Dec. 11, 2012

Dear CWA Canada member,

As you may know, Postmedia is seeking temporary funding relief from the Ontario government to ease its pension plan payments. The union, as your legal bargaining agent, is entitled to object to that relief and will be seeking your feedback on how to proceed. Here are some questions and answers that may help you make an informed decision. If you have any further questions, please do not hesitate to contact your Local president.

All the best,
Martin

Martin O'Hanlon
Director, CWA/SCA Canada

What is the status of the Postmedia Network Inc. Retirement Plan?

As of Dec. 31, 2011 (the latest valuation) the plan was in a serious deficit position with a total solvency deficiency of $126 million and a transfer ratio of 72%, meaning that currently it could only pay out 72 cents for every $1 of benefit entitlement.

What would I get if the plan wound up today?

While the plan is only funded at a 72% level, Ontario members receive a level of protection under Ontario's Pension Benefit Guarantee Fund. Based on the funded position of the plan, Ontario members would likely receive more than 80% of the value of their benefit entitlement.

Why is the plan under-funded?

The main reason for the solvency deficit is that long-term interest rates are exceptionally low. Since 2000, rates have decreased from 6% to 2.5% on long-term federal government bonds and from 4% to 0.3% on real return bonds used in indexed pension plans. This reduces investment returns, but the benefits are not accordingly adjusted. The higher the returns, the lower the capital needed to be able to pay the pensions when employees retire.

How much is Postmedia paying into the pension plan?

The company's normal annual contribution to the plan is estimated at $8.3 million for 2013. But due to the solvency deficiency, Ontario regulations require that it pay an additional $14.6 million in 2013. That's a total of $23 million.

Are other companies in a similar situation?

Yes. A majority of Defined Benefit pension plans are under-funded.

What will happen long-term?

If long-term bond rates rise, the situation will be much better, reducing Postmedia's annual payments by millions of dollars and easing the problem. If bond rates do not rise, Postmedia will have to have a plan in place to deal with the situation.

What is Postmedia asking for?

The Ontario government recently passed new solvency funding relief regulations which make it easier for companies to fund pension deficiencies. Postmedia is asking for two forms of temporary relief:

1) Consolidate existing solvency payment schedules into a new five-year schedule. This requires only notice to members.

2) Extend solvency payment schedule to 10 years from the current five years. This would allow Postmedia to pay down the solvency deficit over a longer time and would save the company about $3 million a year.

What say do I have?

As a plan member, you, through the union, have a say in whether the extended payment schedule is approved. If 1/3 of plan members or 1/3 of former plan members or 1/3 of retired members object in writing by Dec. 31, 2012, the extension will not be granted. In the case of CWA Canada members, the union will make a decision on whether to object based on the will of the members, either by vote or general meeting or other means.

What does CWA Canada think about the issue?

The union's No. 1 concern is doing what's best for plan members. We realize that the solvency deficit is huge and that the company's payments are very heavy. The $3 million in relief Postmedia is seeking is relatively modest in relation to the $126 million total deficiency. Our preference is to work with the company and come to terms that ease Postmedia's burden while protecting members' interests. We are seeking more information from the company and asking for certain commitments, including the creation of a pension advisory board and seats on that board for current and retired members so that members are better informed about the plan and have a voice in the process.

What happens if the temporary funding relief is granted?

This creates an additional risk for plan members in that, under the new 10-year schedule, if the plan was wound up in less than 10 years, the plan would have a bigger deficiency than under the old five-year schedule, and benefits would be lower.

What happens if it is rejected?

Postmedia has acknowledged that rejection of the changes — and not receiving the $3 million in annual relief — would not push it into bankruptcy. However, the company has also indicated it would likely seek to change the pension plan, perhaps by asking for greater employee contributions. In other words, the company will be looking to find savings another way if the relief is not granted.

-30-