



BULLETIN

TRANSPORTATION DISTRICT 140 DISTRICT DES TRANSPORTS 140

*International Association of Machinists and Aerospace Workers
Association internationale des machinistes et des travailleurs et travailleuses de l'aérospatiale*

TO ALL IAMAW MEMBERS AIR CANADA

AIR CANADA DEFINED BENEFIT PENSION PLANS IN SURPLUS

Dear Brothers and Sisters,

Air Canada has announced that preliminary estimates show that their Defined Benefit pension plans have returned to a surplus solvency funding position. Air Canada also announced that, over the midterm, they would be moving to de-risk the investment profile of their pension plans by moving more of their assets out of equities and into fixed income investments to better match the liabilities of their pension plans.

A large contributing factor to the solvency funding surplus is the nearly \$1 Billion in solvency reduction that has been realized as a result of the implementation of changes to all of Air Canada's pension plans. These changes were collectively bargained in the 2011 - 2012 round of negotiations with Air Canada.

The IAM&AW has been a long-time advocate for Air Canada to de-risk their pension investments. In the 2009 round of negotiations, as part of the two (2) year extension of our Collective Agreement, the IAM&AW had Air Canada sign a letter of intent to review their pension plan investment strategies with the stated goal of lowering the risk profile of the pension plan investments. This was an issue that the IAM&AW had previously raised with Air Canada prior to 2009 as well.

Air Canada has started the process of de-risking their pension investments since that time as part of a re-examination of their pension investment strategy. The IAM&AW will now be pushing Air Canada to ensure that 100% of the assets of the new single IAM&AW pension plan are de-risked to eliminate future exposure to the equities markets and the fluctuations of asset value associated with that asset investment class.

Entering into the 2011 round of collective bargaining with Air Canada, the IAM&AW took a proactive role in bringing a proposed pension solvency solution to the company that we felt would protect our members' pensions and provide Air Canada with their much needed solvency funding relief. As a result of that proposal, your Union was successful in negotiating our pension solution which resulted in the June 2012 Picher Award Pension MOA.

The successful implementation of that pension MOA meant that, on the company's side, they achieved the 24% reduction in their solvency funding deficit that they required. But more importantly for our members, it protected your ability to retire with an unreduced pension on the exact same date and with the exact same dollar value to your pension as you could have done under the previous pension plan rules.

Specifically, we protected our members' ability to retire with an unreduced pension any time after attaining age 55 and 80 points of age + qualifying service. Exactly the same as our previous pension plan rules. We were further able to maintain our normal form of pension as the J&S50% option that protected the lifetime spousal survivor pensions at the exact same dollar value as under the previous pension plan rules.

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We were able to do this by proposing and negotiating the consent provision to our pension plan. This was the key to being able to move the Air Canada pensionable age to age 65 to provide their solvency funding relief, yet allow us to maintain our unreduced pensions as being payable from age 55 and 80 points with the consent of the company. In fact, this consent provision was applied by Air Canada to all of their pension plans (except ACPA who have a structurally different retirement plan) to allow for the payment of unreduced pensions prior to age 65 in all of those plans as well.

The IAM&AW entered the 2011 round of collective bargaining looking to find a permanent solution to a pension solvency crisis that has overshadowed every other single thing at Air Canada during the last decade. Our stated goal was to ensure that our pension plan would be secure in the long term and that, in all future rounds of collective bargaining, our pension plan would not be a topic of discussion at the bargaining table unless the IAM&AW was looking to increase pension benefits for our members.

The January 22nd, 2014 announcement by Air Canada of their pension plan surplus confirms the validity of our proposal and our intention. Air Canada's employees have stepped up to the challenge of protecting our Defined Benefit pension plans for our members, both active and retired. In so doing, the IAM&AW has protected our member's Defined benefit pensions and has afforded all of our members the ability to enjoy their retirement with dignity and security of their pension income.

In conjunction with Air Canada's pension investments since 2009 and the long term government bond rates, we have succeeded in stabilizing our pension plans much sooner than anyone had thought possible. It remains now only for Air Canada to seize this opportunity to de-risk our pension plan while it is fully funded to secure it for the very long term. That will result in secure pensions for our members for their lifetimes.

The IAM&AW and Air Canada's other unionized groups have proven that Define Benefit pension plans can and do work if properly structured and managed. We have achieved in a remarkably short time what most governments and businesses have said could not be done. The pension plan changes proposed by your union have helped to put Air Canada in a position to now secure the long term stability of our pension plan and our jobs going forward.

In Solidarity,



Christopher Hiscock,
Pension Committee

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BULLETIN NO. 006 - ISSUED JANUARY 28, 2014 PLEASE COPY, POST AND CIRCULATE

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