



DEMANDS WITH LITTLE IMPACT ON THE CONTRIBUTION RATE



1. Allow early benefit for 55–60-year-olds

This early benefit means that one can receive an amount from the pension plan prior to retirement. The retirement pension payable under the RREGOP¹ will be reduced accordingly.

The SPP² Act regulates this type of measure. The parameters are the following:

- The participant must reduce his/her work hours pursuant to an agreement with the employer.
- The early benefit amount can be received as of age 55.
- The early benefit is paid in one annual lump sum and cannot exceed the lowest of the following amounts:
 - 70% of the reduction in remuneration
 - 40% of the maximum pensionable earnings for the year concerned
 - The account balance or the total benefits, depending on the situation
- At the time of retirement, the pension is actuarially reduced to take into account the amount of early benefits received.
- The amount received is then converted into negative pension. This will reduce the pension at the time of the actual retirement. It should be noted that this calculation is similar to the division of benefits in case of a divorce.

The context

Some people would like to retire progressively to diminish their pace of work as they approach retirement, but cannot afford to decrease their income. Think of people who are having trouble working full time because of arduous work.

Many people will turn to their QPP³ pension that can be requested on their 60th birthday, in advance, to fully or partially compensate the income decrease.

On the other hand, some people choose an earlier, phased departure and do not have access to their QPP pension before age 60.

Our demand

Allow people between the ages of 55 and 60 to receive money from the RREGOP (early benefit) under an phased departure agreement. In exchange, their pension will be reduced upon retirement (similar to a loan with interest from the RREGOP pension).

It should be noted that this option does not prevent service and salary recognition under the RREGOP, as planned for the phased departure.

2. Extend the phased departure period (progressive retirement)

A phased departure reduces your work hours before you retire; the criteria that must be respected under the Act respecting the RREGOP are the following:

- Enter into an agreement with the employer
- Have a regular, full- or part-time employee status
- Plan a phased departure of at least one year, but no more than five years
- Work at least 40% of a full-time schedule
- Be eligible for immediate retirement at the end of the agreement (with or without actuarial penalty).

¹ Régime de retraite des employés du gouvernement et des organismes publics.

² Supplemental Pension Plans Act.

³ Québec Pension Plan.



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Recognition by the RREGOP: even with reduced work hours, service and salary will be recognized as if the person had not entered into such arrangement.

Our demand

Extend the maximum phased departure period from five to seven years.

Considerations:

- While a person may have signed a five-year agreement (the current maximum), they can reduce this term without penalty (while maintaining the one-year minimum).
- Each person must come to an agreement with their employer concerning phased departure.
- Extending the phased departure period would also impact sectoral demands as to phased departure extension, as every collective agreement contains provisions regarding phased departure.
- Certain collective agreement terms and conditions may be more restrictive than the RREGOP Act' aforementioned conditions.

3. Change the actuarial reduction compensation assumption

Some people choose to retire early. Compensation for the early retirement reduction may then be considered in order to convert some RRSPs into an additional life annuity (completely or partially eliminating the actuarial penalty under the RREGOP).

However, the amount requested is very high, given the interest rate assumption that is based on the Canadian bond rate. In fact, in today's setting, the low bond rates that have been in place for several years translate into a high value. Therefore, in reality, very few people opt for the actuarial reduction compensation.

Our demand

Suggest a new basis for calculating the cost of the actuarial compensation to make this option more accessible.

Considerations:

- It would be the same calculation basis as the service buyback according to the standard leave without pay grid.
- Cost would be lower and more predictable.

4. Increase the pension for working people aged 65 and over

In Québec, the majority of supplemental plans offer a pension increase for people who continue working after their 65th birthday. This is called a postponed pension. This means that as of age 65, a person stops contributing to the plan and accumulating years of credited service; this person will have a higher pension than if they retired before age 65. Therefore, the pension is increased at retirement to take into account the payments not made since age 65 up until his/her retirement date.

This is an individual calculation, but we can estimate that the pension increase will be of approximately 6 to 7% per year from age 65 to retirement, and this, to take into account the shorter payment period.



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The RREGOP, on the other hand, is less generous to people who continue to work after age 65 because they continue to contribute and accumulate service, without taking into account the shorter payment period.

Some people continue to work past the age of 69 because they love their job, but also by necessity; such is the case of a person who started working in a RREGOP-covered job later in life. In this case, this person would receive a RREGOP pension that is too small to allow retirement (often times they have not participated in a supplemental retirement plan in their previous jobs). Such persons have to continue working, but their RREGOP pension no longer increases.

Our demand

Increase the pension to provide fairness between the RREGOP participants and those from other supplemental plans and offer a positive, voluntary retention measure which does not penalize people who work after the age of 65.

Our demand

Extend the maximum age to participate in the RREGOP to 71. This would make it possible to increase the pension until this age and to pay the pension as of December 31 of this person's 71st birthday, and this, even if the person continues to work after reaching this age.

5. Delay the maximum age for participation in the RREGOP

The context

A person who is still in a job covered by the pension plan will stop contributing as of December 30 of their 69th birthday. This means that this person's pension is not increased by his/her service or salary, and is therefore "frozen." This person cannot request to have his/her pension paid as one must resign from all of the jobs covered to receive it.