FREQUENTLY ASKED QUESTIONS
PENSION RELIEF

Q. 1	**The federal government introduced pension relief for the Canada Post Pension Plan (the Plan), did Canada Post ask for the pension relief or is it being imposed by the Government?**
A. 1	▪ The Plan had a $6.5 billion deficit at the end of 2012. ▪ Under the Defined Benefit component of the Plan it is Canada Post's responsibility to fund any deficit. ▪ Canada Post is losing money due to Canadians' decreasing use of traditional mail and the fact that revenues are declining faster than it is able to reduce costs. ▪ Therefore, Canada Post is not able to make special payments to the Plan in accordance with the *Pension Benefits Standards Act, 1985* and regulations. ▪ Canada Post indicated to the Government that it would not be able to make the estimated special payments of approximately $1 billion required in 2014. ▪ At the same time, Canada Post presented a number of options to address the issue including increasing the existing solvency relief cap available to all federally regulated plans and relief from making solvency payments. ▪ The Government of Canada introduced this relief solution. ▪ It is a short-term solution to provide us with time to restructure and find a long-term resolution to the pension issues.
Q. 2	**Why isn't Canada Post excluded from solvency requirements? Why doesn't the Government simply grant permanent relief?**
A. 2	▪ The Government expects Canada Post to operate on a financially self-sustaining basis including the funding of its Plan, in accordance with current solvency requirements under the *Pension Benefits Standards Act, 1985*. ▪ The current funding requirements create a lot of pressure on organizations that sponsor defined benefit pension plans, especially when indexation is provided as a benefit.
Q. 3	**Are my pension benefits secure?**
A. 3	▪ The security of your pension benefits is directly linked to the financial health and sustainability of the Plan sponsor, Canada Post. ▪ That's why ensuring we return to financial self-sustainability as soon as possible is of the utmost importance for all of us. ▪ Pension relief adds a degree of potential risk for the Plan because Canada Post is not reducing the Plan's deficit during the relief period. ▪ This relief could have the effect of making the deficit worse. ▪ In the unlikely event that the Plan was terminated while it is in a deficit position, pension benefits could be lower than if additional funding was put into the Plan.

Q. 4	**Why is the Government not funding the deficit?**
A. 4	▪ Canada Post's mandate is to be financially self-sustaining. ▪ The Government has been clear that Canada Post is accountable for the sound management of its financial obligations, including pension funding. ▪ Financial self-sustainability is also key to our ability to remain in competitive markets such as direct marketing and parcels.
Q. 5	**Will the Government fund the deficit if Canada Post ceases to operate?**
A. 5	▪ The Government expects Canada Post to operate in a financially self-sustaining basis including the funding of its pension plan. ▪ Canada Post operates under the *Financial Administration Act*. ▪ Winding up of Canada Post can only be done with another act of Parliament. ▪ In this unlikely event, Parliament would determine the rules applicable to the cessation of operations at Canada Post, including how payments to creditors and pension plan members would be handled.
Q. 6	**How is the pension relief introduced by the Government different from the existing solvency relief that Canada Post was using?**
A. 6	▪ The **2012 Report to Members** states that Canada Post obtained approval from the Minister of Finance and the Minister of Transport to use solvency relief measures available to all federally-regulated pension plans from January 1, 2011 to June 30, 2013. ▪ Canada Post was notified that this was extended in the summer of 2013 for another year. ▪ The maximum amount available under these measures is 15 per cent of Plan assets, an amount that Canada Post forecasted it would reach in 2014. ▪ Without the pension relief, Canada Post would have been required to make special cash payments estimated at $1 billion in 2014. ▪ This is money the company simply does not have given the decreased use of traditional mail and the fact that revenues are declining faster than we are able to reduce costs. ▪ The pension relief reduces the financial pressure on the company to allow some time to transform the business and address the structural pension issues to return to financial self-sufficiency.
Q. 7	**What other alternatives were considered?**
A. 7	▪ Canada Post presented a number of options to the Government of Canada to address the issue including increasing the existing solvency relief cap available to all federally regulated plans and relief from making solvency payments. ▪ Ultimately, any decision related to pension relief is the responsibility of the Government. ▪ Pension relief is not a viable long-term solution.

Q. 8	**Will the pension relief affect the amount of pension benefits I'm receiving now?**
A. 8	▪ The Plan is expected to be able to pay all benefits to members as they become due, and is projected to be able to do so over the relief period.
Q. 9	**The December 11, 2013, letter from Scott McDonald, Chief Human Resources Officer, says that the Plan is currently able to pay all the benefits to members as they become due and is projected to continue to be able to do so over the relief period. What happens after the relief period is over?**
A. 9	▪ Canada Post's aim during the four-year period is to work with all stakeholders, including our bargaining agents, to put in place the structural changes needed to ensure that a sustainable pension exists for all members over the long term. ▪ Canada Post will be expected to fund any deficits according to normal regulations following the four year relief period.
Q. 10	**The December 11, 2013, letter from Scott McDonald, Chief Human Resources Officer, states that there is a risk of some deterioration of the solvency and going-concern valuation over the relief period. What does this mean?**
A. 10	▪ This means that the solvency deficit may worsen and there may be a going-concern deficit over the relief period before changes are put in place to restore the Plan's sustainability. ▪ In the unlikely event that the Plan was terminated while it is in a deficit position, pension benefits could be lower than if additional funding was put into the Plan.
Q. 11	**If the Government is granting pension relief, does it mean they also take responsibility for the Canada Post pension plan deficit?**
A. 11	▪ No, the Government has indicated that it expects Canada Post to return to financial self-sustainability including the funding of its pension plan obligations. ▪ The Government has been clear that Canada Post is accountable for the sound management of its financial obligations, including pension funding. ▪ Financial self-sustainability is also key to our ability to remain in competitive markets such as direct marketing and parcels.
Q. 12	**Is this pension relief like a letter of credit (LC), i.e. the money would be put into the pension plan in case of bankruptcy of the LC holder? And if so, who's backing the LC?**
A. 12	▪ No, there is no LC instrument being used. ▪ No deficit funding is going into the Plan during the four-year pension relief period.

Q. 13	**What types of structural changes are being looked at?**
A. 13	▪ Canada Post will be examining potential options for Plan sustainability and will be consulting stakeholders, including bargaining agents. ▪ Options will be explored with a goal of making the Plan more sustainable and affordable for the company and Plan members and secure for retirees. ▪ At this stage nothing has been decided. ▪ It should be noted that Management employees have had a Defined Contribution pension in place for new employees since 2010 and this is one of the conditions included in our final offer to PSAC.
Q. 14	**Will Plan members have choices or be consulted regarding the changes?**
A. 14	▪ We are committed to communicating progress to Plan members.
Q. 15	**Will everybody be affected by the changes? Will changes apply to retirees? Will there be a transition period for employees close to retirement?**
A. 15	▪ It is premature to answer these questions as viable options must be identified first. ▪ This is complex and will require considerable research and collaboration with stakeholders to identify such options.
Q. 16	**Does Canada Post have a contingency plan ready in the event that they are not able to meet the pension obligations?**
A. 16	▪ At the end of 2012, there was over $16 billion worth of assets in our Pension Plan. ▪ Canada Post is implementing the Five-point Action Plan to strengthen our business and address the structural pension challenges in order to be able to fulfill the funding requirements of the Plan. ▪ Many other companies in our situation are modifying their pension plans or implementing changes to ensure that they can meet future pension commitments to all members.
Q. 17	**Will retirees see their pensions reduced?**
A. 17	▪ It is premature to speculate on possible outcomes. ▪ The Plan is expected to be able to pay all benefits to members as they become due, and is projected to be able to do so over the relief period.

Q. 18	**Will management see their pensions reduced?**
A. 18	▪ It is premature to speculate on possible outcomes. ▪ Canada Post will be examining potential options for Plan sustainability and will be consulting stakeholders. ▪ Options will be explored with a goal of making the Plan more sustainable and affordable for the company and Plan members and secure for retirees. ▪ At this stage nothing has been decided.
Q. 19	**Could Canada Post implement a defined contribution pension for all employees?**
A. 19	▪ It is premature to speculate on possible outcomes. ▪ Canada Post will be examining potential options for Plan sustainability and will be consulting stakeholders, including bargaining agents. ▪ Options will be explored with a goal of making the Plan more sustainable and affordable for the company and Plan members and secure for retirees. ▪ At this stage nothing has been decided.