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VRSPs: 5 or 10 Eligible Employees? The Employer's Obligation

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In this article

1. The VRSP in one minute
2. Who must offer a VRSP: the exact criterion
3. Who is an “eligible employee”?
4. Exceptions: RRSPs, TFSAs or registered pension plans
5. The timeline: when to set up the plan
6. Steps to set up the plan
7. Automatic enrolment, opting out and the default rate
8. Do employers have to contribute?
9. Choosing an authorized administrator
10. VRSPs, group RRSPs and pension plans: a quick comparison
11. Penalties and CNESST oversight
12. Can self-employed workers and business leaders join?
13. Sources

The VRSP in one minute

A voluntary retirement savings plan (VRSP) is an employer-sponsored group retirement savings plan administered by an authorized administrator, governed by the Act respecting voluntary retirement savings plans (CQLR, c. R-17.0.1). For employers, the basics come down to four points:

- the **administrator** (an insurer, trust company or fund manager) manages the investments and the plan, not you;
- you automatically **enrol** your eligible employees, **deduct** their contributions from their pay and **remit** them to the administrator;

- employees choose their contribution rate and can opt out, and a default rate applies if they take no action;
- you are **not required to contribute** as an employer.

The VRSP is often summed up as “mandatory with 5 or more employees.” That is inaccurate: the Act's criterion concerns **eligible employees**, counted on a specific date, and several exceptions apply. This article explains the exact wording, then walks through implementation step by step. It provides general information, not legal advice.

To see how the VRSP fits in with other thresholds (labour standards, pay equity, francization, etc.), see our guide to [Quebec employers' obligations by number of employees](#).

Who must offer a VRSP: the exact criterion

What the Act says (section 45)

Section 45 of the Act sets out two rules:

1. Any employer within the meaning of the Act respecting labour standards **with an establishment in Quebec** may offer a VRSP.
2. However, « l'employeur qui, au 31 décembre d'une année, compte **cinq employés visés ou plus** à son service doit, **dans l'année qui suit**, souscrire un régime volontaire d'épargne-retraite et inscrire automatiquement ces employés au régime ».

The threshold therefore concerns neither payroll nor total headcount: it concerns the number of **eligible employees** on **December 31**.

Section 140 still suspends the requirement for 5 to 9 eligible employees

Section 45 cannot be read in isolation. [Section 140](#), which applies « malgré le deuxième alinéa de l'article 45 », phased in the requirement: 20 or more eligible employees on June 30, 2016 (deadline: December 31, 2016), 10 to 19 on June 30, 2017 (deadline: December 31, 2017) and, for employers with **5 to 9 eligible employees**, « à la date déterminée par le gouvernement, qui ne peut être antérieure au 1er janvier 2018 » (s. 140, para. 3).

The government has not set that date. Section 140 has never been amended since 2013, [section 141](#) still applies its transitional interpretation « jusqu'au jour qui précède la date déterminée par le gouvernement », and Retraite Québec, which administers the Act, applies only a threshold of 10 as of October 2026. **The rule currently in force is therefore as follows:**

- the requirement arises at **5 eligible employees on December 31** (s. 45, para. 2);
- but employers with only **5 to 9 eligible employees are not yet subject to it** (s. 140, para. 3); they must have **10 or more**.

How Retraite Québec applies it (the 10/5 criterion)

Section 140, paragraph 3 does not specify the date on which the 5 to 9 employees must be counted. Retraite Québec uses the June 30 date from the first two phases. Its [Employers and VRSPs](#) page requires a VRSP by December 31 of a given year if the employer had:

- **at least 5 eligible employees on December 31** of the previous year (s. 45);
- **and at least 10 eligible employees on June 30** of the current year (s. 140).

Your situation	Requirement
Fewer than 5 eligible employees on December 31	None; a VRSP may be offered voluntarily.
5 or more on December 31 and 10 or more on the following June 30	A VRSP (or an accepted alternative) by December 31 of that year.
5 to 9 eligible employees on June 30	None for now (s. 140, para. 3). The requirement will take effect on the date set by the government.

Illustrative example. A Montreal agency has 6 eligible employees on December 31, 2026 and 11 on June 30, 2027. It must have a VRSP (or an alternative) in place by **December 31, 2027**. If it stays at 6 or 7 eligible employees throughout the year, it has no obligation, but nothing prevents it from offering a VRSP voluntarily.

Businesses whose activities fall under **federal jurisdiction** are not covered by the Act, according to [Retraite Québec's practical examples](#); they can offer a pooled registered pension plan (PRPP).

Who is an “eligible employee”?

Under [section 45 of the Act](#), an eligible employee meets **all three of the following conditions**:

1. they are **at least 18 years old**;
2. they are an **employee** within the meaning of the Act respecting labour standards and perform work in Quebec (or are covered by section 2 of that Act);
3. they have **one year of uninterrupted service** within the meaning of the Act respecting labour standards.

“Uninterrupted service” is defined in [section 1, paragraph 12 of the Act respecting labour standards](#): it is the uninterrupted period during which an employee is bound to the employer by an employment contract, even if work has been interrupted without the contract being terminated.

Practical implications for the count:

- an employee hired in March 2026 is not yet an eligible employee on December 31, 2026; they become eligible in March 2027;
- the definition sets no minimum number of hours: part-time employees count;
- a self-employed worker who invoices you is not an employee and does not count.

Exceptions: RRSPs, TFSAs or registered pension plans

The requirement does not apply to eligible employees who ([s. 45, 3rd paragraph](#)):

- have the option of contributing, **through payroll deductions**, to an **RRSP** or a **TFSA** designated by the business;
- belong to a category of employees covered by a **registered pension plan** to which the employer is a party (for example, a supplemental pension plan).

Two qualifications, drawn from [Retraite Québec's practical examples](#):

- **The option matters, not participation.** A business with 12 eligible employees that offers all of them a group RRSP with payroll deductions does not have to offer a VRSP, even if no one contributes.
- **The exception is assessed for each employee.** If only your construction site employees have a pension fund, your office employees without an RRSP, TFSA or pension plan must be enrolled in a VRSP.

An individual RRSP that an employee manages independently at their bank does not count: the exception requires a product designated by the business and funded through payroll deductions.

The timeline: when to set up the plan

Once the requirement is triggered, the deadlines follow in this order (sources: [Act](#), [ss. 19, 47, 48, 58 and 59](#) and the leaflet [How to set up a VRSP](#)):

Step	Deadline
Count eligible employees	On December 31 (5 or more), then on the following June 30 (10 or more)
Notify all employees in writing	At least 30 days before signing with the administrator
Sign the contract with the administrator	Before the deadline in the year following the count
Enrol eligible employees	Within 30 days of signing, or of the date an employee becomes eligible
Participation notice sent by the administrator	No later than 30 days after enrolment
Employee opt-out period	60 days after the notice is sent
First payroll deduction	First pay following the 61st day after the notice
Remit contributions	No later than the last day of the month following the deduction

Allow three to five months between notifying employees and the first deduction.

Once the plan is in place, the requirement continues even if the number of eligible employees drops, unless all eligible employees have opted out while the number remains below the threshold ([s. 48](#)). Section 48 says « cinq », but until the government sets the date under section 140, paragraph 3, [section 141](#) requires it to be

read as « 10 ». Each new employee who reaches 18 years of age and one year of uninterrupted service must be enrolled within 30 days.

Steps to set up the plan

Retraite Québec summarizes the process in [four steps](#). In practice:

1. **Choose a registered VRSP.** Consult the [list of VRSPs registered with Retraite Québec](#) and request quotes from two or three administrators.
2. **Notify your employees in writing**, at least 30 days before signing ([s. 47](#)). The notice must include, among other things, your intention to join a plan, any business relationship with the administrator, automatic enrolment, the right to opt out and, if applicable, your own contribution.
3. **Sign the contract** with the administrator.
4. **Enrol your employees** within 30 days: name, address, telephone number, date of birth, SIN and language of communication, according to [Retraite Québec's leaflet](#). Also enrol any employee who is not eligible but asks to join.
5. **Set up payroll:** a VRSP deduction line, each employee's rate and monthly remittances to the administrator. The deduction must appear on the [pay stub](#) like any other deduction.
6. **Maintain records:** keep each opt-out notice for the entire duration of employment and notify the administrator within 30 days of an employee opting out or leaving the job ([ss. 49 and 53](#)).
7. **Send the December reminder:** every two years after an employee opts out or reduces their rate to 0%, offer them the plan again during December ([s. 48](#)).

Automatic enrolment, opting out and the default rate

Opting out. Eligible employees may opt out by notifying their employer **in writing** within **60 days** of the administrator sending the participation notice ([s. 19](#)). After that deadline, they become plan members.

Default rate. Employees who have not set their contribution within those 60 days contribute at the default rate. According to [Retraite Québec](#), this rate has been **4% of gross pay since January 1, 2019** (2% until the end of 2017, 3% in 2018), and remains in effect as of October 2026. It applies neither to individuals who join a VRSP on their own nor to employer contributions.

Changes. Employees may change their rate, including reducing it to 0% under the conditions set out in the regulations. However, employers are not required to accept more than **two changes per 12-month period** ([s. 56; Workers and VRSPs](#)). The [leaflet on employer obligations](#) allows 30 days to adjust the deduction after the request.

Illustrative example. An employee earns \$52,000 a year, is paid every two weeks (26 pay periods) and does not choose a rate. Her gross pay is \$2,000; the VRSP deduction at the default rate of 4% is **\$80 per pay**, or \$2,080 over the year. If a deduction is made from the March 15 pay, the amount must be remitted to the administrator by April 30.

Do employers have to contribute?

No. The employer « n'est pas tenu de cotiser au régime pour le compte de ses employés » (s. 57). If the employer chooses to contribute, [Retraite Québec](#) specifies that:

- its contributions are **deductible** from the business's taxable income at both the provincial and federal levels;
- they **do not incur payroll taxes**, unlike employer contributions to an RRSP;
- they are **locked in** in the employee's account and can only be used for retirement.

For a small team looking to retain employees without increasing payroll costs too much, a modest employer contribution (for example, 1% or 2% of salary) to a VRSP therefore incurs lower payroll charges than an equivalent bonus, which would be subject to payroll taxes. If you commit to contributing, that commitment must appear in the notice to employees (s. 47, para. 7).

Choosing an authorized administrator

Only three types of legal persons may offer and administer a VRSP: an **investment fund manager**, a **trust company** or an **insurer of persons**. According to the [Administering a VRSP](#) page, the administrator must hold authorization from the **Autorité des marchés financiers** and **register its VRSP with Retraite Québec**.

Points to compare among administrators:

- **Fees.** Fees deductible from returns are capped at **1.25% of average assets** for the default investment option and **1.5%** for the other options ([Administering a VRSP](#)).
- **Investment options.** Each VRSP offers a default option and **3 to 5 other options** with different levels of risk.

VRSPs, group RRSPs and pension plans: a quick comparison

Summary drawn from the [Group retirement savings tools](#) and [Employers and VRSPs](#) pages:

Criterion	VRSP	Group RRSP (with payroll deductions)	Registered pension plan (DCPP, SIPP...)
Meets the VRSP requirement	Yes	Yes	Yes
Employer contribution	Optional	Generally, only the member contributes	Depends on the plan
Employer contributions exempt from payroll taxes	Yes	No (according to Retraite Québec)	Yes
Who administers it	Authorized administrator	Contract generally arranged by the employer or a union	Pension committee, employer or financial institution (SIPP), depending on the plan

For a small or medium-sized business that does not yet offer anything, the VRSP remains the simplest option. A group RRSP or TFSA with payroll deductions also provides an exemption from the requirement, but according to Retraite Québec, employer contributions to an RRSP incur payroll taxes, unlike contributions to a VRSP.

Penalties and CNESST oversight

The **CNESST** monitors compliance with the requirement to set up a plan and enrol employees (s. 110), and Retraite Québec reiterates this role on its [employer page](#).

Fines under the Act:

Violation	Fine	Repeat offence
Failing to set up a VRSP and enrol eligible employees (s. 45, 2nd para.), or failing to remit a contribution on time (s. 59)	\$500 to \$10,000 (s. 118)	Amounts doubled
Failing to comply with requirements for advance notice, enrolment, handling opt-outs, deductions or interest (ss. 47 to 50, 52 to 54, 58 and 60, among others)	\$600 to \$1,200 (s. 119)	Amounts doubled

In addition to the fine, a late contribution accrues **interest** (s. 60), and amounts deducted are deemed to be **held in trust** by the employer until they are remitted (s. 62).

Can self-employed workers and business leaders join?

Yes. The Act (s. 2) allows any individual to participate in a VRSP to the extent that tax rules allow them to contribute. According to [Retraite Québec](#), self-employed workers, business owners and individual savers may join voluntarily by choosing a registered VRSP and contacting the administrator; to find out whether they can contribute, they consult the **RRSP/PRPP deduction limit statement** on their latest federal notice of assessment.

For a founder, the logical sequence is to join personally if it makes sense, then plan for a VRSP as soon as the team approaches 10 eligible employees, remembering that an employee only becomes eligible after one year of uninterrupted service.

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Sources

- [Employers and VRSPs](#) — Retraite Québec
- [Act respecting voluntary retirement savings plans \(CQLR, c. R-17.0.1\)](#) — LégisQuébec
- [Act respecting labour standards \(CQLR, c. N-1.1\)](#) — LégisQuébec
- [Workers and VRSPs](#) — Retraite Québec
- [Administering a VRSP](#) — Retraite Québec
- [Group retirement savings tools](#) — Retraite Québec

- [Practical examples \(VRSPs\) — Retraite Québec](#)
- [VRSPs registered with Retraite Québec — Retraite Québec](#)
- [How to set up a VRSP \(PDF leaflet\) — Retraite Québec](#)
- [Your obligations as an employer \(PDF leaflet\) — Retraite Québec](#)

Source links

Links cited in this article, in order of first appearance. Full addresses are provided for readers using extracted text.

1. <https://www.retraitequebec.gouv.qc.ca/fr/professionnels-et-employeurs/regime-volontaire-epargne-retraite-rver/employeur-et-rver>
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