

Law &amp; Policy Group

**GRIST**

# Québec: Legislation implements target benefit pension plans

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The National Assembly of Québec adopted Bill 68 on 11 Dec 2020, allowing the implementation of target benefit pension plans (TBPs) in Québec. The legislation follows two years of consultations with major trade unions and employers' associations and is aimed at addressing the decline in traditional defined benefit (DB) pension plans.

## TBP provisions

- TBPs will be available in union or nonunion environments, on a single-employer or multiemployer pension plan basis, but may not cover employees outside of Québec, except under exceptions to be described in regulations.
- Contributions will be predictable and fixed for both employers and members. Funding will be on a “going concern” basis and will include a stabilization provision.
- Monthly life pensions, without being guaranteed, may be estimated in advance according to a predetermined formula. The pension amount may increase or decrease depending on the plan's financial strength.
- Benefits cannot be based on an “average of the last” or highest salaries and cannot provide for early retirement subsidies depending on years of service. However, guaranteed indexation after retirement will be allowed as long as it is based on a fixed formula (not related to an index such as in inflation).
- Investment and longevity risks will be pooled among all active and retired members.
- DB-type provisions will not be permitted in TBPs, such as for service prior to the TBP implementation date. In addition, a DB pension plan cannot be converted to a TBP for past service. However, it will be possible to convert a defined contribution pension plan or a multiemployer negotiated contribution pension plan to a TBP, subject to the regulatory provisions.

## Other changes

Bill 68 includes other proposed changes to the Québec Supplemental Pension Plans Act:

- Pension plans that include defined contribution provisions and voluntary retirement savings plans will be allowed to offer variable payment life pensions.
- DB or TBP plans will be allowed to determine the degree of solvency for the purposes of the payment of commuted values at intervals shorter than the plan's fiscal year.
- Retraite Québec will have the power, by regulation, to prescribe certain measures to mitigate the consequences of the state of emergency related to the COVID-19 pandemic.

## Related resources

### Non-Mercer resource

- [Bill 68](#) (Government)
- [Press release](#) (Minister of Finance, 7 Oct 2020)

### Other Mercer resource

- [Client Alert](#)

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