CCSB Agreement on Pension Surplus and Health Care Benefits: Frequently Asked Questions

So what's the deal?

The agreement deals with two distinct elements:

i) The sharing of future pension plan surpluses

- CBC/Radio-Canada has renewed its commitment to a defined benefit pension plan.
- When there is a surplus (large enough) to be shared, it will be divided equally between CBC/Radio-Canada and Pension Plan members (these include both participating employees and pensioners). For every dollar the Corporation gets, plan members will get one too.
- CBC/Radio-Canada will take its share of the surplus as a contribution holiday, while plan members will each receive lump sum payments proportional to their contributions to the plan.
- CBC/Radio-Canada will remain responsible for any future deficits, should they occur. That being said, future plan surpluses will help to fund any of those deficits before surplus sharing can occur.
- The first opportunity for surplus sharing, should there be one, will follow the next actuarial valuation of the plan, scheduled for December 31, 2009.

ii) Managing the rising cost of health care benefits

- Health coverage has not been compromised: all elements of the current Supplementary Health Care Plan (SHCP) will continue to be maintained.
- CBC/Radio-Canada agrees to fund future increases in health care costs by increasing its funding by at least 4% per year. The CBC/Radio-Canada increase will be based on treasury board increases + 2%. When the Treasure Board increase is less than 2% in a year, CBC/Radio-Canada will make up the difference to take the total to 4%.
- To offset any remaining gap, the agreement in principle approved by the CCSB would see employees contribute 0.1% of future wage increases to a new Employee Health Care Fund (HCF). Simply put, if in a given year wage increase amounts to a total of 2.2%, then an employee would receive an increase of 2.1% to his or her base pay, while 0.1% would go to the HCF. Contributions will begin in 2010.
- As a result of the agreement, no employee will experience a wage reduction, and benefits will remain the same for the foreseeable future.
- The HCF will be used to offset costs above the employer minimum and/or to fund future improvements.

Why is it a good deal?

For nearly ten years now, CBC/Radio-Canada, the Unions and the Pensioners have been in a dispute over the use of surpluses generated by the Pension Plan. Hundreds of thousands of dollars have been spent on legal fees in an effort to resolve the issue. The deal reached this week finally puts an end to the dispute between the signatories by establishing that anytime there is a surplus to be shared, it will be shared equally between the Corporation and employees and pensioners. It also ensures the plan's stable financial footing in the future. That's critical, of course, given that the pension plan exists to give employees a living income after their career at the CBC/Radio-Canada has ended.

As for the health care plan portion of the deal, CBC/Radio-Canada is not alone when it comes to facing increasing financial pressures on health benefits. The rapidly increasing cost of prescription drugs and medical services has employers across Canada facing immense challenges with respect to health care plans. Many of those plans have suffered serious cutbacks. Some have even been cancelled outright. Happily, this deal puts in place a ten-year plan that ensures the continuation of the health care plan. A small portion of future across-the-board wage increases will be set aside to create a new Employee Health Care Fund. That fund will be used exclusively for health care benefits, and will allow employees to maintain the same high-level of benefits year after year by offsetting higher-than-anticipated cost increases to the health care plan. It may even allow the improvement of existing benefits.

How does the deal affect me?

On an individual level, the financial impact of the deal is low: over the course of ten years, an employee will forgo a total of 1% in wage increases at a rate of 0.1% per year. That money will be placed into a new Employee Health Care Fund, which will invest close to $50-million to ensure the future viability of our health care plan. This fund is a tax effective way of anticipating and dealing with future cost increases. It is also, in the opinion of the Unions, a much better option than either cutting benefits, or passing along significant increases to those less fortunate employees and their families who experience health problems.

Where did the $200 million go from the 1999 surplus?

The short answer is that the $200 million that the parties have been fighting about since 2000 is history. At the end of 1999, a valuation of the pension plan revealed a $616 million surplus. CBC/Radio-Canada decided to distribute $134 million of that surplus to participants. At the time, the Unions and the pensioners demanded, through the CCSB, that the Corporation distribute an additional $202 million more than it had. That demand led to years of debate between the parties, contradictory legal decisions, and hundreds of thousands spent on legal fees. The Unions were indeed successful in convincing an arbitrator that they deserved a bigger portion of the surplus. A Quebec court, however, recently overturned that decision. So, simply put, there is at this time no $200 million to be distributed.

That 1999 surplus has since evaporated as market returns have declined. In fact, the plan was in a small deficit as recently as 2005. That's the way pension plans work when they are tied to the market. They go up some years and they go down others. It's also why the Unions, the pensioners and the Corporation have agreed to establish a "safety cushion" built into the plan: nobody can touch a surplus until it rises above 105% of the value of the plan. With the current size of the plan, that means that $200 million of any surplus will stay in the plan to form that cushion and help meet future obligations to plan participants regardless of what happens with the markets. The parties also want to avoid forcing the Corporation to resort to massive operating budget cuts and layoffs in order to pay for pension deficits.

Why did we begin these negotiations?

We entered these talks in the fall of last year because all parties – the Unions, the Pensioners, and the Corporation – had grown tired of the expensive, on-going legal battles. More than that, though, this dispute was negatively affecting many other aspects of the relationship between employees, pensioners and CBC/Radio-Canada. The goal was to create a predictable way of sharing pension surpluses and to find a way to address the threat that steadily increasing cost was placing on our health care benefit plan.

How is pension surplus shared?

Every three years the CBC/Radio-Canada Pension Plan undergoes a valuation. During this process, actuaries examine the plan to make sure that sufficient funds exist to provide the benefits promised to the more than 16,000 people who either contribute to the plan or are retired from CBC/Radio-Canada. The money needed to cover that is referred to as “liabilities.” Those liabilities are measured against the money available to pay them. Some years, the amount of money in the plan exceeds the amount needed to meet the liabilities. This is called the “surplus.” Under the agreement, the parties have agreed that in addition to meeting the liabilities, an additional five percent will be kept in the plan to deal with any dramatic change(s) that may have an impact on investments. In other words, pension plan surplus refers to the amount of money available above the cost of the liabilities plus five-percent. That surplus will be shared on an equal 50/50 basis: for every dollar the Corporation gets, employees and pensioners will get one too.

Will employees have to pay for any future deficits?

The employer will continue to bear the burden of any future deficits. There is, however, one condition: under circumstances where the employer is required to make payments to fund a deficit, it will have first right to recover those payments from future surpluses.

If this is such good deal, why has the SCRC opted out?

Only the SCRC is in a position to properly answer that question. That being said, many of its criticisms of the deal are founded on factual inaccuracies. Also, the SCRC is offering no solutions. Suggesting there may be no surpluses to share in the future, or simply answering “no” to increasing health costs offers no solution. It should also be noted that matters relating to benefits and pension have always been discussed and agreed to together by all Unions at the Consultative Committee on Staff Benefits (CCSB) table. The SCRC’s decision to abandon recent negotiations is a grave departure from what has existed for years as a mutually beneficial exercise, and potentially leaves its members vulnerable.

Who negotiated this deal?

The agreement in principle was negotiated by a special committee of the Consultative Committee on Staff Benefits (CCSB). The CCSB is an all-party body comprised of representatives from all the unions, the pensioners association, and the Corporation. Its role is to discuss and recommend changes in matters relating to pension and benefits.

Is the deal final?

No, there are a few important steps left before the agreement is finalized. First, all parties must ratify the deal - individually, and in their own way. Then, a Memorandum of Agreement will be signed that will constitute a final agreement between the parties. This process must be completed by September 30, 2008.