

## DECEMBER 2007 - LL764 PENSION COMMITTEE REPORT

The Pension Committee ran 3 Pension Seminars on November 13<sup>th</sup> and 15<sup>th</sup> in YVR. We had 50 attendees including 4 spouses. We thank all of those members who took the time to attend.

The Company informed us that they were running seminars in YYZ starting December 5<sup>th</sup>, 2007 and they would be running seminars at all bases in the spring of 2008. The Company seminars are offered only to employees who have met one of the early retirement milestones of 25 years of service or 80 points of age + service. Attendance is by invitation only and spouses are not invited.

There was a commitment by the IAMAW and Air Canada to harmonize the Pension Plan benefits for all members as of December 1<sup>st</sup>, 2001 as a result of the merger of CAIL and ACA. This required a restating of the Plan text to reflect the new blended benefits of our Plan for ex-CAIL members. This process was finally concluded in October, 2007. The Air Canada Board of Directors agreed to the changes that had been negotiated to the Plan and accepted the Plan Text as amended at their August meeting. This Text was filed with OSFI and CRA in October making it the new legal and binding Text for the Plan.

Section 15.8 of the Plan text requires that the Pension Committee and the Company meet at least twice per year to oversee the administration of the Plan and any issues arising from members with respect to the Plan. Our meetings are held in April and November of each year, with our latest meeting having taken place on November 21<sup>st</sup> in YUL.

We were given a presentation of the un-audited 3<sup>rd</sup> Quarter results for the Plan. As expected, there was no good news primarily due to the impact on global markets of the sub prime and asset based commercial paper mortgage write downs. While our Plan has a very limited direct exposure to these asset classes, we are a victim of our high quality asset mix. This seems counter intuitive, but the market was flooded with the sale of exactly the type of Blue Chip stocks we hold as investors had to liquidate holdings to cover their loses. These investment grade stocks are the easiest to liquidate. We were also negatively impacted by the unexpected surge in the Canadian dollar.

While our foreign assets actually performed fairly well, these gains were badly eroded when converted back into Canadian dollars. This was particularly true of

our US, EU and Japanese investments, with the Canadian dollar climbing as much as 20% against some of these currencies.

The outlook for the 4<sup>th</sup> Quarter is for a similar market. The Plan had a tremendous year in 2006 with the deficit being reduced from \$1.642B to \$534M, an improvement of \$1.108B. At our April 2007 meeting, the investors were hoping to be able to erase that \$534M deficit by the end of 2007. The actuaries now estimate that the Plan will end 2007 with the deficit roughly on a par with year end 2006.

The Company has done a very good job of putting pension information of the Aeronet portal but has done a poor job of making it easy to find. All of the pension information and the calculators are to be found in the "*My Life*" tab. Next to your wages, your pension is your single biggest benefit. Treat it like an Easter egg hunt and see how much you can find.

We urge every member to look at this information, run a few pension calculations to begin to understand exactly what you can expect to receive when you retire. It is never too soon to begin your retirement planning.

Please ensure that you keep all documents and annual statements pertaining to the Pension Plan in a safe place where you can find them. The Company has informed the Committee that the onus is on the employee to provide documentation to support any claims or disputes that arise with their benefit. It is critical that you ensure that your personal information is correct as shown on the Aeronet and on your annual Pension Statements.

If you find any errors, omissions or miscalculations, please enquire about them as soon as possible. The sooner you enquire about these errors, the easier they are to track and correct.

The Company will search electronic records but are resisting doing manual searches of paper records (which are the older records and are usually the ones in dispute) because of the time and cost involved.

If you have any questions, concerns or problems please contact the Pension Committee and we will do our best to assist you.

On behalf of Gord, Karnail, Verne, Kevin and myself, I take this opportunity to wishes all of you and your families a Merry and Safe Holiday Season. For all of our members who have retired during 2007, we offer our congratulations and envy you not having to fight for vacation and time off for the Holidays ever again.

Christopher Hiscock  
LL764 Pension Committee Chair