2011-2012 BUDGET
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A Plan to Secure Adequate Retirement Income and Capitalize on the Skills of Our Experienced Workers

Québec, March 17, 2011 – "Québec workers are entitled to a well-deserved retirement. The government has two concerns in this regard: the long-term viability of the Québec Pension Plan and the necessity, for Quebecers, to have adequate income," the Minister of Finance, Raymond Bachand, said in tabling the 2011-2012 Budget.

Long-term funding of the Québec Pension Plan
"Retirement plans everywhere are under financial strain. Several countries, particularly in Europe, have raised the minimum retirement age in response to this situation. We have not reached that point yet in Québec, but we must intervene to ensure the sustainability of the QPP, our major collective plan," the Minister said.

"Out of a concern for intergenerational fairness, contribution increases are necessary to guarantee the long-term funding of the Québec Pension Plan. The increases will make it possible to maintain the standard of living of future retirees and limit the impact of population aging on future generations," he added.

Accordingly, he announced that the contribution rate to the Québec Pension Plan will rise by 0.15 percentage point per year for six years beginning January 1, 2012.

For an employee earning employment income of $40 000 per year, this increase will represent an additional contribution of roughly $0.50 per week in 2012. These contribution increases may be adjusted downward if the next actuarial valuations show that the plan's funding level has improved.

Furthermore, to secure the plan's long-term stability, the government will introduce an automatic contribution rate adjustment mechanism as of 2018.

Retirement age also has a decisive influence on the costs of the plan. Workers can choose to receive benefits starting at age 60, or delay receiving them until age 70. These choices result respectively in a reduction and an increase in the monthly pension.

Accordingly, to encourage experienced workers to remain on the labour market, the Minister announced that as of January 1, 2013, the monthly increase in pensions applied for after age 65 will rise from 0.5% to 0.7%. In the same spirit, as of January 1, 2014, the monthly reduction in Québec Pension Plan benefits applied for before age 65 will gradually rise from 0.5% to 0.6% over three years. This adjustment will be proportional to the amount of the pension to protect lower-income workers.

As a result of these last changes, the adjustment factors will be similar to those that apply under the Canada Pension Plan.

A pension plan for every Quebecer
"Quebecers want to maintain their standard of living at retirement. To do so, they must save more. This budget offers them a new retirement savings tool, the voluntary retirement savings plan, which will help achieve this objective.

Many Quebecers do not have supplemental pension plans and can count only on the public plans and their personal savings. The government is undertaking to make the necessary legislative and regulatory adjustments to allow the development of new plans.

These plans, which the federal government calls pooled registered pension plans, or PRPPs, will be managed by financial institutions such as insurance companies. They will be accessible to all and portable when changing jobs. Every employer will be required to offer the plan, but will not have to contribute to it. Employees will be enrolled in the plan automatically, but will have the option of withdrawing voluntarily. Every Quebecer who has earned income, including self-employed workers, will then have access to an individual retirement savings plan, managed collectively and at relatively low cost.

"The Québec government will continue to work with the federal government and the other provinces to develop a harmonized legislative framework. These provisions will facilitate the development of large-scale plans, in order to reduce management expenses. The harmonized framework will also facilitate labour mobility," Minister Bachand specified.

Capitalizing on the skills of experienced workers
Over the coming years, 740 000 positions will become vacant in Québec. Most of these positions will be freed by Quebecers who decide to retire.

To encourage experienced workers to remain on the job, the Minister announced the gradual implementation of a tax credit for workers age 65 or over, beginning January 1, 2012. This new tax benefit is further to the Premier's undertaking in his inaugural address.

This credit will apply to the portion of earned income between $5 000 and $15 000 per year. It will benefit more than 100 000 workers. When fully implemented, it will cost the government $120 million. That represents a tax reduction of up to $1 504 when fully implemented. For a person earning $15 an hour, that represents a net hourly gain of $2.25.

“The experience and skills of the workers covered by this measure will make a notable contribution to economic growth over the coming years,” the Minister concluded.

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