



## **Ontario Retirement Pension Plan Survey**

**Fall 2015**

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## Executive Summary

The survey was sent out to developmental services sector (DS) agencies to complete from November 20, 2015 until December 4, 2015.

With the Ontario government planning to implement the Ontario Retirement Pension Plan (ORPP), the intent of the survey is to gather information regarding the DS sector's current situation with respect to employee pension plans. The results will then be utilized in advocacy efforts and sector specific strategic planning.

The survey was distributed to agencies using email (OASIS ED listserv & through the Provincial Network representatives) and participants were asked to complete an on-line survey.

It is estimated that approximately 200 agencies received the survey. Of this, 148 agencies participated for a 74% participation rate.

In comparison to other ORPP surveys many of the same issues appear:

- will be forced to cut staff or wages
- many will be required to participate as existing pensions plans will not likely be comparable
- may be forced to shut down or cut back operations
- may adversely affect lower wage earners who need the money today

There are some uncertainties surrounding the ORPP, such as:

- Will this be a provincial program or a federal CPP enhancement?
- What is the minimum earnings threshold to participate (government is suggesting \$3,500)<sup>1</sup>?
- How many of the agencies' existing plans will be deemed comparable?
- How will ORPP contributions affect RRSP contributions?

Agencies will need to have their existing plans deemed comparable in order to not participate in the ORPP. Defined Benefit (DB) plans generally should be comparable, Defined Contribution (DC) plans may be, but with many of the agencies having this type of plan, no doubt some will not be comparable. Other pension plans, such as hybrid plans, could be deemed comparable and thus be exempt from the ORPP. The government has developed comparable threshold tests to determine if the plan is comparable. Group RRSPs are not considered comparable to the ORPP.

The Ontario Retirement Pension Plan Administration Corporation will begin contacting all Ontario employers in early 2016 to verify their existing pension plans and assess the coverage offered to employees.

Almost 45% of agencies are scheduled to start implementing the ORPP January 1, 2018, with 35% of agencies implementing later than this. This affords some time to develop strategies, investigate possible

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<sup>1</sup> **Ontario Retirement Pension Plan, Key Design Questions**, December 2014, Ontario Ministry of Finance, p. 1

comparable options and lobby for the sector's objectives. However legal and financial advice should be sought out as soon as possible to minimize the impact on the sector.

With many of the agencies' budgets already stretched, service and staffing cuts already being made, outstanding pay equity issues for many, and inflationary increases for operational necessities, implementing another budget item that does not assist with service delivery is only going to make the circumstances worse.

## Highlights

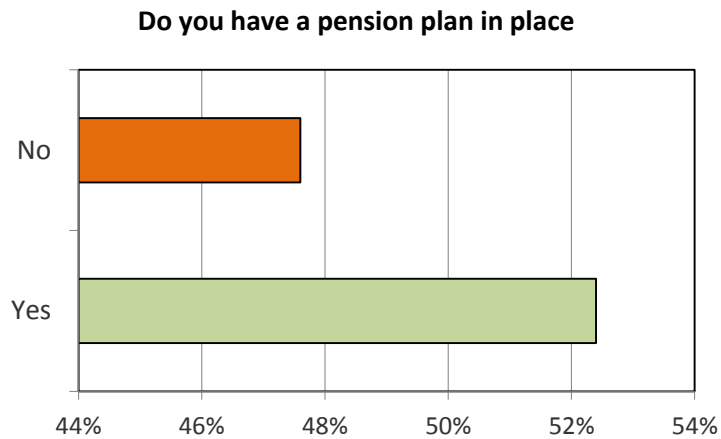
- Just over 50% of respondent agencies currently have a pension plan in place.
- 73% of these plans are the DC type.
- Few agencies are currently considering eliminating their DC plan, but many are not sure.
- 70% of plans are not available to all employees.
- Almost 30% of agencies are considering eliminating or modifying their group RRSP plan, with almost 50% not yet sure.
- Over \$20 million per year is required for the employer contribution portion of these pensions.
- 70% of agencies currently have a group RRSP in place.
- 72% of RRSP plans are not available to all employees.
- Over \$5.5 million annually is required for the employer contribution portion of the RRSP plans.
- Over 40% of agencies are scheduled for Wave 2 enrolment followed by 25% for Wave 4.
- 64% of agencies are unsure if the union will discuss transferring existing pension contributions into this fund.
- Should none of the agencies plans be deemed comparable, the annual cost of the employer contribution portion will be more the \$50 million once the ORPP is fully implemented (over \$40 million annually will be required by agencies with a DC plan should they all be deemed not comparable).

*The data collected belongs to OASIS and will be distributed as they determine.*

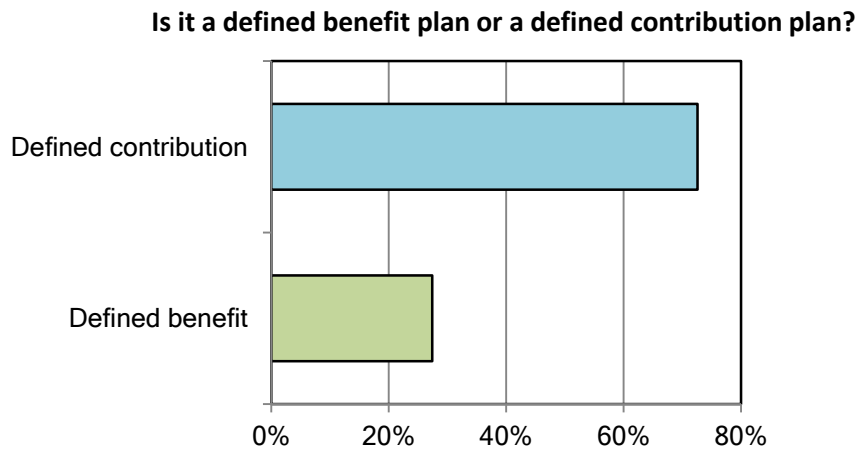
Participation levels for this survey were good, with 148 agencies out of approximately 200 completing the survey, a response rate of 74%.

## Pension Plans

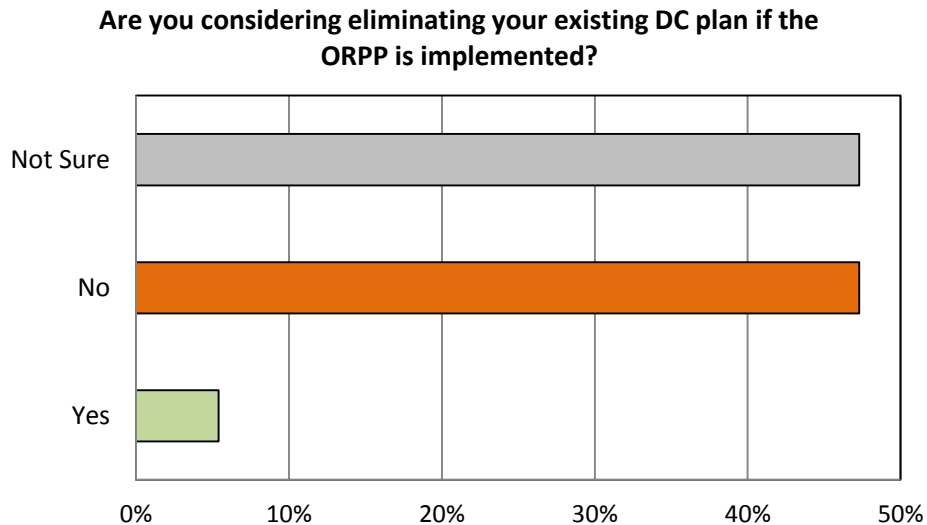
Just over half the agencies currently have a pension plan in place:



The majority of these agencies have a Defined Contribution plan:



Of these agencies, 5% are considering eliminating their existing plan if the ORPP is implemented, with just under 50% not sure:



Almost 75% of the agencies match employee pension contribution amounts, with most of the others contributing 1-2% more than the employees. A few agencies have different rates depending upon whether the employee is unionized or not; on number of years of service; or on earnings above the years maximum pensionable earnings for an employee.

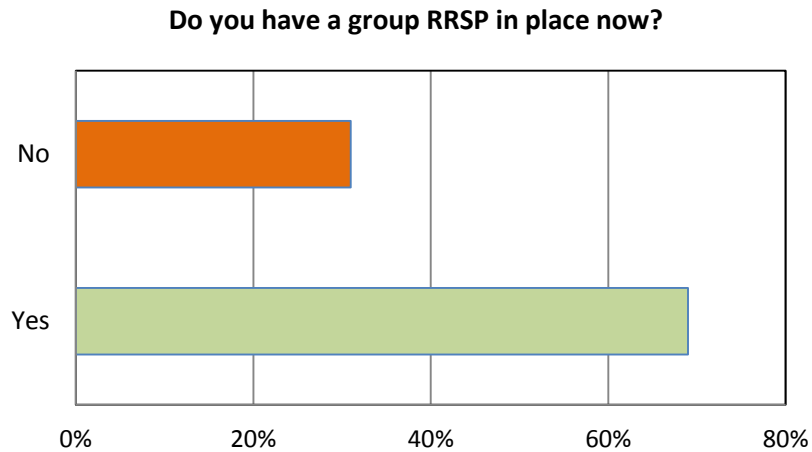
For the employer contribution portion, the approximate dollar amount for the agencies was over \$20 million annually.

70% of the agencies are in the situation where not all employees are eligible to participate. The primary reasons provided to explain the ineligibility were:

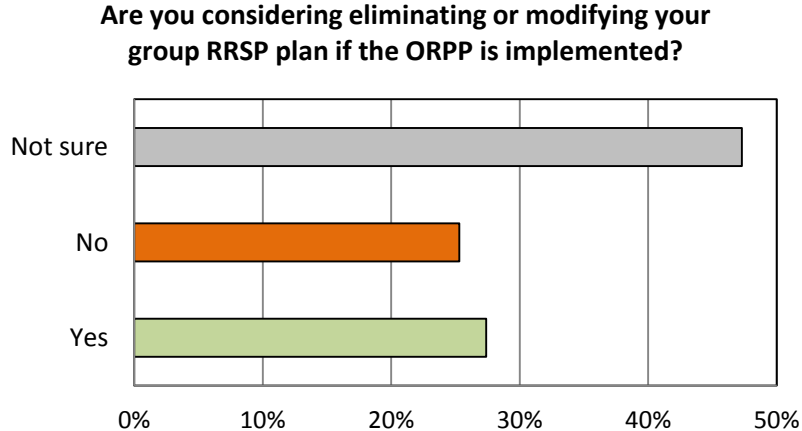
- Casual, contract and relief staff are not eligible
- Minimum number of hours must be worked to be eligible
- Part-time staff are not required to participate
- Probationary period before being eligible
- Only full-time staff are eligible
- Must be a member of the union to be eligible

## RRSP Plans

Just under 70% of agencies currently have a group RRSP in place:



Over 25% of agencies are considering eliminating or modifying their current plan if the ORPP is implemented, with over 45% not sure:



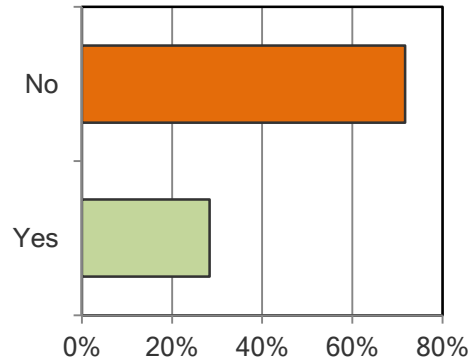
Just over 50% of the agencies match the employee RRSP contribution, while just under 20% of agencies contribute less than the employee and 15% of agencies contribute more than the employee. The remainder have various contribution scenarios, such as whether or not the employee is part of the union, management vs. union position, one time employer contribution, length of service and dollar thresholds/month. The majority of agencies contribute between 2-5%.

For the employer contribution portion of the RRSP plans, the approximate yearly dollar amount for the agencies was over \$5.6 million.



Over 70% of the agencies have rules surrounding eligibility to participate in the plan:

**Are all of your employees eligible to participate?**



Examples of the rules were:

- Must be full time employee
- Must be non-unionized employee
- Must work a certain number of hours per week or year
- Must have been a full time employee for a set period of time (usually 1 - 2 years)
- Only full time employees receive the employer matching share, however part time can contribute if they wish
- Contract and casual staff are excluded
- Optional to participate

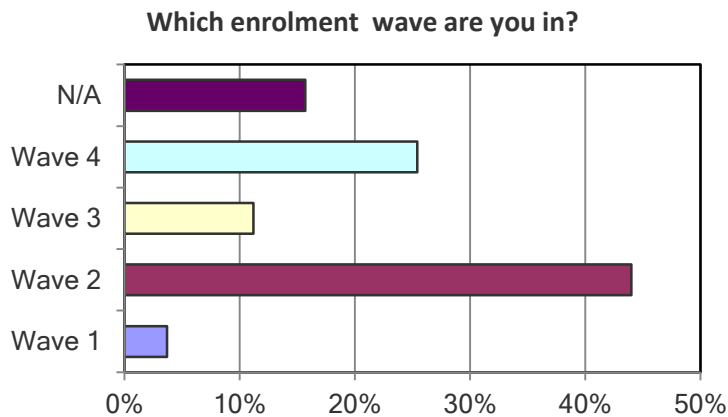
Many of these plans have been in place for 20 or more years.

## Implementation

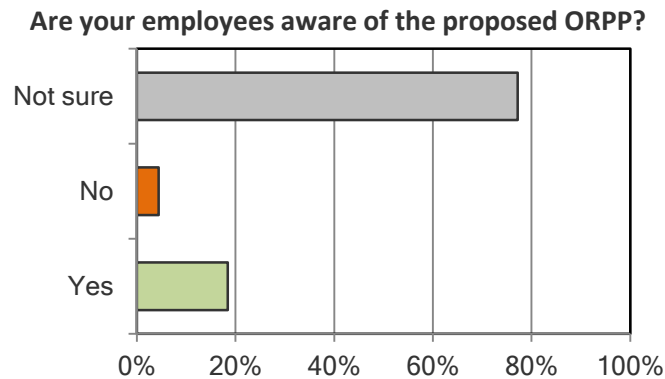
The government has released the schedule for compliance with the program.

Wave #	Implement by:	Description
1	Jan. 1, 2017	Employers with 500 or more employees without registered workplace pension plans
2	Jan. 1, 2018	Employers with 50 to 499 employees without registered workplace pension plans
3	Jan. 1, 2019	Employers with fewer than 50 employees without workplace pension plans
4	Jan. 1, 2020	Employers with a workplace pension plan that's not modified or adjusted to meet the comparability test as well as employees who aren't member of the workplace's comparable plan

A large number of agencies (45%) are scheduled for Wave 2:

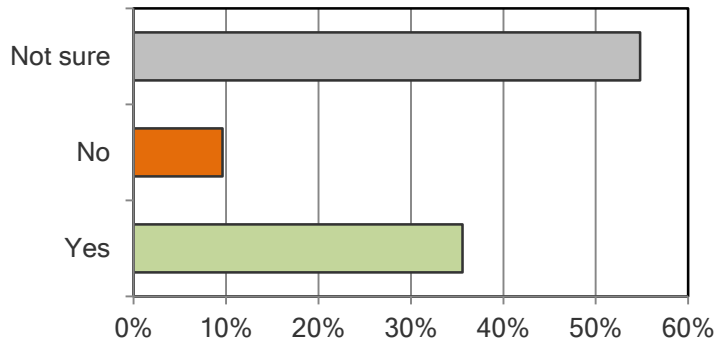


A large majority of agencies do not know if their employees are aware of the proposed Ontario pension plan:



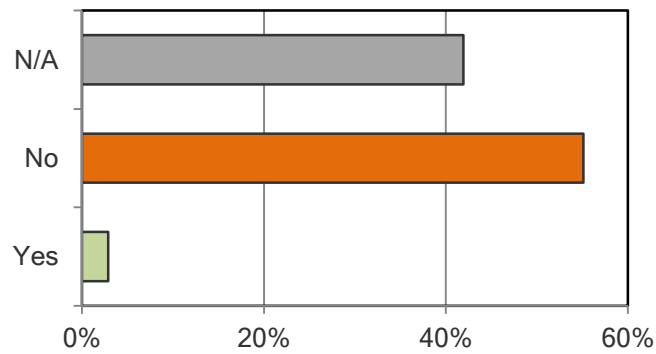
However, 35% of agencies did state that their employees were aware of their share of the contribution:

**Are your employees aware of their share of the contribution?**



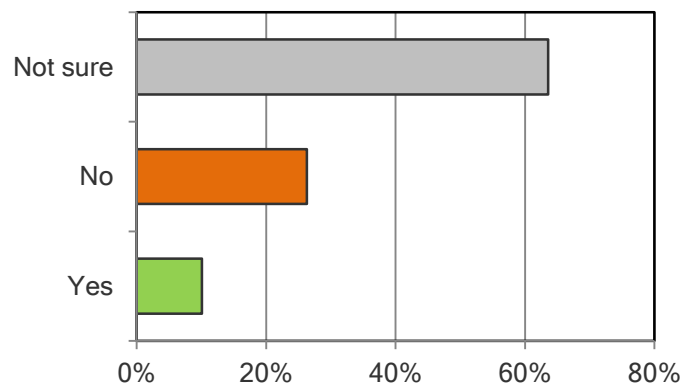
Very few agencies have begun discussions with their union local about transferring existing pension contributions into this fund:

**Have you begun discussions with your union local?**

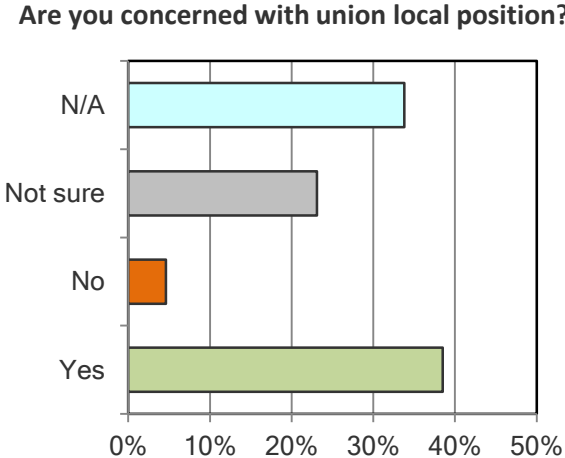


Only 10% of respondents anticipated that the union would agree to this, although the majority are still uncertain:

**Do you anticipate union agreement to do this?**



Almost 40% of agencies are concerned that their local union will take the position that this is over and above their current expenditure levels from what has already been bargained i.e. expect the ORPP contribution will be an additional contribution to whatever pension tool is already in place:



Should none of the agencies existing pension plans be deemed comparable, the annual cost of the employer contribution portion will be more the \$50 million once the ORPP is fully implemented.

Over \$40 million annually will be required if all agencies with a DC plan are not deemed comparable.

## General Comments Received from Agencies

Numerous agencies mentioned the following:

- We could not absorb a 1.9% increase in our payroll costs.
- This will have a large impact on both our employees and the organization as a whole.
- Will this be funded by the government?
- Direct service hours and programs will have to be reduced or cut to finance the plan.
- How does the Multi-Sector Pension Plan fit into the definition for the Ontario Plan based on our current contribution levels?
- Additional administrative requirement (and cost) from the government.
- Workers at or just above minimum wage cannot afford to live on less net pay.
- MCSS should commit to paying this.
- We have to re-evaluate our present RRSP plan to determine if it could continue in its present form.
- Union concerns:
  - will they take the same stance as Pay Equity (i.e. is a legislated requirement therefore over and above what has been bargained previously)?
  - does the union expect the 1.9% pension on top of the existing pension plan?
  - will they negotiate to keep our DC Plan, increase our contribution rate, and make it mandatory for all employees to join?
- More information is required to allow for proper planning.

Other general comments received were:

- Currently struggling to meet our Pay Equity plan and this will just add to the burden.
- The notion that we can continue to do more with less... where does it end?
- This will be another MCSS unfunded liability - as is the Pay Equity.
- Will these additional costs be in addition to our 1% Pay Equity obligation (which are not MCSS funded), this agency would have to cut services to cover these costs. This in turn means that we would not meet our MCSS contract agreement.
- If the Ontario government wants to fully fund the ORPP as an additional benefit on an annual basis then we would have no issue with it.
- We do not expect that either CUPE or the Staff Association would agree to replace their existing plans with the ORPP, they would expect it to be over and above as they would see this as a reduction in benefits. Same for management and administration.
- We have no room for additional mandatory employer costs.
- This would reduce what employees currently receive in the form of matching contributions toward their retirement savings plan.

Questions raised by agencies were:

- Where will the money come from?
- For people who will retire in the next few years, what will be the impact?
- What do we do with the current RRSP?

- What is the definitive answer on what current workplace plans would be accepted as equivalent to the ORPP?
- If employers are allowed to run a group RRSP, and ORPP for those who do wish to be part of the higher % RRSP, can an employee opt out of the ORPP should they choose the group RRSP later?
- What is the best way to make our RRSP and ORPP plans work together so that it is not confusing for our staff or administratively heavy for us?
- Will our organization be required to participate in the ORPP for our casual, part time and contract employees?

## Conclusions

With the response rate to the survey, the results can be considered a good representation of the sector's current retirement plans situation.

Many of the sector's agencies have some sort of retirement vehicle in place.

As seen in other ORPP surveys<sup>2,3,4</sup>, many of the same issues appear regardless of the sector:

- will be forced to cut staff or wages
- many will be required to participate as existing pensions plans will not likely be comparable
- may be forced to shut down or cut back operations
- may adversely affect lower wage earners who need the money today

There are some uncertainties surrounding the ORPP, such as:

- Will this be a provincial program or a federal CPP enhancement?
- What is the minimum earnings threshold to participate (government is suggesting \$3,500)<sup>5</sup>?
- How many of the agencies existing plans will be deemed comparable?
- How will ORPP contributions affect RRSP contributions?

Regardless of whether this is implemented as a provincial program or an enhanced federal program, the sector will still require funds to comply if their existing plans are not comparable.

Employers that offer their employees a comparable plan will not be required to participate in the ORPP. To be considered comparable, DB plans must match or exceed the benefit being offered through the ORPP.

A defined benefit or defined contribution plan may be exempt provided that they meet the ORPP's comparability test. The criteria is:

### **Defined Benefit plan:**

- a. Be registered and subject to provincial and federal regulations
- b. Have an annual benefit accrual rate of at least 0.5%, and
- c. Provide for the required employer contributions

### **Defined contribution plan:**

- a. Be registered and subject to provincial and federal regulations
- b. Provide for "locked-in" contributions, and
- c. Have a minimum total contribution rate of 8% of base salary earnings

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<sup>2</sup> [http://www.occ.ca/Submissions/GettingItRight\\_Submission\\_Feb18.pdf](http://www.occ.ca/Submissions/GettingItRight_Submission_Feb18.pdf)

<sup>3</sup> <http://www.cme-mec.ca/?lid=JCKNC-E742G-1W6JA&comaction=show&cid=5A9JP-3DNK5-C6BYY>

<sup>4</sup> <http://www.ibao.org/wp-content/uploads/2015/02/IBAOs-Response-to-ORPP-February-2015.pdf>

<sup>5</sup> **Ontario Retirement Pension Plan, Key Design Questions**, December 2014, Ontario Ministry of Finance, p. 1

- d. Employers are required to contribute at least 50% of the total minimum contribution - or at least 4%.

Other pension plans, such as hybrid plans, could be deemed comparable and thus be exempt from the ORPP.

Group registered retirement savings plans (RRSPs) and deferred profit sharing plans (DPSPs) will not be considered to be comparable plans under the ORPP<sup>6</sup>. It may be possible to convert them to a comparable registered plan if they are generous enough; however this could mean increased contributions by the employer as well as additional administrative and compliance obligations.

The majority of the sector's agencies who have a pension plan in place, use the Defined Contribution plan. As such, agencies will have to verify if their existing plan will be considered comparable. This could result in more agencies looking at eliminating or modifying their existing DC and RRSP plans.

The situation is even more problematic for employers with collectively bargained DC plans. While the Ontario government has indicated that participation in the ORPP will be in stages and that contribution rates will be phased in gradually over two years, it's not clear if and how the contemplated transitional measures will take account of collectively bargained DC plans that have been negotiated between an employer and trade union as part of the total compensation package provided to employees. Employers with negotiated DC plans who are currently in the midst of collective bargaining negotiations would be well advised to consider including language in the collective agreement that contemplates this eventuality.<sup>7</sup>

The Ontario Retirement Pension Plan Administration Corporation (ORPP AC) will begin contacting all Ontario employers in early 2016 to verify their existing pension plans and assess the coverage offered to employees. More information will be coming from the ORPP AC.<sup>8</sup>

Noted by various agencies was that this is yet another administrative task that will be required of them, however, to date few details have been released about the administration of the ORPP.

Almost 45% of agencies are currently scheduled to start implementing the ORPP January 1, 2018, with another 35% scheduled for later than this. This does afford some time to develop strategies, investigate possible comparable options and lobby for the sector's objectives.

As this is a province-wide matter, and with many of the agencies facing the same issues, could a sector-wide approach be developed for dealing with the unions and the government? Many agencies have not started negotiations with the unions yet and if the sector were to present a united front it could have a larger impact on discussions.

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<sup>6</sup> <https://www.osler.com/en/resources/regulations/2015/what-does-the-ontario-retirement-pension-plan-anno>

<sup>7</sup> <http://www.profitguide.com/manage-grow/human-resources/what-employers-need-to-know-about-the-ontario-retirement-pension-plan-77558>

<sup>8</sup> <http://www.ontario.ca/page/orpp-enrolment-schedule>



With many of the agencies' budgets already stretched, service and staffing cuts already being made, outstanding pay equity issues for many, and inflationary increases for operational necessities, implementing another budget item that does not assist with service delivery is only going to make the circumstances worse.

## Recommendations

Monitor the Ontario government's ORPP consultation process to identify any outcomes that may concern the sector.

Decide on actions to be taken and the time table necessary to respond to the introduction of the ORPP.

Consult with financial and legal advisors:

- for more details and information about how as an employer you can best make use of the various plans to achieve your goals,
- to assist agencies in determining any changes they may need or could take to ensure their plans meet the comparability test etc.

Investigate the possibility of being able to present a sector united front for dealing with the unions and government.

Continue lobbying efforts to various MPPs and various Ministry officials around the design and implementation of the ORPP as to how it is going to affect the sector.

Develop information and training material for agencies on this topic.

## Methodology

<b>Method</b>	E-mail invitation to complete an online survey. Each email contained a link to the survey housed on a secure website.
<b>Respondents</b>	All OASIS member & DS sector agencies were invited to participate.
<b>Timing</b>	November 20 to December 4, 2015