January 22, 2016

The Honorable Judy Foote
Minister of Public Services and Procurement
11 Laurier Street
Place du Portage, Phase III, Floor 18A1
Gatineau, Quebec
K1A 0S5

Dear Minister Foote:

RE: CANADA POST CORPORATION PENSION PLAN (the "Plan")

We write on behalf of the Public Service Alliance of Canada (**"PSAC"**), the Canadian Union of Postal Workers (**"CUPW"**), the Canadian Postmasters and Assistants Association (**"CPAA"**), and the Association of Postal Officials of Canada (**"APOC"**, and together with PSAC, CUPW and CPAA, the "Unions").

We wish to express our congratulations on your recent election as Member of Parliament for Bonavista-Burin-Trinity, and your appointment by Prime Minister Trudeau as Minister of Public Services and Procurement.

The current period presents challenges and opportunities for the Canada Post Corporation (**"Canada Post"**). As the Minister responsible for Canada Post, our unions look forward to working with you and participating in the mandate review process.

We are writing now concerning the situation of the Plan. We believe there are both challenges and opportunities for the Plan.

A Permanent Exemption from Solvency Funding

As you know, the Plan is currently better than fully funded on a going concern basis; the Plan currently has a surplus of approximately $480 million (2014). This surplus is positive and reflects, we believe, the stability of the Plan on a going concern basis.

We are, however, concerned about the threat to the Plan posed by the potential requirement for Canada Post to make solvency funding payments to the Plan as will be required under the *Pension Benefits Standards Act* (Canada) (**"PBSA"**). In December 2013, the previous government provided a five year exemption to Canada Post from the requirement to make payments to address the solvency deficit that would have been required under the PBSA. This temporary exemption expires in 2018, and unless action is taken, Canada Post will find itself in very precarious financial situation. If the current estimate of the solvency deficiency remains the same in 2018, Canada Post could be required to make payments to the Plan of over $1.2 billion per year for five years.

We believe that, in the case of Canada Post, the solvency funding rules under the PBSA are unnecessary and counter-productive. The solvency funding rules were introduced in the

1980s in part to respond to insolvencies of private sector employers. We believe that, like many other public and broader public sector entities, there is a very low risk Canada Post will be wound up at any time in the foreseeable future. Requiring Canada Post to fund the Plan to the solvency measure (and during a period of historically low interest rates) would divert resources away from other priorities for Canada Post unnecessarily. Again, by way of contrast, on a going concern basis, the Plan is more than fully funded.

We also believe that requiring solvency funding of the Plan under present conditions is ultimately counter-productive. By forcing large and unsustainable payments from Canada Post to the Plan to protect against a remote risk actually serves to undermine the continuance of the defined benefit Plan itself – the very thing the solvency funding rules were introduced to protect.

Protecting the Defined Benefit Design of the Plan

Defined benefit pension plans, like the Plan, are a key feature of a strong and growing middle class in Canada.[1]

We are enclosing a copy of a letter that Canadian Labour Congress President Hassan Yussuff has recently sent to the Prime Minister concerning the need to maintain and extend defined benefit pension coverage to employees. We agree with President Yussuff's letter, and note that the Plan is one of the defined benefit pension plans that reduced defined benefit coverage for Canada Post employees during recent years.

We also note that enrolling new employees in defined contribution plans – as has occurred at Canada Post in recent years – does not actually address the existing solvency deficiency, but it does erode an essential part of middle-class prosperity for our employees and future retirees.

We believe that the new Government of Canada has brought real change, and the new direction being signalled by the Prime Minister offers an opportunity for Canada Post to protect the Plan.

In summary, we are seeking your support on these two challenges and opportunities for the Plan: to support our request for a permanent exemption from solvency funding rules under the PBSA, and to permit all employees of Canada Post to join or re-join the defined benefit component of the Plan. We believe both of these measures would enhance the Plan's viability, and continue to provide the security that accompanies the expectation of an adequate retirement income.

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[1] A June, 2013 study by the Boston Consulting Group found that members of defined benefit plans in Canada draw on fewer income replacement resources by approximately $2-3 billion a year and defined benefit recipients contribute $14 - $16 billion annually through income, sales and property taxes, as well as $56-63 billion spent annually on durable and consumable goods. The top 10 defined benefit plans in Canada invest over $400 billion a year in Canada. Other reports have made similar findings.

We look forward to the opportunity to discuss these and other issues with you and working together to ensure that Canada Post Corporation continues to play an important role as part of Canada's and economic infrastructure.

Yours truly,

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National President
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Ottawa ON K1K 1X1

Encl.

c.c.: François Paradis, President of Union of Postal Communications Employees
Hassan Yussuff, President, Canadian Labour Congress

Canadian Labour Congress
Congrès du travail du Canada

Hassan Yussuff President / Président
Barbara Byers Secretary-Treasurer / Secrétaire-trésorière
Marie Clarke Walker Executive Vice-President / Vice-présidente exécutive
Donald Lafleur Executive Vice-President / Vice-président exécutif

December 17, 2015

The Honourable William Francis Morneau
Minister of Finance
90 Elgin Street
Ottawa, Ontario K1A 0G5

Dear Minister,

I am writing to you on the issue of federal legislative and regulatory reform with respect to workplace pensions.

As you know, there has been a disturbing decline in pension coverage in Canada over the last number of years. In 2013, pension plan coverage slipped below 38% of the employed workforce, a development that has disproportionately impacted employees in the private sector. Fewer than 1 in 4 private-sector workers have access to a workplace pension plan, and coverage is falling in absolute terms: in 2013, just over 3 million workers belonged to a pension plan, fewer than had access to a pension in 2006. This is why the labour movement remains a strong and persistent champion of an expanded Canada Pension Plan for all workers; effectively, the CPP is the only way in which most workers in Canada routinely save out of employment earnings in order to secure a guaranteed benefit level in retirement.

Defined-benefit plans in particular are under pressure. The proportion of active workplace pension plan members with a defined-benefit plan fell from 84% in 2003 to 71% in 2013, and the absolute number of DB plan members has been falling steadily since 2009. This is alarming, since defined-benefit plans typically offer superior levels of income adequacy and security to workers. Active and retired employees have a significant stake in the future of these plans – our members share the cost of these plans, and have always shared the risk.

I believe that the federal government can and should play an active and leading role in promoting and expanding access to employer-sponsored pension plans. This includes preserving and protecting defined-benefit plans in Canada, as well as bringing back defined-benefit coverage for people who have lost it.

In our view, overly-conservative and ultimately counterproductive funding requirements are fueling benefit reductions and jeopardizing the future of many defined-benefit plans. Many of the sponsors of these plans are having to divert scarce financial resources for special solvency deficiency payments to plans that are satisfactorily funded on a going concern basis. Several plans in

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the federal sector have been under ongoing legislative provisions with respect to temporary solvency funding relief. There is an urgent need to pursue permanent solvency funding relief for federal public-sector plans and multi-employer pension plans (MEPPs). Innovations in various provinces have brought or are seeking permanent relief for certain public-sector plans and MEPPs, and I would be interested in discussing with you how this could be pursued at the federal level.

The previous government's initiative to introduce a framework for target-benefit pension plans proposed to address defined-benefit funding challenges through the conversion of accrued benefits. Affiliated unions of the Congress are agreed that sponsors must under no circumstances be permitted to convert accrued defined benefits, which are members' deferred earnings and are protected by covenant, to contingent target benefits. We appreciate the Prime Minister's clear statements that accrued benefits must be respected.

Finally, in select circumstances, there may be interest among some unions in exploring joint-trusteeship and joint-governance arrangements. Some bargaining agents will not support such arrangements as suitable for their members' plans. However, those that wish to do so would benefit from greater flexibility to manoeuvre and a wider menu of options available.

I am very interested in learning your thinking and the government's intentions with respect to these matters, and would welcome the opportunity to discuss these issues with you.

My office would be pleased to arrange a mutually convenient time to discuss this initiative in detail. My Executive Assistant, Susan Bellamy, can be reached directly at 613-521-3400 ext. 238 or by email clcpresident@clc-ctc.ca.

I thank you for your attention to this matter and remain available to discuss further.

Sincerely,

Hassan Yussuff
President, Canadian Labour Congress

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