News

Québec Budget Announces New Voluntary Retirement Savings Plans for Employees

Date: March 21, 2011

In its March 17, 2011 budget, Québec announced that it would implement voluntary retirement savings plans (VRSPs) for all workers who do not have access to a private pension plan.

VRSPs will be capital accumulation plans (defined contribution savings plans) administered by third parties such as financial institutions. The financial institutions that offer these VRSPs are expected to assume the bulk of the administrative obligations regarding the plans.

Employers in Québec who do not provide pension plans for their employees are going to be required to select a VRSP plan in which their employees can participate, automatically enrol employees into the VRSP and withhold deductions to the VRSP at source. The VRSP places obligations on an employer with respect to certain aspects of the plan, although the principle behind the VRSP is to spare employers from administering a pension plan by having the plans administered by third parties. It is not clear whether employers who offer registered retirement savings plans will be exempt from the VRSP obligation, nor is it clear whether employers whose pension plans do not provide for immediate enrolment will have to enrol employees in the VRSP until they become eligible for the workplace pension plan.

Employees will have voluntary contributions deducted from salary and be able to make both investment and contribution decisions, in addition to the default provisions of the plan. Employees are also able to opt out of the VRSP. Employees are expected to be able transfer assets between VRSPs as they change employers.

The budget announcement indicates that a number of points still need to be clarified regarding the terms and conditions of VRSPs and indicates that consultations are ongoing. In addition to enabling provincial legislation, federal income tax laws will also need to be amended to permit VRSPs.

For more information, please contact any member of the Pension & Benefits Group.