



September 23, 2015

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

Dear Premier Wynne,

Thank you for your engagement with Ontario employers as you move forward with the design of the Ontario Retirement Pension Plan (ORPP). The Ontario Chamber of Commerce (OCC) continues to support the government's policy objective—to ensure that all Ontarians are adequately prepared for their retirement.

On August 11, 2015, you announced that your government is changing the comparability rules under the ORPP to include defined contribution (DC) pension plans with a combined contribution rate of 8 percent and where the employer contributes at least 4 percent. Broadly speaking, the Government of Ontario has responded to our advocacy efforts.

The expansion of the comparability rules was in direct response to the OCC's June 2015 letter, in which we and a coalition of over 150 organizations, including small, medium, and large businesses, chambers of commerce and boards of trade, industry and trade associations, and broader public sector employers, urged your government to exempt employers who offer various types of capital accumulation plans.

For those employers who offer a DC plan that is now considered comparable, your announcement will ensure their employees continue to benefit from their plan, while allowing their business to remain competitive.

However, for the majority of employers in Ontario, the ORPP will increase the cost of doing business. Ontario's employer community still has serious reservations about the proposed ORPP—and what it will mean for jobs and the economy.

Further, for provincial employers who offer good DC plans (or a mix of plans) in the workplace with total contribution levels between 3.8 and 8 percent, the August 11 criteria appear as a "one-size-fits-all" test that may not account for the diversity of strong plan designs, and which calls for further careful consideration and refinement.

As such, as your government moves forward with the ORPP, we ask that you provide greater clarity to Ontario's employer community. In this letter, we outline five key questions that reflect the outstanding concerns of Ontario employers.

### **1. How will the ORPP impact Ontario's GDP, jobs, and investment?**

The broad economic impact of the ORPP remains employers' primary concern. The ORPP, by mandating additional pension contributions by employers, will add to this burden. In a recent OCC survey, 44 percent of businesses said they would reduce their payroll or hire fewer employees in response to the ORPP. If this is the case, how will the ORPP impact Ontario's GDP, jobs, and investment?

Under the *Ontario Retirement Pension Plan Act, 2015*, the government is required to release a cost-benefit analysis of the proposed pension plan by the end of the year. We strongly encourage the government to beat this deadline and release the results of its analysis before moving forward with further decisions on ORPP design parameters.

### **2. What are the actuarial and financial assumptions the government made to arrive at its revised definition of comparability?**

Employers in Ontario are just beginning to study the implications of the change to comparability rules for the capital accumulation plans and benefits packages that they offer. At first glance, many are failing to understand why their plans are not considered comparable. While employers understand that a defined benefit (DB) plan provides a lifetime benefit to its recipients, they are looking for greater clarity on the process you took to arrive at a revised definition of comparability.

Specifically, how did the government account for different elements of plan designs, including contribution structure and use of annuitized components, in your actuarial analysis? We believe a "one-size-fits-all" 4+4 contribution rate criterion (that only includes DC plans) would exclude many good plans currently offered by Ontario employers.

### **3. As a result of the recent changes to the parameters of the ORPP, how many current workplace pension plans are now considered comparable, thereby making their employers exempt from paying into the ORPP? What is the process whereby employers can verify whether or not they will be exempt from the ORPP?**

As a result of the government's recent changes to the ORPP comparability rules, fewer employers are subject to the plan. However, it is unclear just how many employers are now exempt. The government should release that number publicly so that Ontario employers and employees understand the extent of the ORPP's reach.

Based on the government's revised implementation timeline, some employers in Ontario will begin making ORPP contributions in early 2017. This is less than 18 months away. Businesses need to be made aware of their contribution obligations. To ensure maximum compliance and minimal confusion, the government needs to begin the education and verification process quickly.

### **4. What will be the overall set-up and administrative costs of the new pension plan? What measures will be taken to ensure that the plan is administered in the most cost-effective manner possible?**

If the government moves ahead with implementation of the plan, it must ensure that Ontarians are getting the maximum return on their investment. This means that administration costs of the plan must be kept to a minimum. To date, there has been no information released about the projected cost to set up and administer a new pension plan, and how the government will ensure that the plan remains cost-effective. Government must demonstrate its due diligence before the plan is implemented.

**5. How will the government move ahead with Pooled Registered Pension Plans (PRPPs) while preserving the attractiveness of these types of plans? Will PRPP plan participants be considered comparable if they meet the contribution requirement?**


Among the various savings vehicles potentially available for employers to provide to employees, PRPPs are a popular option. This is especially the case for smaller employers who found existing workplace capital accumulation plans financially challenging to offer and administer. PRPPs are largely built on the DC model, pooling employees across smaller workplaces into a low-cost, locked-in retirement savings plan that is transferable across jobs and does not impose an administrative burden on small employers.

With the *Pooled Registered Pension Plans Act*, 2015 recently passing in the Legislature, government seems committed to moving ahead with PRPPs. However, comparability criteria for PRPPs in Ontario have yet to be clarified. Employers believe there will be little to no uptake for PRPPs in the province, unless they are considered comparable to the ORPP, in parallel to the criteria for DC and DB plans.

With these questions (and many others) top-of-mind for employers, it is clear that more work needs to be done before the government moves ahead with the implementation of the ORPP. The diversity of the signatories to this letter underscores that fact.

We look forward to continuing to work constructively with your government over the coming weeks and months on this issue.

Sincerely,



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

*Below follows the coalition of signatories that endorse our position.*

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From innovative SMEs to established multi-national corporations and industry associations, the OCC is committed to working with our members to improve business competitiveness across all sectors. We represent local chambers of commerce and boards of trade in over 135 communities across Ontario, steering public policy conversations provincially and within local communities. Through our focused programs and services, we enable companies to grow at home and in export markets.

The OCC provides exclusive support, networking opportunities, and access to innovative insight and analysis for our members. Through our export programs, we have approved over 1,300 applications, and companies have reported results of over \$250 million in export sales.

The OCC is Ontario's business advocate.