

What's a Voluntary Retirement Savings Plan (VRSP)?



The VRSP is an innovative group, or 'pooled', retirement savings plan designed specifically for Quebec-based small and medium-sized businesses, as well as self-employed individuals, who don't offer a workplace savings plan.

Introduction of the Quebec VRSP is a result of the Pooled Registered Pension Plan (PRPP) Act – a step to ensure Canadians have access to a way to save for retirement. The Act is paving the way for each individual province to implement a PRPP strategy.

Quebec is the first province to implement its own PRPP strategy – the VRSP – and has passed legislation requiring employers to offer a workplace savings plan.

A VRSP offers small and medium-sized businesses an alternative to setting up a traditional defined contribution pension plan, which often comes with costs small enterprises simply can't afford. It's designed to be as straightforward as possible, easy to set up and maintain, with minimal investment of time and money required by the company. Similar to other workplace savings plans, the VRSP offers tax advantages for both employers and employees.



Am I required to offer my employees a VRSP?

You are required to offer a VRSP, or alternate workplace savings plan, to employees, if:

- ✓ you do not have a workplace savings plan in place, and
- ✓ you have five or more eligible employees.

The timing of when a Quebec employer must implement a VRSP varies based on the size of the company:

- Employers who have 20 eligible employees or more as of June 30, 2016, have until December 31, 2016 to offer a VRSP and enroll their employees.
- Employers who have between 10 and 19 eligible employees as of June 30, 2017, have until December 31, 2017 to offer a VRSP and enroll their employees.
- At a date to be determined by the government, but not earlier than January 1, 2018, employers who have between 5 and 9 eligible employees will have to offer a VRSP and enroll their employees.

Who is eligible?

Eligible to enroll in a company VRSP:

- ✓ employees with one year of continuous service
- ✓ employees who are 18 years of age or older

Eligible to enroll on an individual basis:

- ✓ any individual is eligible to join a VRSP, including employees whose company doesn't offer a VRSP
- ✓ self-employed

Enrollment

- ✓ **automatic enrollment** for eligible employees
- ✓ **optional enrollment** for employees who have not yet met the eligibility requirements but want to participate in the plan.

Full-time and part-time employees who reside outside of Quebec, but who work for a Quebec-based employer, may enroll in the company VRSP or on an individual basis.

How much money must my employees contribute?

Employees may establish a contribution rate, failing which, the following contribution rate set by the VRSP regulations will apply:

- ✓ two per cent of gross earnings from July 1, 2014 to December 31, 2017
- ✓ three per cent of gross earnings from January 1, 2018 to December 31, 2018, and
- ✓ four per cent of gross earnings from January 1, 2019 onwards.

Your employees can choose to stop contributions at any time or increase or decrease their contribution twice in any 12-month period, unless you agree to more frequent changes.



As an employer, am I required to contribute?

No. Employer contributions are optional.

Apart from the benefits you might expect from offering a VRSP, such as employee attraction and retention, tax benefits are available for both you and your employees:

For you:

- ✓ Employer contributions are not subject to payroll taxes.
- ✓ Employer contributions are considered a salary expense and may therefore be eligible income tax deductions.

For your employees:

- ✓ Employee contributions are deducted from income before tax is calculated in the same way that an RRSP contribution is deducted before income tax is applied.
- ✓ Employer contributions are not included in employees' taxable income and your employees do not pay income tax on this money until it is withdrawn. Ideally not until retirement.

What if an employee wants to withdraw money from the VRSP?

Your employees can withdraw their own assets once per calendar year, subject to withholding tax. They cannot withdraw and transfer your (employer) contributions until they reach the age of 55 or terminate their

employment with you. There are some conditions under which your employee may qualify for early withdrawal of contributions you have made, such as: reduced life expectancy, small balance upon termination of employment, or if the employee resides outside of Canada for more than two years.

How do I enroll my employees?

Once your employees have one year of uninterrupted service and are 18 years of age, you automatically enroll them into the VRSP. Your employees have 60 days to notify you if they do not want to participate in the VRSP.

A VRSP administrator, like Manulife Financial, can help you gather the required employee information, set up the accounts for each of your employees, and help maintain your plan.

I want to set up a VRSP. How can Manulife help?

As a recognized leader in providing group retirement solutions to Canadian businesses, we're here to help you implement an industry-leading VRSP solution for your company and employees, backed by outstanding service and support that can save you time and money.

Visit vrsp.com to complete our fast and easy online application. We offer a straightforward plan set up process and we offer assistance to help simplify the tasks needed to support your plan.

To get started, contact your advisor, visit vrsp.com, or call our VRSP support team at 1-855-723-7070.

