
Ontario Retirement Pension Plan – Briefing Note for Sponsors

What is the Ontario Retirement Pension Plan (ORPP)?

The ORPP is an initiative of the Ontario government for a “go-it-alone” or “made-in-Ontario solution” for a supplemental pension plan following the lack of consensus among other Provinces and the federal government to implement modest increases in the Canada Pension Plan (CPP). The 2014 Ontario Budget, passed on July 24, 2014, set out the Ontario government’s commitment to establish the ORPP. The government’s intention is that the ORPP would build on CPP and could be integrated into the CPP in the future. The ORPP is envisioned as “targeting those most at risk of under saving, particularly middle-income earners.” This commitment was most recently affirmed in the Fall Economic Statement (November 17, 2014) and the discussion paper “*The Ontario Retirement Pension Plan: Discussing a Made-in-Ontario Solution*” (November 2014). Most recently, on December 8, 2014, the government introduced legislation to lay out a framework for the creation of the ORPP by January 1, 2017 – the Act, however, does not contain any new detail on the design of the ORPP.

According to these various documents the ORPP is intended to have the following design features:

- The ORPP would not apply to those already participating in a comparable workplace pension plan. (We anticipate that the CAAT Pension Plan would be considered comparable).
- The ORPP would be mandatory for all employees working in Ontario who do not participate in a comparable workplace pension plan.
- Earnings below a certain threshold would be exempt from contributions. (Note: that threshold has yet to be determined, but the Budget suggested \$3,500 so as to mirror the threshold used by CPP.)
- A target replacement rate of 15% of an individual’s earnings, up to a maximum annual earnings threshold of \$90,000. (The ORPP is not a defined benefit plan, but is effectively a target benefit plan. The examples provided in the Budget assume 40 years of contributions on steady career earnings. E.g., someone earning \$70,000 annually over 40 years would have a maximum annual ORPP benefit of \$9,970.)
- Equal contributions shared between employers and employees, not exceeding 1.9% each (3.8% combined) on earnings up to the maximum annual earnings threshold of \$90,000. This maximum would increase each year consistent with increases to the CPP’s maximum earnings threshold.
- An arms-length public administrator with a strong governance model would be responsible for managing the investments associated with annual contributions.
- ORPP benefits would be earned on future service only.

When is it expected to take effect?

The Ontario government plans to stagger enrolment beginning in 2017, starting with larger employers first. Once implemented, contributions will be phased in over two years.

Mitzie Hunter, MPP (Scarborough-Guildwood) has been appointed Associate Minister of Finance responsible for the Ontario Retirement Pension Plan and is overseeing implementation of the ORPP.

The government has started consultations with the public and pension industry as it works through the details of implementing the ORPP. As noted above, the government has published a discussion paper and has invited members of the public to make comments. The government also intends to release in the coming weeks a consultation paper on the proposed implementation details, formal consultation to follow in January 2015.

Potential Impacts

Given the most recent comments from the government, it is not anticipated at this stage that the ORPP will have any direct impact on CAAT Plan members as they would neither be required to join nor would it be available to them while members of the CAAT Plan. Similarly for CAAT Plan participating employers, the ORPP would have no impact vis-à-vis employees who are members of the CAAT Plan.

There may, however, be an impact on non-members and for participating employers in respect of such non-member employees. This depends on whether the ORPP would be mandatory for employees who elect not to join the CAAT Plan. If it is mandatory, then non-members and participating CAAT Plan employers would be required to contribute in respect of the ORPP.

The December 8, 2014 ORPP Act suggests that the ORPP would be required for any employee not participating in a comparable workplace pension. This would mean that any OTRFT employee who elects not to join the CAAT Plan would be required to join the ORPP.

Requiring employees who elect not to join the CAAT Plan to join the ORPP would not be respectful of the jointly-sponsored nature of the CAAT Plan wherein the sponsors of the CAAT Plan have designed and agreed upon enrollment criteria (mandatory for full-time, optional for part-time employees) that is consistent with the Pension Benefits Act and that best suits the CAAT Plan sponsors (i.e., employers and employees). Plan staff will be continuing to meet with government officials to convey the potential impacts of the ORPP on the CAAT Plan, its stakeholders and members.

How to stay informed?

The CAAT Plan has received various questions from members and employers on the ORPP – the Plan has responded with a FAQ webpage that may be viewed on our website.¹ The CAAT Plan is monitoring the development of the ORPP and what impact it may have on the CAAT Plan and its members and employers. This page will continue to be updated as more information becomes available.

CAAT Plan members and sponsors can also contact the Plan directly with any questions or concerns regarding the ORPP.

¹ <https://www.caatpension.on.ca/en/about-us/your-retirement-security/background-resources/questions-about-orpp>