

September 8, 2014

The Honourable Mitzie Hunter, MPP
Associate Minister of Finance
7th Floor, Frost Building South
7 Queen's Park Crescent
Toronto, Ontario M7A 1Y7

Dear Associate Minister Hunter,

As your government moves forward with the Ontario Retirement Pension Plan (ORPP), we are writing to urge you to consider how this new pension scheme will affect the province's immediate and long-term growth. We request a meeting with you to discuss how we can work together to secure a pension future that will support both the retirement savings needs of Ontarians and Ontario's economic recovery.

As you know, Ontario is facing a pension challenge. While a majority of Ontarians are relatively well-prepared for retirement, a sizeable minority (1/4 to 1/3 of Ontarians according to varying estimates) are not adequately saving for retirement. Many of these people are middle income-earners, including almost 1.3 million workers in the province who do not have access to a pension plan in the workplace. Voluntary individual savings tools are also being underutilized.

At the same time, Ontario's population is aging; by 2035, 23 percent of Ontarians will be of retirement age, compared with 14 percent in 2011. A significant increase in the number of retirees, who lack sufficient income to maintain their standards of living, would have serious implications for the fiscal health of Ontario.

Businesses overwhelmingly agree that the pension problem needs to be addressed. According to a recent OCC survey, 72 percent of Ontario businesses believe that pension reform should be a priority for government. As a result, the business community appreciates your government's action on this file and the attention you have brought to this issue at the national level.

However, Ontario's pension problem is complicated by the province's broader economic picture. As you know, Ontario's economy is in transition. The economy is projected to grow slowly for the foreseeable future. Ontario's Ministry of Finance projects the province's real annual GDP growth for the next twenty years to be 2.1 percent, down from 2.6 percent during the previous twenty years. Employers are facing rising costs, including soaring electricity prices and high WSIB premiums, which risk stifling investment in Ontario. In this context, businesses are wary of policies that will add to their costs.

In our recent report, *An Employer Perspective on Fixing Ontario's Pension Problem*, we aggregated the results of consultations with employers on Ontario's pension future. From these consultations, it is clear that businesses in the province prefer a well-targeted pension solution that provides flexibility for employers and employees, and does not increase their costs unnecessarily.

Employers are overwhelmingly in favour of Pooled Registered Pension Plans (PRPPs), and as such, we applaud your government's intention to implement PRPPs.

At the same time, employers are wary of a standalone provincial pension plan.

The position of Ontario businesses is clear: they cannot incur the costs associated with a new Ontario pension plan. According to a recent OCC survey, only 23 percent of businesses are certain that they can afford the costs associated with increased employer pension contributions. Worry has also been expressed that smaller businesses, whose resources are more limited, will be disproportionately impacted when compared with larger peers and competitors.

Apart from increased costs, the following concerns regarding the ORPP were outlined by Ontario businesses:

- **Unnecessary bureaucracy:** businesses question the need for a new provincial pension bureaucracy that will duplicate and complicate an already effective and balanced national pension system based on OAS-GIS, the CPP-QPP, and private workplace retirement savings plans.
- **Fragmentation of the pension landscape:** a unique provincial pension plan will add complexity and costs for employers, particularly for those who operate in more than one province.
- **National commitments to Pooled Registered Pension Plans (PRPPs):** national momentum for PRPPs has already been generated, with implementation taking place at the federal level, and in Quebec, B.C., Alberta, and Saskatchewan, and a framework plan in Ontario. Why should Ontario move in a different direction, while other provinces are already moving towards PRPPs?

In light of the concerns expressed by our member companies with respect to the ORPP, we strongly urge your government to reconsider its approach to addressing Ontario's pension problem. Ontario's employers need answers to crucial outstanding questions.

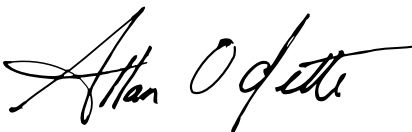
- **What will be the impact of a fully-implemented ORPP?** If it has not done so already, the government needs to conduct an overall impact analysis of the ORPP to fully assess the costs and benefits of the Plan from economic and social perspectives. If it has, these results should be made public. Such an impact analysis should examine the short- to long-term impact of the ORPP on business competitiveness, investment and employment/wages. The net impact on retirement saving should also be examined. What is the possibility of people saving less privately as a result of ORPP contributions (which would result in no positive net impact on retirement preparedness)?
- **How will the government treat businesses who cannot afford to match mandatory contributions under the ORPP?** Will there be exemptions for small businesses? Will small businesses be directed or mandated to offer another plan (PRPP or Group RRSP) as an alternative?
- **What types of workplace pension plans will be considered "comparable" to the ORPP?** The government has pledged to exempt those employees already participating in a comparable workplace pension plan from enrolling in the ORPP. If businesses decide that an alternative pension scheme, such as the PRPP, or any number of other long-standing registered pension plans is preferable to the ORPP, will they qualify as "comparable"?

- **Will the government consider broadening the diversity of sources of retirement income to mitigate risk?** Experts agree that having multiple sources of retirement income through well-regulated private as well as public pensions enhances sustainability and reduces the risk of a retirement income shortfall. The Organisation for Economic Co-operation and Development (OECD) and other expert groups have underscored the strength of balanced public-private pillar based pension systems such as what we have here in Canada. Will a mandatory ORPP scheme provide a desirable level of diversification for Ontarians' sources of retirement income, and would the relative balance of the retirement savings system be impacted?
- **How will you address worker mobility issues?** What happens to the ORPP contributions of employers and employees if employees are required to move out of the province, or if they transfer to workplaces in Ontario that already offer a registered workplace plan (or PRPP)? Will this increase the already significant red tape burden for businesses?
- **How will the ORPP impact the self-employed?** Self-employed individuals often face a greater degree of income variability. While savings vehicles like the PRPP provide flexibility in terms of employer contributions, it is not clear that the ORPP would do the same.

To respond to these comments and to provide you direct access to representatives of businesses across the province, we invite you to participate in a teleconference call with Ontario's chambers of commerce and boards of trade in September. Participants in our network teleconferences include executives from chambers of commerce and boards of trade from across the province, who have a clear sense of business priorities in their communities.

We look forward to discussing this issue with you further in the near future. To get in touch, please contact Josh Hjartarson, Vice President, Policy & Government Relations, at 416.482.5222 ext. 2320, or by email at joshhjartarson@occ.on.ca.

Thank you,



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