

January 22, 2016

Hon. Kathleen Wynne
Premier of Ontario
Legislative Building
Queen's Park
Toronto ON M7A 1A1



Premier Wynne,

As your government moves towards implementation of the Ontario Retirement Pension Plan (ORPP), we want to take this opportunity to outline some of our members' outstanding concerns.

As you know, your government has expanded the comparability rules of the ORPP; a direct response to the Ontario Chamber of Commerce's (OCC's) advocacy over the course of last year. For those employers who offer a Defined Contribution (DC) or Defined Benefit (DB) plan that is now considered comparable, your announcement will ensure their employees can continue to benefit from their plan.

However, for the majority of employers in Ontario, the ORPP is quickly becoming a source of confusion. The following are among the major implementation concerns for which employers are seeking clarification.

Notification and comparability verification

To our knowledge, employers in Ontario have not received any direct communication from the government in relation to their obligations under the ORPP. The information released publicly last year is not sufficient for employers to understand what impact the ORPP may have on their business and on employee compensation. Many employers are unable to determine whether they will have to participate in the ORPP, which implementation wave would apply to them, or whether they will have to update their current compensation and retirement savings plans. In addition, there has been no indication from government as to when employers would receive this information.

Until employers are subject to a clear comparability verification process, are aware of where they fall in the government's implementation timeline, and have sufficient information to evaluate how the ORPP may impact their business, they are unable to plan for future expenses and compensation plans. This is particularly true of employers who may be in Wave 1, who are scheduled to begin making contributions in less than a year.

As such, we strongly recommend that your government modify the implementation timeline by focusing on employer registration in 2017 and deferring Wave 1 employer contribution collection to 2018. This will allow employers time to examine how the ORPP impacts them and plan accordingly.

Further, we encourage your government to establish a clear communications timeline that outlines how and when employers will receive information relating to the ORPP and any obligations they or their employees may have.

Federally regulated industries

Confusion exists in the employer community as to who is required to be enrolled in the ORPP. Various media reports have suggested that your government will exempt federally regulated employers from contributing to the new pension plan. However, your government has yet to announce its formal position on the matter.

Further, many businesses operating in federally regulated sectors are operating under the assumption that they will be exempt from the ORPP, and therefore could be caught by surprise should they be subject to the new pension plan. As such, we urge your government to clarify whether federally regulated industries will be subject to the ORPP.

Guarantees of not exceeding 1.9 percent employer and employee contribution rates

Given continued uncertainty in global markets, there is some speculation that your government may need to increase contribution rates in order to meet the ORPP's payout obligations. The economic implications of increased rate hikes are unknown - and were not accounted for in your government's cost-benefit analysis.

While your government appears confident that employer and employee contribution rates of 1.9 percent will be sufficient to meet the fund's needs, your government needs to outline a plan for how the ORPP fund will cope with any unexpected fund shortages.

Ontario employers worry that any fund shortages would be absorbed through further increases to employer contributions. Their concerns are not unfounded. For example, Ontario employers are still paying higher workplace safety premiums as a result of an unanticipated Workplace Safety and Insurance Board unfunded liability.

Openness to further pension innovation

The government's comparability rules for the ORPP were based on the features of existing workplace pension plans in Ontario, including benefit longevity, pooled investment risk, and locked-in funds.

New pension products and product design features are constantly being developed in response to changing market conditions, and some of these developments may result in the creation of new plans or features that would meet the comparability criteria identified by government. The design of the ORPP should not stifle the pursuit and adoption of these innovations.

We therefore recommend that your government create a mechanism whereby new pension products or design features can be assessed for ORPP comparability in an efficient and timely manner.

Cost-Benefit Analysis

While the government's cost-benefit analysis concluded that in the long-term, the ORPP will have a moderately positive impact on Ontario's economy, it also predicts a negative effect on the economy over the first twenty years of the plan's lifespan. At its height, real household spending is projected to decline to \$2.9 billion below the base scenario, resulting in an annual GDP loss of \$2.3 billion by 2023.

The nearer-term impacts of the new plan should not be discounted. We strongly urge your government to mitigate these negative consequences by introducing measures that will offset the incoming costs of the new pension plan, such as targeted tax relief, further efforts to combat the rising cost of electricity, or increasing support for regional economic development funds.

With these concerns top-of-mind for employers, and with the implementation of the first wave of the ORPP approaching quickly, we urge you to address employers' concerns in the near term. The OCC will continue to represent the employer community to help you achieve success with your desired policy course on the issue of retirement security. However, we encourage you to continue conversations with the federal government over an enhanced Canada Pension Plan as an alternative to the ORPP. In addition, we strongly encourage your government to reassure businesses that PRPPs will be considered comparable to the ORPP.

We will continue to work constructively with your government on this file.

Sincerely,



Allan O'Dette
President and Chief Executive Officer
Ontario Chamber of Commerce