

INTRODUCING THE

 **ONTARIO**
RETIREMENT
PENSION PLAN

FOR A MORE SECURE RETIREMENT

ONTARIO RETIREMENT PENSION PLAN. A PENSION SOLUTION, MADE IN ONTARIO.

THE PROBLEM — **CPP ISN'T ENOUGH**



AVERAGE
YEARLY BENEFIT



MAXIMUM
YEARLY BENEFIT

The Canada Pension Plan (CPP) provides Canadians with a secure pension that is predictable, indexed to inflation and paid for life. But it pays the average retired Ontarian only about \$6,800 a year. Most would agree it's not enough to maintain your current lifestyle in retirement.

You might be surprised to learn that the basic structure of the CPP hasn't really changed since it was created in 1966. The current maximum benefit is only about \$12,500 per year, with the average benefit being far less.

WORKPLACE PENSION COVERAGE

IS LOW



ONLY 34% OF WORKERS ARE ENROLLED
IN A WORKPLACE PENSION PLAN

What's more, only 34% of workers are enrolled in a workplace pension plan. Factor in today's increased life expectancy, and the fact that personal savings rates in Ontario are low, and the challenge becomes clear.

AN ENHANCEMENT IS CRITICAL

Enhancing the CPP is critical to ensuring all Ontarians — especially middle-income earners — can look forward to more financial security in their retirement.

But despite consensus among provinces and territories to continue discussions to enhance the CPP, the federal government shut down these discussions.



22.7%
1982

4.7%
TODAY

PERSONAL SAVINGS RATES

A PENSION DESIGNED FOR **TODAY'S WORKFORCE**



**CANADA
PENSION
PLAN**

+



**OLD AGE
SECURITY**

+



**PERSONAL
SAVINGS**



**ONTARIO
RETIREMENT
PENSION
PLAN**

Ontario is proposing a new, mandatory provincial pension plan — the Ontario Retirement Pension Plan (ORPP). A made-in-Ontario solution, the ORPP would be cost-effective, responsible and help Ontario workers build a more secure retirement future.

The Ontario Retirement Pension Plan would be the first of its kind in Canada, and would expand pension coverage initially to more than three million working Ontarians who currently rely on the CPP, Old Age Security and their own savings for retirement income.

The Ontario Retirement Pension Plan would mean more money for your retirement.

THE FIRST OF ITS KIND



THE ONTARIO RETIREMENT PENSION PLAN
WOULD BUILD ON THE **KEY FEATURES**
OF THE CPP

Here's what the Ontario Retirement Pension Plan would offer:

- A predictable stream of income in retirement, by pooling longevity and investment risk, and indexing benefits to inflation, similar to the CPP's retirement benefit.
- Equal contributions shared between employers and employees, not exceeding 1.9% each on earnings up to an annual maximum of \$90,000. The Ontario Retirement Pension Plan's maximum earnings threshold would increase each year, consistent with increases to the CPP's maximum earnings threshold.
- A goal of providing a replacement rate of 15% of an individual's earnings, up to a maximum annual earnings threshold of \$90,000.

THE ORPP WOULD HELP FILL THE **UNDERSAVING GAP**



TO START IN **2017**

EMPLOYERS AND EMPLOYEES WOULD ENROL IN THE ORPP IN STAGES, BEGINNING WITH THE LARGEST EMPLOYERS.

CONTRIBUTION RATES WOULD BE PHASED IN OVER TWO YEARS

Based on preliminary analysis using the CPP's design and benefit structure, here's what the Ontario Retirement Pension Plan would provide when combined with the CPP:

- An individual with steady career earnings over 40 years of \$52,500 — the maximum annual earnings covered by CPP — would replace about 40% of pre-retirement income and would receive an annual lifetime benefit of approximately \$19,935.
- An individual with steady career earnings over 40 years of \$90,000 — the maximum annual earnings threshold under the ORPP — would replace about 30% of pre-retirement income and would receive an annual lifetime benefit of about \$25,275. Or roughly double the retirement benefit the individual would receive under the CPP alone.

Benefits would be earned as contributions are made. This would ensure that the system is fair and that younger generations are not burdened with additional costs.

Because retirement income security is critically important to Ontario families, and for the future prosperity of our province, the government will make implementation a priority. The Ontario Retirement Pension Plan would be introduced in 2017, coinciding with expected reductions in Employment Insurance premiums for employers and employees.

Employers and employees would enrol in the ORPP in stages, beginning with the largest employers. Contribution rates would be phased in over two years.

Ontario will work with other provinces to examine whether the ORPP could be expanded to enhance the retirement income of those living outside Ontario.

HELPING THOSE MOST AT RISK OF UNDERSAVING

Since the ORPP is intended to help people most at risk of undersaving, those already participating in a comparable workplace pension plan would not be required to enrol in the Ontario Retirement Pension Plan.

To reduce the burden on lower-income workers, earnings below a certain threshold would be exempt from contributions, similar to the CPP.

Self-employed people have a unique status in the labour market as both employee and employer.

The government will consult to determine how best to help self-employed individuals achieve a secure retirement future, as well as on the appropriate lower-income threshold.

PUBLICLY RUN

The Ontario Retirement Pension Plan would be publicly run at arm's length from government, with a strong governance model.

**PENSION
SOLUTIONS.
MADE IN
ONTARIO.**

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