

AMAPCEO Submission – Ontario Retirement Pension Plan

AMAPCEO welcomes this opportunity to contribute to the development of the Ontario Retirement Pension Plan (ORPP).

The ORPP represents a significant opportunity for the government to do some lasting good for the people of Ontario. AMAPCEO fully supports the notion of extending pension coverage as widely as possible. In order to do this, the ORPP must be a universal program, with mandatory enrolment, and available at all employers in the province.

Introduction

The Ministry of Finance's discussion paper *Ontario Retirement Pension Plan: Key Design Questions* states that "enhancement to the CPP ... remains the province's preferred approach to strengthening the retirement income system."¹

While the current federal government has not expressed any desire to enhance the CPP, that does not foreclose the possibility that a different government, either elected in 2015 or in subsequent years, would be in favour of such an enhancement. This being the case, and given the Ontario government's stated preference, it behooves the government to establish the ORPP in a manner in which it may be easily integrated with a potentially enhanced CPP.

This means that the ORPP must map onto the key characteristics of the CPP, namely: it must be universal (i.e. with mandated membership for all employed Ontarians) and it must be a defined benefit plan.

AMAPCEO believes that an ORPP with mandated universal membership is a necessity for several reasons, including: portability; as a mitigation of 'pension envy'; and, fairness. Here, we will look at each in turn.

Portability

A universal pension, as opposed to one available only at a select few employers, would burnish the ability of Ontario workers to move between employers.

For example, consider our members within the Ontario Public Service. Of course, the ORPP would not provide the same sort of benefit as would the Ontario Pension Board/Public Service Pension Plan. However, a universal ORPP would provide a certain amount of benefit, a benefit which would be accruable over an entire career.

In this example, this would provide our members with a certain amount of transferrable benefit. This would be important to those who—for whatever reason—might wish to pursue career opportunities

¹ "Ontario Retirement Pension Plan: Key Design Questions", page 5.

outside of the Ontario Public Service, most particularly with a private sector employer who did not offer a defined benefit pension plan.

Structuring the ORPP in this fashion would provide an important net gain in labour mobility. This would be good not just for AMAPCEO members who might pursue opportunities with a new employer, but also for the province's economy as a whole.

Mitigation of 'Pension Envy'

One doesn't have to look far to find the latest screed from the likes of the Fraser Institute or the Canadian Federation of Independent Business attempting to heap scorn on the defined benefit pensions to which public servants contribute for their retirement.

The reason that these attacks, flimsy though they may be, catch on with a segment of the public is simple enough to understand: it is what we might call pension envy. This envy springs from the very matter that the ORPP is intended to address: the gap in savings for retirement.

Some of the statistics here are well-known. While some three quarters of Canadians working in the private sector have no workplace pension to speak of, more than eighty percent of workers in the public sector have pension coverage. That this disconnect is problematic can hardly be surprising.

The question, though, is what to do about it. The likes of the CFIB and the Fraser Institute proffer as their elegant solution the elimination of pensions for all (save, of course, for the defined benefit plans enjoyed by 'captains of industry' and their—generally unfunded—supplemental executive retirement plans).

What we believe the government is proposing by way of the ORPP is something much fairer for Ontarians: the promise of dignity in retirement for all.

By making the ORPP a universal plan, as we propose, the government would go some way towards mitigating pension envy.

Leaving out employer providers of "comparable" (however it is defined) plans outside of the ORPP, as both the 2014 budget and the discussion paper suggest, serves only to make the ORPP appear to be a "second-best" option. It could only be seen as something less than a good defined benefit plan: were it better, then it should be universal; were it equivalent, there could be integration.

Instead, what we need is a universal ORPP.

Only this option would make all Ontarians feel that they are getting equal treatment; that they are all getting the same basic chance at a dignified retirement, whether or not their employer offers a comprehensive defined benefit plan on top of the ORPP. AMAPCEO believes that, with a universal plan, integration with the 'comparable' defined benefit plans can be resolved to the satisfaction of the plan members, and in the public interest.

Fairness

Who provides defined benefit plans? As noted above, in the main, it is the public sector as well as an ever-shrinking roster of the largest, wealthiest private sector employers (e.g., large automobile corporations, big banks).

Should the ‘comparable’ exemption be pursued by the government, the above list would encompass the employers being left out of the ORPP.

What sort of message would this send to the public?

Rather than a plan into which the largest, wealthiest employers—not to mention the public sector—would be paying, the ORPP would be seeking inputs from small businesses, corner stores and fledgling concerns.

This sort of reach by the ORPP could prove disastrous.

Naturally, the likes of the Fraser Institute, the CFIB and some newspaper columnists will be attacking the ORPP, no matter what form it takes. But, an ORPP which excludes from its scope the largest and wealthiest employers, leaving the scheme to be borne by small employers only, would fuel the fire of opponents.

The whiff of unfairness in such an approach might well be enough to doom the plan at its outset.

While what opponents might say is certainly something to consider, it is nevertheless likely not the best driver of policy. That said, there may well be a nugget of truth to this view.

By excluding the largest, wealthiest employers in the province from the plan, there is a real chance that the plan could be impoverished. Moreover, if we return to one of the points we made above, limiting the number of employers included in the ORPP somewhat dampens prospects of labour mobility.

Conclusion

AMAPCEO welcomes the ORPP as an initiative. In order to be a truly effective plan in ensuring that dignified retirements are available to all Ontarians, in order to successfully move pensions forward in the province, in order to facilitate labour market mobility; the ORPP must be a universal plan. It must be mandatory. It must be available at all employers. Thank you for this opportunity to comment.

About AMAPCEO

AMAPCEO is the Association of Management, Administrative and Professional Crown Employees of Ontario and is a bargaining agent representing approximately 11,500 professional and supervisory employees who work in the Ontario Public Service directly for the Government of Ontario, in every ministry and in a number of agencies, boards and commissions; in over 130 communities across the province and in 11 cities outside Canada. AMAPCEO also represents over 500 employees in the broader public sector who work at:

- Health Quality Ontario;
- Office of the Provincial Advocate for Children and Youth;
- Office of the French Language Services Commissioner;
- Ontario Arts Council;
- Ontario Racing Commission;
- Public Health Ontario; and
- Waypoint Centre for Mental Health in Penetanguishene.

For more information, please visit www.amapceo.on.ca.