

July 25, 2014

CANADA POST PENSION PLAN, TARGET BENEFIT PLAN CONSULTATIONS, WHAT IS THE UNION DOING?

The Facts

Contrary to what you might have read on social media and elsewhere, the Union is not in consultation with the Corporation to deal with problems, real or imagined, facing the CPC pension plan or the Corporation's inability to meet its funding obligations. Further, the Union's participation in the Federal Government's consultation on Target Benefit Plans in the federal sector is only tangentially connected to our concerns over Canada Post's plans for our Defined Benefit Plan.

Shortly after the Minister of Finance provided Canada Post with special funding relief in respect of the CPC pension plan, the Office of the Superintendent of Financial Institutions (OSFI) turned its attention to the plan as a "plan in trouble". The Unions representing active plan members took that opportunity to express to OSFI our dissatisfaction with Canada Post's performance as plan administrator and asked that CPC be replaced by a competent administrator that would not have a conflict of interest in making decisions that might benefit the plan but be a detriment to the sponsor.

In consideration of our request, OSFI convened a meeting of the leaders of the bargaining units along with senior CPC management and CPC pension plan administrators to hear first hand the difficulties in the plan administration. They also attended a portion of a meeting of the Pension Advisory Council to see if what we had been saying about Canada Post's arrogance and disregard for plan members' concerns were true.

As a result, OSFI has put on hold its decision with respect to CPC's role as plan administrator and instead directed the parties to jointly develop a communications and consultation framework ("Framework"). The Framework, once developed, would be the vehicle for consultations and/or negotiations on all issues that might affect funding and benefits, including plan restructuring. In our view, the Framework must provide all stakeholders with access to and participation in any consultations and/or negotiations on changes that may affect them. This includes ensuring that retirees have a say in who represents them during any consultation process.

OSFI imposed a deadline on the parties to develop the Framework by the end of August. A request by Canada Post for an extension in respect of this work was refused by OSFI. A nomination and election process to determine retiree representation on the Framework Committee would have taken six to eight weeks, thereby leaving no time for a committee to discuss and develop the Framework.

A CUPW PAC representative suggested each bargaining agent appoint a retiree from their own group of retirees to participate in the Framework Committee discussions. This suggestion was readily agreed to by all parties around the table being elected bargaining agent representatives, Canada Post management and CPC pension plan representatives. This decision was communicated to OSFI who has not objected to the make-up of the Framework Committee.

The Framework Committee has no mandate to discuss the funding/benefit issues facing the CPC pension plan and, therefore, will not deal with plan design, changes to the structure of the plan in terms of funding or benefits, or any other issue facing the plan.

OSFI expects all parties to act in good faith in the development of the Framework. A failure by the bargaining agents to do so will provide Canada Post with the opportunity to tell OSFI that their administration is fine, all the problems lie with Union intransigence.

Target Benefit Plan Consultation

Concurrent with our dealings with OSFI over the CPC pension plan, the federal government began a period of consultation on Target Benefit Plans (TBP's) for the federal sector. While the CPC pension plan issues were a factor in the government's decision to begin these consultations, there are many more reasons the Tories are doing this, including the New Brunswick implementation of TBP's and the Tories desire to attack the Public Service Superannuation Plan. The fact that federally approved and enabled TBP's would be attractive to Canada Post in its own pension plan struggles cannot be ignored.

With the assistance of legal counsel and our own actuaries, the Union made a submission to the government on TBP's. We made it clear that TBP's are not a solution to the difficulties currently facing many Defined Benefit (DB) plans. We answered the majority of the questions put by the government in their TBP consultation paper and took the opportunity to describe how DB plans could be structured to make them stable and sustainable, even in times of low interest rates.

Our submission was not designed to address Canada Post's pension problems nor their Five-Point Plan. The intended audience was government pension experts and legislators. The Union of course supports the Canadian Labour Congress campaigns to expand and enhance the Canada Pension Plan.

The submission itself is on the Department of Finance website along with all the other TBP consultation submissions.

In solidarity,



George Kuehnbaum,
National Secretary-Treasurer.

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