



# 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*

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### TO ALL IAMAW AIR CANADA MEMBERS (TMOS, FINANCE & CLERICAL) AIR CANADA OFF-DUTY STATUS (ODS) PENSION BUYBACK Q&A

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Dear Brothers & Sisters:

Below is an Off-Duty Status (ODS) Pension Buyback Q&A:

**Q1: How will the assumed pensionable earnings used to determine the amount of required pension contributions be calculated?**

**A:** Assumed pensionable earnings during ODS will be based on the compensation rate (wage) that the member earned in the pay period immediately prior to commencing their leave (ODS). This is the same process that is used to value pensionable earnings when members are on GDIP / WCB or for buybacks of pensionable service when returning from government approved LOAs like paternity / maternity leave.

**Q2: How will members be required to repay their pension contribution deficit?**

**A:** Members can choose to either repay their required pension contributions in a single lump sum amount upon their return to active service or they can choose to have their normal pension contributions increased by an additional amount per payperiod after they return to active duty until the deficit has been repaid. At this time the additional contribution amount cannot be calculated because there are too many unknown variables, such as how long the member's ODS will last and how many members will elect to buyback their pensionable service.

**Q3: What pension contribution percentage (%) will DB plan members be required to pay in order to buyback their allowable (pensionable) service that was missed during their Off-duty status?**

**A:** Air Canada is offering the ability for members to buyback their pensionable service at no cost to Air Canada. Members must pay the full cost of the missing pensionable service. This is the same process that is used for buybacks of pensionable service when returning from government approved LOAs like paternity / maternity leave. It is called a "cost-neutral buyback of service" and the

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cost varies based upon the age of the member. The older the member, the higher the cost. The cost ranges from 6.2% of pensionable earnings for a member at age 20 up to 19.9% for a member at age 55 for example based upon the 2019 cost-neutral buyback age schedule.

**Q4: For members of the MEPP, how will the 6% / 6% matching contributions amount be determined?**

**A:** It will be based upon the 12-month average contributions paid prior to the member being placed on ODS. However, the MEPP members will be required to pay both the employee and employer contributions for a total of 12%. This is the same process that is used to determine pension contributions when members of the MEPP are on GDIP / WCB or for buybacks of pensionable service when returning from government approved LOAs like paternity / maternity leave.

**Q5: Is the buyback of pensionable service mandatory for all members or is it optional on an individual choice basis?**

**A:** The buyback of pensionable service is optional at the discretion of each member as to their own personal circumstances and choice.

**Q6: Will the buyback of pensionable service be commenced automatically by the company upon the member's return to active status from ODS or will the member be required to notify the company of their intention to buyback their missing pensionable service?**

**A:** Members must notify the company of their intention to buyback their pensionable service. Members of both pension plans will need to call 1-833-847-3675 (Air Canada Employee Care Team) and select the applicable extension for their pension plan. To initiate the buyback process, members of the DB pension plan must contact HR Connex (option "4" – Pension Plan and select "1"). Members of the MEPP must contact the MEPP administrator (option "4" - Pension Plan and select "3") .

**Q7: How long will members have to notify the company of their intention to buyback their missing pensionable service?**

**A:** Members who wish to buyback their pensionable service must contact HR Connex or the MEPP administrator, as applicable, within ninety (90) days of their return to active duty status from ODS and inform them of the member's intention to buyback their pensionable service.

**Q8: If a member contacts the company and indicates that they would like to buyback their pensionable service, do they have to buy it back if they feel the cost is too high?**

**A:** No. After the member contacts Air Canada to initiate the pension service buyback, the respective pension plan administrator will provide the member with a total cost breakdown to buyback their pensionable service. If the member either feels the cost is higher than they thought or they no longer wish to buyback their pensionable service, they can inform the pension plan administrator of their decision to no longer proceed with the buyback. The member is not committed to the buyback until they agree to pay the price quoted to them at the end of the application process.

**Q9: Do DB pension plan members need to be concerned about Air Canada continuing to grant consent for unreduced early retirements at age 55 with 80 points given the worldwide economic downturn caused by the COVID-19 pandemic?**

**A:** Consent is an ongoing process that is approved quarterly by a sub-committee of the Air Canada Board of Directors who are charged with oversight of the pension plans. Currently consent has already been granted to the end of August 31, 2020 – provided the member has submitted their application within 90 days of their retirement date.

The Air Canada pension plan Master Trust Fund (MTF) is funded (2019 valuation) at 146% on a going concern basis and 115% on a solvency basis. When consent was first introduced in January 2014 the MTF was funded at approximately 83% on a solvency basis. The funding of the pension MTF is completely separate from Air Canada, the market value of Air Canada and the Air Canada share price.

The MTF uses a liability driven investment strategy, where the majority of assets are held in fixed assets. The reason for this is that the liabilities (pension benefits owed) are costed as fixed assets. In simple terms, what that means is that the value of the majority of the assets of the pension plan track up and down in unison with the value of the liabilities of the plan. As the cost of fixed asset liabilities grows, so does the value of fixed asset investments.

The IAMAW pension committee has recently received an interim report from the Air Canada Pension Investment group. They reported that they had done additional de-risking of the MTF at the beginning of 2020 in expectation of a significant market downturn. The pension MTF has weathered the recent equity market downturn as expected and as of March 23, 2020, the MTF still has a significant funding surplus.

Members should make their retirement plans based upon what is the best choice for them and their families personally. Members of the Air Canada pension plans are still very well positioned to retire into a safe and secure retirement at the time of their choosing. The sacrifices that all IAMAW members made during CCAA and the choices that we made in restructuring our pension plans in 2011-12 collective bargaining are now paying dividends.

In Solidarity,



Christopher Hiscock  
Chairman, IAMAW Pension Committee

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