



February 5, 2015

The Honourable Mitzie Hunter  
Associate Minister of Finance  
c/o Budget Secretariat  
Frost Building North, 3<sup>rd</sup> floor, 95 Grosvenor Street  
Toronto, ON M7A 1Z1

**RE: Response to Discussion Paper on the Ontario Retirement Pension Plan (ORPP)**

Dear Minister Hunter,

The retirement income security of Ontario nonprofit sector workers is an important priority for the sector, and we are pleased to see your government address this issue as a priority. Thank you for meeting with us twice over the past two months to hear the perspectives of many representatives from the sector.

We appreciate the attention your discussion paper devotes to issues of precarious work and low wages, both of which are impediments to individuals' ability to save for retirement. We share your concern about these labour force trends. If implemented, the ORPP would provide a predictable income stream to a broad range of retirees in proportion to their earnings over the course of their careers. As such, the ORPP would contribute to a more robust retirement income security system and help the government to advance its poverty reduction strategy.

The Ontario Nonprofit Network (ONN) is the provincial network for the 55,000 nonprofit organizations across Ontario that make communities more vibrant, innovative and inclusive places to live, work and play. About half of these organizations have paid staff. The community nonprofit sector employs approximately one million people, including part-time employees, and contributes \$50 billion to Ontario's economy.

ONN's mandate is to support a strong and resilient nonprofit sector. This includes the health and stability of nonprofit organizations and the well being of the sector's workers.

**Recommendation 1: The design and implementation of the ORPP must take into account the needs and characteristics of the community nonprofit sector.**

While there are significant gaps in the available labour market information on the Ontario nonprofit sector, especially on data related to workplace registered pension plans, what we do know about the sector and its labour force must be reflected in the design of the ORPP. Approximately half the workers in the sector are on short-term, casual and/or part-time contracts. The sector includes many small organizations that generally cannot afford to offer benefits or pensions. According to a study from Mount Royal University, approximately 30% of small nonprofits (with fewer than 10 employees) offer a pension plan, compared to 65% of large nonprofits (with more than 100 employees) in Canada.<sup>1</sup>

The question of exemptions and the definition of a "comparable" pension plan will be an issue for some

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<sup>1</sup> Elson, Peter. [Nova Scotia Nonprofit Sector Pension Plan Feasibility Study](#). Institute for Nonprofit Studies, Mount Royal University. 2012. p. 7.

organizations in the nonprofit sector, especially those with defined contribution workplace pension plans. The overall impact of this design feature on the nonprofit sector is unknown, however, as there are no data to indicate how many nonprofits offer what would be considered “comparable” and “not comparable” pension plans, as defined in the draft ORPP legislation. We look forward to working with the Ontario Government on developing better labour market information—generally and more specifically on pension related data—for the nonprofit sector in Ontario.

**Recommendation 2: The ORPP’s design must ensure that low-income workers are assisted in bearing the cost of premiums and that these workers benefit from the program when they retire.**

As your discussion paper notes, low-income Ontarians are already facing higher food and housing costs, as well as other financial pressures such as student loans and child care costs.<sup>2</sup> The cost of a new plan premium (on earnings over \$3,500 annually) will place further pressure on the working poor. ONN supports the proposal that the employee portion of ORPP premiums should be offset for low-income employees through targeted, refundable tax credits or other tax measures.

We recognize that the ORPP is being designed primarily with middle-income earners in mind—those whose income gap upon retirement is expected to be the greatest. However, this should not be at the expense of low-income retirees, who could see their Guaranteed Income Supplement (GIS) benefits clawed back in proportion to their ORPP income after spending their working lives contributing to the plan. Whether through the Guaranteed Annual Income System for seniors or through other income security reforms, the Ontario Government must ensure that low-income individuals—including those who have experienced precarious and/or periodic employment over their life-course—actually benefit from the new ORPP in terms of their net income during retirement.

**Recommendation 3: ORPP implementation must be placed in the context of the urgent need for reforming the broader funding relationship between the government and the community nonprofit sector.**

Staffing costs are the largest cost for nonprofits with paid employees. An increase in staff costs resulting from the implementation of the ORPP cannot simply be absorbed into the budgets of the vast majority of nonprofits. Furthermore, the ORPP will impose new costs on nonprofits at a time when many of these organizations will have endured several years of funding freezes.

At a minimum, transfer payment agreements, grants, and contracts through which the nonprofit sector delivers services on behalf of government should reflect the increased cost of doing business associated with implementing the ORPP. We would also ask for the Ontario Government’s support in asking other levels of government to do the same. Otherwise, the nonprofit sector is left in a challenging position, possibly having to reduce staffing to cover the increased cost of benefits.

On a broader note, we would also urge the government to consider pension reform in the context of much-needed funding reform for the nonprofit sector. The precarity of many jobs in our sector is the consequence of deeper structural features of the nonprofit funding environment, such as the prevalence of short-term project funding. ORPP premiums are only one factor among many that are putting pressure on nonprofit organizations’ budgets and forcing them to meet their communities’ growing needs with fewer resources. We look forward to working with the Ontario Government on this critical funding reform issue

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<sup>2</sup> Government of Ontario. [The Ontario Retirement Pension Plan: Discussing a Made-in-Ontario Solution](#). December 2014. p. 5.

addressing the need for negotiated contracts between the government and the non-profit sector that take into account the full cost of doing business while providing high-quality jobs.

**Recommendation 4: The Ontario Government should establish a joint task force with the nonprofit sector to examine the implications and implementation of the ORPP on the sector, as well as to explore broader workplace pension opportunities with the sector.**

The ORPP aims to replace 15% of a worker's pre-retirement income<sup>3</sup>- a level that, even when combined with the Canada Pension Plan and Old Age Security benefits, could still leave a significant income gap for modest-income workers who are unable to save individually for retirement. Nonprofit organizations are interested in exploring options for a sector-wide pension plan that would help to close more of this gap.

To move this agenda forward, ONN is recommending that the Ministry of Finance establish a joint government/nonprofit sector task force to examine the policy implications and implementation of the ORPP in this critical sector of the Ontario economy, as well as to explore the viability of establishing a dedicated Registered Pension Plan for the sector, whether new or adapted from an existing plan.

The Task Force would offer advice on four key issues:

- Identifying gaps in labour market information (especially related to data on workplace pension plans) for the sector and determining how they may be addressed;
- Meeting the need for financial literacy on pensions in and through the sector, including nonprofit boards of directors and the low-income and marginalized Ontarians who will be most effectively reached through the community organizations that serve them;
- Implementation issues as the ORPP is rolled out in the sector; and
- Policy development on options for a sector-wide pension plan.

Addressing the gap in pensions and other benefits is a key component of supporting the nonprofit sector in its competition for talent in the face of a looming demographic shift that will see many of our sector's leaders retire in the coming years.<sup>4</sup> The inability to offer a workplace pension plan is a major recruitment/retention challenge for many nonprofit organizations. The introduction of the ORPP has sparked a discussion about how the nonprofit sector can develop a more robust approach to securing the retirement income security of our employees, who support the public good during their working lives.

ONN looks forward to continuing discussions with the Ontario Government on how to enable community nonprofits to offer high-quality jobs—with living wages, benefits and pensions—in a way that is financially sustainable.

Sincerely,



Cathy Taylor  
Executive Director, Ontario Nonprofit Network

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<sup>3</sup> Ibid., p. 8

<sup>4</sup> Ontario Nonprofit Network. [Shaping the Future: Leadership in Ontario's Nonprofit Labour Force](#). September 2013.