PENSION PLAN NEWS

VOLUME 1, NUMBER 1 • JULY 1999

Welcome to Pension Plan News, the first in a series of occasional newsletters to keep you informed about changes to your pension plan. Over the coming months, we will be updating you on developments as the new Canada Post pension plan begins to take shape. In this issue, I also want to address questions some of you have raised since I wrote to you in April.

Status of pension reform Bill

Since I last wrote, the government's pension reform Bill, the *Public Sector Pension Investment Board Act*, was passed by the House of Commons and sent to the Senate. The Senate has deferred further consideration of the Bill until September 7, 1999, asking the Treasury Board to resume discussions with its affected unions on a joint management and risk-sharing agreement for the Public Service pension plans. While this issue does not immediately affect planning for the new Canada Post pension plan, it is a development that the Corporation will follow closely.

Should the Bill become law sometime this fall, Canada Post will, at that point, have a mandate to establish our own pension plan, to take effect by October 1, 2000. The Corporation will then embark on creating the sixth-largest single-employer pension plan in Canada.

Upon implementation, Canada Post will provide its employees a pension plan with the same benefits and at the same contribution rate as those under the Public Service plan (PSSA) and which must fully protect the value of past service. Our challenge is to prepare the text of the plan, have it approved by government, and set up the administration and structure to manage it.

Both employees and their bargaining agents will have opportunities to make their views and interests known before the plan text is submitted to government. The Corporation has been keeping bargaining agents informed. We have already met with each of them, and we are now scheduling further meetings.

Many of you have already taken time to read our earlier materials and have asked many very good questions. This newsletter deals with the three most frequently raised topics. If you have further questions, please send them to the team working on the Canada Post pension plan at the address below – it's your plan and we want to ensure you understand how it will work.

I hope that you find this information helpful. Canada Post is committed to keeping you informed as we move forward.

Anne Joynt
Senior vice-president, Human Resources

Responding to your questions

How do I know my pension will be safe with the new plan?

The Canada Post pension plan will be subject to the *Pension Benefits Standards Act*. This law sets rules to protect the interests of pension plan members and applies to all federally regulated pension plans, such as those of Air Canada and the Canadian Broadcasting Corporation. Canada Post, as the plan sponsor, will be responsible for ensuring there is always enough money to cover the benefits earned under the plan and that the money is held separately from Canada Post's general accounts and for the sole purpose of the plan.

How will pension reform affect my contributions?

Currently, you contribute a total of 7.5% of your pensionable salary to both the Public Service plan (PSSA – to be replaced by the Canada Post Pension Plan) and the Canada/Quebec Pension plan (CPP/QPP).

For a number of years now, CPP/QPP contributions have been increasing for all Canadians. They are scheduled to increase to 4.95% of Yearly Maximum Pensionable Earnings[1] by 2003. Because of the 7.5% cap on contributions, every increase to CPP/QPP contributions reduces your contributions to the PSSA. Since employees have been paying less and less into the PSSA, the federal government has had to increase its contributions to make up the difference.

The Bill now in the Senate would remove the 7.5% cap on total contributions. Because of the planned CPP/QPP increases, your combined pension contributions would then gradually increase on an annual basis until 2003 (see table below).

Bi-weekly Impact of Pension Reform on a CPC Employee earning $40,000

	1999	2000	2001	2002	2003
CPP/QPP	**$45.63**	**$50.85**	**$56.06**	**$61.28**	**$64.54**
PSSA/CPPP[2]	**69.75**	**65.04**	**65.04**	**65.04**	**65.04**
Total	**115.38**	**115.89**	**121.10**	**126.32**	**129.58**
Impact over current cost		**0.51**	**5.72**	**10.94**	**14.20**

[1] The average wage earned by employed Canadians as established by Statistics Canada.

[2] PSSA until October 1, 2000, Canada Post Pension Plan thereafter, if the Bill is passed by the Senate.

If the Bill is approved by the Senate, after 2003, employee contributions to the Canada Post Pension Plan would begin to increase by no more than 0.4% of pensionable salary ($6.15 bi-weekly in the example above) until they cover a maximum of 40% of the cost of the plan. It is important to note that these increases would apply to the PSSA as well and would, therefore, apply to Canada Post employees regardless of the establishment of the Canada Post plan.

What is elective service and how is it changing?

Elective service is time you worked for a recognized employer that does not currently count towards accumulating your retirement pension. It is elective because you can choose to buy it back, by paying the appropriate contribution, based on formulas set out in the pension plan.

Until September 30, 2000, there will be no change. You can still elect to buy back any pensionable service permitted under the PSSA. Payment terms will continue through the transition to the Canada Post plan without change.

After October 1, 2000, if the pension Bill is approved by the Senate, you can only elect to buy back former service with Canada Post or its predecessor, the Post Office Department, if it was eligible under the PSSA.

If you want to look into buying back prior service, you should contact your pay and benefits advisor.

Do you still have Questions?

**Feel free to ask questions and make your views known to us.
Write to Benefits Administration at the following address:**

**CANADA POST CORPORATION
2701 RIVERSIDE DRIVE SUITE E0352
OTTAWA ON K1A 0B1**

You can also use e-mail at HO, Pension Division.