



TEAMSTERS CANADA RAIL CONFERENCE

General Committees of Adjustment Canadian Pacific Railway

Dave Fulton
Wayne Apsey
General Chairmen
Conductors, Trainmen, Yardmen

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March 15, 2022

VIA EMAIL

ALL TCRC LOCAL CHAIRS – CPR WESTERN AND EASTERN REGIONS – BULLETIN 10

No doubt you have been reading the information distributed by CP regarding collective bargaining and given the numerous requests we feel it's necessary to respond. As we continue to bargain in good faith, we are extremely disappointed to see the misleading statements released by CP, and the inaccurate picture being painted. As your TCRC leadership, we'd like to update you on our position and share the facts with you. We have consulted with both actuarial and legal support during this process and offer these comments.

CP Pension Plan Status

The most recent actuarial valuation prepared as of January 1, 2021 shows the plan to be in a very healthy position with approximately \$4 Billion of surplus on an ongoing long-term basis (145% funded). This surplus is expected to grow substantially in the future as the interest earned on the surplus alone is expected to total over \$200 Million annually. With the fund's favourable returns during 2021, the Plan's current ongoing surplus position will be even greater.

The Plan's financial position on a solvency basis, which is a hypothetical windup, is also an important consideration when looking at the affordability of pension improvements. As of January 1, 2021, a healthy surplus of over \$1 Billion would have existed had the Plan been wound up on that date. Again, with last year's favourable investment return, along with an increase in prescribed interest rates, the Plan's current hypothetical windup surplus will be even greater.

The **modest** ongoing surplus, according to the Company, is in fact so large, that under the Income Tax Act rules it is considered excessive, and CP is now taking a contribution holiday. What this means is that the company is no longer contributing their share of the pension cost to the Plan and is saving \$35 Million in contributions annually. Members continue to contribute approximately \$40 Million towards their pensions while CP continues to benefit from the contribution holiday. Since Plan inception, approximately 30% of all money put into the fund has come from member contributions thereby contributing to the current surplus position.

TCRC Pension Request

Today, 2012 the Plan was not in as good of shape as it is today, and because of the arbitration at that time, pensions were capped to help get the Plan back on more sustainable ground. While the cap limited the pension provided to members, it also benefited CP as pension costs were also limited. The pension cap is not common in defined benefit plans and something unique to railway plans.

Example: A member with a final average earnings of \$140,000 with 35 years of service will receive an annual pension of \$77,000 under the current plan terms. If the \$2,200 cap was not in place, the annual pension would be approximately \$94,000.



Today 2022, a decade later, our members have received no pension improvements and the same caps are still in place today, despite the Pension Plan being in a significantly improved position. We did not agree to enter the company's Pension Improvement Account as we were not willing to agree to the terms and forfeit the right to bargain pensions in the future. Instead, we decided to request pension improvements through the bargaining process which is where we are today.

Contrary to what you may have read, our pension request is by no means unreasonable. We have asked for the pension cap to be raised by less than 5%, not much given this is the first pension increase in 10 years. This increase doesn't even cover inflation during the period. We have also asked that all members, including new hires since 2013, be treated equitably and provided the same pension benefits as members hired prior to 2013.

In terms of the cost to the Plan, the Union's entire pension request is worth approximately 1% of the current ongoing surplus which is not much relative to how much members have contributed, and continue to contribute, to the Pension Plan. The company's contribution holiday will not be impacted. It is difficult to comprehend how this request could be seen as unreasonable as suggested by the company.

Despite other claims, our pension request does not negatively impact other members of the Plan or the overall sustainability of the Plan. In fact, several other unions have already received pension improvements similar to our request.

Final Comments

Our members have dedicated their careers to working for the Canadian Pacific and rightfully demanding a fair pension. Unfortunately, the Company has, once again, prioritized their share price ahead of their workers and members' ability to retire with peace of mind.

Please know that we are very concerned with the prospect of a lock out or strike for not only our members, but for all Canadians. We understand the potential impact of a work stoppage and are committed to getting to a resolution. At the same time, our demands are not unreasonable and there is no excuse why we should not be able to negotiate an acceptable collective agreement.

We trust this explanation will provide some insight and dispel some misinformation regarding this important demand. As you all know, neither party has given notice of a work stoppage but be assured, we will keep you immediately informed on any further developments.

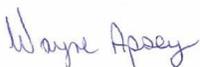
In Solidarity,



Dave Fulton
General Chairman - CTY West



Greg Edwards
General Chairman - LE West



Wayne Apsey
General Chairman - CTY East



Ed Mogus
General Chairman - LE East

cc: Lyndon Isaak, President, TCRC, Dave McCulloch, Vice President TCRC, Christopher Friesen, Secretary-Treasurer TCRC

