

APRIL 2009 - LL764 PENSION COMMITTEE REPORT

A defined benefit pension plan entitles members to a minimum benefit payable but no maximum. Once you retire the plan will continue to pay your monthly benefit until the first day of the month in which you die regardless of your age. If you are married at the time of your death, your spouse will continue to receive their monthly survivors benefit until the first day of the month in which they die regardless of their age. Only at that time is your benefit from the pension plan completed.

The minimum amount payable to every member is your contributions with interest. You will see that amount on your annual pension statements as well as on your detailed reports generated on the Aeronet. The interest rate credited is the 5 year Canadian Bank rate. It does not reflect the actual income generated on your behalf through the investments in the pension trust fund. That amount is significantly higher. If you and your spouse both die prior to receiving an amount equal to or greater than your contributions with interest, any remaining amount is payable to your estate.

When you terminate or retire from the Company, you can elect to receive an immediate monthly pension, a deferred monthly pension or a lump sum transfer of something called a commuted value. Which of these options is available to you is dependant upon your age and years of pensionable service on the date of retirement/termination. Most people understand the immediate or deferred monthly pension options but are confused by the commuted value transfer option.

In general terms (for every rule there are exceptions) it is available until the month of your 50th birthday. Commencing with the month after your 50th birthday it is replaced with the ability to take an immediate reduced monthly pension. The commuted value is a lump sum dollar amount that represents the amount of money that would have to be invested at the discount (interest) rate specified by the rules established by the Canadian Institute of Actuaries to generate an equivalent monthly benefit to the one owed you under the rules of the pension plan. The larger the monthly pension you would be entitled to, the larger your commuted value will be.

This amount may be transferred into a locked-in RRSP or similar pension investment. If the amount is large enough, the Income Tax Act comes into play and limits the amount you can transfer and requires the Company to pay any excess money to you as cash - taxable income. The detailed report will tell you exactly how much you can transfer and how much you will receive as taxable income.

If the pension fund is deemed to be underfunded on a solvency deficit basis, as ours currently is, this will affect your commuted value transfer. You will be paid a percentage of your commuted value equal to the funding ratio of the plan at the date of your retirement / termination. That rate is currently 88% for the CAIL plan and 90% for the AC plan. The Pension Benefit Standards Act requires that the remaining % equal to the underfunded amount (12% and 10% respectively) is held in trust in the pension plan for 5 years. That "holdback" amount will be paid to you at the end of the 5 year period. It is designed that way so that members leaving an underfunded pension plan continue to share an equal amount of risk, for 5 years, with those members still in the plan. This is to prevent a "run" on the pension plan by members seeking to leave at the expense of members who choose to stay.

Email is the most effective way to reach me. I may be contacted at pres764@telus.net with any questions or concerns that you may have.

Respectfully Submitted,

Christopher Hiscock
Chairman, LL764 Pension Committee