

## VIEW FROM QUEEN'S PARK: Retirement

Giving Ontarians the Retirement they Deserve

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The good news is that we're living longer and are able to enjoy healthy and fulfilling lives well into our retirement years.

The stressful news is too many Ontario residents don't have financial savings adequate enough to see them comfortably through their retirement years.

The reasons for this lack of saving are many. To start, pension coverage is low.

Fewer than 35% of Ontario workers have a workplace-based pension plan. At the same time, people are not taking full advantage of retirement savings vehicles.

In 2012, there was almost \$280 billion in unused RRSP room in Ontario. Even for those who do manage to save, high management fees, low interest rates and unpredictable market performance has led to lower returns.

On an individual level, this lack of adequate savings is of great concern. But, it has the potential to compromise our shared goals.

When a growing portion of our population faces inadequate savings, they will spend less in the future when they retire. This, in turn, has the potential to slow consumption and growth, and put pressure on our publicly funded services.

That's not good for people, that's not good for business, and that's not good for Ontario's economy.

And that's why the government of Ontario has decided to take action now.

Mitzie Hunter, Associate Minister of Finance, has been talking with Ontarians about the retirement income system. She reports after months of conversations with business and labour, organizations and associations, families and communities, there is consensus that the under-saving problem is real, and that the long-term threats it poses to our residents and the economy are real.

The Ontario government's preferred solution is to enhance the Canada Pension Plan. Our government has been pushing for this since 2010, with the Premier and Finance Minister leading national discussion on the issue.

Unfortunately, despite agreement from all provinces and territories to continue discussions on CPP enhancement, the federal government has unilaterally shut down any discussion on the issue.

We know the cost of inaction is simply too high, and that's why our government is taking action to ensure Ontarians have the secure retirement future they deserve. We are proceeding with a made-in-Ontario solution. We have introduced the Ontario Retirement Pension Plan (ORPP) Act, 2014. If passed, it will require the Government of Ontario to establish the ORPP no later than January 1, 2017

Building on the strengths of the CPP, the ORPP would assist those most at risk of under saving.

The ORPP would be mandatory for all eligible employees working in Ontario who are not benefitting from a comparable workplace pension plan.

Combined with CPP, the ORPP would supplement voluntary savings measures and help to ensure a secure retirement income for life.

It would require contributions to be shared equally between employers and employees, with each contributing not more than 1.9% of salaries and wages between the minimum and maximum earnings thresholds.

As well, the ORPP benefits would be earned as contributions are made, ensuring the system is fair, and younger generations are not burdened with additional costs associated with older worker's benefits.

By pooling longevity and investment risk, members would be able to benefit from a cost-effective approach to investment management.

Responding to a decline in workplace pension plans and an increasingly mobile workforce, the ORPP would allow plan members to contribute to and accumulate benefits as they move between employers participating in the plan.

This is especially important in addressing the changing nature of our workforce. Young workers are expected to change employers ? even careers ? multiple times throughout their lives.

This feature of the plan means eligible workers will be able to build a pension ? even if they change employers often during their working life, or if they work at more than one job at a time?when their employers do not offer a comparable plan.

The reality is that today, the cost and administration involved in certain workplace pension plans has made it difficult, if not impossible, for some employers to offer them. The ORPP allows employers ? who may not otherwise be able to offer their employees the opportunity to contribute to and accumulate benefits ? to help them save for their retirement years.

The ORPP would be administered by an organization arms-length from the government. That entity would collect contributions and invest them, and administer benefits. The assets of the ORPP would be managed for the benefits of workers and will not be included as part of government revenues.

There are worries about how the ORPP might impact businesses. Steps are being taken to help minimize the impacts by, for example, allowing enrolment to take place in stages, starting with the largest employers. And contribution rates would be phased in over two years.

This would especially assist small business with the transition and help lessen the short-term impact. As well, the government is committed to introducing the ORPP in 2017 to coincide with the expected reductions in Employment Insurance premiums.

The ORPP would be a cost-effective way of helping workers achieve a secure retirement income they can rely on so that all of us can rest assured about our collective future.