

National President Open Letter

July 6, 2010

Fellow members of FSNA,

On June 1st, the President of the Treasury Board (TB) of Canada announced that pensioners' contributions to the Pensioners' Dental Services Plan (PDSP) will increase from their current rate, beginning with the deduction from the pension payment for September 2010.

The then National President of the FSNA, Stan Hrabarchuk, as well as the Executive Director, Sylvia Ceacero, and the Research and Communications Officer, Charlotte Roy, were informed of this news via teleconference a few hours prior to the public announcement by the President of TB, Stockwell Day.

Pensioners' contributions to the PDSP are increasing to a 50-50% cost-sharing ratio of PDSP costs (see table below). This is a change from the 60%-40% cost-sharing arrangement in effect from the inception of this plan on January 1, 2001. Pensioners' monthly contributions that had been reduced as of March 2006 will be brought back to their 2001 level, beginning this fall.

Members who joined the PDSP between January 2001 and February 2006 have already paid contributions at rates similar to the contributions coming into effect for October 2010 coverage.

A secondary part of this news is the possibility for pensioners who have joined the Plan in the last three years to cancel their membership before completing the normal mandatory three-year participation in the PDSP. It must be noted that a member who terminates his membership in the PDSP at any time may not join the Plan again at a later date.

Category of coverage	From	To
Pensioner only	\$12.50 monthly	\$16.00 monthly
Pensioner and one eligible family member	\$25.50 monthly	\$31.96 monthly
Pensioner and more than one eligible family member	\$36.20 monthly	\$47.96 monthly

Since PDSP contributions are due the month preceding the month of coverage, the higher contributions will be deducted from pension payments in September 2010 for the increased cost of coverage starting on October 1, 2010.

The reasons given by government representatives for the need to increase pensioners' contributions to the PDSP are the higher cost of the Plan due to increased membership and the higher cost of dental services and technologies. It must be noted that a number of new members also have eligible dependants, whether spouse or children.

In this instance, the results of research conducted by staff are consistent with the research results cited by Treasury Board Secretariat (TBS). In particular, it must be noted that many employers, both in the public and private sector, do not provide a dental plan for their retirees. In fact, the provision of post-retirement benefits by employers has been declining in recent years.

The Immediate Past National President and the Executive Director have been speaking to our members about the advocacy discussions held with TBS officials in November and January. Both times, the TBS's Assistant Secretary Pensions and Benefits Sector made verbal references to program reviews, especially following the 2009 federal budget. No details were provided to FSNA nor could any be expected until government decisions had been made, as officials cannot divulge details of the budget cuts in advance of the government's announcements.

On hearing about the increase from TBS representatives, FSNA requested the data on the growth in members and plan costs since 2001. Other than through an entry in the Public Accounts of Canada, the costs of this plan have not been made public. There is no annual report on the PDSP – such as for the federal pension plans. The PDSP is managed by the TBS and administered by Sun Life Financial, on contract to the Government of Canada.

FSNA has proposed candidates for appointment to the Board of Management but, otherwise, FSNA does not participate in the management of the Plan.

Data on PDSP usage and costs are reported to TBS by Sun Life on a regular basis but, in spite of early and frequent requests to TB Ministers by successive presidents of FSNA, those data have not been shared with plan members nor have they been discussed with FSNA in their specifics.

Following the announcement of a contribution increase, FSNA is communicating with members to help them ensure that they do not make a hasty, and potentially costly decision to leave the Plan.

Members must analyze their current situation versus the situation in September to assess whether remaining or withdrawing from the programme is advisable for their particular circumstances.

FSNA will intensify its advocacy efforts to TB Ministers and senior officials to obtain timely data on PDSP growth in members and covered dependants as well data on the rise in costs due to other factors (usage, increases in the cost of dental goods and services, new technologies, administration) and the impact of these factors in plan costs.

In this regard, following its June 18th meeting, the NBOD entrusted the Executive Director with approaching Treasury Board officials to try to obtain specific and detailed information as to how the government had arrived at the conclusion it required to change the contribution of pensioners' from 40% to 50%.

As soon as the information has been received and analyzed, a meeting will be sought. Meetings with the presidents of the three major unions: PIPSC, PSAC and CAPE to further discuss this issue as well as the PSHCP negotiations have already been established for early July.

It is important to note that the Pensioners Dental Services Plan is not a negotiated agreement. It is a plan that the government put into place for federal retirees, in January 2001, following years of advocating by the FSNA. The PDSP is funded by the Government of Canada and by federal retirees who participate in the plan voluntarily and pay the required monthly contributions.

The PDSP is not an insurer's plan. The only role played in this plan by an insurer is the provision of administrative services. Currently, Sun Life Financial administers the PDSP under contract to the Government of Canada. Under this contract, the PDSP Administrator applies the provisions of the Plan but does not determine those provisions. These provisions are entirely within the purview of the Government of Canada, although the FSNA may advocate for improvements. Of course, the results of advocating are generally uncertain and require sustained effort over time.

Despite its past successes, the Association is not a bargaining agent, nor are federal pensioners eligible to form a certified bargaining unit under federal labour legislation. FSNA represents federal pensioners within the Advisory Committees on the federal pension plans and in the governance of the Public Service Health Care plan. Through these bodies and otherwise, representatives of the Association are informed and consulted by senior government officials about changes to pensioners' benefits.

FSNA advocates on behalf of pensioners for better benefits for federal retirees, and it succeeds only through open discussion based on sound, reliable research. Further, the results of such efforts are subject to the government's judgment of its interest in increasing federal pensioners' benefits and the government's assessment of the willingness of Canadian taxpayers to fund these benefits in some measure.

As well, efforts need to be deployed to assess the immediate and future costs of any improvements FSNA may seek. In this respect, FSNA has sought and will continue to seek a more open exchange of information from the President of the Treasury Board of Canada about the costs of the PDSP and the factors that affect PDSP costs.

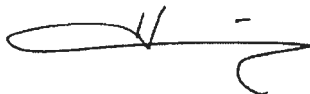
Further, to succeed in improving pensioners' dental benefits or in keeping costs low, FSNA needs to find allies who will support its efforts in this regard. Such allies might be found among Canada's political parties, other retiree groups, bargaining agents for the public sector or other interested Canadians. Establishing and cultivating these relationships will require a sustained effort over time.

FSNA must always be aware of the tightrope it must walk when seeking improvements to federal pensioners' benefits since Canadian taxpayers are often resentful of the benefits available to federal pensioners that are not widely available to other Canadian retirees.

FSNA will continue to refine its advocating efforts for the protection and enhancement of federal pensioners' and our members' interests.

Should you have any questions or concerns, please do not hesitate to contact our Executive Director, Sylvia Ceacero at sceacero@fsna.com as we closely follow this file together.

Yours truly,

A handwritten signature in black ink, appearing to be 'Hélian E. Lizotte', with a stylized flourish at the end.

Hélian E. Lizotte
National President