



Canadian Airways Lodge No. 764

INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS

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APRIL 2011 - LL764 PENSION COMMITTEE REPORT

Both IAM&AW pension committees met with Air Canada on March 17th in YUL for our regular committee meetings. These meetings occur biannually for the ex-CAIL committee and quarterly for the AC committee. These meetings are part of our oversight and monitoring of the pension plans.

The company provides the committees with copies of regulatory filings and correspondence with OSFI and CCRA, regular financial updates and valuations on the plans as well as information of planned activities with respect to the plan throughout the year. This includes things like pension seminars, audits of pensions in payment or any planned changes to administrative policy or procedures.

The union – company committee meetings give us the ability to sit down with the company and review the documents that have been provided to us during the intervals between meetings and ask any questions we may have. It is this process that gives your pension committees the ability to obtain information about the plans and to properly represent our collective interests in ensuring the plans are properly maintained and administered.

Because the plans are employer sponsored, they follow the Golden Rule - he who has the Gold makes the rules. Because Air Canada, as the plan sponsor, is responsible to pay for any funding deficiencies they essentially get to direct the investment and administration of the plans. The Union has no direct say in how the pension plan funds are invested but we do get to provide our comments and concerns. They are politely listened to and considered if not always acted upon.

Air Canada does a very good job of investing and managing the Master Trust Fund (approximately \$10.6B), which contains the assets of all 10 of Air Canada's pension plans. It is an actively managed fund which means that it pays investment managers to invest the plans assets as directed by the company. Our plan is typically in the first quartile of plans with assets greater than \$1B in Canada. That simply means we are in the top 25% for returns on investment of the plan's assets.

Every pension plan is required to have a document called the Statement of Investment Policies and Objectives (SIPO) or Principles (SIPP). This document is created by the plan sponsor to detail the way the plans assets must be invested and managed. The SIPO is regularly reviewed and updated by the company to ensure the plan's asset's are being invested to the best benefit of the plan.

The SIPO also sets the benchmarks for investment return and guidelines for asset investment. This is the document used to grade the performance of the investment managers hired by the fund. They must meet or exceed the benchmarks set for their specific investment class (i.e. Canadian equities, US Bonds, etc.). They must also follow the guidelines set for their asset class. That may restrict them to a maximum or minimum % investment in a particular subclass of that asset (i.e. Canadian gold equities). Their performance is regularly reviewed and if they do not perform as expected they can be replaced with a new manager for their asset class.

There is a highly regulated and vigilant process setup to govern the investment and administration of our pension plans. This report simply gives a very brief Cole's Notes explanation as to how part of it works.

I may be contacted at president@iam764.ca with any questions or concerns that you may have.
Please note the change in my email address. It is effective as of January 4th, 2011.

Respectfully Submitted,

Christopher Hiscock
Chairman, LL 764 Pension Committee