

## What is the ORPP?

The Ontario Liberal government announced an Ontario Retirement Pension Plan (ORPP) as part of the 2014 provincial budget. The plan is a positive step in addressing workers' need for decent pensions. The ORPP is in keeping with the OFL proposal for a mandatory, defined-benefit pension that mirrors the CPP.

Unifor supports the proposal in principle. During the consultation period, we would seek to strengthen the ORPP to ensure good pensions and widespread coverage for Ontario workers. Below are some of the key points on the ORPP.

## Ontario's Retirement Challenges

- Only 37% of Ontarians are covered by a workplace pension plan.
- Ontarians, like the majority of Canadians are not saving enough for retirement. In 2012, there was about \$730 billion in unused RRSP room in Canada; \$280 billion in Ontario alone.
- Canada's retirement benefit programs, namely Old Age Security (OAS) and the Canada Pension Plan (CPP), do not provide sufficient income replacement for middle income earners.

## Ontario's Proposal: The Ontario Retirement Pension Plan

The best approach to strengthening the retirement income system is through an expansion of the CPP. The federal government continues to block any expansion to the CPP. As a result, the Ontario liberal government has proposed a provincial plan.

The ORPP is expected to be a mandatory, defined benefit pension that mirrors the CPP. It would feature equal contributions shared between employers and employees, not exceeding 1.9% each (3.8% combined) on earnings up to \$90,000. In order to maintain your pre-retirement standard of living, retirement experts generally recommend a retirement income that replaces 70-80% of pre-retirement income.

- ***Someone with annual earnings of \$45,000 would contribute \$15 per week to the ORPP and receive a maximum benefit of \$6,410 annually for life. Combined with OAS and CPP benefits, this would amount to about \$23,000 annually and replace about 50 per cent of their pre-retirement income.***
- ***Someone with annual earnings of \$70,000 would contribute \$26 per week to the ORPP and receive a maximum benefit of \$9,970 annually for life. Combined with OAS and CPP benefits, this would amount to about \$29,000 annually and replace about 40 per cent of their pre-retirement income.***
- ***Someone with annual earnings of \$90,000 would contribute \$34.23 weekly to the ORPP and receive a maximum benefit of \$12,815 annually for life. Combined with OAS and CPP benefits, this would amount to about \$32,000 annually and replace about 36% of their pre-retirement income.***

## The Ontario Retirement Pension Plan (ORPP)

### *Why is it important that the ORPP is a mandatory plan?*

- The Ontario government recognizes what we all know - voluntary plans do not work. RRSPs are voluntary and Ontarians currently have \$280 billion in unused contribution room.
- If employers have a choice many of them will not offer the ORPP.
- Defined benefit pension plans require stable and predictable contributions.

### *Will the ORPP harm Ontario business and create job loss?*

- Not likely. The same concerns were raised in the late 1990s when the federal Finance Minister, Paul Martin, increased CPP contributions by 75% over a 6-year period. There was no measurable impact on the economy and unemployment actually dropped during the period.
- The ORPP is **NOT** a payroll tax. It is a retirement savings plan. For a modest contribution of 1.9% of income, Ontarians (and workers in other provinces that join the ORPP) will see a significant gain in their retirement income.
- The CFIB president, Dan Kelly, is the loudest voice against the ORPP. The CFIB needs to come clean on their role in the pension coverage crisis. If Mr. Kelly's members offered a pension to their employees, we would see a significant improvement in pension coverage.

### *The next generation of workers will benefit the most*

- Employers no longer believe it is their responsibility to support their employees' retirement. As workplace pension coverage continues to decline, the public pension system will become far more important for the next generation of workers.
- Today's young workers will have several jobs and employers throughout the course of their career. An ORPP that is portable and can be folded into the CPP in the future would offer a fair and cost-efficient way for each worker's employer to make a contribution to their retirement.

### *What about low income and self-employed workers?*

Some specifics of the proposed ORPP are still to be finalized and are open for discussion:

- As part of the proposal, the government intends to consult on whether the ORPP's lower-income threshold would mirror that of the CPP.
- The government also intends to consult on how best to assist self-employed individuals in achieving a secure retirement future.
- There should also be consultation on the current position that employers providing "comparable pension plans" would not be required to participate in the ORPP.