January 2025

RETRAITE QUÉBEC

Termination of a pension plan: **payment options in the case of a reduction in benefits**

Since 1 January 2014, retirees and beneficiaries[1] of a pension whose benefits have been reduced due to their employer's insolvency or bankruptcy have new options for the payment[2] of their benefits.

One of the new options allows you to temporarily entrust Retraite Québec with the administration of your reduced pension for a period lasting up to 10 years. If conditions become more favourable, your pension could increase during that 10 year period. In all cases, Retraite Québec will purchase an annuity from an insurer at the end of its mandate.

This leaflet is enclosed with your statement of benefits **because you were receiving a retirement pension on the date your plan was terminated**. If this does not apply to you, please contact your plan administrator.

Below are descriptions of the new options Retraite Québec has made available to you and of Retraite Québec's role if you choose to have it administer your pension temporarily.

Additional information about your statement of benefits

Following the termination of your plan, the administrator of the plan must liquidate the pension fund. Accordingly, you have received a statement of benefits indicating:

- the estimated amount of your pension, taking into account the pension plan's shortfall in assets;
- your benefit payment options;
- the time limit to inform the administrator of your choice.

Note that the statement provides an **estimate** of your benefits. The actual amount of your pension may be slightly different at the time of payment.

1. The beneficiary is a person other than the member who is entitled to benefits under a pension plan (e.g., the spouse of a deceased member).
2. The administrator of the plan that is being terminated must liquidate the pension fund. To do so, the administrator must pay the benefits of members and beneficiaries by transferring the benefits in the transfer instrument of their choice.

Important!

Whatever you choose for the payment of your benefits, it is your reduced pension or its value as established at the time of its payment that will be administered by Retraite Québec, purchased from an insurer or transferred to an authorized transfer instrument such as life income fund (LIF). For example, if your monthly pension of $1000 was reduced to $700, it is the pension of $700 that will be administered by Retraite Québec or purchased from an insurer or the value of this pension that will be transferred.

The following sections explain the payment options available and outline several points to consider when making your decision. You will find useful information in order to make comparisons, as well as a detailed description of the Retraite Québec option. Retraite Québec will be holding an information meeting that you can attend for that purpose.

You must choose between the options offered and inform the plan administrator of your choice by completing and returning the forms enclosed with your statement of benefits.

Important!

If you do not inform the administrator of your choice before the time limit for doing so expires, your pension will be purchased from an insurer who will guarantee it for the rest of your life.

That default option is indicated on your statement of benefits.

Available options

Below are the options available to you, as well as a brief description for each of them:

Payment options	Brief description
1. Temporary administration of your pension by Retraite Québec	Your **reduced*** pension continues to be paid to you without having to choose the investments. At the end of Retraite Québec's mandate, your final pension will be purchased from an insurer. According to the return obtained over the years and based on market conditions at the time of the final purchase of your pension, your pension could be higher or lower than the reduced pension that Retraite Québec initially had when first starting to administer it.
2. Purchase of your pension from an insurer by the plan administrator (**default option**)	Your **reduced*** pension continues to be paid to you by an insurer without having to choose the investments. The pension will be stable for the rest of your life.
3. Transfer of the value of your pension	The total value of your **reduced** pension will be transferred to the financial institution of your choice. The retirement income that you will receive with that amount depends on your choice and will vary. If needed, consult a financial planner in order to make a choice adapted to your personal situation.

* For both the pension administered by Retraite Québec and the one paid by an insurer, the reduced pension will have the same characteristics as your initial pension, for example, the benefits payable following your death.

1. Administration of your pension by Retraite Québec

If you choose this option, Retraite Québec becomes the administrator of your pension and will be responsible for paying you the **reduced pension** to which you are entitled. The pension will have the same characteristics as the one you chose when you retired. Depending on market conditions, this option offers the **possibility of increasing** your pension in the future. There is also a **risk** that the amount **will be reduced** if circumstances are warranted it.

In general, Retraite Québec will administer the assets underpinning your pension for a period of 10 years. For example, if Retraite Québec undertakes administration in 2025, it may continue to administer your pension until 31 December 2035. Retraite Québec has the same powers, obligations and responsibilities as a pension committee with regard to the retirees and beneficiaries who have entrusted the administration of their pension to it.

How Retraite Québec will administer your pension

Retraite Québec will:

- adopt an investment policy that carries a reasonable level of risk to:
  - protect the capital it manages,
  - minimizes the risk of a reduction of pensions, and
  - aim to increase your pension at the end of its mandate;
- monitor the investment policy and revise it as needed;
- hire experts, as would a pension committee;
- keep administration costs as low as possible.

In the next 10 years, market conditions for the purchase of annuities may become more favourable. Retraite Québec could then purchase a larger annuity from an insurer when it is more advantageous to do so.

An accountability report and an enhancement, if the surplus assets are sufficient

Every year, Retraite Québec will send you a statement of benefits under the plan and invite you to a meeting where it will inform you of the plan's financial situation and its expectations concerning your pension.

Based on the plan's annual actuarial valuation, an enhancement in the form of a single lump sum could be paid to you once a year, if the surplus assets are sufficient.

Important!

There is still a risk that your pension could be reduced either during or at the end of Retraite Québec's mandate. However, the purpose of the steps taken is to minimize that risk. If your pension is reduced, you will be informed in writing as well as at the annual meeting.

2. Immediate purchase of an annuity from an insurer

The insurer will be responsible for paying you the reduced pension to which you are entitled. The final amount will be set according to current market conditions and your pension will be guaranteed by the insurer for the rest of your life.

With this option, there is no risk that the amount of your pension will be reduced and no possibility that the amount of your pension increase in the future (except in the rare case that your pension is indexed). In the unlikely case that the insurer goes bankrupt, your pension would be insured by Assuris[3]. The amount of your pension is determined and guaranteed from the time payment begins.

3. For more information, refer to www.assuris.ca

3. Transfer of the value of your pension in an authorized transfer instrument

Your statement will indicate the authorized transfer instruments.

Life income funds (LIFs) is often chosen. With a LIF, you must choose the financial institution that will administer it and that will pay you a retirement income. You decide of the investments and accept the risks.

A LIF is a registered retirement income fund (RRIF) into which you can transfer amounts from your pension plan. As of age 55, you can withdraw the amount you want from your LIF. If necessary, contact a financial planner or the financial institution that manages your LIF.

For more information regarding LIFs, please consult our website at retraitequebec.gouv.qc.ca.

For more information

For more information on your statement and the payment options available, contact your plan administrator.

If you would like more information on having Retraite Québec administer your pension, we invite you to attend the information meeting or contact us:

- by telephone: 1 877 744-9278 (toll-free)
- by email: bdrcr@retraitequebec.gouv.qc.ca

Important!

Retraite Québec administers the retirement pension under pension plans where there has been a reduction of benefits due to bankruptcy or the insolvency of the employer, and that is, separately from the public pension under the Quebec Pension Plan.