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SPECIAL PARLIAMENTARY PROCEEDINGS IN QUEBEC TO ADDRESS PENSION SHORTFALLS

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The Minister of Employment and Social Solidarity and Minister Responsible for the Régie des rentes du Québec, Mr. Sam Hamad, tabled a bill at the National Assembly on January 14, 2009, called: "*An Act to Amend the Supplemental Pension Plans Act and other legislative provisions in order to reduce the effect of the financial crisis on plans covered by the Act*" which, as its title indicates, proposes various measures to alleviate the effects of the financial crisis on private pension plans. Exceptionally, this bill is the result of a joint effort between representatives of the unionized workforce and employers.

The bill proposes, among other things, to allow certain members and beneficiaries of a pension plan, whose benefits can only be paid in part following the termination of their plan or the withdrawal of a participating employer in a multi-employer pension plan, to apply for the payment of their benefits through a pension paid by the Régie des rentes du Québec out of the assets of the plan. This measure would be subject to the following conditions:

1. The pension plan is amended to allow for the withdrawal of a participating employer in a multi-employer pension plan by reason of the bankruptcy or insolvency of the employer or is terminated by reason of the bankruptcy of the employer;

2. The date of withdrawal of the employer or the date of termination of the plan is subsequent to December 30, 2008 but prior to January 1st, 2012; and

3. On the date of withdrawal of the employer or termination of the plan, the assets do not permit payment in full of the benefits of the members and beneficiaries affected by the withdrawal or termination.

The Régie will thus offer to retirees the option to manage directly their assets instead of proceeding with the purchase of an annuity from an insurer. The Régie even holds out that with a prudent and diligent management of the assets, it could succeed in improving the pension benefits of the retirees, which is permitted by the new bill.

When the Régie commences to exercise the powers of the pension committee with respect to members and beneficiaries who have chosen to receive a pension benefit paid on the assets of the plan by the Régie, it will assume the obligations of the pension

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committee and incur its responsibility with respect to those members and beneficiaries.

The bill also provides that the new standards of practice of the Canadian Institute of Actuaries, supposed to come into force in the Spring 2009, be applied for the purpose of the evaluation of the obligations arising from the plan in the course of any actuarial valuation of the plan undertaken after December 30, 2008 if the employer sends the pension committee written instructions to that effect.

The Bill was assented on January 15, 2009, the day after it was tabled, and many provisions came into force immediately. However, regulations should follow shortly. These regulations shall contain other measures to be adopted such as the consolidation of solvency deficits, the amortization of the consolidated deficit over a period of ten (10) years rather than five (5) years and the smoothing of the assets of the plan over a maximum period of five (5) years, which should allow to spread the investment losses over a few years.

We will keep you informed when all new measures are made public.

If you need more information, please contact the undersigned.

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