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Draft Regulation

Supplemental Pension Plans Act
(chapter R-15.1)

Funding of certain Gesca Ltée and La Presse, ltée pension plans

Notice is hereby given, in accordance with sections 10 and 11 of the Regulations Act (chapter R-18.1), that the draft Regulation respecting the funding of certain Gesca Ltée and La Presse, ltée pension plans, appearing below, may be made by the Government on the expiry of 45 days following this publication.

The main purpose of the draft Regulation is to exempt certain Gesca Ltée and La Presse, ltée pension plans from the application of provisions of the Supplemental Pension Plans Act and prescribe special rules allowing for relief measures for the funding of actuarial deficiencies related to the indexation of benefits. The special funding rules apply to employer contributions to be paid in relation with such deficits for 2012 through 2021; other measures in the Regulation could be applied until the end of 2026.

Further information may be obtained from Mr. Patrick Provost, Régie des rentes du Québec, Place de la Cité, 2600, boulevard Laurier, Québec (Québec) G1V 4T3 (telephone: 418 657-8703, extension 4484; fax: 418 659-8983; email: patrick.provost@rrq.gouv.qc.ca).

Any person wishing to comment on the draft Regulation is asked to send their comments in writing before the expiry of the 45-day period mentioned above to Mr. Denys Jean, President and Chief Executive Officer of the Régie des rentes du Québec, Place de la Cité, 2600, boulevard Laurier, 5e étage, Québec (Québec) G1V 4T3. Comments will be forwarded by the Régie to the Minister of Employment and Social Solidarity, who is responsible for the administration of the Supplemental Pension Plans Act.

AGNÈS MALTAIS,
Minister of Employment and Social Solidarity

Regulation respecting the funding of certain Gesca Ltée and La Presse, ltée pension plans

Supplemental Pension Plans Act
(chapter R-15.1, s. 2, 2nd and 3rd pars.)

DIVISION I
COMPONENTS OF A PENSION PLAN

1. A pension plan referred to in the appendix is composed of two components.

One of the components, called a “past component”, is composed of the portion of the liabilities of the plan related to obligations arising from service completed prior to 1 January 2012, and the portion of the assets of the plan corresponding to those liabilities.

The other component, called a “current component”, is composed of the remaining liabilities and the assets of the plan.

The pension fund of the plan is therefore distributed between two separate accounts.

2. For the purposes of Chapters X (Solvency and funding), X.1 (Appropriation of surplus assets), XII (Division and merger) and XIII (Rights of members and beneficiaries on winding-up) of the Supplemental Pension Plans Act (chapter R-15.1), the liabilities of the past component and the corresponding account of the pension fund are considered to be separate from the liabilities and the account of the current component.

DIVISION II
EMPLOYER CONTRIBUTIONS TO THE PAST COMPONENt

3. Notwithstanding section 39 of the Act, the employer contribution that the employer must pay into the account of the past component of a pension plan for a fiscal year ending after 30 December 2012 but no later than the date determined under section 32, corresponds to the sum of the following amounts:

(1) the amortization payment related to the indexation deficiency, determined in accordance with subdivision 1;

(2) the basic amortization payment, determined in accordance with subdivision 2;

(3) the special amortization payments, determined in accordance with subdivision 3, required during the fiscal year;

(4) the amount considered yield, determined in accordance with subdivision 4, required during the fiscal year.

However, the employer contribution that the employer must pay into the past component of a pension plan registered with the Régie des rentes du Québec under number 7023 cannot be less than the employer contribution determined for the component in accordance with the first paragraph for the fiscal year ending on 31 December 2012 or the amount of the employer contribution determined without applying the special funding rules provided for under this Regulation, whichever is less.

§1. Amortization payment for the indexation deficiency

4. The amortization payment for the indexation deficiency is determined in respect of the discounted projected indexation deficiency of the past component.

5. As at the date of an actuarial valuation of a pension plan, the discounted projected indexation deficiency of the past component corresponds to the value of the projected indexation deficiency as at 31 December 2026, discounted at a rate which must not exceed 5,5% on the date of the actuarial valuation.

A projected indexation deficiency is determined where, as at the date of the actuarial valuation, the liabilities of the past component adjusted to 31 December 2026 exceed the assets of that same component adjusted to that same date, the latter being calculated, as provided for under sections 6 and 7, such that the projected deficiency that is determined is limited to indexation. The arising from indexation as at 31 December 2026 corresponds to the amount by which the liabilities exceed the assets.

6. As at the date of an actuarial valuation of a pension plan, the projected liabilities of the past component of the pension plan as at 31 December 2026 are obtained by assuming that, between the date of the valuation and 31 December 2026, with regard to solvency liabilities for the past component as at the date of the valuation, contingencies based on actuarial assumptions as to survival, morbidity, mortality, employee turnover, eligibility for benefits or other factors will occur and by assuming that termination of the plan will occur on 31 December 2026. The actuarial assumptions and methods used shall be consistent with generally accepted actuarial principles and must be suited, in particular, to the type of plan concerned and its obligations.

Moreover, the projected liabilities of the past component as at 31 December 2026, for the part related to the benefits of the members and beneficiaries whose pension would be in payment on that date, are determined using the assumptions for hypothetical wind-up and solvency valuations established by the Canadian Institute of Actuaries as they apply on the date of the actuarial valuation. For the part related to the benefits of the other members and beneficiaries, the projected liabilities are determined in accordance with the assumptions and rules referred to in section 67.4 of the Regulation respecting supplemental pension plans (chapter R-15.1, r. 6), as they apply on the date of the actuarial valuation.

7. As at the date of the actuarial valuation, the assets of the past component adjusted to 31 December 2026 include the basic amortization payments and the special amortization payments to be paid into the past component until 31 December 2026.

Moreover, the assets of the past component adjusted to 31 December 2026 are determined on the basis of the market value of the assets of that component as at the date of the valuation and by assuming a rate of return that may not exceed 5,5%. That value is adjusted to take into consideration the benefits and other amounts to be paid until 31 December 2026 with respect to the past component, assuming the contingencies in the first paragraph of section 6 will occur.

For the purposes of the second paragraph, a letter of credit provided by the employer under the provisions of section 42.1 of the Act with regard to the past component is included in the market value of the assets of the component as at the date of the valuation. However, the amount of the letter, or the total amount of such letters, is taken into account for that purpose only up to 15% of the value of the liabilities of the component.

8. The monthly amortization payments relating to the discounted projected indexation deficiency of the past component are determined assuming a 5,5% interest rate.

9. Notwithstanding section 142 of the Act, the amortization period for the discounted projected indexation deficiency of the past component begins on the date of the actuarial valuation on which it is determined and ends on 31 December 2026.

§2. Basic amortization payment

10. Notwithstanding the first paragraph of section 1 of this regulation and subject to the provisions of the second paragraph of section 11, the provisions of the Regulation providing temporary relief measures for the funding of solvency deficiencies (chapter R-15.1, r. 3.1) apply with regard to technical actuarial deficiencies of the past component of the pension plan.

11. The basic amortization payment is the total of the amortization payments determined in respect of the technical actuarial deficiencies of the past component of the pension plan.

Notwithstanding section 123 of the Act, for the purpose of determining a technical actuarial deficiency of the past component of a pension plan as at the date of an actuarial valuation:

(1) the accumulated value, as at that date, of the amortization payments relating to the indexation deficiency for which payment was required up to that date is excluded from the assets of the component; that value is determined using the rate of return of the pension fund;

(2) the portion of the liabilities relating to the indexation of pensions is excluded from the liabilities of the component.

§3. Special amortization payment

12. Notwithstanding section 132 of the Act, where, further to an amendment made after 30 December 2011 but no later than the date determined in accordance with section 32, an actuarial valuation determines the value of additional obligations of the past component, a special amortization payment is determined.

The payment corresponds to the value of the additional obligations determined on a solvency basis or their value determined on a funding basis, whichever is greater.

The special amortization payment shall be made as soon as the report on the first actuarial valuation to take the amendment into consideration is sent to the Régie. To such payment shall be added accrued interest, if any, from the date of the valuation, calculated at the rate referred to in section 48 of the Act.

For the purposes of the Act, the special amortization payment is considered the special amortization payment provided for under section 132 of the Act.

§4. Amount representing yield

13. An amount representing yield is payable in full to the account of the past component of a pension plan on the day following the date of any actuarial valuation of a pension plan after 30 December 2012. That amount is determined according to the following formula:

$$A \times B, \text{ where}$$

"A" represents the total, as at the date of the valuation, of the letters of credit used after 31 December 2011 to relieve the employer from paying an employer contribution to the past component;

"B" represents a weighted average determined by applying both the rate used for the purpose of applying the second paragraph of section 7 to the portion of such an employer contribution allocated to an amortization payment relating to the indexation deficiency, and the interest rates referred to in the second paragraph of section 6 to the other portion of such a contribution.

DIVISION III
SPECIAL MEASURES FOR THE CURRENT COMPONENT

14. The provisions of the Regulation providing temporary relief measures for the funding of solvency deficiencies apply to the current component of a pension plan, notwithstanding the provisions of the first paragraph of section 1 of that Regulation.

15. For the purposes of section 42.1 of the Act with regard to the current component of a pension plan, only the amortization payments determined in respect of the actuarial deficiencies of that component and the special amortization payments for that component are taken into consideration.

DIVISION IV
ACTUARIAL VALUATION REPORT

§1. Contents of the report on the actuarial valuation while section 3 applies

16. For period during which section 3 applies, the actuarial valuation report for a pension plan shall present separately the information related to the past component, provided for under section 17, and the information related to the current component.

Moreover, the report must indicate the surplus amount of any letters of credit allocated, in accordance with section 26, to the employer contribution payable into the current component.

17. With respect to the past component of a pension plan, the actuarial valuation report shall contain

(1) the information and statements of the actuary provided for in the section of the Canadian Institute of Actuaries' Standards of Practice to which section 4 of the Regulation respecting supplemental pension plans (chapter R-15.1, r. 6) refers and the information provided for in paragraphs 1 to 5 of that section;

(2) the information provided for under section 4.1 of that regulation, the value of the component's assets and liabilities and the value of the portion of the liabilities related to the indexation of pensions, determined without reference to section 6;

(3) the information required under section 4.3 of that regulation;

(4) the information required under paragraphs 1, 2, 4 and 5 of section 4.4 of that regulation;

(5) the information required under paragraphs 1 and 3 of section 4.5 of that regulation;

(6) the information required under paragraphs 4, 5 and 6 of section 4.6 of that regulation;

(7) the amount of the discounted projected indexation deficiency, the calculations pertaining to its determination and the monthly payments related to amortization payments to be made until 31 December 2026;

(8) the amount representing yield and the calculations pertaining to its determination;

(9) as concerns the pension plans registered with the Régie des rentes du Québec under number 7023, the amount of the employer contribution determined without applying the special funding rules provided for in this Regulation.

Should the actuarial valuation report be transmitted to the Régie without taking into account the information required under the first paragraph, the report shall be amended or replaced.

***§2.** Contents of the report on the actuarial valuation after the application period for section 3*

18. After the application period for section 3, the actuarial valuation report for a pension plan shall present separately the information related to the past component and the information related to the current component.

19. The actuarial valuation report for a pension plan whose date corresponds to the one determined in accordance with section 32 shall mention that the special funding rules for the past component provided for in this Regulation cease to apply to the pension plan as of that date.

20. The actuarial valuation report for a pension plan whose date corresponds to the one determined in accordance with section 33 shall mention that the provisions of this Regulation that provide for two separate components within the plan cease to apply to the pension plan as of that date.

DIVISION V
COMMUNICATIONS

21. The second part of the statement provided for in section 108 of the Act shall mention that, for as long as the plan is composed of two components, the liabilities of the past component and the corresponding account of the pension fund are considered to be separate from the liabilities and the account of the current component for the purposes of the share payable to the spouse.

22. The information that the statements provided for under sections 112 and 113 of the Act must contain is determined for the past component and the current component of the pension plan as though they were separate plans. The information relating to each component shall be presented separately on the statements.

The section of the statements relating to the past component of the pension plan shall also mention that the application period for the special funding rules for the component ends no later than 31 December 2021 and that the funding rules provided for under the Act apply thereafter, so that the solvency actuarial deficiency established at that time can be amortized over the maximum period allowable under the Act.

The statements shall also mention that for the purposes of the payment of the benefits of the members and beneficiaries of the plan – including a payment following plan termination – for as long as the plan is composed of two components, the liabilities of the past component and the corresponding account of the pension fund are considered to be separate from the liabilities and the account of the other component.

23. The Régie may require from a pension committee, from an employer party to a pension plan, from Gesca Ltée or from La Presse, ltée, on the conditions and within the time limits established by the Régie, any document, information or report that it deems necessary for ascertaining that the requirements imposed by this Regulation are met, particularly concerning the contents of an actuarial valuation report provided for under Division IV.

DIVISION VI
MISCELLANEOUS PROVISIONS

24. The fiscal year of a pension plan corresponds to the calendar year.

25. Notwithstanding the second paragraph of section 118 of the Act, any actuarial valuation provided for under the first paragraph of that section shall be complete.

26. Notwithstanding section 42.1 of the Act, the employer is relieved of paying, in whole or in part, the employer contribution payable to the current component of a pension plan for the fiscal years ending 31 December 2013 and 31 December 2014 by allocating for that purpose the surplus amount of the letters of credit, up to the portion of the employer contribution required after the effective date of this Regulation.

The surplus amount of the letters of credit corresponds to the amount by which the total of any letters of credit provided by the employer in accordance with section 42.1 of the Act prior to the effective date of this Regulation for the purpose of being relieved of paying the portion of the employer contributions required for the fiscal years of the pension plan ending 31 December 2012 and 31 December 2013 exceeds the employer contribution to the past component, determined in accordance with Division II and payable with respect to those fiscal years of the pension plan.

Notwithstanding the third paragraph of section 123 of the Act, the surplus amount of the letters of credit allocated, for the purposes of the first paragraph, to the payment of the employer contribution is considered in its entirety for the purpose of determining the solvency of the current component of the pension plan or, after the date determined in accordance with section 33, the solvency of the pension plan.

27. For the purposes of section 42.1 of the Act with regard to the past component of a pension plan, the employer contribution provided for under section 3 is deemed to be an amortization payment determined in respect of a solvency actuarial deficiency.

28. Notwithstanding section 130 of the Act, no improvement unfunded actuarial liability is determined for an amendment to the past component of a pension plan made before the date determined in accordance with section 32 with regard to the plan.

29. Notwithstanding section 196 of the Act, only the merger of all or part of the assets and liabilities of a pension plan referred to in the appendix may be authorized by the Régie.

30. The provisions of this Regulation apply to a pension plan resulting from the division of a pension plan referred to in the appendix, and whose liabilities include obligations arising from such a pension plan in respect of service completed prior to 1 January 2012.

31. The third paragraph of section 230.0.0.9 of the Act does not apply to the past component of a pension plan, in respect of the contribution to that component for the fiscal years included in the period during which section 3 applies.

DIVISION VII
END OF THE APPLICATION OF THE MEASURES

32. The provisions of Division II and sections 27 and 28 cease to apply to a pension plan on the earlier of the following dates:

(1) the date of the first actuarial valuation showing that the past component of the plan is solvent;

(2) the date that corresponds to the end date of a fiscal year of a plan that is fixed in a writing giving instructions to that effect and sent to the pension committee before that date and to the Régie des rentes du Québec by the employer party to the plan;

(3) the date fixed by the Régie as a condition for authorizing an amendment to the plan to substitute a new employer for the former employer as of that date, where the new employer is neither Gesca Ltée nor La Presse, ltée;

(4) 31 December 2021.

33. Sections 1 and 2, the provisions of Division III and sections 21, 22, 24, 25 and 29 cease to apply in respect of a pension plan on the earlier of the following dates:

(1) the date of the first actuarial valuation showing that the past component of the pension plan is solvent;

(2) five years from the first of the dates determined with regard to the pension plan pursuant to paragraph 2, 3 or 4 of section 32.

34. This Regulation comes into force on the fifteenth day following its publication in the *Gazette officielle du Québec*. However, it has effect from 31 December 2011.

APPENDIX
(s. 1)

Pension plans subject to this Regulation

Number under which the plan is registered with the Régie des rentes du Québec	**Plan name on 31 December 2011**
7023	Régime complémentaire de retraite des employés de La Presse, ltée assujettis à une convention collective de travail
24460	Régime complémentaire de retraite des gestionnaires et professionnels de La Presse, ltée
26414	Régime complémentaire de retraite des employés de la direction principale de Gesca Ltée
31687	Régime complémentaire de retraite des employés de la haute direction de Gesca Ltée

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