

## Federated Co-operatives Limited

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January 19, 2020

National Farmers Union  
Robert Pedde Building  
2717 Wentz Avenue  
Saskatoon, SK S7K 4B6

### **Attention: Katie Ward, President**

Dear Ms. Ward:

Thank you for your letter regarding the labour dispute at the Co-op Refinery Complex (CRC), I welcome the opportunity to respond to the concerns raised on behalf of FCL's Board of Directors.

First, we understand the criticality of the CRC's fuel supply to the western Canadian economy as a whole, and to agricultural producers in particular. That is why the Board supported management's determination to have an effective business continuity plan (BCP) in place to ensure safe and reliable fuel production in the event of any potential interruption to production and supply. This is just prudent business, but in the case of CRC it is also critical to ensure that fuel is available to all the local Co-ops (and their members) who have invested billions of dollars in the CRC over the decades. It is worth noting that reliable access to fuel supply within the co-operative system was the driving force behind eight enterprising farmers making the bold, visionary decision to build a refinery in Regina in 1935. It is incumbent on us to ensure that we guard that legacy.

Second, and to your point about mediation, that was attempted but ended with no progress being made. FCL has made it clear for many months that we respect the collective bargaining process, and have on a number of occasions presented modifications to our proposals. In response Unifor 594 has demanded that FCL agree to an "irrevocable clause" guaranteeing no changes – now or ever – to the Defined Benefits pension plan before any further talks could take place. We simply cannot agree to that demand and as a result no meaningful bargaining has taken place since Unifor 594 stopped talking on September 26, 2019 (including during the mediation that took place in October). Again, it is worth noting that the CRC did not commence construction of business continuity facilities on-site until the final, Unifor-driven break down of mediation in October.

Third, we have long known that there is a need to negotiate a new pension formula given current competitive realities, the need for future investment requirements at the CRC to support the transition to a low-carbon future, and the very real imperative to provide a fair rate of return to local Co-ops and their members. There are two challenges that need to be addressed:

- 1) Currently members of Unifor 594 effectively have two pensions. One is a fully employer funded DB plan, and the second is a “Savings Plan” wherein the employer matches employee contributions of 6.5% (for a total contribution of 13% per year). We don’t believe this is right and that’s why we’re proposing to replace the Savings Plan with a performance bonus based on the CRC’s performance in safety, reliability and utilization rates; and,
- 2) The fully funded DB plan is unsustainable as currently designed. Employees make no contributions and over the years FCL has been compelled to pay additional, special payments into the fund to ensure long-term solvency. In the four fiscal years 2016-2019 alone FCL has paid \$192 million in cash (in addition to funding regular pension contributions) into the plan. In spite of those special payments our 2019 Annual Report reflects a \$168 million pension liability. These are monies that would otherwise be available to share back with local Co-ops and their members as patronage, or be re-invested in our long-term plans to enhance the CRC’s ability to be a leader in low-carbon, liquid transportation fuels production. Put simply, the current formula is not sustainable if we are going to succeed over the long term.

This brings me to my fourth and final point – the question of co-operative values, commitment to community and Co-op being a different kind of business. As a farmer and lifelong co-operator I firmly believe that our co-operative, and the 170 local co-ops that own us, are making a difference every day by distributing our profits back into communities across western Canada. Our members have invested in the CRC and as a consumers’ co-operative it is incumbent upon us to ensure that those members get a fair rate of return on their investment. We are proud of our ability to remunerate all our employees fairly and competitively, including those at the CRC. But remuneration of employees is not our only measure of success. Our duty of care is to the whole membership – all 1.9 million individual members of co-operatives across western Canada – not only to a select group of employees who already enjoy a total rewards package in excess of competitors in the industry.

In closing, let me state clearly that no one at FCL is happy with the breakdown of negotiations and would like nothing better than to get back to the bargaining table. But we will not do so under the duress of an "irrevocable clause" ultimatum that ties our hands on the key issue of pension changes, now and forever. That would be an abdication of the Board's duty to the Co-operative Retailing System, and would ignore the legacy of those farmers who built the refinery to ensure a reliable supply of fuel and share of profits to all members of the co-operative

Sincerely,

A handwritten signature in black ink, appearing to read "Sharon Alford". The signature is fluid and cursive, with a long horizontal stroke at the end.

Sharon Alford, President/Chair of the Board

P.S. I encourage you and your colleagues to visit [www.refineryfacts.ca](http://www.refineryfacts.ca) for more information about the labour dispute.