

ORPP update following introduction of Bill 186, *Ontario Retirement Pension Plan Act, 2016*

April 18, 2016

ORPP LEGISLATION INTRODUCED

On April 14, 2016, the Ontario government introduced Bill 186, *Ontario Retirement Pension Plan Act (Strengthening Retirement Security for Ontarians), 2016* ("ORPP Act, 2016"). Bill 186 will have to pass through all the stages of the legislative process before it becomes law and will be supplemented by a set of regulations that are expected to be published later this year.

Bill 186 confirms much of the information that had previously been communicated by the government of Ontario.

Employers with 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. Contributions will start January 1, 2018 for employers with 50-499 employees and January 1, 2019 for employers with less than 50 employees.

A summary of the ORPP plan design is provided below and our detailed FAQ has been updated, where required, in line with the ORPP Act, 2016.

More information about the administration and management of the ORPP will be provided once the ORPP legislation is finalized.

Information for Employees and Employers

Plan Design	
Plan objective	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.
Contribution amounts	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%.
Pensionable earnings	Contributions to be based on cash and non-cash earnings which include base salary plus overtime and bonuses received.
Benefit amount	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.
Indexation	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.
Survivor benefits	Pre-retirement and post-retirement survivor benefits will be paid from the ORPP with spousal priority if an employee has an eligible spouse.
Eligibility	
Definition of employment in Ontario	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 from their employer's place of business in Ontario).
Waiting periods in relation to comparable workplace pension plans	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.
Religious exemption	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.
First Nations	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

Pension plans with employee classes	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.
Multi-Employer Pension Plans (MEPP's)	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

ORPP AC	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.
Funding policy	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 is continuing to engage the government of Ontario by having discussions about solutions that will make it easier for employers to transition to comparable pension plans, and share feedback we are receiving from plan sponsors and market sources.

Manulife will continue to monitor ORPP developments and will provide plan sponsors and market sources with additional 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 manulife.ca/ORPP.

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

