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VRSP vs. Group RRSP/TFSA

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In 2014, the government of Québec introduced the Voluntary Retirement Savings Plan (VRSP), a new workplace savings plan aimed to close the retirement funding gap. This new plan joins the Group RRSP and the Group TFSA (both considered capital accumulation plans) as long-term savings options. But many employers are unsure of the difference between the three.

In this paper we will discuss notable differences between these seemingly similar plans. But first, let's start with a new regulation that applies to VRSP, RRSP and TFSA regarding an employer's obligations under Bill 39, or the Voluntary Retirement Savings Plans Act.

Companies to which the Act applies are required to offer a VRSP by 31 December of a given year for employers with at least:

- 5 eligible employees on 31 December of the previous year; and
- 10 eligible employees on 30 June of that same year

Note: As of the date to be determined by the government, an employer with 5 to 9 employees on 31 December of a given year will have to offer a VRSP as of 31 December of the following year, at the latest. An "eligible employee" is defined as one that at least 18 years of age and has at least one year of uninterrupted service.

This obligation does not apply with respect to employees who:

- Have the opportunity to make contributions through payroll deductions to a group registered retirement savings plan or to a group tax-free savings account within the company of their employer; or
- Belong to a category of employees who benefit from a registered pension plan.

With that in mind, we turn to the differences between the VRSP and a CAP program.

Group RRSP vs. VRSP, in relation to the seven elements of the guidelines

Regulation	Group RRSP/Group TFSA	VRSP
Introduction	It's the advisor's responsibility to introduce the plan to the members.	A written notice confirming their membership must be given to the plan members, within 30 days of its set-up. Members must receive a written summary of the plan features (rights, obligations, investment options, fees, etc.).
Plan set-up	With the advisor's help, the plan sponsor will be able to decide the object of the plan and the selection criteria for the service provider.	To offer the plan, the employer must choose an administrator among those registered with Retraite Québec (RRQ).
Information and investment decision-making tools for members	The advisor can see to the members' education, which is one of the primary goals of capital accumulation plans.	The plan administrator must set up a Website or a toll-free telephone number.
Presentation to members about the plan	The advisor will offer to make a presentation about the plan to the employees, covering its features and the retirement challenge.	The employer must ensure members receive the relevant information about the plan.
Communications with members	Members will get an annual statement from the plan administrator and the rates of return of all available funds. The dealer will send a quarterly statement showing investments and rates of returns and disclosing fees.	Annual statement
Plan maintenance	The advisor is responsible for periodically reviewing plan features.	The employer is responsible for reviewing the plan.
Termination of the plan	The advisor will inform the members.	The employer will inform his/her employees.

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Other comparison points:

Criteria	Group RRSP/Group TFSA	VRSP
Eligible employees	Employee	Employee, 18 years of age or older, with at least one year of uninterrupted service.
Choice of provider	A financial advisor suggests the Group RRSP after reviewing the different market offerings.	The employer chooses VRSP provider.
Contract	Administrator and members individually	Employer/administrator
Notice to employees	Memo notifying them of the plan set-up and meeting with the advisor.	Written notice within 30 days of signing the contract with the administrator
Member enrollment	The financial advisor meets with employees interested in joining and opens their accounts.	The employer must automatically enroll all his/her employees.
Opting out of the plan	n/a Only interested employees complete an application.	Within 60 days of employer notice. The employer must keep the notice of opting out for the full duration of employment or five years.
Plan changes	Written notice to administrator and use of T2033 form for individual accounts transfer. No administrative fees	Plan termination fees vary between $250 and $750 for five member plans, and can reach $3,750 for 50 member plans.
Employee termination	The employer informs the administrator. The employee can keep their investments by transferring them to a personal RRSP.	The administrator must be notified within 30 days. Withdrawal fees: varying between $25 and $75, depending if withdrawal is partial or total.

Criteria	Group RRSP/Group TFSA	VRSP
Taxation	Member's contributions are deductible, and earnings are tax-sheltered. Employer's contributions are a taxable benefit. Withdrawals are taxable.	Member's contributions are taxable and earnings are tax-sheltered. Benefits are taxable at distribution. For employer's contributions, the pension adjustment (PA) needs to be calculated. The PA represents the total of employer's contributions.
Registration requirements	The plan is registered with the CRA.	The plan must be registered with the Retraite Québec. La CNESST will be responsible for monitoring employers and will enforce the law, including in response to complaints.
Contribution limits	18% of previous year earned income, up to $27,830 in 2021.	18% of previous year earned income, up to $27,830 in 2021. Employer's contributions are added to employee's contributions and reported as PA. The PA reduces contribution room to a member's RRSP in the following year.
Contribution rate	Member's choice	Default contribution rate: • 2% of gross salary until the end of 2017; • 3% of gross salary as of January 1, 2018; • 4% of gross salary as of January 1, 2019.

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Criteria	Group RRSP/Group TFSA	VRSP
Withdrawal of accumulated savings	Member's choice	The employee may withdraw his own contributions, but the employer's contributions must stay in the plan until the member turns 55. Withdrawal fees: varying between $25 and $75, depending if withdrawal is partial or total.
Investment selection	All of the Mackenzie Funds and Portfolios Funds	Default investment + a few options.
Financial advisor	Investment and retirement planning advice	Not systematic. Some administrators may offer these services for a fee.
Management fees	As per selected funds; varying between 0.5% and 2.8%.	Same for all members; varying between 0.5% and 1.5%, depending if default investment or other options are chosen.
Failure to contribute	n/a	Fine of $500 to $10,000.

To learn more about the VRSP, Group RRSP and Group TFSA, contact your Group Plans sales team today.

General Inquiries

For all of your general inquiries and account information please call:

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