

After years of study, can 2016 conclude the debate about public pension plan reform?

In Canada, big changes to public pension plans do not happen very often. Provincial, federal, and territorial governments have impactful decisions to make regarding proposed changes and they need time to evaluate various approaches for change from a variety of angles. The Canadian Institute of Actuaries (CIA) proposes that, in the public interest, the implementation of the Ontario Retirement Pension Plan (ORPP) be put on hold for one year, in order to give all jurisdictions time to make the right long-term decisions for Canada and Canadians.

Leading up to the meeting of territorial, provincial, and federal finance ministers last December, there were high expectations that public pension plan reform would be tackled, with this meeting leading to concrete action. Many jurisdictions have expressed an appetite for change, including Québec, whose finance minister stated that the province could now support targeted changes to the Canada Pension Plan (CPP). It looked like CPP reform would be addressed. However, many areas of the Canadian economy are currently being challenged and the finance ministers concluded that more CPP discussion should be held at their June meeting and alternatives should be examined in December 2016, while leaving open all options, including doing nothing.

The issue of whether retirement savings levels, particularly for a subgroup of the middle class that is not covered by a workplace pension plan, are high enough has been sufficiently debated. It is time to conclude the discussion and to decide whether an expansion of the CPP that focuses on this group is the solution. In the public interest, the CIA encourages finance ministers to show progress by June 2016, with a view to reaching a decision by December 2016.

As a result of the postponement of any decisions in December 2015, the Ontario premier announced that her government would continue to prepare its phase-in of the ORPP to begin January 1, 2017.

The CIA is very concerned that the ORPP phase-in may go forward too quickly, only to see the ORPP merge into an expanded CPP at a near-future date, if the various finance ministers soon decide on a modest increase in CPP benefits that is close to what is planned for the ORPP. Not only would this be very confusing and disruptive to participants and employers, it would carry with it a significant administrative burden and cost to the province, its workers, and its employers.

We urge the Ontario government to consider delaying the implementation for a year, in order to allow the discussions on CPP expansion to proceed.

What could this mean?

The Conference Board of Canada prepared [A Cost-Benefit Analysis of the Ontario Retirement Pension Plan](#) for the Ontario Ministry of Finance. This report showed that for the first step of the phase-in, an estimated 250,000 workers and their employers would contribute a total of approximately \$127 million in 2017, although this is estimated to be offset by reductions in personal savings of approximately \$26 million.

It would be possible to delay the ORPP implementation by one year, while planning to skip that first year of phase-in and still aiming for a full implementation by the end of 2020. Or the Ontario government could revise the phase-in details if it would prefer to catch up that first year shortfall.

With the delayed phase-in that we propose, the ORPP would end up collecting \$127 million less in total. Since the ORPP would grow quickly to many billions of dollars, we feel this is a very small price to pay to allow a one-year window in order to see if Canada can achieve a preferred CPP expansion for all provinces and territories and avoid unnecessary ORPP implementation costs.

If a national strategy emerges within a year, significant costs to implement the ORPP would be avoided. Furthermore, those who feel that implementing ORPP contributions as early as 2017 could harm the economy might be more supportive of our proposed delayed phase-in. If no national agreement is reached in 2016, the ORPP would have additional time for its detailed planning, making the year's delay even more useful.

This seems like a good alternative for Ontario to consider.