

## 1. Pension reform - a lot going on!

### Quebec - the D'Amours Report and voluntary retirement savings plans (VRSP)

On April 17, 2013, the expert committee on the future of Quebec's pension system unveiled its report, *Innovating for a Sustainable Retirement System*, also known as the D'Amours Report after the committee Chair. The report contains 21 recommendations in three series that address:

- ▶ The funding problems of defined benefit pension plans
- ▶ The implementation of a longevity pension that would be a defined benefit pension plan, with benefits paid to workers starting at age 75, funded by mandatory contributions of 3.3% of workers' earnings, up to a set maximum, shared equally by employers and workers
- ▶ Supplemental pension plans other than defined benefit plans, i.e., group savings plans (defined contribution plans) and personal savings

The committee made two recommendations for supplemental plans other than DB pension plans:

- ▶ Speedy implementation of VRSPs, with a few adjustments
- ▶ Loosening of the legislative framework so as to make the withdrawal of retirement savings more flexible

On May 8, 2013, the Quebec government acted quickly to table new draft legislation on VRSPs (Bill 39) to create the Quebec version of the pooled registered pension plan for workers in Quebec. It will be mandatory for employers with at least five employees to offer VRSPs to their employees if they do not offer an RRSP or TFSA for which payroll deductions can be made or a registered pension plan to which the employer contributes. Except for certain technical details, Bill 39 reflects the rules set out in the earlier Bill 80, whose main measures are discussed in a special July 2012 issue of Legislation Matters. We encourage you also to visit Standard Life's micro site on pooled registered pension plans and VRSPs to stay abreast of the latest developments.

As regards the recommendation to loosen the legislative framework so as to make the withdrawal of retirement savings more flexible, the committee adds the following more specific recommendations:

- ▶ **Defined contribution pension plans and defined contribution components of defined benefit pension plans** – Allow payment of variable benefits (RRIF-like payments) based on the life income fund (LIF) model
- ▶ **Pension accounts/LIF** – Allow individuals over 60 to withdraw locked-in amounts more rapidly
- ▶ **RRSP** – Raise the conversion age from 71 to 75. However, Quebec will have to persuade the federal government, as this measure is stipulated under Canada's *Income Tax Act*.

### **Saskatchewan - Pooled registered pension plans (PRPP)**

On April 8, 2013, the government of Saskatchewan tabled draft legislation (Bill 92) to create pooled registered pension plans for workers in Saskatchewan.

Except for certain technical rules and the regulation (still to come), the rules that will apply to PRPPs in Saskatchewan will be patterned after the rules applying for federal PRPPs.

Bill 92 was adopted by the provincial legislature in May, but has not yet come into force. This draft legislation on PRPPs will become effective once enacted into law by the Saskatchewan government.

### **Alberta - Pooled registered pension plans (PRPP)**

On April 18, 2013, the government of Alberta tabled draft legislation (Bill 18) to create pooled registered pension plans for workers in Alberta.

Like Saskatchewan's PRPP bill, the rules that will apply to PRPPs in Alberta will be patterned after the rules applying to federal PRPPs, except for certain technical rules. That being said, Alberta's *Pooled Registered Pension Plans Act* is clearer about certain situations, more specifically as regards self-employed workers.

Bill 18 was adopted by the provincial legislature in May, but has not yet come into force. This draft legislation on PRPPs will become effective once enacted into law by the Alberta government.

### **Ontario - 2013 budget and pooled registered pension plans (PRPP)**

On May 2, 2013, Ontario Minister of Finance Charles Sousa tabled the 2013 Ontario Budget and announced that the government of Ontario intends to implement a PRPP. The Ontario government will consult with interested parties to determine how to implement PRPPs before introducing legislation. Membership in a PRPP would be optional for employers or self-employed individuals. The plans would be managed by third-party licensed professional administrators, such as financial institutions, and investments would be pooled to reduce costs and improve returns.

The Minister of Finance also announced further pension plan changes including, for instance, regulatory changes in respect of target-benefits offered for multi-employer, pension plans. In addition, a framework for single-employer target-benefit plans will be developed.

## **2. Group insurance - Changes to the Manitoba retail sales tax**

Starting July 1, 2013, the Manitoba retail sales tax rate will increase from 7% to 8% for premiums payable after June 30, 2013, regardless of the period covered.

Note that our systems will be modified following this change.

You will find more information on the Manitoba Finance-Taxation Division website at: <http://www.gov.mb.ca/finance/taxation/taxes/retail.html>