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The Minister of Finance tables Bill 68 to allow the establishment of target benefit pension plans

Québec City, October 7, 2020 – Minister of Finance Eric Girard today tabled in the National Assembly Bill 68, the *Act mainly to allow the establishment of target benefit pension plans* (TBPP).

In addition to offering Québec workers an additional savings option, the bill satisfies the needs of employers and employees, especially from the standpoint of sharing financial risks.

A target benefit pension plan includes the characteristics of a defined-benefit pension plan and a defined contribution plan:

- the plan guarantees participants the payment of an annuity until death, as is the case for a defined-benefit pension plan, but the plan's level can vary according to changes in its financial situation;
- the employer's contribution to the plan is fixed and workers and retirees bear the risks linked to longevity and the return on savings, as is the case in a defined contribution plan.

Target benefit plans therefore offer better protection upon retirement for employees than defined contribution plans since they provide a life annuity until death, through risk-pooling.

Bill 68 draws inspiration from the report of the expert panel on the future of the Québec retirement system entitled *Innover pour pérenniser le système de retraite* published in 2013. The panel, chaired by Alban d'Amours, noted that the pension system must emphasize financial security upon retirement in its strictest sense, that is, the assurance of sufficient, realistic retirement income for the greatest number upon retirement, and that the system must be designed and funded to ensure its sustainability.

Moreover, in addition to allowing the establishment of target benefit pension plans, Bill 68 proposes amendments to the Québec Pension Plan to more broadly support parents who benefit from the supplement for handicapped children requiring exceptional care during the period when they take care of their child.

Quote:

“Québec is taking an additional step to foster private savings, a cornerstone of our retirement income system. The bill will offer a new retirement plan option adapted to today’s conditions for the benefit of workers and employers.”

Eric Girard, Minister of Finance

Highlights:

- The target benefit pension plan falls between a defined-benefit pension plan and a defined contribution plan and is more flexible with stabilization mechanisms to ensure financial health.
- When a target benefit pension plan is established, the restraint measures applicable in the event of the deterioration of the plan’s financial situation must be clearly indicated.
- Retraite Québec has elaborated the framework governing the establishment of target benefit plans. It has taken the initiative to consult its employer and labour union partners to define certain facets of this type of plan, especially as regards financing.

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