cupw•sttp info

● URBAN UNIT ● RURAL AND SUBURBAN UNIT ● PRIVATE SECTOR UNITS

April 28, 2022

Solvency 'Special Payment' Relief and Your Pension

On April 12, the federal government extended relief from solvency deficit-related 'special payments' for the Canada Post Corporation Pension Plan (CPCPP) until the end of 2024.

How Does This Work and What Does It Mean for Your Pension?

This doesn't change your contributions to the Plan or the employer's regular contributions, and it doesn't change your benefits. It does take some pressure off the Plan's funding requirements, related to its *solvency balance* (more on that below).

In 2014, the federal government granted the CPCPP relief from the requirement to make special payments based on its solvency balance. There have been a few subsequent extensions of this relief.

The Solvency Test

There are two common ways of evaluating whether a pension plan is in good shape to pay off its obligations (benefits payments to retirees).

One is the *going-concern* balance, which is much like the balance sheet for a business. It compares the Plan's assets at the time of the test with its liabilities, resulting in either a surplus or a deficit.

The other, the *solvency* balance, basically imagines the case where the plan has to wind up, and therefore would have to be able to cover all of its future liabilities (mainly, future benefits to current members) with its existing assets. This also results in a surplus or deficit. If the result is a deficit, an employer is required to make quarterly "special payments," in proportion to the deficit, to increase the plan's assets.

These payments can be very large, and Canada Post Corporation is often not in a position to afford them.

CUPW and other bargaining agents for Canada Post workers have often argued that the solvency test is not appropriate to the CPCPP, since there's no likely scenario where the plan would be wound up. The solvency test is not appropriate to most public-sector pension plans. At times, Canada Post Corporation has shared this view and made joint appeals with the unions to the government for permanent exemption.

Interest Rates

The solvency balance is also very sensitive to interest rates. For example, when interest rates increase, that increases projected returns on the plan's investments, making the plan better able to cover its liabilities without having to add special payments. This and other factors can fluctuate a lot from year to year. Foreseeable increases in interest rates could eliminate the solvency deficit and bring the plan into solvency surplus.

Permanent Exemption Would Be Best

At times when we've been in bargaining while the Plan was in a solvency deficit position, CPC has consistently tried to use this as leverage at the bargaining table – even when the plan had a going-concern surplus. Extending special payments relief means we have a better chance of going into bargaining without the threat of special payments hanging over us.

We still believe the CPCPP should be permanently exempt from the solvency test and special payments. What has happened is only an extension of temporary relief from the special payments, but it still puts us in a better position.

It's Your Pension

It's important to be informed about how our pension plan works, and what we can do to defend it. Please read the reports and statements you get from the Plan, and don't hesitate to ask for more information or clarification from your local or go to the Canada Post Pension Plan Report to Members at https://www.cpcpension.com/db/documents/RTM_2020_Short_E.pdf.

Also stay engaged with the issues as we approach our next round of bargaining!

In solidarity,

J Simpson

Jan Simpson
National President

2019-2023 / Bulletin # 361
/bk cope 225