



# 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*

### ALL IAM & AW MEMBERS AIR CANADA PENSION BENEFITS

Dear Brothers and Sisters:

On March 12, 2013 Federal Finance Minister, Honorable James Flaherty, convened a conference call with all of Air Canada's Union Leaders. The purpose of this call was to advise the Air Canada Union Leaders of the Federal Government's recommendations regarding pension solvency funding relief as a result of the expiration of the Air Canada Pension Plan Funding Regulations, 2009, on January 30, 2014.

The terms and conditions Honorable James Flaherty is prepared to grant for solvency relief are as follows:

- The regulations will cover payments for seven (7) additional years, from January 31, 2014 to 2020 and expiring January 30, 2021.
- Air Canada will make payments of at least \$150 million per year and contribute an aggregate payment of \$1.4 billion over the seven (7) year term.
- For the period that the regulations remain in force, Air Canada will not implement any Plan amendments that would have the effect of granting Pension Benefit improvements, unless there is no solvency deficit in respect of such Plan, or OSFI has authorized such Plan amendments.
- Executive compensation limits will be in place during the time that the regulations remain in force. Under these terms, no more than an aggregate amount of \$9 million per year in bonuses may be paid to Air Canada's twenty-four (24) Executive Officers under the Annual Incentive Plan (AIP). No bonus payments under the AIP would be made unless the special payments exceed \$150 million, in respect of that year. Moreover, bonus payments will be proportional to the level of special payments (between \$150 - 200 million) made by Air Canada. For example, a \$175 million payment would allow for only fifty percent (50%) of the maximum compensation under the AIP.
- Limits will also be imposed on equity-based Executive compensation and prohibit any special bonuses outside of the AIP while the regulations are in force, as long as Air Canada has not elected to opt out of the Regulations, as explained below.
- No payment of dividends or share repurchases will be permitted for Class A variable-voting shares and Class B voting shares during the time that the regulations remain in force.
- In respect of the negotiation of the next Collective Agreements with Air Canada's Canadian-based employee Unions, Air Canada will use reasonable efforts and seek to include, in such agreements, a provision requiring an employer/employee pension contribution ratio of 50:50. The union is not obligated to agree with this request.
- The regulations will be implemented if no more than one third (1/3) of all Air Canada's Executive Officers and Retiree Beneficiaries object in writing and if Air Canada's Board of Directors approve these terms by way of resolution.
- Air Canada will submit to the Office of the Superintendent of Financial Institutions all communications materials that it intends to send to its beneficiaries prior to funding the Plans in accordance with the solvency funding relief package.
- Air Canada may elect to opt out of the special regulations, in which case the Pension Plans will revert to regulation under the normal funding rules.

The IAM & AW advised Honorable James Flaherty that we were not opposed to Air Canada pension solvency funding relief. However, there are still outstanding pension issues regarding the Multi Employer Pension Plan (MEPP) negotiated and agreed to between the IAM & AW and Air Canada whereby Air Canada has not made their Company MEPP contributions nor have they deducted and contributed the employees contributions. This only affects those employees hired after June 16, 2012. Therefore, your Union requested that the Honorable James Flaherty advise Air Canada that they also needed to fulfil these pension obligations as well.

In Solidarity,

Fred Hospes, President and Directing General Chairperson  
Transportation District 140, IAM & AW

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