



Desjardins VRSP



Desjardins
Insurance

LIFE • HEALTH • RETIREMENT

Frequently asked questions

GROUP RETIREMENT SAVINGS

1. What is a VRSP?

VRSP stands for Voluntary Retirement Savings Plan. Starting July 1, 2014, employers who have a business in Quebec have been able to offer this plan to encourage their employees to save for retirement. Based on the number of eligible employees at their business, certain employers are required to offer a VRSP as of a date defined in the Voluntary Retirement Savings Plans Act (the "Act") (see Question 4). The Act was adopted by the Quebec government in December 2013, and the *Regulation respecting voluntary retirement savings plans* was published in June 2014.

2. Why offer a VRSP?

In recent years, there has been a lot of discussion about restructuring the Quebec retirement system. Individuals have had increased pressure to take responsibility to save for their own retirement. When two million workers don't have access to a retirement plan through their employer, it becomes a top priority since it will be hard for employees to put enough money aside to maintain their standard of living when they retire.

The purpose of the Act is to address this situation. As explained below (Question 4), the Act requires all employers having a business in Quebec with five or more employees to gradually introduce a VRSP, another retirement savings plan or a TFSA to their employees.

3. Who is affected by the Act?

According to data obtained from the *Régie des rentes du Québec* (RRQ), approximately 90,000 employers and two million employees will be affected by the Act. See below for more details.

TARGETED EMPLOYERS

All employers with a business in Quebec with at least one employee can offer a VRSP. Employers have to offer a VRSP to their Quebec employees by a certain date based on the number of employees who work at their business in Quebec. For instance, an employer with a head office in Ontario but a place of business in Quebec may be required to offer a VRSP to their employees who work in Quebec based on the timetable set out in the proposed regulation.

ELIGIBLE EMPLOYEES

Employees who meet all three of the following conditions:

1. Be at least 18 years of age
2. Be an employee as defined in the *Act respecting labour standards*
3. Have at least one year of uninterrupted service for the employer as defined in the *Act respecting labour standards*

An "employee" is defined as a person who works for an employer and is entitled to a wage. This includes:

- An employee who performs work in Quebec for an employer who has a place of business in Quebec
- An employee who performs work both in Quebec and outside Quebec for an employer whose residence, domicile, undertaking, head office or office is in Quebec

- An employee domiciled or resident in Quebec who performs work outside Quebec for an employer whose residence, domicile, undertaking, head office or office is in Quebec

The concept of *uninterrupted service* is defined as follows: "the uninterrupted period during which the employee is bound to the employer by a contract of employment, even if the performance of work has been interrupted without cancellation of the contract, and the period during which fixed term contracts succeed one another without an interruption that would, in the circumstances, give cause to conclude that the contract was not renewed." In the case of a seasonal worker, for instance, the parties' true intention to continue the contract from year to year must be considered. It's not enough to mention that it's a new contract every year. The parties' true intentions must be taken into account.

If there is doubt regarding the interpretation of the VRSP Act, we suggest consulting a legal advisor for an opinion based on your company's specific situation.

4. What is the deadline for setting up a VRSP?

According to the Act, employers with 20 employees or more have until December 31, 2016 to set up their VRSP, whereas employers with 10 to 19 employees have until December 31, 2017.

After that initial period, any employer that is required to start offering a VRSP will have one year to comply. For companies with 5 to 9 employees, the deadline for complying with the Act by setting up a VRSP has not yet been determined by the government, but it won't be before 2018.

In addition, regardless of the number of employees who work for the company, any employer can decide to offer a VRSP voluntarily as of July 1, 2014.

5. Our company already offers a group RRSP, a Simplified Pension Plan (SPP), a Defined Contribution Pension Plan (DCPP) or a TFSA for our employees. Does the Act apply to us?

Employers who already offer a group retirement savings plan or a TFSA to their employees are not affected by this new legislation, provided that:

- The opportunity to contribute to the plan is offered to all eligible employees (with at least one year of uninterrupted service according to the definition set out in the *Act respecting labour standards*)
- Employees can contribute to the plan through payroll deductions

If the plan currently in place is not open to all employees, the employer either has to modify the rules of the plan to allow all employees to participate, or set up a VRSP for the remaining employees. In addition, as of July 1, 2014, all contributions must be made by payroll deduction, if this is not already the case.

6. What is the cost to employers?

Employers do not have to contribute to their employees' VRSP, but they may do so on a voluntary basis. If they decide to contribute, their contributions are not subject to payroll taxes and are tax deductible at both the provincial and federal level.

7. What is the employee contribution rate?

The VRSP contribution rate is determined by the employee. However, for employees who fail to set their contribution rate, a default rate is provided under the Act and applies as follows:

- 2% of gross salary from July 1, 2014 to December 31, 2017
- 3% of gross salary from January 1, 2018 to December 31, 2018
- 4% of gross salary after January 1, 2019

Though employees are strongly encouraged to contribute to their VRSP, they can choose to adjust their contribution rates or suspend their contributions at any time, but the Act does limit this to twice per 12-month period, unless otherwise permitted by the employer. Employees are also permitted to set their contribution rate to 0%, if they meet any of the following conditions:

1. They have been contributing for more than 12 months
2. They have been contributing for less than 12 months but for tax reasons can no longer contribute to their VRSP
3. They have been contributing for less than 12 months, but have made additional contributions that match or exceed the base contribution set up when they enrolled in the VRSP
4. They have been contributing for less than 12 months, but their employer is contributing to their VRSP on their behalf

8. What investment options are available under a VRSP?

The Act states that each VRSP administrator (provider, e.g. Desjardins) must offer a default investment option based on a lifecycle approach where the level of risk is adjusted based on the participant's age. If participants don't select any investment options, their contributions are automatically invested in a lifecycle path. The Desjardins VRSP offers participants the Desjardins Balanced Path.

The other investment options available to VRSP participants must be the same for everyone. Under the Act, up to five investment options may be offered suitable for a range of risk profiles. Desjardins VRSP offers four portfolios of Desjardins Funds and the DGIA¹ Money Market Fund.

9. Should I set up a VRSP or another plan right away, or should I wait?

The purpose of a VRSP is to encourage more Quebecers to save for retirement. But that's not the only goal. Employers who offer a pension plan and who also contribute to that plan are enhancing their employee benefits package, which helps them attract and retain the best employees.

If you're one of those employers and you intend to use this new obligation as a way to stand out among your competitors by offering a more attractive employee benefits package, there's no reason to wait.

10. Will this type of plan be available across Canada?

In June 2012, the federal government adopted the *Pooled Registered Pension Plans Act* (PRPP). The PRPP Act sets up a legal framework for the implementation of new group pension plans available to all businesses. These new plans would make it possible to pool funds in order to reduce the costs associated with managing the plan and its investments. The initiative was preceded by years of consultation with the provinces to ensure the long-term sustainability of the Canadian pension system.

In concrete terms, the Quebec government wants to use VRSPs to encourage Quebecers to save more for their retirement by making it easier to access user-friendly savings programs.

The VRSPs offered in Quebec are unique in that certain employers are required under the Act to offer a VRSP to their employees. Businesses with a federal charter have also had the option of implementing a PRPP since January 1, 2013. PRPPs are similar to VRSPs, but there is no obligation for employers to offer them. Other provinces, including British Columbia, Saskatchewan and Nova Scotia, have followed suit and enacted their own bills to enable their provincial employers to offer PRPPs. Ontario is currently in consultations to establish parameters for setting up PRPPs in Ontario. As per Alberta, a bill has been presented but has not come into force. As of June 7th, 2016, the federal government and several provinces (Québec, British Columbia, Saskatchewan and Nova Scotia) have negotiated a *Multilateral Agreement Respecting Pooled Registered Pension Plans and Voluntary Retirement Savings Plans* in order to streamline the regulation and supervision of PRPP.

¹ Desjardins Global Asset Management

11. Who can I contact about setting up a VRSP in my company or to get more information?

Desjardins Insurance began offering the VRSP to Quebec businesses as soon as the Act allowed. Visit desjardins.com/vrsp for more information, and click on the **Get this product** button to set up a Desjardins VRSP.

12. I own a business that meets the criteria defined in Question 3. Aside from VRSPs, what other plans could I offer my employees?

There are a number of plans that could meet both your needs and those of your employees. For a good introduction to these plans, refer to our ***Making the right choice*** booklet available from your advisor or by calling the number below.

Each plan offers distinct features and benefits. That is why we suggest contacting one of our pension plan specialists before you decide on a plan. We can help you make the right choice based on your goals and the goals of your employees.

How to reach us

If you have any questions about VRSPs, call us toll-free at **1-855-702-VRSP (8777)** or visit our website at desjardins.com/vrsp.