



CBC PENSION PLAN AMENDMENTS (SCHEDULE B) – CONTRIBUTION SHARE

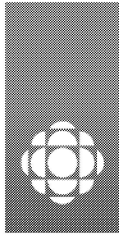
TO:	Board of Directors Human Resources and Governance Committee
MEETING:	February 24-25, 2015
FROM:	Roula Zaarour, Vice-President, People and Culture
DECISION SOUGHT:	Approval of Bylaw Schedule B “CBC Pension Plan” amendments to: <ul style="list-style-type: none">• Increase employee share of contribution from the current 40% to 50% over the next 3 years in 3 increments, and• Provide automatic adjustments to the employee contribution rates to maintain the contribution share ratio.
NEXT STEPS:	<ul style="list-style-type: none">• Seek approval from the Minister of Canadian Heritage• Communicate decision to Consultative Committee on Staff Benefits• File amendments with Office of the Superintendent of Financial Institutions (OSFI) and Canada Revenue Agency (CRA)• Communicate changes to Plan members
DATE:	February 10, 2015



CONTEXT

- The March 2012 Federal Budget announced that the Government will work with Crown Corporations to ensure their pension plans are financially sustainable and broadly aligned with the Federal Government's pension plan.

- Also in 2012, the Board of Directors and the Minister of Canadian Heritage approved an increase of the employee share of pension contribution from 34% to 40% that was implemented over 2 years:
 - From 34% to 37% effective July 1, 2012, and
 - From 37% to 40% effective July 1, 2013.

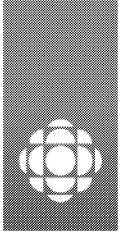


CONTEXT (CONT'D)

s.18(b)
s.21(1)(b)

- To be consistent with the changes made to the Federal pension plan, the Corporation responded to the letter received from the Minister of Canadian Heritage (September 2013) with the following:
 - We will increase the employee share to 50% by 2017 which will enable the Corporation to meet the Government's request;
 - Our plan already has a normal retirement age of 65; and
 -

- The current agreement with our unions to not exceed 40% for the employee share of pension contribution expires on June 30, 2015.



CONTEXT (CONT'D)

- The current CBC Pension Plan (the Plan) wording specifies contribution rates, which require annual amendments to be approved by the Board and the Minister in order to maintain a desired contribution share.
 -

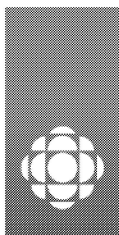
- The 2014 total amount of employee/employer pension contributions is estimated at (or paid by the Corporation).



KEY DECISION ELEMENTS

- Increase the employee share of pension contribution from its current 40% to 50%, in equal increments over the next 3 years, according to the following schedule:
 - From 40% to 43.33% effective July 1, 2015;
 - From 43.33% to 46.66% effective July 1, 2016; and
 - From 46.66% to 50% effective July 1, 2017.

- Enable the Corporation to set the employee contribution rates to maintain its share of pension contributions (the total annual contribution is determined by the actuarial valuation and might change every year).



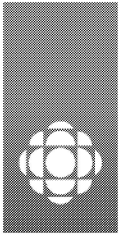
KEY BENEFITS, IMPACTS & RISKS

- Benefits:

- Estimated cumulative savings over 3 years of \$18.2M.

	2014	2015	2016	2017

- Further aligns our Plan with that of the Federal Government.



KEY BENEFITS, IMPACTS & RISKS (CONT'D)

- Impacts:
 - Reduces employee take-home pay.

- Risks:
 -
 -
 -



OTHER OPTIONS CONSIDERED

s.18(a)
s.18(b)
s.21(1)(b)

1.



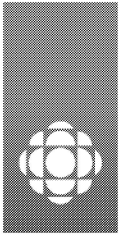
2.



3.

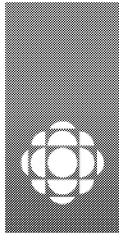


¹ Assuming a 1.4% annual base salary increase.

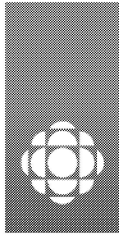


RESOLUTION

- That the Human Resources and Governance Committee recommend to the Board of Directors that, subject to Ministerial approval, Schedule B (CBC Pension Plan) of the Bylaws be amended as specified in Appendix 1.



APPENDICES



APPENDIX 1 – AMENDMENTS

That Section 4.1 of Schedule B (CBC Pension Plan) of the Bylaws be amended, effective July 1, 2015, as follows:

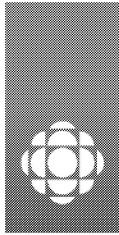
1. By replacing subparagraph (d)(iii) with the following:

“(iii) In respect of the period beginning July 1, 2014 and ending June 30, 2015:

(A) the sum of

- (1) six and twenty-five hundredths percent (6.25 %) in respect of Salary up to and including the YMPE, and
- (2) eight and twenty-two hundredths percent (8.22 %) in respect of Salary exceeding the YMPE,

(B) multiplied by the Full-Time Equivalent Rate of the Contributor for the given period.”



APPENDIX 1 – AMENDMENTS (CONT'D)

2. By adding subparagraph (d)(iv) as follows:

“(iv) After June 30, 2015:

- (A) in respect of the period beginning July 1, 2015 and ending June 30, 2016, employee contribution rates in respect of Salary up to and in excess of the YMPE will be set to represent forty-three and thirty-three hundredths percent (43.33%) of the normal cost of the benefits expected to accrue during this period;
- (B) in respect of the period beginning July 1, 2016 and ending June 30, 2017, employee contribution rates in respect of Salary up to and in excess of the YMPE will be set to represent forty-six and sixty-six hundredths percent (46.66%) of the normal cost of the benefits expected to accrue during this period;
- (C) in respect of each period after June 30, 2017 beginning July 1 and ending June 30, employee contribution rates in respect of Salary up to and in excess of the YMPE will be set **yearly** to represent fifty percent (50%) of the normal cost of the benefits expected to accrue during the applicable 12-month period.

For greater certainty, employee contribution rates after June 30, **2015** will be determined by the Corporation prior to July 1 of each applicable 12-month period.

The Corporation will base its determination on the latest actuarial valuation filed with the Superintendent prior to the beginning of the applicable 12-month period.

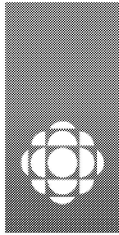
The new rates for the upcoming 12-month period will be determined by multiplying the rates then in effect by a single adjustment factor in order for the expected employee contributions to represent the percentage of the normal cost defined under paragraph (A), (B) or (C) above, as applicable.”



APPENDIX 1 – AMENDMENTS (CONT'D)

3. By replacing paragraph (f) with the following:

“Notwithstanding paragraphs 4.1(c) and (d), the rate of contributions set out in clause 4.1(c)(i)(B), or sub-clause 4.1(d)(i)(A)(2), 4.1(d)(ii)(A)(2) or 4.1(d)(iii)(A)(2) or the rate determined in accordance with subparagraph 4.1(d)(iv) in respect of Salary exceeding the YMPE, as applicable, shall apply to the entire Salary during any period in which the Contributor does not make contributions under the Public Pension Plan by reason of age.”



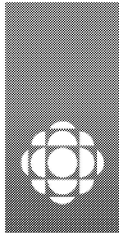
APPENDIX 2 – SCENARIOS CORPORATION’S SAVINGS

s.18(a)
s.18(b)
s.21(1)(b)

Scenarios	Savings in current service cost			
	Year 1	Year 2	Year 3	Total
	2015	2016	2017	

Notes:

- 1.4% base salary increase each year
- Savings compared to current 40/60 sharing
- Current service cost level kept to current value



APPENDIX 3 – SCENARIOS EMPLOYEE TAKE-HOME PAY IMPACTS

s.18(a)
s.18(b)
s.21(1)(b)

Scenarios	Effective date	Average annual salary increase (after-tax)	Average annual increase in employee pension contribution (after-tax)	Annual increase in take home pay (after-tax)
-----------	----------------	--	--	--



Assumptions:

- 1.4% base salary increase each year
- A salary of \$70,000 as of July 1st 2015
- A tax rate of 25% (Ontario)
- Yearly Maximum Pensionable Earnings increase projected at 2%