February 10, 2017

The Honourable William Morneau, P.C., M.P.
Minister of Finance
Finance Canada
90 Elgin Street, 17th floor
Ottawa, Ontario
K1A 0G5

Subject: Canada Post Corporation Pension Plan, Registration No. 57136

Dear Minister Morneau,

On behalf of the Public Service Alliance of Canada (PSAC), I am writing to follow up to the June 2016 letter you sent to 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").

I am disappointed in your letter, which was a response to a previous letter from the Unions about the Plan. I also have serious concerns about Bill C-27, *An Act to amend the Pension Benefits Standards Act*, 1985.

In our original letter, dated January 22, 2016, the Unions asked that your government work with us to ensure a sustainable future of the Plan. Unfortunately, your letter did not recognize or otherwise engage with our suggestions, nor did it propose any alternatives.

I am writing again to encourage you and your government to explore permanent exemption from solvency funding for the Plan and/or Crown corporations. While you state in your letter that solvency funding rules exist "to protect the rights and interest of pension plan members, retirees and other beneficiaries", it is our belief that the requirement of solvency funding will ultimately undermine the Plan, and that other policy alternatives (such as those implemented in other jurisdictions) can provide the same or similar protections for members, retirees and other beneficiaries. In the case of the Plan, we believe that the rights and interest of plan members will ultimately not be protected if the current solvency funding rules undermine an otherwise healthy pension plan – recognizing that the Plan is more than fully funded on a going concern basis.

As reiterated in our previous letter, the Unions believe that there is very low risk that the Canada Post Corporation (Canada Post) will become insolvent and, because of this, the burden of the solvency funding requirement only serves to be counter-productive.

Minister, this is not uncharted territory. As I'm sure you are aware, the Government of Quebec has eliminated the solvency requirement for pension plans under its jurisdiction.

The Government of Ontario is studying the same issues currently. The Government of Saskatchewan has provided solvency exemptions for broader public sector plans under diverse circumstances, including single employer defined benefit plans. These options should be part of the legislative reforms and policy options considered in the federal jurisdiction.

Nor are we the only ones to suggest this exemption for the Plan. The discussion paper from the Task Force for the Canada Post Review includes solvency relief as an option. The House of Commons Government Operations and Estimates Committee states that the Plan should "no longer be subject to solvency funding requirements." Canada Post itself suggested that the government "exempt federal Crown Corporations from solvency deficit rules" in a 2009 letter to the then-Finance Minister, the late Jim Flaherty.

Minister, your letter stated that "Pension plans are contractual arrangement between employers and employees." We agree with this characterization, but we point out that these contracts are closely regulated, and the regulation of pension plans has been changing rapidly in response to adverse conditions. We need the federal government to be an engaged partner in order to be able to negotiate a positive solution for all stakeholders.

For these reasons, Bill C-27 represents one option, but not the only option, and not the most viable or best option. Bill C-27 is not appropriate for the Plan or Canada Post or the Unions' members. In some respects, Bill C-27 is itself failing to protect the "rights and interests of pension plan members and other beneficiaries" by allowing employers to surrender (in effect, convert) defined benefit pensions, which provide secure and predictable pension benefits, into the much less secure form of target benefits. As Members and retirees across the country know all too well target benefits shift all the risk of market volatility onto active members and retirees.

Your government has indicated that strengthening and growing Canada's middle class is a priority. As we said in our first letter, defined benefit pension plans are a key feature of this prosperity. However, legislation like C-27, as well as the movement towards enrolling new employees in defined contribution plans – as has occurred at Canada Post in recent years – undermine this essential part of middle-class prosperity. Further to this, PSAC members at Purolator, which is 91 percent own by Canada Post, are aware of the attempts by the employer to attack the retirement security of members in the bargaining unit represented by the Teamsters. I am concerned our members at Purolator will also face this same fight.

In addition to eroding middle class prosperity, moving to defined contributions does nothing to resolve the existing solvency deficiency in the Plan. Because of all this, I would like to see all employees of Canada Post join or re-join the defined benefit component of the Plan.

Since the temporary exemption to the solvency funding requirement for the Plan expires in 2018, I urge you to immediately extend this temporary exemption, and take steps to secure a permanent exemption through legislative changes.

Sincerely,

Robyn Benson

Robyn Benson
National President