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Committee on Social Policy
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Bill 186:

**The ORPP will strengthen
retirement security**

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The Ontario Retirement Pension Plan (ORPP) is the most significant improvement in retirement security since the introduction of the CPP in 1966.

Given the changing nature of the labour market, an expansion in public pensions is the only way to increase security for future retirees.

Over the past 50 years since the introduction of the CPP, much has changed in the labour market.

Fewer private sector employers are willing to take on the multi-generational responsibilities associated with workplace pension plans.

As a result, fewer workers are members of such plans.

Only 40 percent of Ontarians are members today. In the private sector, fewer than 25 percent of workers have an employer-sponsored pension plan.

And given changes in the labour market, fewer workers will work for the same employer long enough to collect an adequate pension even if one is offered.

As a result, workers can rely less on employers for retirement security. This requires action from governments. The Ontario government should be commended for recognizing the retirement income problem and posing this solution.

The ORPP is impressive in its coverage: 450,000 employers, 4.5 million Ontario workers, and annual revenues of \$6 billion. It will become one of the largest pension plans in Canada.

The size and scope of the plan will increase retirement security for its members.

Saving for retirement is complex and risky.

There are risks associated with investment returns. There are risks about how long people will live after retirement, and on the other hand, there are no guarantees that they will live long enough to collect their pensions.

There are risks associated with the impact of pre- and post-retirement inflation on the value of pensions.

And there is the risk that a private sector plan sponsor will go bankrupt and leave behind an underfunded plan.

All of these and more risks are ones that we are much better off facing together through a public plan like the ORPP than we are on our own.

Retirement savings are also complex to administer. Administrators need to keep track of plan members, their retirement benefits, and their family status over time. Funding needs to be secured over long periods and legislation must be complied with.

These risks and administrative costs are the reason why an expansion of public pension plans is the most efficient way to increase retirement security in the 21st century.

There are a number of reasons why public pensions are more efficient and effective at providing retirement security: They spread both longevity and retirement risk over a larger population, reducing costs and increasing potential investment returns. Public pensions also spread administration costs over a larger population, further reducing the cost of any given benefits.

Not all pension plans provide true retirement security. To do so, pension payments must be guaranteed to last throughout your retirement. They must be inflation-adjusted to maintain their value. And they must be large enough for adequacy.

The ORPP will provide many of the benefits associated with public pension plans and has many plan features that are needed for retirement security.

However, there are two serious limitations of the plan: it is not universal and it is not national. Many Ontarians will seek employment in other provinces and possibly return to Ontario, thus having a patchwork of ORPP coverage.

Universality is essential for retirement security. There is the potential for even more of a patchwork of ORPP coverage as people could move into and out of it over their working lives as they move from employers that have comparable plans to those that do not.

The government and progressive pension advocates agree: a meaningful expansion of the CPP would be the best option to improve retirement security for Ontarians and all Canadians.

However, we cannot and should not wait until there is agreement on an expansion of the CPP to act in Ontario. The establishment of the ORPP in Canada's largest province will provide an example and an incentive for others to act. And it will provide increased pensions for Ontarians until the CPP expansion occurs.

The following amendments would strengthen the plan:

- Work with its federal counterparts to amend the Income Tax Act regulations to allow the plan to include the self-employed and then enact regulations that will expand ORPP coverage to self-employed people.
- To increase the comprehensiveness of the plan, introduce an amendment or regulation that will allow commuted values from private pension plans in Ontario to be used to purchase service in the ORPP.
- Ensure coverage for Ontarians in federally regulated industries. This would allow a further 220,000 Ontarians to participate in the ORPP.

The comparable plan exemption raises administration and policing issues and reduces retirement security. At the very least, monitoring of comparable plans should be done on a regular basis and the results should be made public.

While we shouldn't want to lose sight of the major advances that this legislation represents, these amendments would strengthen the plan.

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