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COMMUNIQUÉ

REPORT OF THE COMMITTEE ON PUBLIC FINANCE ON THE D'AMOURS REPORT

In June and August 2013, the Québec Committee on Public Finance (the Committee) held consultations on the Expert Committee's report pertaining to the future of the Québec retirement system, entitled *Innovating for a Sustainable Retirement System* (the D'Amours Report). What will happen to the recommendations of the D'Amours Report?

The recommendations

The Expert Committee made 21 recommendations, including the following:

- A new public plan: the longevity pension;
- Use of an enhanced funding method for defined benefit plans;
- New rules governing the use of surpluses to fund contributions and improvements;
- Possible restructuring of plans with respect to vested rights;
- A number of other measures aimed at improving the regulation of plans.

The recommendations are described in greater detail in our April 19, 2013 Communiqué.

The Committee's proposals

The Committee proposes that the recommendations be considered in three groups:

- One group consists of the recommendations related to the funding of defined benefit plans, multi-employer negotiated contribution plans, the treatment of "orphaned" members and the longevity pension. The Committee proposes adding to this group the possibility of enhancing the Québec Pension Plan as well as stabilization and indexation funds. The Committee believes that more in-depth study is required for this group.
- A second group consists of the recommendations concerning the calculation of transfer values, the treatment of annuity purchases, the possibility of dividing pension funds into two separate accounts (including one for retirees), and the Voluntary Retirement Savings Plan. The Committee suggests that these recommendations be examined with a view to implementing them quickly. Nevertheless, the calculation of transfer values should be discussed with the Canadian Institute of Actuaries, the other Canadian provinces and the federal government.
- Finally, the Committee abstains from commenting on the recommendations respecting the restructuring of plans.

Comment

The Committee's proposals are disappointing, particularly with respect to the need for more in-depth studies on funding. After all, the Expert Committee emphasized the need for urgent action, and based its recommendations on serious analyses. It would be surprising if more in-depth analyses were to bring forth additional facts likely to provide better guidance for legislators. We would have preferred to see the Committee encourage the government to take action and to improve the recommendations of the Expert Committee. Like many stakeholders, we had highlighted in our submission to the Committee, the accuracy of the Expert Committee's analysis and the urgent need for action while acknowledging the need for transitional measures for the public sector.

This summer, the government announced temporary funding relief measures for pension plans in the private, municipal and university sectors. These measures were summarized in our July 23, 2013 Communiqué. Plan sponsors will have to wait two years before they will know the permanent measures that will replace a system that too often makes use of temporary measures.

Changing the regulatory framework for pension plans is no easy task. It is to be hoped that the stakeholders will take advantage of this waiting period to improve the recommendations of the Expert Committee and achieve the broadest consensus possible. When the time is right, legislators will recognize the desirability of reviewing pension regulations in order to ensure the sustainability of plans.

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