

# ORPP update

March 11, 2016

## CONTRIBUTION DELAY ANNOUNCED FOR THE ORPP

On February 16, the Ontario government announced that it will phase in the launch of the ORPP by starting enrollment in January 2017, one year later than the original start date, and that the first phase of contributions will start in January, 2018. The announcement stated that this delay will provide more time for discussion among provinces and the federal government, on options for enhancing the CPP.

This means employers with at least 500 or more Ontario employees without registered pension plans will have to enroll in the ORPP in 2017, but no contributions will be made until January 1, 2018.

All other implementation timelines previously announced remain unchanged. Therefore, contributions will start January 1, 2018 for employers with 50-499 employees and January 1, 2019 for employers with less than 50 employees.

On January 26, 2016, Ontario has provided clarity in a number of areas including plan design, funding and administration of the ORPP. Highlights are described below and are subject to confirmation once the ORPP regulations are published.

## Information for Employees and Employers

### Plan Design

<b>Plan objective</b>	The ORPP will provide benefits starting in the year 2022 and is intended to provide a 15% target income replacement rate for employees contributing to the ORPP over a 40 year period.
<b>Contribution amounts</b>	After the initial phase-in period, employees and employers will each be required to contribute 1.9% of earnings to the ORPP for a total contribution of 3.8%.
<b>Pensionable earnings</b>	Contributions to be based on cash and non-cash earnings which include base salary plus overtime and bonuses received.
<b>Benefit amount</b>	The benefit accrual rate for the ORPP would be 0.375% per year. When an employee retires, the employee's pension benefit would be calculated using the employee's average earnings over their career.
<b>Indexation</b>	Benefits will be indexed to ensure that the amounts received from the ORPP have a present day value and retain their purchasing power throughout retirement.
<b>Survivor benefits</b>	Pre-retirement and post-retirement survivor benefits will be paid from the ORPP with spousal priority if an employee has an eligible spouse.

### Eligibility

<b>Definition of employment in Ontario</b>	A person is considered employed in Ontario if they report to work, full-time or part-time, at an establishment of their employer in Ontario, or if they are paid by an Ontario-based employer but are not required to report to work at the employer's place of business (for example, an employee who works from home in Manitoba but is paid by an Ontario-based employer).
<b>Waiting periods in relation to comparable workplace pension plans</b>	Employees and employers would be required to contribute to the ORPP if there is a waiting period before an employee becomes eligible to participate in a comparable workplace pension plan.
<b>Religious exemption</b>	Employees who are members of a religious order or sect are exempted from participation in the ORPP provided that the prescribed criteria for exemption are met.
<b>First Nations</b>	Provisions are made to allow 'on-reserve' employees and employers to voluntarily participate in the ORPP, and they would be permitted to opt out at any time.

## Comparability Test for Workplace Pension Plans

<b>Pension plans with employee classes</b>	Where benefits provided by a plan are not identical within each employee class, the comparability test to determine employee-required participation in the ORPP will be determined at the class level for each class that participates in the plan.
<b>Multi-Employer Pension Plans (MEPP's)</b>	For employers that participate in a MEPP, the ORPP would apply the comparability test to the employer's collective bargaining or employee agreements at the subset level as defined by the governing plan documents. Subsets are groups or classes of employees who are all enrolled in the same pension plan but who do not have identical benefits. Given the unique nature of a MEPP, which is a pension plan where two or more unrelated employers participate, and can be either defined benefit or defined contribution or a combination of both, the ORPP will allow employers the option to be evaluated at either the defined benefit or defined contribution threshold.

## Funding and Administration

<b>ORPP AC</b>	The Ontario Retirement Pension Plan Administration Corporation (ORPP AC) has been formally established and Ontario has appointed a CEO and Board of Directors for the ORPP AC. The ORPP AC will be responsible to set up the ORPP (including the infrastructure and technology required to implement the plan), register plan members and collect and invest contributions.
<b>Funding policy</b>	A funding policy has been established that requires appropriate adjustments in the event the plan becomes underfunded. The objective is to ensure that ORPP benefits are sustainable over the next 100 years. A prescribed set of criteria has been developed to make adjustments to either indexation rates or contribution amounts in the event of underfunding.

In addition to the highlights described above, Manulife has been actively engaged with the government of Ontario to try to address issues related to comparability, and to get answers to a variety of questions that we had developed, including feedback we have received from both plan sponsors and market sources.

Further ORPP legislation is expected this spring (as announced in the Ontario 2016 Budget). This legislation will cover employer eligibility, benefit calculations, and the compliance and enforcement regime, as well as plan design details.

We are pleased to provide a short Q&A with this communication that is based on the responses we have received so far.

Manulife will continue to monitor the Ontario proposals and will provide plan sponsors and market sources with details as soon as they become available. We will also continue to support plan sponsors and market sources in better understanding the impact to their plans, and work closely with them to support their course of action and to minimize the impact of the ORPP once legislation has been finalized.

**In the meantime, to learn more about the ORPP please visit the ORPP government website at <https://www.ontario.ca/page/orpp-ontario-retirement-pension-plan>.**

If you have any questions, please contact your Manulife representative.

