

SEPTEMBER 2007 - LL764 PENSION COMMITTEE REPORT

In June of each year, Air Canada sends a personal Pension Statement to every employee to comply with Federal Pension Legislation. The latest statement is for the calendar year 2006 and shows the total benefit contained within your pension as at 31 December 2006.

You should have received your statement by now and it should be checked for accuracy of your personal information and kept with your tax returns or other work related papers. If you have not received your statement, please contact Air Canada at 1-877-645-5000 or contact a member of the Pension Committee.

The annual Actuarial Valuation of the Plan was also published in June. It contains substantial good news concerning the deficit or unfunded liability for all 8 of Air Canada's pension plans. The assets of all the Plans are pooled together for investment purposes into the "Master Trust" fund and they have total assets of \$11.306B as of 01 January 2007, an 11.8% increase from 01 January 2006.

The real story is in the reduction of the deficit of the Plan. The deficit as at 01 January 2007 is \$534M, down from \$1,642B at 01 January 2006 an improvement of **\$1.108B!** The single biggest reason for this significant improvement is the stabilization of the long-term interest rates. A $\frac{1}{4}$ % increase in this long-term interest rate means a \$300M decrease in the deficit of the Plan.

The net result of this improvement in the unfunded liability is that the solvency ratio of the CAIL IAMAW plan has improved from 83% to 93% funded. The AC IAMAW is part of what is called the AC Main Plan and it contains all AC employees except the Pilots and senior executives. The AC Main Plan solvency ratio has improved from 85% to 95%. This means that if the Plan was terminated or "wound up", every member would receive 95 cents of every dollar owed.

The Company has put together a very informative 4 page document that is available on the Aeronet. Simply login to the Aeronet and select the *"My Life"* tab. On the menu choices on the left side of the page select *"My Pension News"* and then select *"Air Canada Pension Update - August 2007"*.

This document contains a very good layman's explanation of the Plan details and funding, so please log on to the Aeronet and download a copy.

Respectfully Submitted,

Christopher Hiscock
LL764 Pension Committee Chairman