

October 30, 2015

**TO: REGIONAL VICE PRESIDENTS
BRANCHES & FACILITIES**

OSFI's ANSWER

Almost one year ago, we [communicated](#) with you about the joint approach by NAV Canada and its unions to the Office of the Superintendent of Financial Institutions (OSFI).

Our question to OSFI was: "How would you respond to a formal proposal to eliminate guaranteed CPI indexing in the very unlikely event that the NAV Canada pension plan (NCP) were to be terminated in the future?"

If the changes had been approved, automatic CPI indexing of pensions would continue to be paid to all current retirees and to all plan members who retire under Part A after the effective date of the change, as long as the NCP remains in operation.

In the very unlikely event that the NCP is terminated- and note that unions must agree to terminate the NCP, the impact of the OSFI amendment would be:

- Employees who have retired before the effective date will have guaranteed CPI indexing of pension benefits during retirement;
- Employees who retire after the effective date will have fixed rate indexing adjustments of pension benefit entitlements during retirement to the extent that any plan surplus assets would allow.

The practical effect of this proposal – which an arbitrator's April 2013 decision ordered CATCA to support – would have been to generate huge savings for NAV Canada by reducing its enormous solvency deficit, and thus relieve NAV's pressure on the unions to make real concessions on the pension plan.

At long last, OSFI convened the parties to an October 15 meeting. Representing all eight unions were CATCA president Peter Duffey and Michael Mazzuca, legal counsel and pension expert. NAV was represented by Ray Bohn (VP Revenue and Pension Administration) and Michel Benoit, legal counsel.

OSFI's answer was clear. It was: "NO". Even after much debate and discussion, OSFI views the proposal as a "workaround" which is contrary to the intent of the legislation – and it would not support a formal proposal along these lines.

The work to this point has been long and complicated, but it's not over yet. In the days to come, we will be meeting with the employer, the other unions, and our experts to decide on next steps. Also, we will soon issue a document explaining in detail the history of how this file evolved. In the meantime, we sincerely appreciate everyone's patience and confidence. Any questions or comments you have are welcome, and they can be addressed to your Regional Vice-President.

On Behalf of the Board of Directors;

Peter Duffey
President

Doug Best
Executive Vice President