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The Association of Canadian Pension Management
L'Association canadienne des administrateurs de régimes de retraite

[UNOFFICIAL ENGLISH VERSION]

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BY E-MAIL

Mr. Stéphane Gamache
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2600 Laurier Boulevard, Suite 548
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Subject: Consultation Paper on Modernizing the Decumulation Rules for Locked-in Savings in Québec

Mr. Gamache,

The Association of Canadian Pension Management ("ACPM") is the leading advocacy organization for plan sponsors and administrators in the pursuit of a balanced, effective and sustainable retirement income system in Canada. We represent retirement plan sponsors, administrators and trustees and our membership represents retirement income plans that cover millions of plan members.

We are pleased to provide you with the ACPM's comments on the Consultation paper on the modernization of decumulation rules in Québec prepared by Retraite Québec. We appreciate the additional time to respond to this consultation.

First, we welcome this consultation which follows up on the one begun in the fall of 2018 and in which we also participated, and which now aims to simplify and make the current rules for decumulating locked-in savings in Québec more flexible. Indeed, a simplification of the current rules would promote a better understanding by savings holders and, to the extent that it is accompanied by clear and consistent communication, a more judicious use of their savings and other assets. While the ACPM encourages and would have liked to see harmonization between jurisdictions, it understands the approach taken by Retraite Québec and supports any reform of the applicable legislation that seeks to simplify or make the applicable rules more flexible.

In response to the questions posed by this consultation, we believe that the objectives of simplicity and flexibility are best served by Proposal #2, which we support, and to which we propose certain modifications outlined below.

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We offer the following comments to provide you with our analysis:

- We believe it is critical to distinguish between "decumulating" savings and "unlocking" savings. The ACPM supports greater flexibility in *unlocking*, while strongly encouraging the *decumulation* of savings with the goal of providing a lifetime retirement income. Greater flexibility in *unlocking* would allow those with other assets to more fully take them into account in their retirement *decumulation* strategy.

- Proposal #1 is similar to our 2018 recommendation, but without the 50% *unlocking*, which would address the needs of those with high locked-in savings balances. While this proposal supports delaying the start of government pensions, it does not simplify the current rules. In addition, while it provides some additional flexibility for the decumulation of locked-in savings, this flexibility would not apply to those with high locked-in balances.

- Proposal #3 is the ultimate approach for simplicity and flexibility, namely the ability to fully *unlock* at age 55. Only one Canadian province, Saskatchewan, has opted for this approach. The ACPM believes that some rules are needed to ensure the prudent use of locked-in savings, including the requirement to spread them out over time in order to support the deferral of government pension payments.

Proposal #2 therefore seems to us to be the most appropriate, greatly simplifying the applicable rules and providing concrete support for the deferral of government pensions by allowing for the gradual decumulation of locked-in savings up to age 70 (as it currently stands). This simplicity should promote better understanding, as well as decumulation strategies that are better adapted to the needs of savings holders. In our view, it should be accompanied by clear and consistent communication to help savings holders understand the potential benefit of deferring Québec Pension Plan (QPP) pension benefits.

However, the ACPM recommends that Proposal #2 be improved by making the following changes to better spread the *unlocking* over time while maintaining the desired simplicity and flexibility:

(a) Change Phase 1 of retirement to "age 54 to 74" (instead of age 54 to 69) and change Phase 2 of retirement to begin at age 75 (instead of age 70).

(b) Change the retirement income formula to be consistent with recommendation (a) "account balance / (75 - age)" (instead of 70 - age).

(c) Change the *unlocking* formula by replacing the withdrawal of "50% of YMPE" with "the sum of the maximum Old Age Security (OAS) and QPP pensions for the year, as payable at the latest age at which payment of such pensions may commence." This change would allow for an automatic adjustment in the event that the OAS and QPP are changed in the future, potentially allowing for the deferral of pensions until age 75 (as ACPM has previously proposed).

As always, we offer our collaboration for upcoming pension initiatives.

Yours sincerely,

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ACPM

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