EXCERPTS FROM THE

Autumn 2014

SUMMARY

Original page in the magazine ( )

WORD FROM THE EDITOR

Dominic Provost
Communications Advisor

New and *renewal*

Over the past few months, the thorny issue of pension plans has been on everyone's lips. The media have tried to dissect it. The unions are marching. The National Assembly has had to consider the question by way of Bill 3. Positions and opinions have crystallized, sometimes even radicalized.

But what are the basics of this question? What is the future of pension plans? That is the question *Quoi de neuf* magazine asked of two researchers from the *Institut de recherche en économie contemporaine* (IREC), François L'Italien and Frédéric Hanin. In a six-page file, they put the question into its original context to broaden discussions, which had become a bit too narrow.

Also, in this issue, we examine the pension dossier from the perspective of AREQ members, establishing distinctions between the municipal pension plans targeted by Bill 3 and the defined-benefits plans like that of the RREGOP, which are not targeted.

Our members published

Along with various articles about matter regularly dealt with, our regular readers will find something new in this issue: the "Our members published" column has been transformed, or rather, has been transplanted from the magazine to the AREQ Internet site. The reason for this is simple: we are faced with the pleasant problem of receiving more than 20 articles penned by AREQ members every year. As each issue contains four to eight book summaries, they can sometimes only be presented a year or so after they are published.

To remedy this problem, the following choice was made: the book summaries published by Association members will now appear as soon as they are received in clear view on the AREQ website. Reproductions of the book jackets will always appear in the magazine inviting readers to consult the Internet site.

A new team

It must also be said that this is the last issue planned and prepared in collaboration with the *Quoi de Neuf* magazine team. Indeed, the AREQ board of directors decided to merge the magazine team with that of the National Communications Committee. In today's world, communications are decreasingly compartmentalized. They are "multi-platformed," integrated or interrelated, seen either one way or another, they must now be considered as a whole. This is how the new *Quoi de Neuf* magazine and Communications team came to be.

Comprising five members from as many regions, the team will continue to support the Association's resources, always mindful of producing a magazine that is attractive and informative, as well as one that addresses the needs of AREQ members. The team will also keep an eye on the Association's other communication tools (website, information bulletins, etc.).

Acknowledgments

We would take this opportunity to sincerely thank Denys Bergeron, Michel Jacques, Jules Desfossés and Renaud Turcotte for their diligent collaboration over these past 10 years. Over time, this foursome has left its mark on over 50 issues of *Quoi de Neuf* magazine. Those amongst them who will not sit on the new committee will be able to continue their collaboration with the committee as authors, to the great delight of our readers. ◆

If you would like to share your thoughts on an article or anything else regarding the magazine, write to us at quoideneuf.areq@csq.qc.net.

A WORD FROM THE PRESIDENT

Pierre-Paul Côté
President of AREQ

With a team, everything is possible!

From this rostrum, I would like to convey my most heartfelt thanks to you for renewing my mandate as president of AREQ for the 2014-2017 triennial. As promised, I offer you my availability, my energy, and my solidarity in the defence of our collective rights. You may have noticed in the summer issue of *Quoi de Neuf* magazine that the AREQ Congress was a great success across the board. In a serene atmosphere, delegates questioned, debated, and evaluated the recommendations to finally adopt the major orientations that will guide the Association over the coming three years.

Health and the protection of our purchasing power are the two elements that stood out of last spring's CROP poll, and that held the attention of congress participants for the coming triennial.

The health issue, along with its corollary of service delivery, reveals itself yet again as a source of concern for members and seniors in Quebec. Whether it be the health system freeze or cuts, both realities point to harder times for seniors, as well as for the less fortunate in our society.

Moreover, the discreet privatization of many services involves a coupling of profits with the deterioration of working conditions for staff members assigned to seniors, and arouses the apprehension of people mindful of seniors' quality of life.

Many of our members, like most seniors, want to live at home as long as possible. Will access to the appropriate care delivered by professionals be available? We recognize the devotion and value of the work performed by those assigned to the care of seniors. We are also aware that management requires that these workers do forever more with less and use "minute-counting" methods that are incompatible with the proper care of individuals with diminishing autonomy.

With everything we hear nowadays, will we be the budgetary wiggle room of the health and social services network?

As for the protection of our purchasing power, we have many defence fronts to choose from: the abolition of the health tax, the indexation of our pensions, the exponential rise of prescription drug costs, various fiscal measures, and the lack of availability of specific tests in the public health network are all subjects to consider. And let us not forget access to the guaranteed income supplement for those who are eligible and the deferment of the old age security to 67 linked to the coordination of pensions.

The current discourse does not foretell any improvement in the short term, but we must not let that stop us. Let us remember our past and the important gains we made after long struggles: maternity leave, daycare, job security, pay equity, all of which have become indispensable over time.

All these observations can leave us feeling small and alone, but with a team everything is possible. It therefore follows that teamwork is essential in our organization and this must be seen as much between its elected officials as between them and the Association’s resources.

Surely collaboration with other associations of seniors is required if we are to stay focused, push forward, and denounce all forms of abuse we encounter. We will have to work on the ties that bind us and choose the fights we will lead.

For us, it is paramount that an association like ours remember to be mindful of the cohesion in our ranks and maintain it. This was the objective we chose to pursue during the last triennial, and we commit to doing so again in the next.

If the past is prologue to the future, those individuals elected to represent you in AREQ will continue to defend with vigour and enthusiasm the interests of its members and of seniors in general. ◆

IN THE PUBLIC EYE

Dominic Provost
Communications Advisor

Your association takes action, speaks its mind and makes demands. Here is a summary of AREQ’s main public initiatives since the last issue of *Quoi de neuf*.

20 May 2014
Yes to Dignity - No to Austerity

As Parliament returned and the inaugural speech was pronounced, AREQ demanded that the proposed “Dying with Dignity” law be reintroduced and adopted.

Elsewhere, in anticipation of the tabling of the 2014-2015 budget and credits, AREQ President, Pierre-Paul Côté, expressed his concerns regarding the discourses of austerity circulated by senior government ministers, starting with the Premier himself. “Are these their real intentions or are they just floating a few ideas? One thing that is certain is that, during the election campaign, the Liberal Party made many commitments to the Quebec electorate and seniors, for example in its fight against abuse, taxation, home care, and support for informal caregivers. So, the budgetary context that he now claims to have discovered should not serve as an excuse for the new government to renounce its commitments and make cuts in public services. Seniors have the right to die in dignity, but also the right to grow old in dignity.”

28 May 2014
Bill 190 *Act to Protect the Rights of Senior Tenants*

AREQ was pleased to see Ms. Françoise David, spokesperson of Quebec solidaire and Member of the National Assembly for Gouin, introduce Bill 190 to protect the rights of senior tenants. This bill would make it mandatory for landlords who want to evict from their dwelling elderly persons whose financial or health situation is precarious, in order to make additions or repossess, to offer the tenants an equivalent dwelling unit.

"In most cases, landlords treat their senior tenants with respect. Unfortunately, sometimes there is abuse, and each case of abuse is one too many. As a society, it is our duty to take the necessary measures to protect the vulnerable. It is the position we have defended in the certification of private care facilities dossier and that of the lease termination of seniors. Bill 190 also leans in that direction. It must be carefully examined," the AREQ president insisted.

5 June 2014
Budget 2014-2015: Seniors far from being winners

AREQ was disappointed with the 2014-2015 budget of the Liberal government. Despite a few interesting targeted measures, it contained many important setbacks.

"We might be tempted to believe that, for the Liberal government, support for the elderly can be summarized as an encouragement to go bowling. It's rather insulting. In this budget, there is absolutely nothing that was promised for home care, nothing that was promised for informal caregivers, and only a vague promise of help for elderly couples struggling with increased municipal and school taxes," stated the President, Pierre-Paul Côté.

M. Côté nonetheless noted the increased funding for the *Municipalités amies des aînés* Program, as well as the construction of 3,000 social community units of affordable housing.

6 June 2014
Passing of Bill 52

AREQ applauded the passing of Bill 52 on end-of-life care. "It is the logical outcome of a carefully thought out process between society and parliamentarians of all parties. We would like to thank the Minister of Health and the government of Philippe Couillard for having quickly reintroduced Bill 52, and this, at the legislative level it had attained before the elections. We would also highlight the important contribution of the member for Joliette, Ms. Véronique Hivon. Finally, we have to mention the collaboration of all parliamentarians. This enormous task was realized without partisanship over the past years to finally arrive at the adoption of this bill," stated the AREQ President, Pierre-Paul Côté.

Let us remember that, since 2008, AREQ officials have considered, argued, and adopted a position in the social debate surrounding end-of-life care, palliative care, and medically-assisted death. "From the moment this question was first raised in the public forum, we have always maintained the same discourse, that of supporting the decisional autonomy of individuals as regards their deliberate choice to dye in dignity. This is a fundamental right for AREQ members, and the fact that it is now encased in law is reassuring for any person touched by a context of end-of-life care," concluded Mr. Coté.

6 June 2014
45th AREQ Congress

At the 45th AREQ Congress, Mr. Pierre-Paul Côté was elected as President to a second mandate. The 635 delegates gathered together in Sherbrooke from June 2 to 5 also elected a new executive committee and adopted the major orientations of the Association for the 2014-2017 triennial.

“We have some important work ahead of us transforming our broad orientations into concrete actions and demands. This work is equal to our ambitions. It will allow us to continue playing an active role in the major social debates, highlight our role and the contribution of seniors and, of course, improve their lot, especially in matters of health and protection of purchasing power. It is a challenge that all members are invited to take up,” declared the President of AREQ.

12 June 2014
Retirement Income Splitting

AREQ has called for the removal of a fiscal measure in the 2014-2015 budget that seriously penalizes the retirees. Indeed, the Minister of Finance, Mr. Carlos Leitao, announced that, “the eligible age for income splitting between spouses will be set at 65 for all sources of retirement income”. According to forecasts, this decision will affect approximately 85,000 households and allow the Government to collect some $52 million in 2014-2015 and $55 million in 2015-2016.

“We fully agree with creating incentives to keep people in the job market longer. However, we totally disagree with the practice of penalizing those who want to retire before turning 65. In this regard, to evoke a so-called inequity seems to us more of a pretext than a well-founded argument. If we are going to speak of inequity, the non-indexation of our pensions is one that the Government refuses to correct,” added the President of AREQ. ◆

FINANCES

Doris Dumais
Financial Analysis and Planning Advisor

INCOME SPLITTING:
A loss for thousands of AREQ members

A fiscal measure that will heavily penalized thousands of retirees went unnoticed in the Leitao budget. Indeed, in the speech on the budget, the Government announced that the “age of eligibility for income splitting between spouses will henceforth be 65 for all sources of retirement income”. This decision will affect 85,000 households, of which 10,000 are AREQ members. The Association has asked the Government to rescind the measure.

Presently, a person who retires can split his or her income from a registered pension plan (RREGOP, RRE, privately-funded supplementary pension, etc.) to transfer a part of it to his or her spouse who has less revenue, thus reducing the amount of income tax to pay (yes, contrary to what some people believe, the elderly pay income taxes). So, the Minister believes this measure to be “unfair” and has decided to deprive of it those under 65 years of age.

Major financial loss

Surprisingly, the Government does not seem to realize that some workers practically have to retire before turning 65, at 60, 62 or 63 for example. And those who choose to leave early have the right to do so and do not deserve to be penalized for it.

Here are four examples of expected losses depending on the revenue of the person receiving registered pension benefits and the spouse's revenue.

Couple's income	Additional yearly contribution (provincial)
$40,000 registered pension income for one spouse and $0 for the other (total revenue: $40,000).	**$428**
$50,000 registered pension income for one spouse and $0 for the other (total revenue: $50,000).	**$686**
$40,000 registered pension income for one spouse and $15,000 for the other (total revenue: $55,000).	**$207**
$50,000 registered pension income for one spouse and $20,000 for the other (total revenue: $70,000).	**$356**

The Government's decision will deprive these people of hundreds of dollars each year. Over four or five years, the loss will reach the thousands.

At the moment, the Government is showing no signs of giving in. However, it will have the opportunity to revise its position over the coming months, especially in light of the work being done by the *Commission d'examen de la fiscalité québécoise* (commission examining Quebec taxation). The Commission is looking into the tax system of both individuals and businesses. AREQ hopes to see an analysis of the effects of abolishing income splitting on that occasion. ◆

INSURANCE

Johanne Freire
Social Security Advisor

New fees for the RAMQ public prescription drug insurance plan as of July 1, 2014

Individuals covered by the public prescription drug insurance plan of the *Régie de l'assurance maladie du Québec* (RAMQ) have seen a small fees increase this year. Please note that the increase comes into effect on July 1 each year and is in effect until June 30 of the following year.

The public prescription drug insurance plan was launched in 1997 after the adoption of the *Loi sur l'assurance médicaments*. Amongst others, the plan covers individuals of 65 and over, as well as individuals who are not eligible for private prescription drug plans, such as AREQ members who are not covered by the private plan of their spouse or any other plan.

The new fees

The maximum annual premium rose by a few dollars in 2014, from $607 to $611. This premium, which you pay when you file your income tax return, varies between $0 and $611 depending on the net family revenue. The payment of the annual premium is mandatory for all those covered by the public plan, whether you purchase prescription drugs or not.

When filling a prescription at the pharmacy, the insured person must assume part of the costs; this is called the contribution of the insured person. This financial contribution comprises the monthly deductible and the co-insurance.

This year, the **monthly deductible** was set at $16.65. This represents a $0.40 increase from 2013. For its part, the co-insurance represents 32.5% of the cost of the drug (having first subtracted the deductible), a 0.5% increase as compared to last year.

The maximum contribution that an insured person might have to pay for prescription drugs in a month is $83.83 this year, an increase of $1.17. Please note that the maximum monthly contribution for persons age 65 or over who receive the Guaranteed Income Supplement (GIS) at the rate of 1% to 93% is not as high at $51.16.

Adults age 18 to 64 not eligible for a private plan Persons age 65 or over – No GIS							
Rates in effect **before** July 1, 2014 and **new rates** as of that date							
At the pharmacy						**When filing the income tax return**	
Monthly deductible		**Co-insurance**		**Maximum monthly contribution**		**Annual premium**	
Before	New rate	Before	New rate	Before	New rate	Before	New rate
$16.25	**$16.65**	**32%**	**32.5%**	**$82.66**	**$83.83**	**From $0 to $607**	**From $0 to $611**

Free public prescription drug insurance plan

Only those people who benefit from the entirely free public prescription drug plan are not subject to the modifications coming into effect on July 1, 2014. These people represent 27% (almost a million individuals) of those insured and are of the following categories:

- Persons who hold a claim slip issued by the M*inistère de l’Emploi et de la Solidarité sociale*;
- Persons age 65 or over who receive the GIS at a rate of 94% to 100%;
- Children of persons covered by the public plan who are under 18 years of age or between 18 and 25 and who study full-time in an establishment recognized by the Department of Education (*Ministère de l’Éducation, du Loisir et du Sport*), who do not have a spouse and live with their parents.

For more information on the public prescription drug insurance plan of the RAMQ, go to **www.ramq.gouv.qc.ca**. ◆

Your financial contribution when buying prescription drugs at the pharmacy

Example 1

A $60 prescription		
Monthly deductible	**Co-insurance**	**Contribution of the insured person**
	$60 - $16.65/month = $43.35 x 32.5%	$16.65 + $14.09
$16.65	**$14.09**	**$30.74**

Total to be paid by the insured person: $**30.74**

Example 2

A $450 prescription		
Monthly deductible	**Co-insurance**	**Contribution of the insured person**
	$450 - $16.65/month = $433.35 x 32.5%	Maximum contribution attained
$16.65	**$140.84**	**$83.83**

Total to be paid by the insured person because the maximum is attained: **$83.83**

PURCHASING POWER

Johanne Freire
Social Security Advisor

Bill 3 and us

Over the past few months, Bill 3 dealing with municipal pension plans has been a hot topic and the source of criticisms and abusive generalizations directed at public services employees. The later have been accused of benefiting from overly generous work conditions and, especially, of golden retirement packages paid for by taxpayers. They were all thrown into the same basket, whether they were municipal employees or hospital workers. People seem to have forgotten that there are great disparities, most notably between the complementary plans and the RREGOP (government and public employees retirement plan).

Since the financial crisis of 2008, and the massive losses of the *Caisse de dépôt et placement du Québec* (CDPQ), many voices were raised demanding the restructuring (or outright abolition) of the defined-benefit pension plans. The Charest Government got the ball rolling when it created a committee of experts chaired by Mr. Alban d'Amours in 2012. The committee's mandate was to examine the system of retirement in Quebec and propose ways to improve it.

Tabled in 2013, the D'Amours Report paid particular attention to supplemental pension plans (SPP), those of municipalities, universities, and the private sector. It identified as a possible solution the creation of a longevity pension – an idea rejected by the Government – as well as other measures to restructure deficit-ridden plans.

An interesting fact, the D'Amours Report indicated that defined-benefit pension plans offered the most financial security in retirement. Also, the report did not deal with the public sector pension plans such as the RREGOP, other than to cite them as examples.

Bill 3

Taking up the reins, the Liberal Government of Philippe Couillard tabled Bill 3 last spring. This proposed law targets 120,000 municipal employees, of which 50,000 are retired, divided amongst some 170 pension plans. Each plan has its own particularities and not all of them are at risk. However, they all have one thing in common: they are all the result of negotiated and duly ratified contracts. They are all being treated the same way whether in deficit or not.

The Government's intervention is based on some worrisome, perhaps even, alarming data: the overall deficit of municipal pension funds has reached $4 billion. However, many observers disagree with this figure, especially as it does not take into account the recent stock market gains. Other actuarial hypotheses put forth by union officials set the figure rather more at $2 billion, half as much.

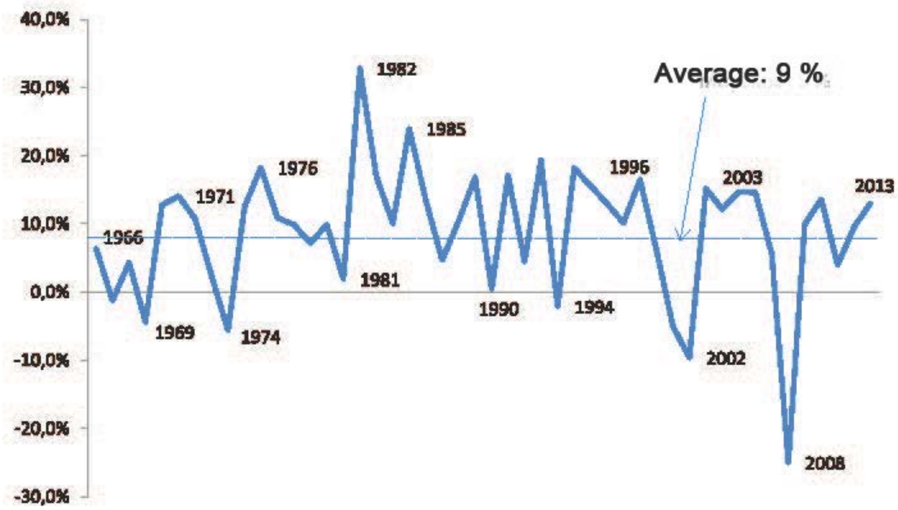
More precisely, the Bill would implement a series of measures, most notably that of a 50/50 sharing of the plan's costs, a settling of past deficits by suspending indexation, and the creation of a stabilizing fund. A negotiation process is expected. However, it is so heavily biased that, to most observers, the dice are loaded: the arbitrator who will settle the question is to be named by the minister.

The unions, and especially retirees, are dead-set against the abolition of automatic indexation as this would be to renege on prior agreements. Moreover, the temporary character of the measure is contested.

As mentioned by a stakeholder during the consultations on Bill 3, there is nothing so permanent as a “temporary measure”.

Moreover, AREQ members know full well about the “temporary” measure adopted in 1982, the de-indexation of pensions for the 1982-1999 period, that has still not been corrected 30 years on. Any de-indexation, however temporary, has permanent effects because it deprives retirees of revenue that they will never see again.

Returns of the *Caisse de dépôt et placement du Québec* (1966 to 2013)



The RREGOP

The situation of the RREGOP, the main public and para-public sector pension plan, is quite different from the complementary municipal plans. Contrary to popular belief, the plan has been based on a 50/50 sharing of costs for many years and is in sound financial health.

Indeed, the last updated actuarial evaluation of the RREGOP on December 31, 2013, indicated a capitalization rate of 96%. The rate was at 94% in 2011. Thus, thanks to the interesting performance of the *Caisse de dépôt et placement du Québec* (CDPQ), in two years, the rate of capitalization has grown by 2%.

In addition, the CDPQ has recently announced good financial yields in the first half of 2014, to the point that the RREGOP rate of capitalization could well surpass the 100% bar by the next actuarial evaluation expected for December 31, 2014.

Even if we should avoid comparing plans by reason of their great disparities, one thing remains clear: the improvement seen in the RREGOP illustrates the extent to which a plan’s financial health must be evaluated seriously and carefully over a long period rather than with alarmist hypotheses based on negative short-term data.

Comparison between the RREGOP and the municipal defined-benefit retirement plans targeted by Bill 3

	RREGOP	Municipal Plans
Share of the costs (employee/employer)	50/50	Between 30/70 and 50/50 depending on the plan
Participants (salaried workers and retirees)	538,000 salaried workers 221,000 retirees	72,000 salaried workers 50,000 retirees
Deficit on December 31, 2011	$2.6 billion	$4.8 billion
Deficit on December 31, 2013	$2 billion	$3.9 billion * in dispute (data coming in autumn 2014)
Rate of capitalization	**96% for participants' fund**	**More than half of the plans have a rate lower than 85%.**

AREQ members are not targeted

To be brief, recipients of RREGOP, RRE, RRCE or RRPE are not affected by the D'Amours Report, nor by the Government's proposed legislation to restructure the complementary retirement plans. This is why AREQ did not submit a memo to the Parliamentary Commission on Bill 3.

Nonetheless, AREQ is attentively following the evolution of the work being done and, more generally, all discussions dealing with the future of retirement plans. Certainly, if members of the Association are affected, concerned or targeted by any change to the proposed law or another government decision, AREQ would demand to be heard before the National Assembly and would speak publicly to uphold its rights. ◆

Si non réclamé, retourner à :

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