



June 2, 2015

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

Dear Premier Wynne,

Thank you for your continued engagement with Ontario employers as you move forward with the design of the Ontario Retirement Pension Plan (ORPP). As you know, many employers are concerned with your government's proposed approach to tackle challenges related to retirement savings. We, the Ontario Chamber of Commerce (OCC), and our members and partners, believe the ORPP will have unintended negative consequences for the province's economy. A recent survey of OCC members found that only 26 percent of employers in the province believe they can shoulder the financial burden associated with the ORPP.

As such, we applaud your government for recently committing to conduct a cost-benefit analysis of the ORPP, as the OCC had requested. This is a good first step in determining the impact that the ORPP will have on Ontario's economy.

This pending cost-benefit analysis notwithstanding, Ontario employers remain concerned that the ORPP will harm Ontario's economy and will penalize employers and employees that are contributing to a secure retirement future.

We, the Ontario employer community, are sending you this letter at a pivotal moment in the development of the ORPP. In May, your government passed ORPP enacting legislation. Over the coming months, your government will design the final parameters of the plan. As such, we are writing to express our serious concerns over the proposed definition of pension plan 'comparability' as outlined in your Ontario Retirement Pension Plan consultation document from December 2014.

Set for introduction in 2017, the ORPP will see employees and employers contribute 1.9 percent each (3.8 percent combined) on an employee's annual earnings up to \$90,000. There are some indications that only certain workplace pension plans will be considered 'comparable' to the ORPP, namely Defined Benefit and Target Benefit Multi-Employer Pension Plans. Employers who offer 'comparable' workplace savings plans will be exempt from contributing to the ORPP.

We support the government's policy objective—to tackle the undersaving challenge and help all Ontario workers save for retirement. However, we do not believe the ORPP is the right tool to solve the problem. Further, a narrow definition of comparability would have serious consequences for the retirement savings landscape and savings in Ontario.

**First, the ORPP penalizes employers who are already investing in their employees' retirement savings.**

Many employers already contribute to their employees' retirement savings through a variety of plans, which include Defined Contribution (DC) plans, group Registered Retirement Savings Plans (group RRSPs), and group Tax Free Savings Accounts (group TFSA), among others. These plans often involve contribution levels above those stipulated for the ORPP; for example, the average company contribution rates to DC plans and group RRSPs in Canada are 5.2 percent and 4.3 percent, respectively.

**Second, by adding costs to employers that already contribute to robust workplace retirement savings plans, the government will counteract its desired goal of increasing Ontarians' retirement savings.**

For example, employers who offer non-comparable retirement savings plans might choose to reduce the contributions in these plans to offset the new costs incurred by the ORPP. In fact, according to a survey conducted by Environics Research, 66 percent of Ontario companies may consider eliminating their existing DC or group RRSP plans if the ORPP is introduced. The same survey found that 78 percent of companies are likely to reduce contributions to their workplace retirement plan.

**Third, the ORPP could erode the three pillars approach to the retirement income system in Canada by replacing private with public savings.** Most of the workplace retirement savings plans made available to Ontarians by the private sector are non-comparable under the government's preferred definition. In fact, over 2.4 million Ontarians are covered by plans that the government has deemed non-comparable. Reduced demand for these savings plans brought on by the ORPP could disrupt the balance of public-private savings in the province.

**Given these concerns, we strongly urge your government to expand its definition of pension plan comparability to include capital accumulation plans, including (but not limited to) Defined Contribution plans.**

As currently designed, the ORPP would take a universal, rather than a targeted approach, to what is a narrow undersaving problem. According to recent analyses by the federal Working Group on Retirement Income Adequacy and McKinsey & Company, a large majority of Canadians and Ontarians are on-track to maintain their standard of living in retirement. In a comprehensive survey of Canadian households, McKinsey estimates that 83 percent of households in 2014 are on track to maintain or exceed their level of consumption in retirement. The ORPP is a blanket solution to a narrow undersaving problem, a problem that many employers have addressed by offering workplace pension plans.

Expanding the definition of comparability would help to mitigate the impacts that the ORPP will have on employers who are already investing in the retirement savings of their employees. As you will see, the Ontario Chamber of Commerce has reached beyond its membership for co-signatories to this letter. The number and diversity of co-signatories reflects the widespread concerns of Ontario's employer community.

We look forward to working constructively with you over the coming weeks and months as you continue to define the parameters of the ORPP.

Sincerely,



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

cc:

Hon. Mitzie Hunter, Associate Minister of Finance (Ontario Retirement Pension Plan)

Hon. Charles Sousa, Minister of Finance

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

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The Ontario Chamber of Commerce (OCC) is an independent, non-partisan business network. Our mission is to support economic growth in Ontario by advocating for pro-business policies and defending business priorities at Queen's Park.

For more than a century, the OCC has been providing our members with practical supports, advantageous network opportunities, and access to innovative insight and analysis. We represent local chambers of commerce and boards of trade from communities across Ontario.

Through this network we are the voice of 60,000 members that range from small businesses to major corporations and industry associations. Together, our members employ approximately two million people and produce nearly 17 percent of Ontario's GDP. The OCC is Ontario's business advocate.