Draft Regulations

Draft Regulation

An Act respecting the Pension Plan of Elected Municipal Officers
(R.S.Q., c. R-9.3 ; 2005, c. 28)

Regulation
— Amendments

Notice is hereby given, in accordance with sections 10 and 11 of the Regulations Act (R.S.Q., c. R-18.1), that the Regulation to amend the Regulation respecting the application of the Act respecting the Pension Plan of Elected Municipal Officers, the text of which appears below, may be made by the Government on the expiry of 45 days following this publication.

The draft Regulation sets out the method of establishing the rate of interest to apply for the period during which the Commission administrative des régimes de retraite et d'assurances (CARRA) is processing a contribution refund application. The rate of interest currently used by the CARRA to establish the amount to be refunded corresponds to the pension fund's rate of return. Maintaining that method of computing interest while the CARRA examines a refund application occasionally entails negative interest being assessed to the applicant for that period. The new rate of interest is established using an external rate of interest that is always greater than zero. The external index corresponds to the average rate of return on marketable bonds issued by the Government of Canada for a term of 3 to 5 years.

The draft Regulation replaces, for the establishment of the value of the benefits, the actuarial assumptions for the mortality rate, the rate of interest and the indexing rate in keeping with the recommendations of the Canadian Institute of Actuaries (CIA) in its "Standard of Practice for Determining Pension Commuted Values", confirmed by its board of directors on 15 June 2004. The draft Regulation also sets out rules for establishing the value of the benefits in other pension plans administered by the CARRA on the basis of assumptions concerning the proportion of married persons at death, the age difference between spouses at death and the method for determining the actuarial value in the case of the death of a member before the age of 60.

The draft Regulation provides that the cost for a member of the council of Municipalité de Baie-James of redeeming years of service under Chapter VI.0.3 of the Act respecting the Pension Plan of Elected Municipal Officers, introduced by section 124 of chapter 28 of the Statutes of 2005, corresponds to the sum of the contributions that the member would have paid under the plan in respect of the service to be redeemed plus prescribed interest.

The draft Regulation has no financial impact on enterprises, including small and medium-sized businesses.

Further information may be obtained by contacting Yves Slater, Director, Direction de l'actuariat et du développement, Commission administrative des régimes de retraite et d'assurances, 475, rue Saint-Amable, 5e étage, Québec (Québec) G1R 5X3 ; telephone : 418 644-1477 ; fax : 418 528-2715.

Interested persons having comments to make on the draft Regulation are asked to send them in writing before the expiry of the 45-day period to the Minister of Municipal Affairs and Regions, 10, rue Pierre-Olivier-Chauveau, Québec (Québec) G1R 4J3.

NATHALIE NORMANDEAU,
Minister of Municipal Affairs and Regions

Regulation to amend the Regulation respecting the application of the Act respecting the Pension Plan of Elected Municipal Officers*

An Act respecting the Pension Plan of Elected Municipal Officers
(R.S.Q., c. R-9.3, s. 75, 1st par., subpars. 1 and 4 ; 2005, c. 28, ss. 123, 124 and 127)

1. The Regulation respecting the application of the Act respecting the Pension Plan of Elected Municipal Officers is amended by replacing the part that precedes section 1 by the following :

* The Regulation respecting the application of the Act respecting the Pension Plan of Elected Municipal Officers, made by Order in Council 1742-89 dated 15 November 1989 (1989, *G.O.* 2, 4153), was last amended by the regulation made by Order in Council 1009-2005 dated 26 October 2005 (2005, *G.O.* 2, 4834). For previous amendments, refer to the *Tableau des modifications et Index sommaire*, Québec Official Publisher, 2006, updated to 1 April 2006.

"**DIVISION I**
ESTABLISHMENT OF RATES OF INTEREST

§1. *Rate of interest based on the rates of return of certain funds*".

2. Section 1 is amended by replacing "For the purposes" in the first paragraph by "For the purposes of the second paragraph of section 54.1".

3. The following subdivision is added after section 1 :

"***§2.*** *Rate of interest based on an external index*

For the purposes of the third paragraph of section 54.1 of the Act, the annual rate of interest is established as at 1 June of each year by computing the arithmetic mean, for the 12-month period ending on 31 December of the preceding year, of the nominal rates on Government of Canada marketable bonds (3-5 years) as compiled by Statistics Canada and published in the Bank of Canada Review (CANSIM Series V122485).".

4. Section 5 is replaced by the following :

"**5.** Interest, compounded annually, is computed at the rate established each year in accordance with section 1 until the date on which the refund application is received by the Commission, at the rate established as provided in section 1.1 and in force on that date, as of the day following that date until the date on which the refund is made.

Despite the first paragraph, if the event giving entitlement to the refund is the death of the member, the period of application of section 1.1 begins on the day following the date of death and if the event is the death of the beneficiary or the surviving spouse, the period begins on the first day of the month following the date of death.".

5. Division V is replaced by the following :

"**DIVISION V**
ACTUARIAL VALUE

9. For the purposes of this Division, the expression "CIA Standard" refers to the "Standard of Practice for Determining Pension Commuted Values" confirmed by the board of directors of the Canadian Institute of Actuaries on 15 June 2004.

9.0.1. The actuarial value of the deferred annuity referred to in section 49 of the Act is determined using the following actuarial method and assumptions :

Actuarial method

The actuarial method is the "benefit allocation" method and the actuarial value corresponds to the sum of 80% of the actuarial value determined for a male and 20% of the actuarial value determined for a female.

Actuarial assumptions

(1) Mortality rates :

The mortality rates are those determined in accordance with the CIA Standard.

(2) Rate of interests :

For fully-indexed and non-indexed benefits :

The rate of interests are those determined in accordance with the CIA Standard.

For partially-indexed benefits :

The rate of interests are those determined according to the following formula :

((1+ rate of interest for a non-indexed benefit) / (1+ indexing rate for a partially-indexed benefit)) –1

The result must be rounded to the nearest multiple of 0.25%.

(3) Indexing rate :

(a) for a fully-indexed benefit according to the rate of increase in the pension index, the indexing rate is computed in the manner described in the CIA Standard ;

(b) for a benefit indexed according to the excess of the rate of increase in the pension index (PI) over 3%, the indexing rate corresponds to the excess of the indexing rate computed in the manner provided in subparagraph *a* over 3%.

In order to take into account the inflation rate variations, the following additions are made to the results of effective indexing formulas for actuarial value computation purposes.

Inflation level	Addition to the result of the PI-3% formula	Adjusted indexing rate
0.5	0.1	0.1
1.0	0.1	0.1
1.5	0.3	0.3
2.0	0.5	0.5
2.5	0.7	0.7
3.0	1.0	1.0
3.5	0.8	1.3
4.0	0.6	1.6
4.5	0.5	2.0
5.0	0.4	2.4

(4) Turnover rate : Nil

(5) Disability rate : Nil

(6) Proportion of married persons at death :

Age	Male	Female
18 - 64 years old	85%	65%
65 -79 years old	80%	30%
80 - 109 years old	60%	10%
110 years old	0%	0%

(7) Age difference between spouses at death :

— the male spouse of the member is assumed to be one year older ;

— the female spouse of the member is assumed to be four years younger.".

6. Section 9.2 is replaced by the following :

"**9.2.** A person may, for the purposes of Chapters VI.0.1 and VI.0.2 of the Act and Chapter VI.0.3 of the Act, introduced by section 124 of chapter 28 of the Statutes of 2005, apply for redemption of service by sending the Commission a written notice specifying the period to be redeemed. After receiving the notice, the Commission must send the applicant a redemption proposal in which it determines the amount the applicant must pay.

For the purposes of Chapters VI.0.1 and VI.0.2 of the Act, the amount the applicant must pay is determined in accordance with Schedule II. For the purposes of Chapter VI.0.3 of the Act, that amount corresponds to the sum of the contributions the applicant would have paid under the plan in respect of the service the applicant wishes to redeem and the interest compounded annually, computed at the rate established each year in accordance with section 1 as of the midpoint of each year until the date on which the application for redemption is received.

The amount determined pursuant to the second paragraph is payable in cash not later than on the expiry date of the redemption proposal or by instalments spread over the maximum period prescribed by section 8. If the amount is paid by instalments, interest compounded annually is added at the rate established as provided in section 1.1 in force on the date on which the application for redemption is received and computed as of the expiry date of the redemption proposal made by the Commission.".

7. Section 9.3 is amended

(1) by replacing "re-determined" in the fourth paragraph by "determined" and by striking out "in relation to the value of the indexed pension credit and the age of the person" ;

(2) by replacing "re-determined in relation to the date of the decision" in the last paragraph by "determined on the date of the decision taking into account, for a redemption under under Chapter VI.0.1 or VI.0.2 of the Act, the value of the indexed pension credit and the age of the person on that date".

8. The title of Schedule II is replaced by "RATE APPLICABLE TO CERTAIN REDEMPTIONS UNDER SECTION 9.2".

9. This Regulation comes into force on the fifteenth day following the date of its publication in the *Gazette officielle du Québec*.

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