

NOVEMBER 2009 – LL764 PENSION COMMITTEE REPORT

In my September 2009 report I talked about the freeze on commuted value transfers out of the pension plan that was invoked on 6 July 2009 by OSFI. It was effective as at that date and until further notice. I am happy to report that further notice has arrived.

OSFI sent a letter to Air Canada on 20 October 2009 advising that effective that date they had removed the freeze on commuted value transfers. While transfers for anyone who left the plan on or after 6 July 2009 and going forward will now be actioned, the dollar amount eligible to be transferred immediately will still be subject to an underfunding holdback.

The amount available for immediate transfer is subject to the solvency ratio (75% for CAIL and 76.1% for AC) plus a “threshold” value that determines whether or not you get the full value transferred immediately or a lesser “transfer ratio” amount. The transfer ratio amount is deemed to be 67.5% for CAIL and 68.9% for AC. The remaining 32.5% or 31.1% will be held back until 01 January 2014 at the earliest or for the full 5 year waiting period at the maximum depending upon your date of termination.

The details of the commuted value transfer rules and these ratios are very well explained in a document on the Aeronet. The Pension Department has posted a 5 page FAQ document on the portal as of 20 October 2009 that will explain this process and how the ratios are determined and the holdback periods applied. It can be found by signing into the Aeronet and selecting My HR>My Pension News>OSFI lifts the freeze on lump sum payments from the pension plan(s).

For anyone who is leaving the company in the near future and wishes to consider the lump sum transfer option of your pension benefit this is certainly a must read document.

Also, as I talked about last month, please do not forget to take a few minutes and contact your MPs and MLAs to urge them to support pension reforms that will be coming to the floor of parliament and the provincial legislatures in 2010 for a vote and enactment into law. These reforms are vitally important to all of us and our children as they enter the work force and start their journey towards a financially secure retirement. Everyone’s input is required to demonstrate the extremely high priority that we all put on this issue.

None of us want to enter collective bargaining in 2011 with the pension albatross hanging around our necks. It is vital that the federal government enact PBSA reforms that will ensure the funding and viability of our pension plan. It must be upheld and insured as the employee paid deferred benefit that it is. It is not a gift from our employer. They are simply the “insurance company” that must fund market and interest rate shortfalls when the market sours. The government must be made to assist them in that “insurance” role. Companies did not complain when they paid \$0 into the plans for most of the last 2 decades.

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