



Régie des rentes
du Québec

Changes to the Québec Pension Plan

Effective 1 January 1998

The Québec Pension Plan's
Future is
Guaranteed

Québec 

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In cases of conflicting interpretation,
the *Act respecting the Québec Pension Plan*
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A word from the Minister



The Québec Pension Plan's future is guaranteed. On 10 December 1997, the National Assembly passed the *Act to reform the Québec Pension Plan and to amend various legislative provisions*, which I had introduced last summer.

The reform ensures the Plan's funding for decades. All Québec workers who contribute to the Plan can count on receiving a retirement pension at the end of their working lives. The reform restores fairness between the generations since future workers will not have to pay a much higher contribution rate than that paid by today's workers.

It also makes it possible to maintain normal retirement age at 65 and to continue to index pensions annually. Our generation can be proud to be guaranteeing today's and tomorrow's workers the same basic protection that we have now.

You will surely want to acquaint yourself with the changes brought about by the reform. I therefore invite you to read the following text, which provides an overview of the Québec Pension Plan and answers to your questions.

Louise Harel
Minister of State for Employment and Solidarity

The Québec Pension Plan at a glance

- The Québec Pension Plan started on 1 January 1966. It was created to provide basic financial protection for workers and their families in case of **retirement**, **disability** or **death**.
- It is an obligatory insurance plan for Québec workers. Elsewhere in Canada, workers contribute to the Canada Pension Plan, a similar plan.
- Almost all workers 18 and over, as well as their employers, must contribute to the Plan. Self-employed workers must also contribute to the Plan. Contributions are deducted at source by the Québec Ministère du Revenu. The contribution rate is set under the *Act respecting the Québec Pension Plan*.
- The amounts of the pensions and benefits paid by the Régie des rentes du Québec to workers who have contributed to the Plan are calculated on the basis of the employment earnings on which contributions were made.
- Each year, workers' contributions are deducted from the portion of their salaries that falls between the basic exemption (minimum pensionable earnings) and the maximum pensionable earnings.

The **basic exemption** (minimum pensionable earnings) is the minimum amount a worker must earn in order to be able to contribute to the Plan. In 1998, the amount is 3 500 \$. Therefore, if a worker's earnings are less, 3 450 \$ for example, the contributions that were deducted from his or her salary will be reimbursed when the worker files an income tax return.

The maximum pensionable earnings is the maximum amount on which a worker can contribute. In 1998, this amount is 36 900 \$. If a worker's 1998 salary is higher, be it 40 000 \$, 50 000 \$ or 100 000 \$, he or she will only contribute on the earnings between 3 500 \$ and 36 900 \$.

- Even though pension and benefit amounts are calculated on the basis of employment earnings, it is important to note that a worker is not penalized for all the years in which his or her earnings were the lowest. When a pension amount is calculated, a percentage of the years in which earnings were low is excluded. This increases the amount of the pension.

Changes to the Québec Pension Plan

Changes affecting workers

Three measures in particular will affect you if you are one of Québec's three million workers.

Contribution rate increases

The Québec Ministère du Revenu deducts your Plan contributions directly from your salary. The contribution rate is set under the *Act respecting the Québec Pension Plan*. With the changes that have come into effect, the contribution rate will change. Contributions are still split equally between workers and employers, but the rate will increase each year until 2003. This makes it possible to increase the amount of the Plan's reserve, which will produce investment income and will help keep rate increases as low as possible. In 2003, the rate will level off at 9,9% and remain constant.

The increase in the contribution rate will also apply to the Canada Pension Plan, which is in effect in other provinces.

The basic exemption (minimum pensionable earnings) to remain constant

The basic exemption or minimum pensionable earnings that you must earn in order to contribute to the Québec Pension Plan will no longer change. It will remain at its 1997 level of 3 500 \$.

This means that more contributions will be paid to the Plan. However, more importantly, a greater number of low-income workers will be able to contribute. With these additional contributions, they could increase their retirement pension, qualify for a disability pension if they become disabled or entitle their families to survivors' benefits.

All workers contribute to the Plan, regardless of age

Before the reform, workers who reached age 70 had to stop contributing to the Plan even if they did not apply for a retirement pension. Now, workers continue to contribute, regardless of age. Therefore, if you are 70 or over and still working, you will now have to contribute if you earn more than the minimum pensionable earnings (basic exemption).

Changes affecting current and future beneficiaries

Four measures in particular affect current and future beneficiaries of the Québec Pension Plan

A new way to calculate pensionable earnings

The pensions and benefits paid under the Plan are calculated on the basis of the employment earnings on which a worker has contributed. These earnings are adjusted on the basis of the worker's average maximum pensionable earnings during the last three

years, including the year in which payment of the pension starts. As of 1 July 1998, the adjustment will be made on the last four years and as of 1 January 1999, it will be made on the average of the last five years, as is done in most private pension plans. Persons 65 or over on 1 January 1998 are not affected by this change.

This measure will help maintain one of the most important features of the Plan, full indexation of benefits. Indexation is a guarantee against possible decreases in the value of benefits because of an increase in the cost of living.

One death benefit amount for everyone

When a contributor dies, the Régie can pay a death benefit to the person who paid the funeral expenses. Until now, the amount of the benefit was based on the deceased's monthly pension if he or she had been receiving a pension, or on the deceased's average pensionable earnings. For deaths which occur after 1 January 1998, the death benefit is 2 500\$. This will be advantageous for families of low-income workers because the amount of the benefit is the same for everyone.

Retirement pension: two main changes

Since the Plan came into effect, the amount of the retirement pension has been 25% of the average monthly earnings on which a worker contributed. If a person applied for a retirement pension at age 65, he or she received the full pension to which he or she was entitled. If a worker opted for early

retirement (as of age 60), the early pension was reduced by 1/2% a month between retirement and age 65. This has not changed. The two main changes are:

- *for disability pension beneficiaries who reach age 65*

When a disability pension beneficiary reaches the normal retirement age of 65, the disability pension is automatically replaced by a retirement pension. Until now, the pension was calculated as if the person had not stopped working and the amount of the retirement pension was calculated on the basis of the normal increase in salaries. As of 1 January 1999, when a disabled beneficiary reaches age 65, his or her retirement pension will be calculated as if it were an early pension, that is, it will be reduced by 1/2% for every month between age 60 and 65 during which the person received a disability pension from the Régie. At age 65, beneficiaries generally become eligible for an Old Age Security pension (and the Guaranteed Income Supplement if the person has a low income). When these benefits are added to the retirement pension from the Régie, the person's income will be greater than the disability pension he or she received before reaching age 65.

This applies to persons who become disabled within the meaning of the *Act respecting the Québec Pension Plan* after 31 December 1998.

- *for persons who are receiving a retirement pension who return to work*

As of 1 January 1998, if a person who is receiving a retirement pension goes back to work and earns more than the minimum pensionable earnings (basic exemption) of 3 500 \$, he or she will have to start contributing to the Plan once again, regardless of age. If the person is not receiving the maximum pension, his or her pension will increase according to the new contributions made to the Plan.

Changes that affect us all

The evolution of the Plan will be closely supervised

Since the Québec Pension Plan was created in 1966, actuarial evaluations have been carried out every five years. In future, they will be carried out every three years. In addition, every six years, the government will hold a public hearing on the contribution rate and, if needed, other aspects of the Plan.

All of this is being done to ensure the funding of the Plan and guarantee its future in the very long term, but also to ensure fairness between the generations.

How to reach the Régie

You can call the Régie toll-free at one of the following numbers:

Québec region: 643-5185

Montréal region: 873-2433

Elsewhere in the province: 1 800 463-5185

Internet: <http://www.rrq.gouv.qc.ca>



Service for the hearing impaired
TDD/TTY users: 1 800 603-3540

You can also meet with a representative of the Régie at one of the following client services centres.

Chicoutimi

255, rue Racine Est
G7H 7L2

Rimouski

337, rue Moreault
G5L 1P4

Drummondville

270, rue Lindsay
J2B 1G3

Rouyn-Noranda

33, rue Gamble Ouest
J9X 2R3

Hull

170, rue de l'Hôtel-de-ville
J8X 4C2

Sherbrooke

200, rue Belvédère Nord
J1H 4A9

Montréal

1055, boul.
René-Lévesque Est
H2L 4T6

Trois-Rivières

Édifice Capitalan
100, rue Laviolette
G9A 5S9

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2600, boul. Laurier
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