Employee Pension Booklet

Effective July 2016

Air Canada CUPE Represented Employees Pension Plan

Flight Attendants (CUPE)

Employees with former Canadian Airlines International Ltd. service (CAIL)

Important note

This booklet summarizes the current pension benefits but does not replace or modify the official pension plan text. If there are any discrepancies between this booklet and the pension plan text, the official plan text will govern. Under the law, a plan must be operated in accordance with its terms. As set out in the *Pension Benefits Standards Act,1985*, you have the right to review the official pension plan text. To request a copy, please contact *HR Connex Pension*.

Human Resources
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For more information, go to *HR Connex Pension* or call 1-855-855-0785 option 2.

Pension plan overview

At Air Canada, participating in a pension plan helps you build a reliable financial foundation for your retirement years.

You participate in the defined benefit (DB) component of the Air Canada CUPE Represented Employees Pension Plan, referred in this brochure as the *DB Plan* or the *Plan.* A defined benefit plan (DB Plan) means that the pension you accumulate throughout your career at Air Canada is calculated based on a predetermined formula.

How the plan works

- **Eligibility**
  This booklet applies to you if you worked for Canadian Airlines International before joining Air Canada.
- **Retirement benefits**
  You earn retirement benefits based on your allowable service.
- **Contributions**
  You contribute 4.50% of your compensation up to the Year's Maximum Pensionable Earnings (YMPE), plus 6% above the YMPE. The Company contributes the amounts necessary to ensure that the funding of the plan meets the requirements of the *Pension Benefits Standards Act* and its regulations at all times.
- **Retirement dates**
  The normal retirement date is the first day of the month following your 65th birthday (or coinciding with, if you have accumulated defined benefits under the plan before January 1, 2004). If you joined the plan on or after January 1, 2007, you can retire early with an unreduced pension if you are age 55 or more and you either have 25 years of qualifying service or the sum of your age and qualifying service equals 80 or more. If you joined the plan before January 1, 2007, you can retire early with an unreduced pension if you are age 55 or older, the sum of your age and qualifying service equals 85 or more and you obtain the Company's consent.
- **Other benefits**
  Benefits are also payable in the event of disability, termination of employment or death.

Registration numbers of the plan

The Plan is a federally registered pension plan governed by:

- *Pension Benefits Standards Act, 1985,* administered by the Office of the Superintendent of Financial Institutions (OSFI); and
- *Income Tax Act,* administered by the Canada Revenue Agency (CRA).

	The Plan's registration number
OSFI	55519
CRA	573287

Joining the Plan

Who can join the plan?

As a CUPE represented employee of Air Canada with former CAIL service, you automatically joined the plan as of January 1, 2007 at the latest. Employees who transferred from another group may also participate under certain conditions.

What happens if I transfer to a non-unionized position or to another union?

You will start accumulating pension benefits in the plan applicable to your new group and based on the provisions applicable to your new group on the date you become a non-unionized employee or join the other union.

- If you are promoted to a non-unionized position, you will start accumulating pension benefits in the DB component of the Air Canada Pension Plan – Management & ATS Employees on the date you become a non-unionized employee.
- If you transfer to a unionized position, depending on your hire date and the group in which you transfer, you will join another Air Canada DB Plan, DC Plan, Hybrid Plan or a Multi-Employer Pension Plan (MEPP).

You will remain entitled to your benefits accumulated for your allowable service under the current provisions, based on your final average earnings or average annual compensation over the total period of participation in any Air Canada pension plan.

What happens if I transfer to Air Canada rouge?

You will continue to participate in the Air Canada CUPE Represented Employees Pension Plan. You will not transfer to the Air Canada rouge pension plan.

More in *Transfers to Air Canada rouge*.

Is participation mandatory or optional?

Participation is mandatory. However:

- Employees who were age 55 or older on October 1, 2002 are not required to join the plan.
- An employee may be exempt from participating in the plan because of bona fide religious beliefs.
- Likewise, employees who are already receiving a pension from or accumulating benefits in another Air Canada pension plan cannot participate in this plan.

Contributions

How much do I contribute?

You contribute by payroll deduction:

4.50% of your compensation up to the YMPE
plus
6% of your compensation above the YMPE

Can you show me an example of how to calculate pension contributions?

Using a compensation of $60,000 and the 2016 YMPE of $54,900, the annual contribution for 2016 would be:

4.50% x $54,900
+
6% x ($60,000 - $54,900)
=
$2,776.50

For what period must I contribute?

You must contribute to this plan for as long as you are a member, except:

- during a period of long-term disability (including workers' compensation); or
- once you have accumulated 35 years of allowable service in any Air Canada pension plan.

How much does the Company contribute?

Air Canada contributes the amounts necessary to ensure that the funding of the plan meets the requirements of the *Pension Benefits Standards Act* and its regulations at all times. The Company contributions are established periodically according to independent actuarial valuations. By law, these valuations must typically be performed annually and in all cases, at least once every three years.

How much does the Company contribute for me specifically?

Contrary to defined contribution plans where the employer contribution is predetermined based on a defined formula and is allocated to each plan member's individual account, the Company contribution under a DB plan such as your pension plan is **not** allocated to each individual. Rather, Air Canada contributes, **as a whole,** the amount which, along with total employees' contributions paid, will be sufficient to fund the benefits for all employees.

Do my contributions earn interest?

Yes. Your contributions earn interest at a rate established in December of the previous year, based on the five-year personal fixed-term deposit rates offered by chartered banks, as reported by Statistics Canada.

The following chart shows the yearly interest rates since 2006:

Year	Annual rate
2006	2.46%
2007	2.90%
2008	3.05%
2009	2.88%
2010	1.81%
2011	1.82%
2012	1.73%
2013	1.57%
2014	1.48%
2015	1.45%
2016	1.27%

Does the interest earned on my contributions affect my pension benefits?

Usually, no. The plan provides benefits according to a formula based on your compensation and years of allowable service. The formula does not take into account the interest paid on contributions or investment earnings on the pension fund.

Tracking your contributions and the interest they earn may affect:

- payment of post-retirement death benefits; and
- application of the 50% rule, upon retirement, termination or death. (More in *Retirement benefits*.)

Can I contribute more to the plan?

No.

Can I withdraw my contributions?

No.

Are my contributions tax-deductible?

Yes, your taxable income is reduced by the amount you contribute to the pension plan.

Where are the plan contributions held?

The amounts that the Company and you contribute to the plan are deposited in a trust fund, which does not form part of the Company's assets and is administered separately. CIBC Mellon is the trustee and custodian of this fund.

Do contributions to the pension plan affect my RRSP contribution limit?

Neither your contributions nor the Company's directly affect how much you can contribute to an RRSP. However, your annual RRSP contribution limit will be reduced by the deemed value of the pension benefits you earned in the previous year. This value is called the pension adjustment (PA).

More in *Tax issues*.

Retirement Benefits

When can I retire?

You can retire on your normal retirement date, on your postponed retirement date or on an early retirement date if you meet certain age and service conditions.

Normal retirement date	The first day of the month following your 65th birthday (or coinciding with, if you have accumulated defined benefits under the plan before January 1, 2004).
Postponed retirement date	The first day of any month past your normal retirement date if you continue working. If you are still employed on November 30th of the year in which you reach age 71, due to tax regulations, your pension will be determined at that date as if you had retired and your pension payments will begin.
Early retirement date	If you joined the plan on or after January 1, 2007, the first day of any month once you have completed 25 years of qualifying service or when the sum of your age and qualifying service equals 80 or more. Your pension will be unreduced if you are age 55 or more. If you joined the plan before January 1, 2007, the first day of any month after your 55th birthday as long as the sum of your age and qualifying service equals 85 or more and you obtain the Company's consent. If you don't meet any of these three conditions, and you retire once you have completed 25 years of qualifying service or when the sum of your age and qualifying service equals 80 or more, you will still be eligible for an immediate pension but your pension will be reduced on an actuarially equivalent basis from age 65.

You may also qualify for an immediate pension even if you leave before your earliest early retirement date. This would be considered as a termination of employment with an immediate pension. More in *Leaving the Company*.

If you meet certain conditions, you could be eligible for a disability or grounded pension. More in *Disability / grounded retirement*.

How much will my pension be if I retire at age 65 or after?

Your annual pension is calculated using a formula that differs for service before and since June 1, 2000:

Normal retirement formula		
For service before June 1, 2000		For service since June 1, 2000
[1.375% x final average earnings up to final average YMPE + 2% x final average earnings above final average YMPE] x allowable service before June 1, 2000	PLUS	[1.75% x average annual compensation up to average YMPE + 2% x average annual compensation above average YMPE] x allowable service since June 1, 2000

Some of the elements used in each formula, although similar in essence, are slightly different (e.g., final average earnings in the formula for service before June 1, 2000 vs. average annual compensation in the formula for service thereafter). This results from the application of CAIL-type rules for service before June 1, 2000 and applying Air Canada-type rules for service since that date.

What is the maximum benefit that can be paid under the pension plan?

Your normal retirement pension from the pension plan is subject to a maximum benefit of $1,715 for each year of allowable service. This pension is further limited through the application of a cap on compensation as defined in the glossary.

Your total allowable service is limited to 35 years.

Can you show me an example of a pension calculation at age 65 if I joined the plan before January 1, 2007?

Here is an example of an unreduced pension:

Date of hire	June 1, 1981
Retirement date	June 1, 2016, at age 65
Years of allowable service	35
• **Before June 1, 2000**	19
• **Since June 1, 2000**	16
Average annual compensation and final average earnings	$60,000
Average YMPE and final average YMPE	$52,400

[1.375% x $52,400 + 2% x ($60,000 – $52,400)] x 19 years = $16,578
plus
[1.75% x $52,400 + 2% x ($60,000 – $52,400)] x 16 years = $17,104
Total annual pension at age 65: $33,682

Here are examples of annual unreduced pensions, using the same average annual compensation and average YMPE but different years of service:

Years of total allowable service	Service before June 1, 2000	Service since June 1, 2000	Pension for service before June 1, 2000	Pension for service since June 1, 2000	Total annual pension
25	9	16	$7,853	$17,104	$24,957
30	14	16	$12,215	$17,104	$29,319
35	19	16	$16,578	$17,104	$33,682

Can you show me an example of a pension calculation at age 65 if I joined the plan on or after January 1, 2007?

Here is an example of an unreduced pension:

Date of hire	January 1, 2007
Retirement date	January 1, 2042, at age 65
Years of allowable service	35
Average annual compensation and final average earnings*	$60,000
Average YMPE and final average YMPE*	$52,400

* Based on 2016 figures and assuming no change until 2042.

[1.75% x $52,400 + 2% x ($60,000 – $52,400)] x 35 years = $37,415
Total annual pension at age 65: $37,415

Here are examples of annual unreduced pensions, using the same average annual compensation and average YMPE but different years of service:

Years of total allowable service	Total annual pension
25	$26,725
30	$32,070
35	$37,415

How much will my pension be if I retire before age 65 and if I joined the plan on or after January 1, 2007?

It depends on when you actually retire. Your age and qualifying service determine both:

- your eligibility for early retirement, and
- the reduction, if any, that will be applied.

Early retirement with no reduction

You are eligible for early retirement **with no reduction** to your pension for early payment when you are at least age 55 and your age plus qualifying service equals at least 80.

Your early retirement pension will be calculated using the normal retirement formula, based on your allowable service to the date of your early retirement.

Early retirement with a reduction

You are eligible for early retirement **with a reduction** to your pension for early payment when your age plus qualifying service equals at least 80 or when you have at least 25 years of qualifying service.

Your early retirement pension will be calculated in two steps:

1. First, it will be calculated using the normal retirement formula, based on your allowable service to the date of your early retirement.
2. Then, the amounts calculated will be multiplied by the following reduction factor to account for the longer period over which the pension will be paid:

$$\frac{\text{Months of qualifying service at early retirement date}}{\text{Months of qualifying service at early retirement date} + \text{Months below age 55 at early retirement date}}$$

Months of qualifying service at early retirement date
divided by
Months of qualifying service at early retirement date + Months below age 55 at early retirement date

If you leave before you have completed 25 years of qualifying service and before your age and qualifying service total at least 80, this would be considered as a termination of employment. More in *Leaving the Company.*

Can you show me examples of early retirement pensions if I joined the plan on or after January 1, 2007?

EXAMPLE 1
Employee retiring at age 55 or later, with at least 25 years of qualifying service

Age	55
Allowable (and qualifying) service	25 years
Average annual compensation	$60,000
Annual unreduced pension	$26,725

In this example, the employee has at least age 55 and at least 80 points (age 55 plus 25 years of service). The employee will be entitled to an annual unreduced pension of $26,725.

EXAMPLE 2
Employee retiring before age 55, with age and qualifying service totalling 80 or more

Age	53 (24 months before age 55)
Allowable (and qualifying) service	30 years (360 months)
Average annual compensation	$60,000
Annual unreduced pension	$32,070

Annual unreduced pension	$32,070
Multiplied by months of qualifying service at early retirement date	x 360
Divided by	÷
Months of projected qualifying service at age at which you are eligible for early retirement pension without reduction	360 + 24 (age 55)
Total annual early retirement pension	$30,066

How much will my pension be if I retire before age 65 and if I joined the plan before January 1, 2007?

It depends on when you actually retire. Your age and qualifying service determine both:

- your eligibility for early retirement; and
- the reduction, if any, that will be applied.

Early retirement without reduction

You are eligible for early retirement **without reduction** to your pension for early payment when you meet the following three conditions:

- you are at least age 55;
- your age plus qualifying service equals at least 85; and
- you obtain consent to receive an unreduced pension from the Company, as the administrator of the plan.

Your early retirement pension will be calculated using the normal retirement formula, based on your allowable service to the date of your early retirement.

Early retirement with a reduction

You are eligible for early retirement **with a reduction** to your pension for early payment when your age plus qualifying service equals at least 80 or when you have at least 25 years of qualifying service and:

- you are younger than age 55;
- your age plus qualifying service equals less than 85; or
- the Company did not provide you with consent to receive an unreduced pension

Your early retirement pension will be calculated in two steps:

1. First, it will be calculated using the normal retirement formula, based on your allowable service to the date of your early retirement.
2. Then, the amounts will be reduced on an actuarially equivalent basis from age 65 to account for the longer period over which the pension will be paid.

Your pension will be reduced on an actuarially equivalent basis for the number of years before age 65. The reduction will vary with your age at retirement, the age of your spouse, if applicable, economic conditions and other assumptions. Generally, the reduction is approximately between 5% and 6% per year of retirement before age 65.

Instead of receiving a reduced pension, you may choose to defer your pension until age 65.

Can you show me examples of early retirement pensions if I joined the plan before January 1, 2007?

EXAMPLE 1
Employee retiring at age 55 or later, with age and qualifying service totaling 85 or more

Age	55
Allowable (and qualifying) service	30 years
Average annual compensation	$60,000
Annual unreduced pension	$29,319

In this example, the employee has at least 85 points (age 55 plus 30 years of service). If consent is granted by the Company, the employee will be entitled to an annual unreduced pension of $29,319.

EXAMPLE 2
Employee retiring with a reduction

Age	53
Allowable (and qualifying) service	30 years
Average annual compensation	$60,000
Annual unreduced pension	$29,319

In this example, the employee does not have at least age 55. However, the employee has at least 25 years of qualifying service or at least 80 points (in fact, this employee has both). Therefore, the employee is eligible for early retirement; however, the pension will be reduced on an actuarially equivalent basis. Using the approximate reduction of 6% per year, the reduced, immediate pension would be approximately:

$$\$14{,}000\ (= \$29{,}319 \times 0.94^{(65-53)})$$

Instead of receiving a reduced pension, the employee may choose to defer his or her pension and receive an unreduced pension of $29,319 starting at age 65.

What factors will Air Canada consider to decide if consent will be granted if I joined the plan before January 1, 2007?

One of the conditions for an unreduced pension upon early retirement is that a member must obtain the consent of Air Canada, the administrator of the plan. Air Canada, before deciding to grant or deny its consent, will consider both its responsibilities as employer and as administrator of the plan:

- **As employer**, Air Canada agreed to introduce a provision in the collective agreement stating that it will not deny consent to an unreduced pension for members retiring who meet the age 55 and 85 points criteria.

- **As administrator of the plan**, Air Canada has a fiduciary responsibility to act as a trustee for the employer and all plan beneficiaries.

In case of conflict between its role as employer and administrator, Air Canada, as the administrator of the plan, must act in the best interest of plan beneficiaries. In other words, in deciding to grant or deny consent for the benefits to be paid from the plan, Air Canada, as administrator of the plan, must consider the best interest of all plan beneficiaries.

As administrator of the plan, Air Canada will monitor how the granting of consent to eligible plan members would affect the funded security of the Plan for all plan beneficiaries. Air Canada is taking measures to ensure that granting the consent to eligible members does not reduce the security for other plan beneficiaries. These measures include Air Canada funding the value of an immediate pension for members who meet the criteria for an unreduced pension, aside from Company consent, in the Plan's solvency liabilities. Air Canada will also continue to regularly monitor the financial position of the plan, in part to ensure that the granting of consent for benefits is warranted.

What happens if consent is denied?

If Air Canada, as administrator of the plan, determines that consent should be denied, you would be advised. Air Canada would also advise you of the measures taken to address any issues that may arise under the collective agreement.

When will the decision to grant or deny consent be made?

As per the Company's governance policy, the Pension Committee of the Board of Air Canada is responsible to decide on a quarterly basis whether the consent will be granted. Its decision is applicable for employees who want to retire in the few months following its decision, so that employees know before they apply for retirement if consent is granted. For example, the schedule for employees who retired in 2015 was as follows:

Pension Committee decision was made in ……..	**For retirements up to…….**
August 2014	February 1, 2015
November 2014	May 1, 2015
February 2015	August 1, 2015
May 2015	November 1, 2015
August 2015	February 1, 2016

That means employees were informed about the decision on consent up to 5 months before their selected date of retirement. The schedule is expected to be similar in future years.

It should be noted that Air Canada may reverse its decision to grant consent at any time should any factor considered in its decision warrants it; however, such reversal would not be applicable to employees who have already applied for retirements prior to the decision.

Employees must apply for retirements not earlier than three months before their selected date to retire. For example, accordingly, employees wishing to retire on May 1st, 2016 must apply beginning February 1st, 2016.

Is there a minimum benefit the Company must pay?

The registered pension plan provisions require that the Company pays at least 50% of the cost of the pension earned under the registered pension plan. Under this provision, if your contributions with interest exceed 50% of the value of your benefits under the registered pension plan, the excess will be considered as excess contributions and will be used to provide additional pension.

Is my pension reduced if I receive government pension benefits?

No.

How do I apply for my retirement?

Refer to the “Retirement Guide” in *HR Connex* under “Retirement” which describes in details all the steps you need to follow to apply for your retirement.

Initiate the retirement process between two to three months before the date you want to stop working (you cannot begin this process more than three months ahead of time). Two to three months will give both you and Air Canada enough time to get everything in place for a smooth transition and receive your pension without delay.

Note: if you are permanently disabled or grounded, you may be eligible for a disability / grounded retirement. More information in *Disability / grounded retirement*.

If I am eligible to retire, can I receive a lump-sum payment instead of monthly instalments?

Yes, subject to certain conditions. More in *Pension payment*.

Types of service and periods on leave

What is the significance of the different types of service?

Read the definition for each of the three types of service in the glossary.

Type of service	Why it's important to track
Allowable service	• Determines your pension benefits according to the pension formula
Qualifying service	• Determines your eligibility for early retirement
Buyback service	• To know which eligible periods of leave you have purchased and should be included in your allowable and qualifying service

Do I remain a plan member while on leave (other than disability)?

Yes, however, you stop contributing to the plan and stop accumulating allowable service and qualifying service.

Within 90 days following your return to duty, you may buyback some periods of authorized leave without pay and have it counted as allowable service and qualifying service.

See section *Disability / grounded retirement* for information regarding a disability leave.

What type of leave can I buyback?

It may be possible for you to add to your allowable service and qualifying service by buying back some eligible periods. Eligible periods, subject to certain conditions, are:

- maternity, child care, parental, adoption, breastfeeding leave;
- leave of absence due to Inability to Meet Medical Standards (IMMS);
- compassionate care leave;
- disappearance or death of a child;
- child hospitalization and care or support of a critically ill child; and,
- leave of absence authorized by the Company under a special program.

The number of months that may be bought-back vary by type of leave.

All buybacks are subject to the limits and conditions imposed by the *Income Tax Act* and the Company buyback policy.

How and when can I buyback service?

If you are interested in buying back service, you must contact *HR Connex Pension* at 1-855-855-0785, option 2 **within 90 days from return to duty** after which period **the opportunity to buyback service expires.**

If you apply for a buyback, you will receive an election form describing the cost and options for payment. The additional service will be recognized only if this election form is duly completed and returned with the payment.

Important: It is your responsibility to apply for the buyback before the end of the 90-day prescribed period. No exceptions will be made.

What is the cost to buyback service?

The cost of buying-back service is established by the Company's buyback policy in place at the time the buyback is made. The amount to be paid depends on the type of leave that is being bought back and the length of the leave. You can use the buyback calculator upon return from leave to estimate the cost of the buyback. The current policy provides:

- For the following leaves, the cost to buyback service represents the contributions the employee would have made if not on leave: maternity, child care, parental, adoption, Inability to Meet Medical Standard (IMMS), compassionate care, disappearance or death of a child and child hospitalization and care or support of a critically ill child.
- For a breastfeeding leave and other types of leaves (i.e., leaves approved by the Company under special programs such as a Special Leave of Absence), usually the whole cost is paid completely by the employee. This means that you must pay both the employee and employer contributions in order to buyback this type of leave. The older you are, the more costly the buyback will be as the money will be invested in the pension trust fund for a shorter period of time.

The costs are based on the average monthly compensation over the three- or 12-month period, whichever is higher, immediately prior to the date of the authorized leave for the whole period of the leave. The exact number of days of a leave is used. Other types of leaves may be approved by the Company; the cost for these types of leave may be different from those explained above.

How do I pay the required buyback costs?

Your buyback contributions, along with interest charged on unpaid contributions, may be paid by:

- payroll deduction as a percentage of your salary (minimum 2% and maximum 20%);
- cheque or money order; or
- direct transfer from an RRSP.

You may combine any of the above payment options and at any time, change your payment option to another valid option. A buyback cannot be cancelled after the first payment has been made. The interest rate charged on unpaid contributions is equal to the interest rate credited on employee contributions. More in Contributions.

All buybacks are subject to the limits and conditions imposed by the *Income Tax Act* and the Company buyback policy.

Pension payment

What are my pension payment options?

Your pension is determined using a 50% joint and survivor pension, which is the normal form of pension. Other pension options are also available depending on whether or not you have a spouse/partner on the date you retire. If you choose another form of pension, your pension will be adjusted to be equivalent to the normal form.

	If you do not have a spouse/partner	If you have a spouse/partner
Automatic form of payment	Level lifetime pension	• 60% joint and survivor level pension
Optional forms of payment	Higher pension before age 65 payable for life	• 50% joint and survivor pension • Higher pension before age 65 • Combination

Can I combine the higher pension with the 50% or 60% joint and survivor pension?

Yes.

Who is eligible as my spouse/partner under the 50% or 60% joint and survivor pension?

Under the 50% option, the benefits will be paid to your spouse/partner **determined on the date of your death.**

Under the 60% option, the benefits will be paid to your spouse/partner **determined on the date of your retirement if he/she survives you.**

Can I change my form of pension payment once I retire?

No.

May I receive my pension in a lump sum instead of monthly installments?

You may apply for a lump-sum actuarial value of your pension if you retire before age 55. If you joined the plan on or after January 1, 2007, you must also be more than 10 years away from your pensionable age.

This lump sum will be locked-in. This means that, while you may transfer the money to a locked-in RRSP, a Life Income Fund (LIF), an insurance company, or another pension plan, it must ultimately be used to provide a lifetime retirement income. The amount will be transferred tax-free, up to the limit prescribed under the Income Tax Act. Any excess will be paid in cash, less withholding tax, unless you have enough RRSP contribution room.

Please note that the Office of the Superintendent of Financial Institutions (OSFI) imposes some restrictions on lump-sum amounts payable from a pension plan in deficit to ensure that such payments do not further impair the solvency of the plan.

Can the plan pay my pension to someone other than me or my spouse/ partner?

Except in cases where a spousal relationship ends and a valid court order or separation agreement is issued, you cannot assign, charge, or surrender your pension, or give your pension as security. Also, your pension is not subject to garnishment or to being seized by creditors.

What happens if my spouse/partner dies before I do?

You will continue to receive your lifetime pension.

If you do not have a new spouse/partner on the date of your death, any difference between your contributions with accrued interest up to your retirement date and the cumulative pension payments made from the registered pension plan until your death will be paid to your beneficiary, or estate if you have not designated a beneficiary.

If you have a new spouse/partner on the date of your death, this new spouse/partner may qualify for the survivor pension.

What happens to survivor benefits following the end of a spousal relationship during retirement?

Under the 50% joint and survivor pension, the person who qualifies for the survivor pension is your spouse/partner **on the date of your death.** So, if you have a new spouse/partner following the end of a spousal relationship, this new spouse/partner may qualify for the 50% joint and survivor pension.

Under the 60% joint and survivor pension, the situation is more complex. The person entitled to receive the survivor pension is your spouse/partner **on the date of your retirement.** The only circumstances where such survivor pension is not payable to the person who is your spouse/partner on the date of your retirement are:

- if such spouse/partner dies before you do; or
- if there is a credit splitting through assignment of benefits or converted pension.

So, even if you have a new spouse/partner at the end of a spousal relationship, the spouse/partner you had on the date of your retirement will continue to qualify for the 60% survivor pension unless there is a credit splitting through assignment of benefits or converted pension.

Note that, following the end of a spousal relationship, part of your pension may be assigned to your former spouse/partner, regardless of the pension option you choose. More in End of a spousal relationship.

After my death, what happens to the pension benefits after my spouse/ partner dies?

Any difference between your contributions with accrued interest up to your retirement date and the cumulative pension payments made to you prior to your death and to your spouse/partner following your death will be refunded to his or her estate.

Will my pension be increased after retirement?

No.

Tax issues

Does my plan membership affect my RRSP contribution limit?

While you are a plan member

Each year, your RRSP contribution limit is reduced by your pension adjustment (PA).

If your employment ends

Your termination benefit may be less than the RRSP contribution room you gave up during your years of membership. If this is the case, you receive a pension adjustment reversal (PAR) once all payments will have been made to you.

If past service benefits are improved or if you buyback service

If certain improvements are made to past service benefits or if you buyback some past service benefits, this would mean that your previous pension adjustments may no longer reflect the true value of your benefits.

You would then receive a past service pension adjustment (PSPA)—a special, one-time adjustment to your RRSP contribution room. A PSPA is calculated similarly to a PA, and when the two are added together, they represent the post-improvement value of your pension benefits for a given year.

A PSPA reduces your RRSP contribution room in the year it is reported. If your PSPA were to be greater than your allowable RRSP contribution room in that year, your RRSP contribution room would become negative. You would need to postpone contributing to your RRSP until new contribution room in subsequent years gradually eliminated the negative limit and your RRSP contribution room became greater than zero. Over a certain threshold, you would need to withdraw amounts from your RRSP in order for the improvement to be granted.

How will I know how my RRSP contribution limit has been affected?

Every year after filing your tax return, you receive a notice of assessment from the Canada Revenue Agency (CRA). The notice summarizes your tax information and tells you the maximum amount that you may contribute to tax-sheltered savings plans for the year.

Leaving the Company before eligibility for retirement

What are my benefit entitlements if my employment ends before I am eligible to retire and if I joined the plan before January 1, 2007?

If your employment ends before you qualify for retirement, the benefits payable from the registered pension plan will depend on your age and how close you are to your pensionable age.

Provided that, at the time your employment ends, you are not eligible to retire and you are **more than 10 years away from your pensionable age**, the benefit payable would be:

Deferred pension payable from age 65 **OR** **Transfer of actuarial value of deferred pension to locked-in vehicle**

However, if the total value of your deferred pension is less than 20% of the YMPE when you leave, the actuarial value of the total deferred pension will be paid in cash or transferred to an RRSP instead of the above options.

Provided that, at the time your employment ends, you are not eligible to retire and you are **within 10 years of your pensionable age**, the benefit payable would be:

Deferred pension payable from age 65 **OR** **Actuarially reduced pension payable immediately or when you choose**

However, if the total value of your deferred pension is less than 20% of the YMPE when you leave, the actuarial value of the total deferred pension will be paid in cash or transferred to an RRSP instead of the above options.

What are my benefit entitlements if my employment ends before I am eligible to retire and if I joined the plan on or after January 1, 2007?

If your employment ends before you qualify for retirement, the benefits payable from the registered pension plan will depend on your age and how close you are to your pensionable age (age 65).

Provided that, at the time your employment ends, you are not eligible to retire and you are **less than age 55**, the benefit payable would be:

Deferred pension payable from pensionable age **OR** **Transfer of actuarial value of deferred pension to locked-in vehicle**

However, if the total value of your deferred pension is less than 20% of the YMPE when you leave, the actuarial value of the total deferred pension will be paid in cash or transferred to an RRSP instead of the above options.

Provided that, at the time your employment ends, you are not eligible to retire and you are **55 years old or more**, the benefit payable would be:

Deferred pension payable from pensionable age **OR** **Actuarially reduced pension payable immediately or when you choose**

However, if the total value of your deferred pension is less than 20% of the YMPE when you leave, the actuarial value of the total deferred pension will be paid in cash or transferred to an RRSP instead of the above options.

May I elect earlier payment of my deferred pension?

If you joined before 2007, the earliest you may choose to start receiving your pension is when you reach age 55. If you joined on or after January 1, 2007, you can start receiving it at the earliest 10 years before your pensionable age. The amount of your deferred pension will be actuarially reduced, to take into account a longer payment period.

If I elect a deferred pension, may I later opt for a lump-sum actuarial value?

No. The package you will receive when you leave will clearly indicate the time period to make your choice. No adjustments will be made thereafter.

How will I know the details of my termination benefits?

Generally, within three months following your employment termination, you will receive a package containing a detailed statement about your benefits, plus any necessary forms.

Will I receive the total value of my pension benefits immediately?

The Office of the Superintendent of Financial Institutions (OSFI) imposes some restrictions on lump-sum amounts payable from a pension plan in deficit, to ensure that such payments do not further impair the solvency of the plan. If any restrictions apply, if and when you terminate your employment, those restrictions will be communicated to you at that time.

No restrictions apply on lump-sum amounts payable from a pension plan in surplus.

What if I am involuntarily terminated?

In exceptional circumstances, if you joined the plan before January 1, 2007 and if you leave the Company, the Company may grant consent for the payment of an unreduced deferred pension at an earlier date. It is anticipated that the Company would only grant consent for involuntary terminations, such as a death in service, resignation due to a total and permanent disability or a terminal condition, or termination without cause. If consent is granted, the deferred pension is payable from the age when the sum of your age and qualifying service equals 80 (without projection of service), but not earlier than age 55 or older than age 65. In case of termination of this plan, this consent would not be granted.

Death

What if I die before receiving pension payments?

The benefits payable from the pension plan will depend on:

- whether you have a spouse/partner when you die;
- your years of qualifying service; and
- your number of points (being the sum of your age and years of qualifying service).

The benefit payable to your surviving spouse/partner would be:

	For service before June 1, 2000	For service since June 1, 2000
Before 15 years of qualifying service and before the later of the completion of 10 years of qualifying service and 55 points*	Pension that can be provided by the actuarial value of your deferred pension, or immediate pension, if applicable	Pension that can be provided by the actuarial value of your deferred pension
After 15 years of qualifying service but without 55 points*	Pension that can be provided by the actuarial value of your deferred pension, or immediate pension, if applicable	The greater of A and B if you have a spouse/partner, otherwise B would be payable to your designated beneficiary or estate: • A: 50% of your accumulated pension • B: Pension that can be provided by the actuarial value of your deferred pension
Before 15 years of qualifying service but after the later of the completion of 10 years of qualifying service and 55 points*	The greater of A and B if you have a spouse/partner, otherwise B would be payable to your designated beneficiary or estate: • A: 50% of your accumulated pension • B: Pension that can be provided by the actuarial value of your deferred pension	Pension that can be provided by the actuarial value of your deferred pension
After 15 years of qualifying service with at least 55 points*	The greater of A and B if you have a spouse/partner, otherwise B would be payable to your designated beneficiary or estate: • A: 50% of your accumulated pension • B: Pension that can be provided by the actuarial value of your deferred pension	The greater of A and B if you have a spouse/partner, otherwise B would be payable to your designated beneficiary or estate: • A: 50% of your accumulated pension • B: Pension that can be provided by the actuarial value of your deferred pension

* When the sum of your age and qualifying service equals 55

If you have no surviving spouse/partner, the benefit payable to your designated beneficiary or estate would be the lump-sum actuarial value of your deferred pension payable from your pensionable age, or immediate pension, if applicable.

However, if you die in service and you joined the plan before January 1, 2007, it is anticipated that the company would grant consent for the payment of an unreduced deferred pension at an earlier date. If consent is granted, the deferred pension is payable from the age when the sum of your age and qualifying service equals 80 (without projection of service), but not earlier than age 55 or older than age 65.

Can the survivor benefits be paid in a lump sum instead of monthly installments?

The surviving spouse/partner will be entitled to a lump-sum actuarial value of the survivor benefits if you had been entitled to such a lump sum had you terminated employment or retired on the day of your death. More in *Leaving the Company*.

This lump sum will be locked in. This means that, while your spouse/partner may transfer the money to a locked-in RRSP, a Life Income Fund (LIF), an insurance company, or another pension plan, it must ultimately be used to purchase an annuity.

However, if the total value of the deferred pension is less than 20% of the YMPE when you die, the actuarial value of the total deferred pension will be paid in cash or transferred to an RRSP instead of the above options.

What if I die while receiving pension payments?

Benefits will be paid according to the pension payment option elected at retirement.

Can I designate a beneficiary under the pension plan?

Yes, you may designate any person to receive a benefit payable in the event of your death on *HR Connex Pension*. However, if you have a spouse/partner at the time of your death, your spouse/partner is your primary beneficiary and would be entitled to any death benefit. Any other person designated in the prescribed manner is a contingent beneficiary and may receive death benefits only if you have no eligible spouse/partner at your death.

Are benefits reduced by other Company plans or sources of income?

No.

Disability / grounded retirement

Do I remain a pension plan member during a disability leave?

You remain a member of the pension plan while you are receiving disability benefits from any Air Canada disability leave program as long as your employment status with the Company is retained.

What are the different types of disability leave programs?

Three plans provide income replacement during a disability leave:

• **Sick Leave Program**	This program provides you with salary continuance should you become disabled for a short period of time. If your illness exceeds the prescribed maximum period, you may be eligible for benefits under the Group Disability Income Plan.
• **Group Disability Income Plan** (including workers' compensation)	This plan provides you with a percentage of your basic salary should you become disabled for an extended period of time, provided you meet the plan's definition of disability.
• **Rehabilitation Program**	If you become disabled but are able to work on a graduated basis, you may be eligible to receive partial disability benefits. Benefits under this program will be determined by the Claims Administrators of the Group Disability Income Plan in conjunction with and on the recommendation of your attending physician.

Important: This information is only designed to help you understand the impact of these programs on your pension benefits. Please refer to the Benefits information on *HR Connex* for a complete and official description of these programs.

Do I continue to contribute to the pension plan during a disability leave?

You continue to contribute to the registered pension plan while in receipt of benefits from the Sick Leave Program. Your contributions are suspended if you are eligible to receive or are in receipt of disability benefits from the Group Disability Income Plan.

If you are receiving disability payments from the Rehabilitation Program, you will contribute only on the earnings received from Air Canada, not on benefits from that program.

Does my disability period count toward my pension?

You continue to accumulate allowable service and qualifying service while you receive benefits from the Sick Leave Program or while you are eligible for or in receipt of disability benefits from the Group Disability Income Plan or the Rehabilitation Program, as long as your employment status with the Company is retained.

What about my pensionable earnings during a disability leave?

Your actual earnings are recognized as pensionable earnings when you are in receipt of benefits under the Sick Leave Program.

When you are in receipt of income from the Group Disability Income Plan or the Rehabilitation Program, your pensionable earnings are based on "deemed earnings", as follows:

• **Group Disability Income Plan** (including workers' compensation)	Your compensation is deemed to be equal to the salary you were earning before your disability.
• **Rehabilitation Program**	For the days that you do not work, your compensation is deemed to be equal to the salary you were earning before your disability. For the days that you work, your actual earnings are recognized.

Deemed earnings are based on the average monthly compensation over the three- or 12-month period, whichever is higher, immediately before your disability.

How is my pension calculated during a disability period?

For periods while on Sick Leave or Rehabilitation benefits, your pension is calculated according to the usual formula.

For periods during which you are entitled to receive disability benefits from the Group Disability Income Plan, your pension is calculated as 2% of your average annual compensation.

Can I receive a disability pension from the pension plan?

You may apply for a disability pension from the pension plan if:

- you have 15 or more years of qualifying service; **or**
- you have benefits under the plan in respect of service before June 1, 2000, you have completed 10 years of qualifying service, with your age plus qualifying service at least equal to 55; **and**
- you have been declared totally and permanently disabled in writing by the Company's Chief Medical Officer.

The disability pension is calculated on the same basis as a normal retirement pension. If you do not succeed in obtaining a disability pension from the Canada Pension Plan or Québec Pension Plan, the pension benefit from the registered pension plan may be increased.

However, while you are in receipt of disability benefits from the Group Disability Income Plan, you are not entitled to a disability benefit from the pension plan.

What happens if I am grounded?

If you have 15 or more years of qualifying service and have been grounded by the Company through no fault of yours, you may be eligible for grounded retirement, provided there is no other suitable employment for you in the Company.

The grounded retirement benefit is calculated on the same basis as an early retirement pension. However, if you do not succeed in obtaining a disability pension from the Canada Pension Plan or the Québec Pension Plan, the pension benefit may be increased.

If you qualify for grounded retirement but accept another job within the Company, you remain eligible for grounded retirement.

How do I apply for a disability or grounded retirement?

If you believe that you may be eligible for a disability or grounded retirement, please contact *HR Connex Pension* at 1-855-855-0785, option 2, to obtain details regarding the application process.

If the Chief Medical Officer determines that you are eligible for a disability or grounded retirement, your retirement will become effective on the first day of the month following the month the decision is made.

The decision to elect a disability or grounded pension is **irrevocable**. No retiree will be allowed to return to work at a later date if the disability condition changes.

If you are not approved for a disability or grounded retirement, but you want to retire anyway, you will have to initiate the retirement process yourself as described in the "Retirement Guide" that you can find in *HR Connex* under "Retirement"; otherwise your retirement will not be processed.

Transfers to Air Canada rouge

What happens if I transfer to Air Canada rouge?

You will continue to participate in the Air Canada CUPE Represented Employees Pension Plan until you retire, terminate your employment or die. You will not transfer to the Air Canada rouge pension plan.

How will my transfer to Air Canada rouge affect my service in the pension plan?

You will continue to accumulate qualifying service and allowable service in the Air Canada pension plan as if you were still working at Air Canada. Any leave you take at Air Canada rouge will be subject to the Air Canada and Air Canada rouge buyback policies including the determination of the eligibility to buyback the period in the Air Canada pension plan and the cost.

How will my transfer to Air Canada rouge affect my contributions to the pension plan?

You will continue to pay contributions to the Air Canada plan at the rate required under the Air Canada pension plan for Air Canada CUPE represented employees but based on your compensation paid by Air Canada rouge.

How will my average annual compensation be determined at retirement?

It will represent the average of your annual compensation during your best 36 consecutive months of earnings including your earnings paid by Air Canada and Air Canada rouge.

Will my expected date of retirement be affected?

No. Both your qualifying service at Air Canada and Air Canada rouge will be used to determine your eligibility to retirement. For example, if you work 20 years at Air Canada and 10 years at Air Canada rouge, and you retire from Air Canada rouge at age 55, you will be eligible for an unreduced pension (if Air Canada grants its consent as administrator of the plan) because you will meet the 55/85 criteria.

What happens if I come back to Air Canada?

You will continue to participate in the Air Canada CUPE Represented Employees Pension Plan until you retire from Air Canada, terminate your employment with Air Canada or die. You will continue to accumulate qualifying service and allowable service in the Air Canada pension plan and contribute to the plan based on your compensation paid by Air Canada.

End of spousal relationship

Must I share my pension benefits with my former spouse/partner?

If a court order is issued or you and your former spouse/partner submit a valid written agreement providing for pension benefits to be shared, the plan administrator will implement such court order or valid written agreement.

Benefits may be assigned to your former spouse/partner in the event of:

- divorce,
- annulment of marriage, or
- legal separation.

In such cases, pension benefits are subject to applicable provincial property laws.

Who decides how the benefits are shared?

A valid court order or a valid written agreement between the spouses/partners will determine the distribution of pension benefits. Air Canada will determine if the sharing agreement is valid. **To be considered valid, the court order or written agreement must comply with the Company's Administration Policy** on the Distribution of Benefits under the Air Canada pension plan upon Separation, Divorce or Annulment of Marriage. This Policy can be found on *HR Connex Pension* in the “Knowledge Centre”.

How do my former spouse/partner and I form an agreement on benefit splitting?

You should access the Company's Administration Policy on the Distribution of Benefits under the Air Canada pension plan upon Separation, Divorce or Annulment of Marriage to help you prepare a valid agreement. You and your former spouse/partner should also obtain help from specialized consultants such as lawyers or actuaries. The plan administrator will file every valid and complete agreement with the employee's pension plan record and will administer the agreement accordingly.

Plan governance

What is plan governance?

Pension plan governance is the administration structure setting out who is responsible for making pension decisions and what controls and oversight are necessary. Air Canada has established a strong governance policy, identifying the roles and responsibilities of key stakeholders to continually monitor and improve the financial soundness, administration and operation of all the pension plans administered by the Company.

How are Air Canada's pension plans structured?

Air Canada administers several different pension plans for it employees. Eligibility for plan membership differs by employee group and in some cases the date of hire or employee choices.

Following the reorganization of the pension plans effective January 1, 2014, the Air Canada CUPE Represented Employees Pension Plan includes all Air Canada employees represented by the CUPE, whether they are former Canadian Airlines International Ltd. employees or employees having always worked for Air Canada. Depending on their date of hire, some employees participate in the DB component of the plan while others participate in the hybrid component.

Who are the key stakeholders?

The key stakeholders involved are:

Actuary
The plan's actuary, Mercer, performs actuarial valuations of the plan to establish the financial position of the plan and determine the required Company contributions to the plan. These actuarial valuations are made in compliance with applicable legislation and actuarial standards.

In addition, the actuary may assist the Company in:

- the development of the investment policy of the fund;
- the administration of the plan; and
- other activities required to ensure compliance with applicable legislation and the smooth operation of the plan.

Administrative Services
Air Canada is responsible for the administration of the pension plans and has the power to delegate certain administrative activities. For example, Air Canada has mandated Aon Hewitt (*HR Connex Pension*) to manage the day-to-day administration of its pension plans, including the calculation of pension benefits upon retirement, termination of employment, or death and the production of your annual pension statement. You can contact *HR Connex Pension* for any pension questions you may have. Online, pension information can be found on *HR Connex Pension*, through *Air Canada HR Connex Centre*.

Auditor
Auditors from PricewaterhouseCoopers closely examine the financial statements of the pension fund and provide an opinion on the fair representation of the fund assets.

Company and Pension Committee of the Board
Air Canada is the plan sponsor and administrator. Through its Board of Directors, the Company is responsible for approving any amendments to the plan and overseeing the plan's operations.

A subcommittee of the Board has been established to deal exclusively with pension issues. The primary purpose of this committee is to assist the Board in the monitoring and oversight of the plans and to ensure pension liabilities are appropriately funded as required, pension assets are prudently invested and retirement benefits are administered in a proper and effective manner. This committee is also responsible for deciding if consent for an unreduced pension will be granted or not.

Management Pension Committee
The Management Pension Committee (MPC) is comprised of senior executives of Air Canada. The primary purpose of the MPC is to establish appropriate policies and guidelines for the prudent management of the Company's retirement plans, and to undertake the necessary monitoring and oversight of activities to ensure that these policies are properly implemented. Areas covered include plan design, governance, funding, risk management, investments, member communication, operations and implementation.

The MPC also makes recommendations to the Pension Committee of the Board.

Pension Committee
The Pension Committee, with Company, employee, and, in some cases, retiree representatives, ensures that the pension plan runs smoothly. The Pension Committee is responsible to promote awareness and understanding of the Plan among members and review financial and administrative aspects of the plan. Meetings are held at least two times a year.

You can get details about your Pension Committee representatives on *HR Connex Pension*.

Pension Department
The Pension Department of Air Canada is responsible for overseeing the administration of the plans, implementing changes to the design and management of the plans, ensuring the governance structure is appropriate and for communicating with employees.

Pension Investment Division
The Pension Investment Division of Air Canada invests the registered pension plan assets with the help of professional fund managers.

Regulatory bodies

The registered pension plan is federally governed by:

- *Pension Benefits Standards Act, 1985,* administered by the Office of the Superintendent of Financial Institutions (OSFI); and
- *Income Tax Act,* administered by the Canada Revenue Agency (CRA).

	The Plan's registration number
OSFI	55519
CRA	573287

Trustee and fund custodian

All registered pension plan assets are held in a fund that is separate and apart from the Company's operating funds. CIBC Mellon is the trustee and custodian of this fund. They execute transactions (such as paying amounts), hold securities (such as stocks and bonds), collect income, and perform various accounting functions.

You, the members

The pension plan members also play an important role. Your representatives on the Pension Committee are there to represent your interests.

Future of the plan

The description herein assumes that the plan will continue indefinitely. However, the Company reserves the right to amend or discontinue the plan at any time.

Termination of the plan

If the plan were terminated, the assets of the Plan would first be allocated, in proportion to solvency liabilities, between the CAIL pre-2014 portion, being in respect of benefits for allowable service before January 1, 2014 for former Canadian Airlines International Ltd, and the Air Canada portion.

If the plan were terminated in a deficit position, and assuming Air Canada were liquidated, unable to fund such deficit, total benefits under the plan would be reduced. The assets in the Air Canada portion would be allocated in a suitable and equitable manner determined by the Company, in accordance with the plan terms and the *Pension Benefits Standards Act, 1985,* on the advice of the actuary and subject to the approval of the pension regulator (OSFI). The assets in the CAIL pre-2014 portion would be subject to different provisions as described in the plan text.

If the plan were in a surplus position on the date of termination, the surplus remaining in the Air Canada portion of the trust fund, after all benefits have been fully provided for, would revert to the Company.

The plan's solvency ratio over recent years has been as follows:

January 1, 2014	103.2%
January 1, 2015	106.1%
January 1, 2016	108.3%

Keeping you informed

How do I know how much I have accumulated under the plan to date?

Each year, you receive a personalized pension statement. This statement shows your accumulated pension as of the end of the previous calendar year and the data used to calculate your benefits.

It also provides estimates of the pension payable, your accumulated contributions with interest, the benefits payable upon termination of employment or death, and a description of the financial position of the plan.

On *HR Connex Pension*, you have access to a user-friendly pension calculator that can produce as many estimates as you want, whenever you want. It also has other useful pension information.

You should always make sure that your personal and financial information is accurate on your pension estimate or your annual pension statement. Air Canada is legally required to keep historical payroll information only for six years. Any corrections to your service, contributions or pensionable earnings must be raised with Air Canada within six years.

Can I see the official pension plan documents?

Once a year, you and your spouse/partner may examine the documents filed after December 31, 1986 by the Company with the Office of the Superintendent of Financial Institutions. Photocopies may also be ordered by contacting Air Canada Pension Services and will be subject to a reasonable charge.

Differences between DB and DC plans

There are two main types of pension plans: defined benefit plans and defined contribution plans.

Defined benefit plans

A defined benefit plan provides for a pre-determined pension amount. That amount is usually a percentage of salary multiplied by the number of years of service.

The employer is ultimately responsible for funding the benefits. The plan may call for employee contributions as defined in the plan rules. Employer contributions are whatever amount is required, in excess of employee contributions, to fund the benefits in accordance with legislation and based on actuarial valuations performed by the actuary. The employer manages the money, assumes the investment risk, and is responsible for deficits.

In a defined benefit plan ...	**Known**	**Unknown**
The pension amount is	√	
The employee contributions are	√	
The employer contributions are		√

The Air Canada CUPE Represented Employees Pension Plan is a defined benefit plan for employees hired before November 7, 2011.

Defined contribution plans

A defined contribution plan works a bit like a bank account. The pension amount cannot be known in advance. The employer's contribution is preset based on a formula. It accumulates in the pension fund, where it is credited, along with employee contributions, to each plan member's individual account.

When a member retires, the pension is determined on the basis of the amount invested and the interest generated over the years. The member alone takes the financial risk of the investments.

In a defined contribution plan ...	**Known**	**Unknown**
The pension amount is		√
The employee contributions are	√	
The employer contributions are	√	

Hybrid plans

A hybrid plan has a mix of defined benefit and defined contribution components applicable to the same employees. The Air Canada CUPE Represented Employees Pension Plan provides hybrid benefits for employees hired on or after November 7, 2011.

Glossary

Actuarial value
A lump-sum amount that is equivalent in value to the benefits otherwise payable. It is calculated using assumptions adopted by the Company on the recommendation of the actuary and in accordance with applicable legislation.

Actuarially reduced
A pension that has been actuarially reduced has a value equivalent to the pension otherwise payable at a later date. It is calculated using assumptions adopted by the Company on the recommendation of the actuary and in accordance with applicable legislation.

Air Canada pension plan(s)
A registered pension plan for which Air Canada is the sponsor. It includes both defined benefit and defined contribution plans.

Allowable service
The service used to determine your pension benefits under the pension plan. This applies for periods while you are a member of the plan.

	Service before June 1, 2000	Service since June 1, 2000
Full-time employees	You get one full month of allowable service for each month you made required contributions to the plan.	You get one full month of allowable service for each month you received compensation for services rendered to the Company.
Part-time employees	Calculated as for full-time employees except that for each applicable period, it is multiplied by the following ratio: Actual hours of work ***divided by*** Normally scheduled full-time hours of work for such employee's position	The number of hours you work part time in a calendar year divided by 2,080, then multiplied by 12. The result is then rounded up to complete months. **Example** If you worked part-time all year and put in a total of 1,350 hours, your allowable service for that year would be equal to: 1,350 ÷ 2,080 x 12 = 7.78 months (or 8 months once rounded up)

In some circumstances, other types of service, such as periods of disability or periods that you elect to buyback may also count as allowable service.

Total allowable service under this plan and other Air Canada pension plans is limited to 35 years.

Annuity
Similar to a pension, it provides monthly payments guaranteed for your lifetime in exchange for a lump-sum payment. It may be deferred or immediate and may include a survivor benefit. An annuity may be purchased from an insurance company.

Average annual compensation
In calculating benefits earned under the pension plan since June 1, 2000, the average of your annual compensation during your best 36 consecutive months of earnings as a plan member, regardless of whether these months/years of earnings are before or since June 1, 2000.

Your benefits earned before June 1, 2000 uses final average earnings.

Average YMPE and final average YMPE
For benefits earned under the pension plan since June 1, 2000, the average of the YMPE for the 36-month period used to determine your average annual compensation.

For benefits earned before June 1, 2000, the pension plan uses the final average YMPE which is equal to Average YMPE as defined above.

Beneficiary
If you have an eligible spouse/partner, your spouse/partner is your primary beneficiary. Any other person designated in the prescribed manner is a contingent beneficiary and may receive death benefits only if you have no eligible spouse/partner at your death.

Buyback service
Certain periods of authorized leaves of absence may be included in your allowable and qualifying service, provided certain conditions are met and subject to certain limits.

Compensation
For periods since January 1, 2004, this refers to your salary or wages, including premium payments and overtime. It does not include bonuses, payments for foreign service, and other special station allowances.

Once in your career, you may elect to exclude overtime from the calculation of contributions and benefits. This choice is final.

For periods before January 1, 2004, "compensation" means earnings.

The maximum annual compensation used to determine your contributions to the plan and your benefits is $80,000 for all your service.

Deferred pension
If you leave the Company before being eligible for retirement and do not transfer the value of your pension out of the registered pension plan, you may defer your pension and begin receiving it:

- when you reach your pensionable age; or
- anytime during the 10 years before you reach your pensionable age.

If you elect to receive your deferred pension before you reach your pensionable age, it will be actuarially reduced to take into account the longer period over which it will be paid.

Early retirement pension
The pension payable if you retire before your normal retirement date.

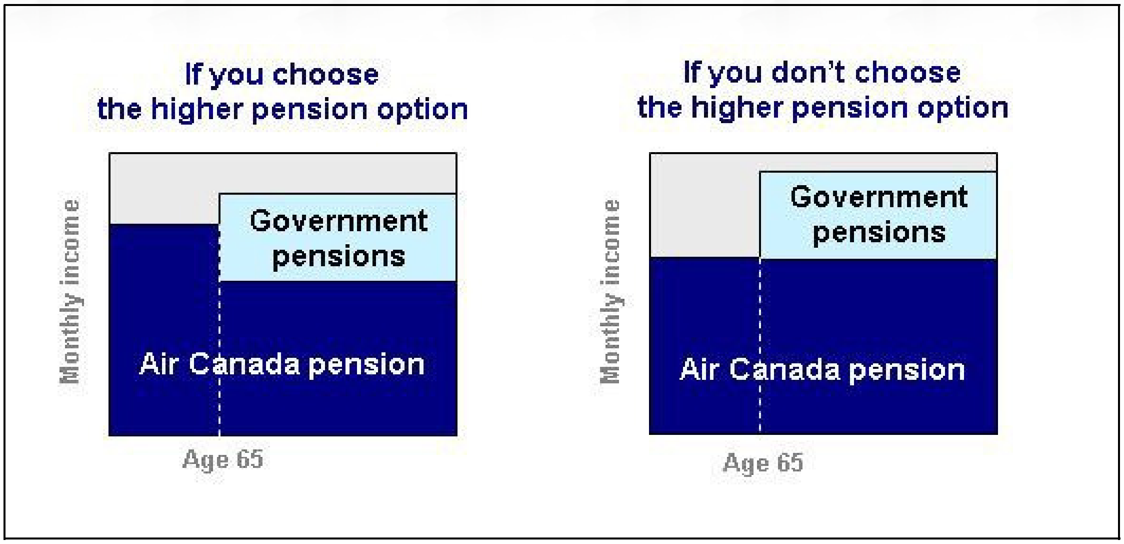
Earnings
For periods since January 1, 2004, "earnings" means your compensation excluding overtime.

For periods before January 1, 2004, regular salary or wages including overtime, general holiday pay, vacation pay and shift differentials but excluding all special allowances.

Final average earnings
Your final average earnings are equal to the average of your earnings during the highest 36 consecutive months preceding the date of your retirement, death or termination of employment, whichever occurs first.

Grounded
A CUPE employee who is unable to continue employment as a cabin personnel employee through no fault of his own, for reasons considered sufficient by the Company. Such grounding is not deemed to be a disability retirement.

Higher pension option
If you retire before age 65, you may choose to receive from the pension plan a higher pension before age 65 and a lower pension afterward, so that your total monthly retirement income will be fairly constant both before and after government benefits become payable.



Under this option, if you die before age 65, your spouse/partner will receive 50% or 60% of the pension you would have received (according to what you choose) and it will be reduced after the date you would have reached age 65.

Joint and survivor pension—50%
A form of pension payment that provides your eligible spouse/partner **determined at the time of your death** with a lifetime monthly pension after your death equal to 50% of your monthly pension. Under this form of pension, your monthly pension is not reduced (except for early retirement), but your spouse/partner must waive his or her rights, in writing, to a 60% joint and survivor pension.

Joint and survivor pension—60%
A form of pension payment that provides your eligible spouse/partner **determined at the time of your retirement** with a lifetime monthly pension after your death equal to 60% of your monthly pension.

Since the plan is designed to provide a 50% survivor pension, your monthly pension will be slightly reduced upon retirement to compensate for the higher survivor benefits.

The reduction in your monthly pension is determined by an actuarial calculation depending on your age and your spouse/partner's age. The overall value of your pension does not change.

Life Income Fund (LIF)
A type of locked-in vehicle outside the pension plan that provides variable income. You withdraw the amount you wish, subject to an annual minimum and maximum, established to ensure a balance remains in your account for as long as you live. You may convert a LIF to an annuity at any time.

Lifetime pension
If you do not have a spouse/partner when you retire, a form of pension payment that provides you with a pension payable until your death only. Upon your death, any difference between your contributions with accrued interest up to your retirement date and the cumulative pension payments you received from the pension plan until your death will be paid to your beneficiary, or estate if you have not designated a beneficiary.

Locked-in RRSP
A registered retirement savings plan that can only be used to provide you with income at retirement; you cannot withdraw money in cash from a locked-in RRSP before retirement.

Locked-in vehicle
A vehicle that must be used to provide you with lifetime income at retirement, such as a locked-in RRSP, a Life Income Fund (LIF) or a lifetime pension purchased from an insurance company. It could also mean the registered pension plan of another company, if you change employers and the plan of your new employer accepts the transfer of the funds.

Normal retirement pension
Your pension, calculated using your average annual compensation, your allowable service, and the average YMPE, payable at age 65.

Past service pension adjustment (PSPA)
A reduction in your RRSP contribution room calculated upon the increase of pension plan benefits, such as upon buyback of service.

Pension adjustment (PA)
The deemed value of the pension you accumulate during the year. Your RRSP contribution room is decreased by your PA. Pension adjustments were introduced by the Canada Revenue Agency in 1990.

Your pension adjustment = (Plan benefit formula x allowable service in the year) x 9 – 600

For example, if you earned $60,000 for the year 2016 when the YMPE was $54,900, and assuming you have earned one full year of allowable service in that calendar year, your PA for that year would be:

[(1.75% x $54,900) + 2% x ($60,000 – $54,900)] x 9 – 600 = $8,965

Your PA is shown annually on your T4 slip, under the heading "Pension Adjustment".

Pension adjustment reversal (PAR)
The positive difference between the sum of all Pension Adjustments (PAs) related to the plan and the termination benefit you receive in respect of post-1989 service. Your RRSP contribution room in the year of termination will be increased by the amount of the PAR.

Your pension adjustment reversal = the greater of zero and: Sum of all PAs reported since 1990 (when PAs were introduced) minus Lump-sum value of the termination benefit you receive in respect of post-1989 service

Examples

	Hire date	Termination date	Total PAs since 1990	Transfer value of benefits		PAR
				Pre-1990	Post-1989	
Employee A	January 1, 1988	January 1, 2015	$144,000	$7,500	$124,000	$20,000
Employee B	January 1, 1998	January 1, 2015	$70,000	n/a	$50,000	$20,000
Employee C	January 1, 2008	January 1, 2015	$20,000	n/a	$22,000	$0

The Company will report your PAR to the Canada Revenue Agency within 60 days of the end of the quarter in which you received your total termination benefit.

Pension statement
The statement you receive each year, showing your personal information, your salary and service, the amount of pension you have already earned, and projections of how much your pension will be when you retire.

Pensionable age
If you joined before January 1, 2007, your pensionable age is 65, representing the age at the earliest date on which you are eligible for an unreduced pension without requiring the consent of the Company.

If you joined on or after January 1, 2007, your pensionable age is defined as the age after attaining age 55, but without exceeding age 65, at which the sum of your age and qualifying service equals 80 years or more.

Postponed retirement pension
The pension payable if you retire after your normal retirement date.

Qualifying service
The service used to determine if you qualify for early retirement.

Your qualifying service is equal to your allowable service, except that for periods since June 1, 2000 during which you were a part-time employee, qualifying service will be equal to one month for each month during which you were actively at work. For example, if you worked every month of a given year on a half-time basis, your qualifying service will be twelve months while your allowable service will be six months.

Your total qualifying service in all Air Canada pension plans counts towards your eligibility for early retirement in all plans.

Registered Retirement Income Fund (RRIF)
An investment vehicle that provides you with regular income during your retirement while still allowing tax-sheltered capital growth. It is also an effective and flexible way to withdraw cash from investments formerly held in your RRSP or Group RSP.

You can't contribute directly to a RRIF. Funds must be transferred from an RRSP or other tax-sheltered investment. You do not pay taxes when funds are transferred from your RRSP funds to your RRIF; however, you do pay taxes on any withdrawals from the RRIF.

Registered Retirement Savings Plan (RRSP)
A type of savings plan in which you accumulate money for your retirement years. The money can be invested in a variety of ways. Your contributions, to a certain maximum, are tax-deductible, and the income earned is tax-sheltered.

Annual contribution limit
18% of your income up to a certain dollar maximum*
LESS
Your pension adjustment (PA)

**This maximum is $25,370 in 2016 and $26,010 in 2017. Thereafter, it will be indexed based on the increase in the Average Industrial Wage.*

In December of the year you turn 71 years old, you must convert your RRSP into one of the following retirement income options: a RRIF, a cash withdrawal, a life annuity, a fixed-term annuity, or any combination of these options.

Solvency ratio
The ratio of the market value of assets to the plan liabilities, determined on the basis that the plan is terminated on the valuation date.

Spouse/partner
Your eligible spouse/partner is:

- the person of the opposite sex who has been living with you in a conjugal relationship for at least one year or, if there is no such person,
- your legally married spouse/partner, or if there is no such person,
- the person of the same sex who has been living with you in a conjugal relationship for at least one year.

If you are in a conjugal relationship, you should advise the *Air Canada HR Connex Centre* in writing so that there are no legal problems in the event of your death.

Year's Maximum Pensionable Earnings (YMPE)
The maximum annual amount on which employers and employees contribute to the Canada or Quebec Pension Plan (C/QPP). This amount is changed every year by the government, according to the increase in the Average Industrial Wage Index in Canada.

Here is a summary of the YMPE in recent years:

Year	YMPE
2016	$54,900
2015	$53,600
2014	$52,500
2013	$51,100