Pension and Indexation Report October 2013

Unfortunately, the Parliamentary Commission on Public Finances pulled the plug on the follow-up to be given to the report of the Expert Committee on the Future of the Quebec Retirement System, the D'Amours report. After almost two years of deliberation, last September 17, the MLAs shelved this report and terminated this exercise.

Though we, retirees from the public and parapublic sector, were not directly the object of the report, the D'Amours Report made a number of innovative proposals. It came out strongly in favor of defined benefit pension plans. In their minds, increasing access to defined benefit plans was the only way to ensure financial security in retirement. This is clearly against the trend where more and more employers are moving towards defined contribution plans, a less costly system. Our CARRA pensions are defined benefits - we know in advance how much we are to get, 2 % of salary for every year of contribution, etc.

The Report also proposed a greater participation of retirees in negotiations involving changes in benefits to their pension plans. All this now being a moot point since the report has been filed. However, the Parliamentary Commission did recommend that more study and analysis be undertaken on its different proposals. To be continued!

For those among you that have recently retired, let's have a look at how your government generated retirement income evolves over time. Firstly your CARRA pension. This is not a gift. You earned it. It is a deferred salary. You were forced to put aside a percentage of your salary directly at source, and your employer matched this amount, a 50 % - 50 % contribution. In return, you were promised (defined benefits) that you would receive 2 % salary for every year of contribution (best years and so on) as a pension for life.

Since you worked in Quebec, you also are entitled to receive a Quebec Pension Plan (QPP) retirement income,. This must be applied for, normally at 65 years of age. You can ask for it as of 60 years old, but a penalty is imposed (ie reduced amount), or you can delay so that the amount is increased. This is not a gift. As the previous, it is a contributory system. You were forced at source to put aside a percentage of salary but you must apply to receive the QPP. Elsewhere in Canada, workers have an equivalent, the Canada Pension Plan (CPP).

Please note that these two plans, the CARRA pension and the QPP are coordinated plans. This basically means that because you were obliged to contribute to the QPP as all workers were, your CARRA contributions were adjusted accordingly (lowered). Because of this coordination, when you reach 65 (the month following your 65th birthday), your CARRA pension is reduced. The reduction is about what you are entitled to get from QPP at the "normal" age of 65. This reduction happens whether you applied for your QPP at 60, at 65, or even if haven't yet applied. For

more info on coordination please consult:
http://www.carra.gouv.qc.ca/ang/publications/publi_prestataires.htm - coordination

Lastly, Canadians, and residents are entitled to receive another retirement income from the federal government, the Old Age Security (OAS). This is not a gift. You've earned it. You've paid income tax and continue to do so to receive this income. The retirement age for the OAS originally at 65 years of age is now in the process of changing to 67.

Let me briefly remind you what happens to the amounts you receive from these three sources of retirement income over time. Annually a series of consumer items are compared (the Consumer Price Index (CPI)), to determine the rate of inflation (how much relatively more things cost) or the increase in the cost of living. Thus a Cost of Living Allowance (COLA is what most of our colleagues in the other provinces refer to, we call it indexation) is determined. This rate can vary provincially. The OAS is fully indexed every July 1 and the QPP is also fully indexed January 1, not necessarily at the same rate.

Our CARRA pensions are also indexed January 1 of every year with the following criteria. If you contributed to CARRA prior to July 1, 1982, then that portion of your pension will be fully indexed according to the rate established for the QPP. For the portion of your contributions between July 1982 and Dec 1999, if there is at least a 20 % surplus in the Pension Plans, then you would get some indexation for this period. And if you have contributions after the year 2000, then you are entitled to half the rate established for the QPP. Each January after you retire CARRA sends a statement indicating how much of your pension was earned during each of the periods stated previously, how much of an increase you are entitled to, as well as the new amount of your monthly pension. Of course, the first year after your retirement, you only get part of the indexation proportional to the fraction of the year for which you have been retired.

What happens next? Everyone was waiting to see what outcome was reserved for the D'Amours Report. Now that we know, plan B needs to be defined. The major advocacy groups representing retirees receiving a CARRA pension (AREQ and AQRP, these can be Googled) continue to advocate for improvement in the indexation formula, particularly for the 1982-99 years. These groups formed an alliance of twelve associations representing about 120 000 retirees, the Groupe de Traivail des Associations de Retraités (GTAR), on which AAESQ, ACRA, QART, and QPARSE participate. To be continued!