February 28, 2014

Our Files: P5100-C393-20-0

Ms. Gayle Bossenberry
1st National Vice-President
Canadian Union of Postal Workers
377 Bank Street
Ottawa, ON K2P 1Y3

Subject: **Canada Post Corporation Registered Pension Plan (the "Plan")**
Registration Number: 57136
***Pension Benefits Standards Act, 1985* ("PBSA")**
***Pension Benefits Standards Regulations, 1985* ("PBSR")**
***Directives of the Superintendent pursuant to the Pension Benefits Standards Act, 1985* ("Directives")**

Dear Ms. Bossenberry:

Thank you for copying the Superintendent of Financial Institutions on your letter dated February 12, 2014 to the Minister of Finance.

In your letter, you state that "[a]s a result of the freeze on portability, CUPW members have had their benefits adversely affected by the proposed regulation." We would like to take the opportunity to comment on the impact of the restrictions on portability imposed on the Plan by OSFI.

Under section 26.1 of the PBSA, transfers under the portability provisions are not permitted without the Superintendent's consent, if in the opinion of the Superintendent the transfer would impair the solvency of the plan. Pursuant to section 19 of the PBSR, where the solvency ratio of a plan is below one, any transfer is deemed to impair the solvency. This Plan's ratio is below one. Given that no special payments will be required under the proposed regulations, OSFI decided that a temporary portability freeze was required. This step is also consistent with past regulatory actions where a plan has or will become subject to special funding relief rules. The Pension Advisory Council was copied on the letter informing Canada Post of the restrictions on portability.

Please note that restrictions on portability do not affect the obligations of Canada Post to provide benefits to members of the Plan. Members remain able to elect the same portability options on termination of employment as available prior to the restrictions being imposed. The restrictions on portability affect the timing of the transfer of the commuted value out of the Plan, but do not impact a member's underlying right to his or her pension benefit.

As you may be aware, an amendment has been made to the portability restriction, effective February 25, 2014. Transfers from the Plan of the full value of pension benefit credits to terminating members will be permitted if Canada Post contributes to the Plan 40 per cent of the value of any pension benefit credit that relates to a defined benefit provision. With a most recent solvency ratio of 0.72, this additional contribution provides a safeguard to mitigate the risk of any detrimental impact on remaining plan members and beneficiaries. Canada Post has provided OSFI with an undertaking to make such payments.

We recognize that there were some individuals who counted on the cash portion of their pension plan entitlements (which is available as a result of *Income Tax Act* restrictions) to meet certain immediate obligations. However, in carrying out its objectives, OSFI must strive to protect the rights and interests of all plan members, former members and beneficiaries. OSFI remains available to discuss the restrictions on portability with all interested parties.

Yours sincerely,

John W. Gray

for Tamara DeMos
Managing Director
Private Pension Plans Division

cc: The Honourable James Flaherty, Minister of Finance
Canada Post Board of Directors
Canada Post Pension Committee
Canada Post Pension Advisory Council
Canada Post Investment Advisory Committee
Wayne Cheeseman, CFO, Canada Post Corporation
Barbara MacKenzie, Vice President Finance and Comptroller, Canada Post Corporation
Hugh O'Reilly, Legal Counsel, CUPW
François Paradis, National President, UPCE
Brenda McAuley, National President, CPAA
Guy Dubois, National President, APOC
Mike Ius, Office of the Superintendent of Financial Institutions