

The PPMP at a Glance

October 2017

A newsletter for members and beneficiaries
of the Pension Plan of Management
Personnel (PPMP)

Changes to the plan

In May 2017, the National Assembly passed Bill 126, the *Act to foster the financial health and sustainability of the Pension Plan of Management Personnel and to amend various legislative provisions*. The purpose of the amendments in the Act is to improve the PPMP's financial health, thereby ensuring its sustainability.

Key changes affecting members

Effective 1 July 2019

- **To be eligible for an unreduced immediate pension**, you must:
 - have reached age 61 (instead of age 60)
 - OR**
 - have reached age 56 and have accrued 35 years of service (new requirement)
 - OR**
 - have reached age 58 (instead of age 55) and an eligibility factor of 90 (age + years of service).
- The salaries for your 5 best-paid years of service will be used **to calculate your pension** (instead of the 3 best-paid years).
- The **rate at which an early pension is reduced** will increase from 4% to 6% a year.

In effect since 1 January 2017

- The **maximum number of years of service** used to calculate the pension is increasing, and will reach 40 years of service on 31 December 2018 (instead of 38 years of service). As a result, the maximum basic pension will increase from 76% to 80% of the average pensionable salary.

Key changes affecting beneficiaries

Indexation of certain pensions and additional pensions will be suspended for a six-year period. The suspension applies for **2018 through 2023** if you are:

- entitled to an immediate pension and cease all employment under the plan **before 1 January 2017**; OR
- entitled to a deferred pension that takes effect **before 1 January 2017**.

The suspension applies for **2021 through 2026** if you are:

- entitled to an immediate pension and cease all employment under the plan **after 31 December 2016 but before 1 July 2019**; OR
- entitled to a deferred pension that takes effect **after 31 December 2016 but before 1 July 2019**.

For all retirement pensions subject to the 6-year suspension, indexation for each period of service resumes **after**

the suspension as follows:

Periode of service	Indexation rate
Years of service before 1 July 1982	50% of the rate of increase of the Pension Index (PI) Note 1
Years of service accrued from 1 July 1982 to 31 December 1999	PI minus 3%
Years of service accrued since 1 January 2000	The higher of PI less 3% or 50% of the PI

Note 1 - This portion of the pension was indexed using the PI prior to the legislative amendments.

After the six-year suspension, **additional pensions** subject to the suspension will be indexed at the **PI less 3%**.

There is no measure to maintain the provisions in effect (prior to the legislative amendments) with regard to **progressive retirement agreements** ending after 30 June 2019. However, transitional measures are in place for a progressive retirement agreement that began before 8 February 2017.

This document provides general information only. To learn more about the amendments to the PPMP, refer to [our website](#)

Amendments to the PPMP

Find out more!



PPMP members' fund returns for 2016

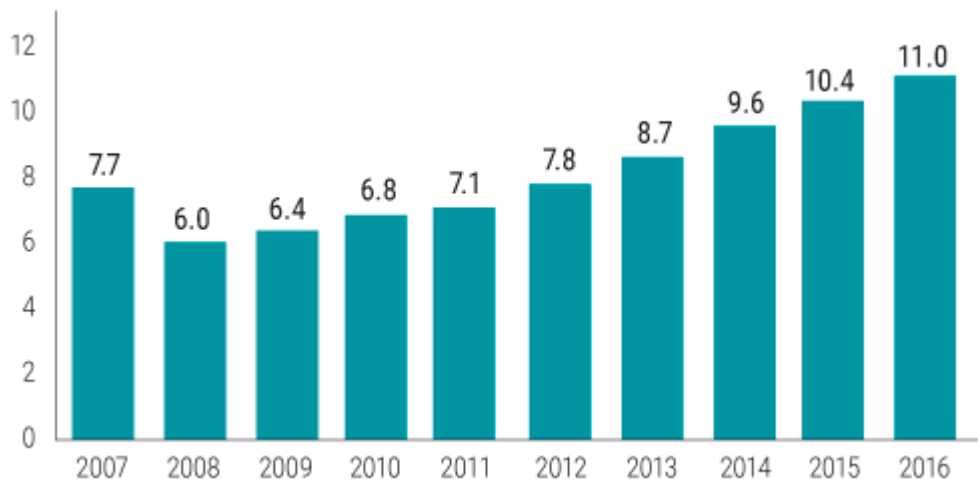
The PPMP members' fund generated a 7.1% return in 2016. The amounts in the fund are invested with the Caisse de dépôt et placement du Québec (CDPQ), in various asset categories such as real estate, bonds and shares.

In 2016, returns on all asset categories were positive, with the return on fixed-income investments being lower than the return on growth assets. As a result, the fund's bond investments generated a 3.1% return while its public equity investments generated a 9.4% return. In 2016, the real estate, infrastructure and private equity asset categories delivered returns of 10.4%, 11.1% and 14.0%, respectively.

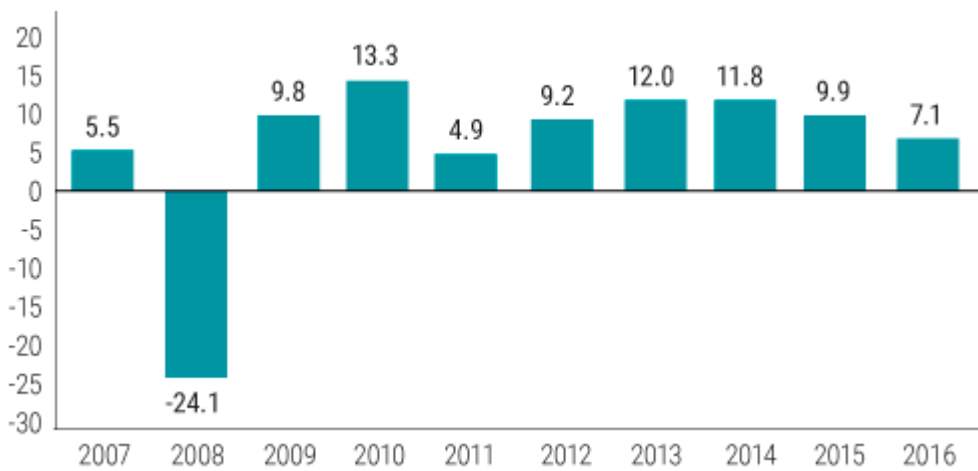
The investments that make up the latter 3 asset categories are not publicly traded. As a result, their value is assessed twice a year, on 30 June and 31 December.

The most recent assessment of the fair value of all the PPMP members' fund's investments was therefore carried out as at 30 June 2017. For the first half of 2017, the fund generated a 4.7% return

Evolution of fund 302 - PPMP (billions of dollars)



Returns from 2007 to 2016 (percentage)



New actuarial valuations

In October 2016, the actuaries of Retraite Québec’s Direction des régimes de retraite du secteur public presented the actuarial valuation of the PPMP as at 31 December 2014 to the pension committee. The results of the valuation were used to establish the rates of contribution and compensation for 2017.

The legislative amendments in the *Act to foster the financial health and sustainability of the Pension Plan of Management Personnel and to amend various legislative provisions* (2017, chapter 7), assented to in May 2017, significantly change the plan provisions and certain funding methods. In order to take the amendments into account, an amended actuarial valuation was prepared in the spring of 2017. The valuation will be used to determine the rates of contribution and compensation for 2018 and 2019.

Certain results from the 2 valuations are shown below. The results show that the PPMP’s deficit has decreased from \$1930 million as at 31 December 2011 to \$1832 million as at 31 December 2014. The legislative amendments in the spring of 2017 have resulted in a further decrease, to \$282 million.

Financial situation of the PPMP as at 31 December 2011 and 31 December 2014 (in millions of dollars)

	2011	2014 pre-amendments	pos
Actuarial value of the members' fund	7350	9362	

Actuarial value of the obligations for which members are responsible	- 9280	- 11 194	
Stabilization fund	0	0	
Surplus / (Deficit)	- 1930	- 1832	

Effects of the legislative amendments

The legislative amendments in the spring of 2017 have caused the PPMP's deficit as at 31 December 2014 to be significantly reduced, mainly due to:

- **A reduction in the value of benefits**

As a result of the changes to indexation, to the eligibility requirements for an unreduced pension, to the percentage of the actuarial reduction and to the number of years used to calculate an average salary, the actuarial value of the PPMP'S obligations has decreased. Furthermore, the Government will be responsible for paying into the contributor's fund of the PPMP an annual contribution based on the decrease in the value of the portion of the benefits for which it is responsible.

- **A portion of the obligations being paid for by the Government**

The Government will become responsible for benefits payable to beneficiaries who retired before 1 January 2015. As a result, the actuarial value of the obligations for which members are responsible is reduced by 52.55%. In return, that proportion of the value of the members' fund was transferred to the Fonds d'amortissement des régimes de retraite (FARR) as at 1 June 2017.

Rate of contribution for members and compensation by the Government

The actuarial valuations make it possible to determine the amounts that must be transferred to the members' fund each year. Amounts paid by members are determined by the contribution rate, whereas amounts paid by the government and employers are called compensatory amounts.

Contribution rate required to fund accrued benefits for a year

According to the actuarial valuation as at 31 December 2014, which was tabled in October 2016, the rate of contribution required to fund the benefits of a member for a year of service, taking into account PPMP administration costs, is 13.53%. According to the amended actuarial valuation tabled in June 2017, that rate is 12.82% further to the legislative amendments. Provided there is no surplus or deficit, that rate must be applied.

The rate of contribution required in the case of a deficit

The PPMP's funding policy provides for the amortization of the fund's surpluses and deficits over a 15-year period. The rate of amortization is added to the rate of contribution required to fund the benefits accrued for a year of service. The contribution rate was set at 19.97% (13.53% + 6.44%) before the legislative amendments and at 13.81% (12.82% + 0.99%) after.

The effective contribution rate and the compensatory amount

Since 2012, a temporary measure has limited the increase of the rate at which PPMP members contribute to the plan while avoiding the underfunding of the plan. The measure provides for a compensatory amount to be paid by the Government and employers. Under the measure, plan members contribute at a rate of 15.03% in 2017. There is a 4.94% difference between that rate and the rate of 19.97% that is required according to the actuarial valuation tabled in October 2016. The gap is made up for by the compensatory amount paid into the members' fund by the Government and employers for 2017.

For 2018 and 2019, the compensatory amount to be paid is 3 times the difference between the members' rate of contribution and the rate required according to the actuarial valuation. For those years, the compensatory amount is 2.97% [3 x (13.81% - 12.82%)].

Members' rate of contribution and the compensatory amount

The members' rate of contribution and the compensatory amount paid by the Government and employers apply to salaries that exceed the Maximum Pensionable Earnings (MPE) under the Québec Pension Plan (QPP) by 35%.

	2014 to 2016	2017	2018 to 2019
Members' rate of contribution	14.38%	15.03%	12.82%
Compensatory rate	5.73%	4.94%	2.97%

For further information, refer to the most recent [actuarial valuation of the plan](#) (French only).

Members of the PPMP pension committee

(as of 10 October 2017)

Mr. Bernard Tanguay	President of the pension committee
Mr. Patrick Bessette	Ministère de la Santé et des Services sociaux
Ms. Anne-Marie Chiquette	APER Santé et Services sociaux
Ms. Nadyne Daigle	Regroupement des associations de cadres en matière d'assurance et de retraite
Ms. Carole Doré	Association des cadres supérieurs de la santé et des services sociaux
Ms. Marie-Pier Gagnon	Secrétariat du Conseil du trésor
Ms. Isabelle Garneau	Secrétariat du Conseil du trésor
Ms. Gabrielle Gonthier-Houle	Ministère de l'Éducation et de l'Enseignement supérieur
Ms. Anne Gosselin	Alliance des cadres de l'État
Mr. François Labbé	Beneficiaries' representative
Ms. Josée Lamontagne	Coalition de l'encadrement en matière de retraite et d'assurance
Ms. Christiane Laroche	Ministère de l'Éducation et de l'Enseignement supérieur
Ms. Isabelle Marcotte	Secrétariat du Conseil du trésor
Ms. Joanie Maurice-Philippon	Association des gestionnaires des établissements de santé et de services sociaux
Mr. Charles Simard	Association des cadres des collèges du Québec

Ms. Marie-Ève Simoneau	Secrétariat du Conseil du trésor
Ms. Maryse Tremblay-Lavoie	Ministère des Finances

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