

RESOLUTION FOR 2016: COMPLIANCE WITH THE VRSP ACT

Along with health and happiness, prosperity is one of the wishes most often mentioned for the start of a new year. But unless you hit the jackpot, prosperity is very often the result of what you are able to save. Yet, almost 50% of Quebec workers do not have a pension or retirement plan provided by their employer. This makes it somewhat of a challenge to save enough for retirement! To address this issue, the Voluntary Retirement Savings Plans (VRSP) Act came into effect on July 1, 2014. **Some companies** will have to comply with the Act **by December 31, 2016**. Is yours one of them? Read on to find out.

Is my company affected?

Under the VRSP Act, all Quebec companies with five employees or more must provide a retirement plan to their staff, whether a VRSP or other group retirement savings plan: RRSP, DPSP, RPP, SPP or even a TFSA. However, the deadline for compliance with the Act varies depending on the size of your company:

- If your company has **more than 20 eligible employees on June 30, 2016**, you have until December 31, 2016.
- **10 to 19 employees:** until December 31, 2017
- **5 to 9 employees:** deadline to be determined

Criteria for employee eligibility:

- Age 18 or older
- Is a wage earner under the Act respecting labour standards
- Has at least one year of service

The consequences of non-compliance by the deadline could be costly. Companies that are late risk incurring a fine of \$500 to \$10,000 and must, by default, set up a VRSP.

What are my obligations?

As an employer, you are not obliged to contribute to the VRSP, but you must register your employees for a retirement savings plan. Here are the steps to follow:

1. Determine the retirement plan you wish to provide: VRSP, RRSP, DPSP, RPP, SPP or TFSA.
2. Choose the administrator of your plan.
3. Inform your employees in writing of when the plan comes into effect.

If you choose a VRSP, the following additional rules apply:

- All employees must be automatically registered for the plan. These employees can then opt out or cancel their participation by submitting a written request to you.
- Deduct the minimum employee contribution applicable by default. Initially, this will represent 2% of the person's gross salary until the end of 2017. This percentage will increase to 3% in 2018 and 4% in 2019. Employees may submit a written request to you for a different percentage to be deducted.
- Every two years, you must re-register all employees who opted out of the VRSP. If they wish to opt out again, they must notify you in writing.

If you choose another retirement plan, you must do the following:

- Inform your employees about the plan and invite them to participate.
- Obtain a written refusal from every employee who wishes to opt out of the plan.
- Deduct the contribution determined by the employee.
- Pay your employer contribution, if the plan you chose calls for it.
- Every two years, re-invite employees who previously opted out of your plan.

If you need advice or more information about voluntary retirement savings plans, contact your portfolio manager at Vézina & Associés, who can recommend what measures to take for your situation, allowing you to protect what matters most to you.

