FOREST INDUSTRIAL RELATIONS
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ADVISORY LETTER

AL-08-19

August 22,2019

TO: ALL FIR ACCREDITED MEMBER COMPANIES

Gentlemen and Mesdames**:**

Re: WFP Proposals re Industry-wide Benefit Plans

We have recently had a few member companies ask about WFP's bargaining objective regarding the benefit plans in their current negotiations with the USW. We don't know their objective but we do know their opening position was as follows:

"H&W-Ability to opt out of Industry wide plan under Art XVII, Sec2"

It Can't Be the Cost of the Benefits!

If WFP has analyzed the cost they pay for benefits they cannot feel they have paid too much for their employee benefits. The 2009 merger of Coastal H&W Plans 1 and 2 into the USW-Coastal Forest Industry Health and Welfare Plan has led to significant economies of scale for employers. At the time of the merger in 2009, WFP was paying a premium rate of $122/month per employee for the Health and Welfare coverage (which consisted of life insurance at $100,000 and Weekly Indemnity at $449 per week.) Ten years later, in 2019, they are paying $118/month per employee (including a prompt payment discount available to them) for coverage now consisting of life insurance of $120,000 and Weekly Indemnity of $662 per week.

Is it the Design of the Plan or the Plan Insurance Carrier?

Decisions as to Plan design, adjudication, selection of carrier are made by the Joint Board of Trustees of the Plan. WFP has a Trustee on that Board and can influence decisions on these matters.

Impact on the Contractor

Our contractor member companies have asked us what the departure of WFP from the industry wide coastal benefit plans would mean for the contractor employers left behind. This is an employer demand that is detrimental to WFP's contractors. It would probably mean higher overall benefit costs for the contractor—but probably much higher costs for WFP to provide employee benefits. We wonder if they understand this.

This is a good time to review how the current system of employee benefits included in all the USW forest industry collective agreements work.

The Current System

There are six basic employee benefit plans embodied in the Agreement—the Health and Welfare Plan (which covers Short Term Disability and Life insurance), the Dental Plan, the Extended Health Care Plan, MSP, the LTD Plan and the Pension Plan. Most of these are jointly trusteed plans so there is both equal employer and employee representation. Some of these Plans are inter-related so that you must be in one to have coverage in another.

Together, this package of plans is a result of industry wide collective bargaining over many years.

The current collective agreements all coastal forest companies are bound by provides that :

1.Insurance coverage is to be instituted on *an Industry-wide basis with a common carrier.* This is done on a regional basis with regional employer associations acting as sponsors in the Northern Interior, Southern Interior and Coast (Pacific Blue Cross is the industry-wide common carrier). Benefit levels in these plans are comparable.

2.Participation in the Plans is to be *a condition of employment*. (All employees are to be enrolled in all plans.)

3.Coverage is designed to be portable for employees who change employers within the forest industry so that employees who have been covered by the industry wide plan in one region of the province can have immediate coverage if they become employed elsewhere in the industry. This is not possible with more than one insurance carrier. The USW-Coastal forest Industry H&W Plan Text allows portability only between members of Forest Industrial Relations Ltd. (both Accredited and Benefits Only members like WFP), the IFLRA, CONIFER, and Canfor.

For WFP to succeed in withdrawing from the industry wide plans would require the USW to agree to changing the WFP-USW collective agreement language significantly to allow for a company-only plan without portability. We expect that this WFP demand will be strongly resisted by the USW.

The Cost of Leaving

The cost of a Western negotiated departure from the Plans would be significant for the contractor community. Being part of a large Administrative Services Only (ASO)Plan keeps the cost down for the small operator. One of the driving forces behind the merger of the Coastal plans#1 and #2 in 2009 was the rapid emergence of small contractors in logging and by having one large ASO Plan there were economies of scale for the small contractor.

But, the cost to Western may be greater than they have anticipated.

Benefits carriers prefer to cover benefits on an “insured basis”, which means they will charge a significant “risk premium” on top of what they anticipate the annual claims cost will be. Administrative Services Only contracts (like the ones the Plans currently have) are only entered into with clients of significant size and they require the sponsor to have on deposit with the Insurer a significant Claims Fluctuation Reserve. (Our current Claims Fluctuation Reserve agreement with PBC requires a reserve equal to 2 months normal claims).

In addition, the Plan Text specifies that a departing company becomes immediately responsible for any of their employees’ Weekly Indemnity claims currently in payment and Incurred But Not Reported claims at the date of departure.

So, based on the need to establish reserves and other requirements above, establishing a WFP Only Benefit Plan (ASO but without portability) would have start-up costs in excess of $1,000,000.

Please call or email Ross or myself if you have any questions.

Yours truly,

Tom Getzie