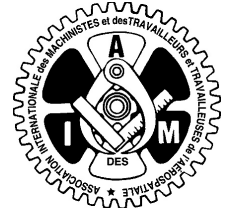


DISTRICT 140

ASSOCIATION INTERNATIONALE DES MACHINISTES ET DES TRAVAILLEURS ET TRAVAILLEUSES DE L'AÉROSPATIALE
INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS



INFORMATION UPDATE

June 22, 2012

Aveos Pension - Update no. 3

The IAMAW has received clarification on a very significant point that will affect the calculation of each member's pensionable service and payout options with respect to their pension service earned up to July 14, 2011. This clarification will result in a positive effect for all members.

In the June 15th Pension Update no. 2, it was stated that the Aveos pension plan would be terminated and wound up in two parts, one for service accrued in the Air Canada pension plans and one for service accrued after August 1, 2011, in the new Aveos pension plan. It was further stated that *"These two processes will be separate from each other and the combination of your pensionable service accrued in both plans will not be allowed. The calculation of both pension benefits owed will be done independent from each other and paid out separately."*

We can confirm that while the described separate calculation and payout of these two periods of pensionable service will still take place, the combination of the member's age and pensionable service accrued in both plans will be allowed. This combined pensionable service will be used in the calculation of each member's benefit earned in the Air Canada pension plans and their applicable pension benefit payout options.

This combination of age and service will be used solely for the purpose of calculating the member's attainment of pension milestones and their placement on the pension benefit options grid. It will not be used to combine pension contributions for the purpose of purchasing additional Air Canada pensionable service.

As an example, a member had 79 points of age + pensionable service in the Air Canada pension plan as at July 31, 2011. They would have attained 80 points of age + service six months later as at January 31, 2012, under the terms of the Aveos Pension and Benefits Transition Agreement. Under the termination and windup provisions ordered by OSFI, members will now be allowed to use their age + pensionable service as at the date of termination of the Aveos plan for this calculation. The effective termination date for age and pensionable service is expected to be as at March 31, 2012. Because everything to do with pensions is calculated using whole months, members of the Aveos plan will be credited with all of March 2012 exactly as was the case with July 2011 for their Air Canada pensionable service.

The member in the above example would therefore be credited with 80.33 points of age + pensionable service as at March 31, 2012. This is the value that will be used to determine where the member will fit on the pension benefit grid that is used to determine which pension payment options they are eligible to receive (i.e., deferred, immediate reduced or immediate unreduced). In this case, the member will have now met the 80 point pension retirement milestone and will be eligible for an immediate retirement pension. If the member has also attained age 55 or older, then they will be eligible for an immediate unreduced pension. If they have not attained age 55, then they will be entitled to an immediate reduced pension.

A combination of the pension contributions accrued for service after August 1, 2011, with the member's previously accrued Air Canada service will not be allowed. Members will not be allowed to "purchase" their Aveos service back from the Air Canada pension plans. If, in the example above, the member's 79 points as at July 31, 2011, had consisted of 55 years of age and 24 years of pensionable service, then the dollar value of their pension benefit from the Air Canada plan would have been based upon their 24 years of contributory service in the Air Canada pension plan and not the combined 24.66 years of pensionable service in both plans.

The member's age + service will be allowed to be combined for the purposes of penalty reduction (reaching a milestone) and the determination of how and when the pension benefit will be payable. The member's age + service will not be allowed to be combined to increase the actual dollar value of the pension benefit earned in the Air Canada plan through the buyback or "purchase" of the additional Aveos pensionable service from Air Canada.

Respectfully,



Christopher Hiscock, President
Canadian Airways Lodge 764

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