

Adoption of Bill 39 – The Voluntary Retirement Savings Plan (VRSP).

The Quebec government tabled its new Bill 39 in May 2013, which was finally adopted last December. As such, the Voluntary Retirement Savings Plan (VRSP) will take effect on **July 1st, 2014**. This initiative aims to encourage a greater number of employees, particularly from small and medium companies, to save for retirement.

Firstly, this bill creates the obligation for all businesses with five or more employees to provide a retirement savings plan and secondly, establishes the rules and provisions of the new VRSP. The terms and conditions of the law should be presented and adopted at the beginning of this year.

Obligation to provide a retirement savings plan

The VRSP will be available as soon as it takes effect on July 1st, 2014. However, delays have been scheduled so that businesses can comply with the new law:

- ◆ **20 employees or more**, the employer will have until December 31st, 2016, to give their employees access to a VRSP or another group retirement savings plan.
- ◆ **From 10 to 19 employees**, the employer will have until December 31st, 2017, to give their employees access to a VRSP or another group retirement savings plan.
- ◆ **For companies with 5 to 9 employees**, the delay to conform to the law has not been determined. Furthermore, no obligation will apply to this group of employers before January 1st, 2018.

The VRSP will not be the only savings plan offered to Quebec companies, but will be the default plan for companies of 5 employees or more having decided not to implement another retirement savings plan (RRSP, DPSP, RPP, SPP or even TFSA).

With its implementation, the VRSP will complement the range of retirement programs offered to Quebec businesses. The VRSP should meet the retirement needs of many Quebecers. Yet, depending on your needs and goals, a different program such as the RRSP, the DPSP, the RPP or the SPP might be better suited to your business.

To obtain more information concerning your insurance and risk management requirements, we encourage you to contact your account executive at Vézina, whose knowledge enables them to offer you unsurpassed guidance for the choice of coverage and retirement savings plan that best meets your company's situation thereby protecting what counts most to you — the future of your company!

The VRSP in a few words

The VRSP is a new, simple and low-cost savings plan vehicle implemented to help Quebecers save for retirement. The VRSP adds to the range of retirement plan vehicles already available to Quebec businesses.

Briefly, here are the rules that should apply to the VRSP:

- ◆ Companies, with five or more employees that do not already offer a retirement savings plan, will be obliged to offer a VRSP to all their employees without exception and make source withholdings.
- ◆ The employer will not be required to contribute to the VRSP.
- ◆ Employees will be automatically enrolled in the VRSP but will be able to opt out by written request to their employer.
- ◆ As per the plan's terms, the default employee contribution rate will be 2% with yearly increases up to 4%. Employees may contribute a different rate but will have to renew the request periodically and no more than twice per year.
- ◆ Every year the employer will have to reenroll employees having opted out of the VRSP, and they will need to renew the participation exemption request in writing.
- ◆ With a simple written request to the employer, the employee may suspend, resume and even withdraw accumulated contributions in the VRSP (subject to provincial and federal taxes).
- ◆ Employee contributions will be non-locked.
- ◆ As for employer contributions, they will be locked-in.