force starting in 2010.

The changes concerning the disability pension would be implemented as of the enactment of the law.

As for the changes to the surviving spouse's pension, they would be adopted in the short term. However, a transition period would be provided to minimize the proposals' impact on older women.

#### **NEXT PHASE**

The Minister has announced that he will conduct an opinion survey this fall and has invited the population to a parliamentary commission hearing that will take place during the winter of 2004.

For more information, please contact your Morneau Sobeco consultant.

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