



Advancing Standards™

February 11, 2016

The Honourable Kathleen Wynne

Premier of Ontario
Legislative Bldg, Rm 281
Queen's Park
Toronto ON M7A1A1
premier@ontario.ca

Dear Premier:

Re: Request to Delay Implementation of the Ontario Retirement Pension Plan

The Portfolio Management Association of Canada ("PMAC")¹ is writing to reiterate our concerns with regard to the **Ontario Retirement Pension Plan ("ORPP")** and to urge the Ontario government to postpone the implementation of the ORPP for one year to allow time for meaningful Federal and provincial discussions on CPP enhancement. In this regard, we share the views provided by the [Association of Canadian Pension Management \(ACPM\)](#), [The Canadian Life and Health Insurance Association \(CLHIA\)](#) and [The Canadian Institute of Actuaries \(CIA\)](#), namely, that by proceeding with a 2017 implementation, the Ontario government will negatively impact the ability to identify any broader national consensus for CPP reform. We believe that a co-ordinated national approach is far better than a province-by-province approach to addressing retirement income adequacy. We believe that, if Ontario proceeds with a January 2017 implementation date, this will undermine any coordinated Federal/provincial discussion on CPP reform and close the door to any national coordinated pensions solutions for all Canadians.

PMAC supports retirement savings and pension reform solutions that are aimed at strengthening our retirement income system, particularly, where there are gaps that need to be addressed. As we have stated in previous pension consultations both provincially and federally, we believe in the importance of balancing government responsibility for retirement

¹ As background, the Portfolio Management Association of Canada ("PMAC") represents investment management firms from across Canada that invest the assets of individual Canadians who are saving for retirement and the assets of both traditional defined benefit pension plans and defined contribution pension plans. Many of Canada's largest pension plans and small employer pension plans hire our members to manage all or portions of their investment portfolios. In addition, individual Canadians who seek professional management of their savings, become clients of our members who set up custom portfolios for individuals based on their retirement goals, risk profile and financial objectives. Our members are from across Canada and manage retirement savings for Canadians in every province and territory. PMAC represents over [220 investment management firms](#) that manage total assets in excess of \$1.4 trillion. For more information about PMAC and our mandate, please visit our website at www.portfoliomanagement.org.

savings with individual responsibility. We believe that the ORPP does not adequately address retirement savings in Ontario and, more specifically, it undermines a broader and more appropriate, targeted national approach to pension reform and retirement savings for all Canadians, where gaps exist in their retirement savings.

To see PMAC's full position on the ORPP, [click here](#).

PMAC supports a broader national pension and retirement savings strategy and believes this is achievable for Canada. If the ORPP is delayed for at least a one year period, this will allow more time to address the outstanding integration challenges with the ORPP and deal with the many unanswered questions. For example, how the ORPP would be integrated with the CPP in the longer term; how it could be integrated across provinces addressing portability issues for Canadian employees; and the anticipated negative impact on lower income workers in regard to other benefits being clawed back. There is no clear integration mechanism for the ORPP and the Guaranteed Income Supplement (GIS) resulting in a future claw back of accrued benefits in retirement. This is particularly problematic for low-income seniors.

A one year delayed implementation will allow the Ontario government additional time to address these and other significant challenges, including improving its design features, making the year's deferral even more useful. This would also allow all Ontario employers with group RRSPs and defined contribution (DC) plans time to evaluate options for their employees given the duplication in retirement savings if the ORPP is mandatory and to answer the following questions: (i) do they discontinue or reduce their current plan; (ii) can they afford to offer their current plan and the ORPP and is this feasible, practical; and (iii) how are benefits equalized for other employees employed in different provinces.

It is not clear that the Ontario government has undertaken sufficient analysis of or a longer term view on the percentage of Ontario employers with these non-comparable plans who will face these tough decisions and, more importantly, the net overall impact on the employees affected. The ORPP is very punitive to these employers who have invested in setting up very effective, well designed DC or group RRSP programs for their employees. We do not believe adequate consideration has been given to the impact on employees currently in these plans. If employers discontinue offering group RRSPs and DC plans, arguably, in many cases, employees may have their overall benefit reduced given the ORPPs contribution limits and other design features.

The Ontario government must think carefully about the broader impact of what the ORPP will mean for all Canadians. A thorough assessment of the overall impact of the ORPP has not been provided to date and we believe further analysis and study of how the ORPP will impact employer and pension plan sponsor behaviour should be undertaken. As stated above and in previous submissions, the ORPP would destabilize existing successful programs such as employees participating in DC plans and group RRSPs. The Ontario government has stated publicly and through consumer advertising its commitment to addressing current gaps in retirement savings adequacy, however it has been silent to date on the disruption that may be caused to existing successful group RRSPs and DC plans which are at risk of being reduced or eliminated due to the forced implementation of ORPP. The government needs to address this issue prior to implementation and understand the implications to existing plans.

With the appointment of Federal Finance Minister Bill Morneau, PMAC remains optimistic that a national solution can move forward. Minister Morneau has pledged to continue consultations with the provinces on possible enhancements to the existing CPP/QPP system over the coming year. Given the Ontario government's original policy preference and stated intention was to work toward enhancing CPP, it would be prudent to pause and delay ORPP implementation. We urge the Ontario government to postpone its plans to move ahead with the ORPP. We believe that Ontario should work collaboratively with the newly elected Federal government to

ensure a national targeted pension and retirement savings solution is adopted, which should begin with renewed CPP discussions.

If you have any questions regarding this submission, please do not hesitate to contact Katie Walmsley (kwalmsley@portfoliomanagement.org) at (416) 504-7018 or Julie Cordeiro at (416) 504-1118.

Yours truly;

PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA

A handwritten signature in blue ink that reads "K.A. Walmsley". The signature is written in a cursive style with a horizontal line underneath the name.

Katie A. Walmsley
President, PMAC

cc. The Honourable Charles Sousa, Minister of Finance, Ontario
The Honourable Mitzie Hunter, Associate Minister of Finance, Ontario Retirement Pension Plan
Saad Rafi, Chief Executive Officer, Ontario Retirement Pension Plan Administration Corporation