

The Ontario Retirement Pension Plan (“ORPP”)

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By 2020, every employee in Ontario will be part of either the ORPP or a comparable workplace pension plan.

The goal of the ORPP is to strengthen Ontario's retirement income system by creating a pension plan with a lifetime benefit and locked-in funds. It is built on the principle of fairness with mandatory matching employer contributions, emulating the Canada Pension Plan (CPP).

Comparable Workplace Pension Plans under the ORPP

Employers and employees who participate in a comparable pension plan will not be required to participate in the ORPP.

The following features were assessed in terms of what constitutes a comparable workplace pension plan:

- Predictable stream of income in retirement for life
- Pooled longevity and investment risk to help ensure people do not outlive their savings and to lessen the impact of market volatility
- Required contributions by employers
- Target replacement rate of up to 15 per cent of an individual's earnings over their career
- Required "locked-in" contributions

A comparable plan will be defined as certain types of provincially and federally regulated pension plans with contribution levels that ensure similar benefit levels to those provided by the ORPP.

Such plans include:

- Defined benefit (DB) pension plans-must be equal or exceed the benefits being offered through the ORPP.
- Defined contribution (DC) pension plans – must have a minimum annual contribution rate of 8% and requires at least 50% matching of the minimum rate from employers.

On a side note, they are still looking into whether to allow self-employed people to participate in the ORPP.

Employer Enrolment and Contribution Phase-In

Enrolment in the ORPP will be staged in four waves between 2017 and 2020. These waves are:

- Wave 1: Large employers (500 or more employees) without registered workplace pension plans. Contributions to start January 1, 2017.
- Wave 2: Medium employers (approximately 50- 499 employees) without registered workplace pension plans. Contributions to start January 1, 2018.
- Wave 3: Small employers (50 or fewer employees) without workplace pension plans. Contributions to start January 1, 2019.
- Wave 4: Employers with a workplace pension plan that is not modified or adjusted to meet the comparability test, as well as employees who are not members of their workplace's comparable plan. Contributions to start January 1, 2020.

For waves one through three, contribution amounts will be phased-in.

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.