CUPE·SCFP On the front line • Au coeur de l'action Local 227

President – **Steve Kerr** National Representative – **Naomi Stewart**

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RE: Pension Update

Hello All,

CUPE Locals 227 and 1431 were glad to see that the employer intends to seek the restoration of some pension plan benefits that were lost in the 2015 work stoppage. Our Locals have seen the Employer's Board resolution on this issue. We have not yet seen the fine print of the proposed plan text amendment. Our collective agreements give us veto rights over any changes to the plan. So, we will look closely at the proposed amendment when we see it, and we may have follow-up communications at that time.

These proposed changes date back to the 2015 strike and the Memorandum of Understanding (MOU) that was reached to end that strike. At the time, the pension was in a deficit (more money was promised to plan members than was in the pension fund at the time). This was solved through an agreed-upon combination of special contributions from the employer, a temporary additional contribution amount from workers and some benefit changes from plan members. The MOU also contained agreements on how future pension plan surpluses would be allocated along with some binding and non-binding commitments to certain benefit restorations. The plan has now returned to significant levels of surplus, so it is an appropriate time to start making some of these changes.

One of the benefits that we let go of during the strike was the "Best 5" calculation for our pension. Before our strike, the pension formula was based on an average of your "Best 5" years of earnings. This was changed on a go-forward basis in 2016 to look at the average of your "Best 7" years of earnings. A longer averaging period typically pushes pension values downwards. In its announcement last week, the Employer announced its intention to seek restoration of the "Best 5" formula effective retroactive to Jan 1 of this year. Presumably this would leave the years between 2015 and 2025 as "Best 7" years. This would be expected to push pension benefit levels back upwards - a positive change.

The MOU had said the parties would re-examine restoring the "Best 5" when the plan was back in surplus, which it has been for some time. As this is an improvement to plan benefits, the Union is supportive of this in principle but will only give our final OK to the Employer when we have reviewed the plan amendment to ensure it is proper. This improvement would be funded this year from plan surplus and, going-forward, would be funded by a small, shared increase in contribution rates. Both members and the employer will be required to contribute about an additional 0.28% into the pension fund going forward to fund this improvement.

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The Employer communications also states that the employer intends to seek an "initial contribution holiday" for the employer worth $1.9 million. A contribution holiday is when the employer uses some pension surplus to temporarily reduce its own required contributions to the fund. The MOU did permit some employer holidays, and our view is that the contemplated holiday would comply with our agreement. This holiday represents foregoing about half a year of pension contributions from the employer (members would continue to pay our full required rates). If the employer attempted additional holidays, we would look to see further benefits like indexation restored first, as was agreed in the MOU. The Union will monitor this situation going forward, will continue to discuss these issues with the employer, and will enforce our rights as necessary.

The return to surplus is indeed good news. It is not just our plan that is back in the black - the climate for pensions has generally been quite good since the MOU was reached and most plans in Canada are similarly dealing with surpluses. The Employer's notice to members provides a backgrounder to the issue, which we feel does not fully tell the story of the different stages of our pension. The communications suggests that the special payments the employer made while the plan was in deficit were voluntary, but in fact they were legally required under provincial pension law. We also feel that the Employer communication does not capture the important roles the unions play with respect to the plan. As discussed above, our unions hold veto rights over changes to the plan which we have carefully used in both good and challenging times. We also appoint members to the pension advisory committee who work hard to oversee administration of the plan. The difficult changes we agreed to in the MOU were a huge part of the plan's return to health.

This is why we feel it is only fair that some plan surpluses should be used to restore missing benefits, and why we agreed to such terms in the MOU. Because plan members stepped up when the plan was underfunded, it would not be fair for plan surpluses to only benefit the employer. In our view, the proposed changes, which see benefits for both sides of the table, seem to be a fair allocation of current surpluses.

These changes would be an important first step and we are appreciative of the employer's willingness to balance their surplus use with some benefit restorations. We will continue to monitor surplus use going forward and are fully prepared to discuss this with the employer as they suggest. We have asked to meet with them in the first few weeks of 2026 to continue the conversation to have the Collective Agreement and the MOA's followed. We will continue to communicate further with members, as necessary.

In Solidarity,

CUPE Local 227 Pension and Benefits Committee