100 Years of Scouting
100 ans de scoutisme

November 21, 2007

To: All Scouts Canada Active Employee Pension Plan members

From: Bill Palamar, Director of Human Resources

Re: Recent news articles concerning Scouts Canada's finances

There has been a recent series of news articles appearing in CanWest media newspapers in which a member of the organization "Scout Eh!" states that Scouts Canada has $6 million in unfunded pension liability, and claims that Scouts Canada's finances are in an unhealthy state. I would like to take this opportunity to respond.

The statements attributed to Scouts Eh! are unfounded and incorrect. Together with our Director of Finance, I have carefully reviewed these articles, and am not sure how this individual has come up with the $6 million figure. I can only speculate that it relates to the accrual accounting of Scouts Canada's Retiree Group Health Benefit plan.

Scouts Canada's Retiree Group Health Benefit plan **remains financially viable**. If you recall this fall's Future Group Health Benefits presentation, the cost of annual retiree group health premiums has a relatively limited impact on the National and local council budgets, and remains very affordable. Our annual operating expenditures need only ensure premium coverage for the retirees receiving health benefits in a given year, which in 2007 numbered only 121 premiums.

During the presentation we also discussed the changes in CICA accounting regulations in 2002 and our requirement to now post an estimated accrual for all of our current and future retiree health plan premium expenses. This accounting accrual accumulates the combined premiums for all potential plan members over multiple future decades.

The future health benefits liability is currently over $6 million and would have more than doubled in the next decade had we not eliminated eligibility for employees hired after April 2005, and introduced the new Health Spending Account criteria and plan design. Despite these steps to manage and over time reduce this liability, Scouts Eh! has very deliberately generated public concern through misinformation about this accounting requirement.

The Scouts Canada Pension Plan, to which these recent articles attribute a $6 million shortage, is also solvent. This reported deficit is grossly inflated.

Pension management rules established by the Financial Securities Commission of Ontario (FISCO) state that a registered defined benefit pension plan must have a full valuation conducted every three years. A valuation combines the current value of pension plan assets with the estimated income of future plan investments and compares this to the estimated financial obligation required to provide payments for all retired and actively employed plan members. (Current plan assets + estimated future investment income – payment obligations to all members = pension plan surplus or pension plan deficit.)

As per FISCO rules, estimated future investment income must be calculated on the bond market rate, which is currently 7 -10% less than the rate of return for our own relatively conservative pension portfolio. The difference between the bond rate calculation and the real rate of return for many pension investment portfolios is why the majority of Canadian defined benefit pension plans – including our own - have reported deficits.

At the time of our 2006 pension evaluation, Scouts Canada's pension fund was funded to well over 90%, and was in the top twenty percent of defined benefit plans by Canadian employers. Since that time, your council, the National Office and each of us as pension plan members have increased contributions towards ensuring full funding, following the Financial Securities Commission of Ontario (FISCO) guidelines and timelines. We do not have a cash issue. We meet all of our obligations and have completed all filings with the Financial Securities Commission of Ontario. Our Pension and Benefit funds are managed in full consultation with nationally recognized professional actuaries, professional custodians and a professional fund manager.

Let me reassure you, unequivocally, that the **Scouts Canada Pension Fund** is indeed very healthy, and neither the Pension Fund nor our organization is facing bankruptcy. In fact, Scouts Canada's finances are showing a surplus, as was reported last year and will again be seen when this year's Audited Financial report is released at our upcoming Annual General Meeting. Scouts Canada is, and will continue to able to meet our pension and retiree group health obligations to our retired and active employees.

I hope you will not hesitate to contact me should you have further questions regarding this issue. I will, as always, be pleased to answer your questions and to assist in any way I can. My contact information is as follows: bpalamar@scouts.ca 613-224-5131 ext. 246.