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CUPE / Canadian Union
of Public Employees

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PRESERVING AIR CANADA PENSION BENEFITS:

JOINT STATEMENT OF AIR CANADA UNIONS

Air Canada is known as one of the highest-quality airlines in the world, precisely because of the skill and commitment of its employees to provide the best, safest service possible. Yet Air Canada's workforce has endured many years of economic sacrifice and uncertainty. Through repeated episodes of corporate bankruptcy and near-bankruptcy, Air Canada employees have endured wage cuts and wage freezes, the loss of benefits and paid time off, and ongoing deterioration in working conditions and stress levels. We have also experienced an erosion in the financial well-being of our pension plan – a plan to which the workers contribute through significant payroll deductions.

Most recently, to assist the company through the difficult economic aftermath of the global financial crisis of 2008-2009, the workers and their unions agreed to the deferral of major pension contributions that would have otherwise been required under federal pension law (reprising a similar deferral which was implemented in 2003-2004). Accepting a deferral under these circumstances was surely a “devil's choice,” since it further weakens the stability of the plan; yet we accepted those deferrals as the lesser of two evils, given the fragile condition of the overall airline at the time.

Now, as both the economy and Air Canada's financial results continue to recover, Air Canada's workers have been presented with offensive demands for dramatic, permanent reductions in pension benefits for existing employees – and a parallel demand to eliminate defined pension benefits altogether for new employees. The company points to the plan's present deficit (implying increased company contributions in future years) as evidence that the plan is somehow “unsustainable.” Although pension plan deficits are largely a result of interest rates and market returns, AC employees have assisted AC in dealing with these deficits by agreeing to special pension regulations allowing AC to defer deficit payments. The purpose of the deferrals was obviously not to provide the company with a subsequent excuse to eliminate pension benefits; it was to provide the company with financial breathing room (at critical periods in its history), on the expectation and the explicit promise that the

company would subsequently make up for lost time, with extra contributions once financial circumstances improved. It was obvious all along that a consequence of deferral would be increased employer contributions in subsequent years.

We believe that the AC defined plan is sustainable as long as AC lives up to its legal and moral obligations to adequately fund the plan (complemented by employee contributions of course).

The fact that Air Canada's top executives continue to receive extremely generous defined benefit pension credits (on top of the other components of their multi-million-dollar compensation) disproves the claim that defined benefit pensions are no longer feasible or desirable. If wealthy corporate executives can enjoy the security and certainty of a defined benefit pension, then so too can the workers who deliver the service that makes Air Canada successful.

Equally galling to Air Canada's workers were the actions of senior management to strip billions of dollars of value away from the company through sophisticated but illusory financial engineering at ACE and its various spun-off business units. Shareholders of ACE and the former Air Canada subsidiaries benefited from at least \$6 billion worth of disbursed value from 2005 through 2010, even as Air Canada was so badly neglecting its obligations to its current and future retirees. It is utterly illegitimate to now ask workers to pay the bill for this asset-stripping, through cuts to our hard-earned pension benefits.

Many Canadian pension experts (including business-oriented figures such as David Dodge, Don Drummond, and Jack Mintz) have noted in recent years the failure of defined contribution or RRSP-style pension models to provide adequate or reliable income for Canadian retirees, and have argued for the revitalization of defined benefit pensions. We fully recognize that establishing a two-tier pension system (with defined contribution benefits only for new employees) would very quickly destroy the financial viability of the remaining, "orphaned" DB plan.

Air Canada's workers and their unions are fully committed to maintaining the integrity of the current pension model. While the precise features of the pension are of course determined through the normal collective bargaining process, the fundamental structure of our pension is not up for negotiation. With this joint declaration, the leadership of the CUPE, CAW, and IAM bargaining units at Air Canada declare our joint commitment to preserve Air Canada's defined benefit pension plan for current retirees, current employees, and future employees alike. We will make the maintenance of the plan, including employer contributions that are the necessary consequence of past funding deferrals, a central priority during our coming collective bargaining with Air Canada. And we commit to the most determined and active solidarity between our members to defend the pension against the company's illegitimate demands for benefit reductions and two-tier structures.

Through the work of our members, Air Canada has a promising future as a world-class, high-value airline. Recognizing and preserving the integrity of the pension benefits our members and retirees have built over decades, can and must be a core and permanent principle of Air Canada's business. We will not abandon our retirees in the face of management's offensive demands. We will stand together to ensure that Air Canada retirees can live out their golden years with the confidence and security of a fair defined pension.



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