

COMMUNIQUÉ

24 April 2015

THE 2015 ONTARIO BUDGET

On 23 April 2015 the Ontario government's budget was tabled. This Communiqué provides highlights of the measures related to employment pensions and benefits.

Ontario Retirement Pension Plan

The budget highlights the actions taken by the government over the past year to establish an Ontario supplement to the CPP, the Ontario Retirement Pension Plan (ORPP) by 1 January 2017. The design parameters have not changed from those summarized in our 15 July 2014 [Communiqué](#) on the July 2014 Ontario budget.

The ORPP is intended to incorporate the following features:

- A lifetime benefit so individuals will not risk outliving their savings;
- A benefit indexed to inflation to protect purchasing power over time;
- Mandatory employee and employer contributions reflecting a shared responsibility;
- Professionally managed investments that pool investment risk; and
- Locked-in retirement savings to ensure that they are used to provide retirement income.

In December 2014 the government issued a consultation paper asking for input on three key design considerations: whether to exclude employees who participate in other pension plans or retirement savings vehicles; whether to mirror the CPP's minimum earnings threshold or adopt a different threshold; and how to help the self-employed achieve retirement income security. The province also held consultation meetings with various stakeholders and pension experts.

Although analysis is still underway, the government intends to announce its decisions on the key elements of the ORPP's design shortly.

Legislation is being introduced to create the ORPP Administration Corporation (ORPP AC). The ORPP AC will be an arm's length entity led by an independent, professional board of directors of between nine and 15 members appointed by the Lieutenant Governor in Council. The board will have responsibility for overseeing the overall administration of the ORPP, including the investment of the plan's assets. There will be an interim board to oversee the implementation process.

Target Benefit Pension Plans

The government reiterated its commitment to create a regulatory framework for target benefit multi-employer pension plans. As previously announced, it will proceed by releasing a consultation paper. Development of a framework for single employer plans will follow.

Reforms to Pension Regulation

Pension reforms included in Bills 236 and 120 but that are not yet implemented remain a priority for the government. Public consultations are ongoing on draft regulations addressing contribution holidays and accelerated funding for benefit improvements. As anticipated from previous announcements the proposed funding level at which a contribution holiday would be permitted is a transfer ratio of 105%. The proposed funding level below which benefit improvement funding would be required is a transfer ratio or going concern funded ratio, as applicable to the pension plan, of 85%.

Consultation has closed and a regulation is in preparation, on a proposal to allow a pension plan to invest in more than 30 per cent of the voting shares of an Ontario infrastructure corporation.

Following consultations, regulations under the PBA to update pension reporting in order to reflect changes in accounting standards are being developed. The government is also considering expanding the scope of these regulations to include amendments that would:

- Increase the threshold for filing an auditor's report;
- Identify an alternative to the requirement for filing audited financial statements;
- Extend the requirement to file an Investment Information Statement to defined contribution plans; and
- Ease the requirement for detailed information about individual investments exceeding one per cent of the fair value of the pension fund.

Other reforms including a review of the powers of the Superintendent of Financial Services, the regulation of pension advisory committees and providing for the option to pay the variable benefits directly from a defined contribution pension plan, remain on the government's agenda.

Public-sector Pension Plans

Ontario continues its commitment to creating a framework to allow a broader public-sector single-employer pension plan to merge into an existing jointly sponsored pension plan (JSPP) or to convert to the JSPP model. Draft regulations will be released for comment later this year.

The government is following through on its 2014 budget announcement to develop criteria for exempting new public-sector, multi-employer JSPPs from solvency funding requirements. The proposed criteria were recently released for consultation.

A technical working group established by the government in 2013 recently completed its final report on design, governance and transition issues related to the creation of a new entity to manage pooled assets of the broader public-sector funds. The government is now drafting legislation to create this entity.

Other Initiatives

There are other initiatives related to employment and to retirement security that could result in change farther down the road. These include:

- A review of labour and employment laws including the *Labour Relations Act, 1995* and the *Employment Standards Act, 2000*;
- Consideration of more tailored regulation of financial advisors, including financial planners, for which a report is expected in early 2016;
- The appointment of an expert panel to review the mandates of the Financial Services Commission of Ontario, the Financial Services Tribunal and the Deposit Insurance Corporation of Ontario.

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