BULLETIN
TRANSPORTATION DISTRICT 140
DISTRICT DES TRANSPORTS 140
International Association of Machinists and Aerospace Workers
Association internationale des machinistes et des travailleurs et travailleuses de l'aérospatiale

TO ALL IAMAW MEMBERS

AIR CANADA - TMOS
2009 AIR CANADA SHARE TRUST AGREEMENT HISTORY AND 2021 REPURPOSING AGREEMENT

Dear Sisters and Brothers,

This communication is intended to provide our members with a more detailed explanation and a better understanding of both the 2009 Share Trust Agreement and the November 2021 Share Trust Repurposing Agreement.

These agreements are narrowly focused and while they will provide a benefit for most of our active members and all of our pensioners, they will not provide a benefit for all of our active members. In 2009, all IAMAW members employed by Air Canada were members of the Defined Benefit pension plan. The original 2009 Share Trust Agreement provided additional funding security to all of Air Canada's Defined Benefit pension plans, and by extension, to all IAMAW active members and pensioners at that time.

In the 2011 -12 round of negotiations, Air Canada closed all of their Defined Benefit pension plans to new hire employees from all five unions. They closed their management and non-unionized pension plan to new hire employees in 2008. As a result, all IAMAW members who were hired after the date of ratification of their respective collective agreement in 2012, became members of the IAMAW Multi-Employer Pension Plan (MEPP) and not the legacy Air Canada Defined Benefit pension plan.

The 2009 Share Trust Agreement was drafted and signed prior to the creation of the MEPP. Therefore, it does not provide any additional pension security or benefit for IAMAW members hired into the MEPP. However, with the structure of the November 2021 Share Trust Repurposing Agreement, there is now an opportunity for all IAMAW members, including those in the MEPP, to receive some level of benefit from the share sale proceeds of the original 2009 Share Trust Agreement.

In addition, some members of the Defined Benefit pension plan who choose to continue working after they have attained age 55 and 80 points of age plus qualifying service may or may not receive a benefit from this agreement, depending upon their date of retirement from the Defined Benefit pension plan and whether or not they choose to participate in one of the VSP offerings.

Here is how and why the November 2021 Share Trust Repurposing Agreement was negotiated and the benefits that it provides for IAMAW members:

<u>The History:</u>

The 2009 Share Trust Agreement (STA) is a multiparty agreement between Air Canada and its five unions (ACPA, CALDA, CUPE, Unifor and the IAMAW). The STA has all of the trust shares held in a single joint trust account. Under the terms of the agreement, Air Canada granted 15% (17,647,059 shares) of their Class "B" common shares to the joint Share Trust. Those shares were deposited into the Share Trust on November 1, 2009. As a result of subsequent public share offerings, these shares now represent just under 5% of all outstanding Air Canada stocks.

Cont...

Halifax – Tel/Tél. : 902-481-0077 Fax/Téléc.: 902-481-0079
Winnipeg – Tel/Tél. : 204-987-9254 Fax/Téléc.: 204-987-9252
Calgary – Tel/Tél. : 403-250-3708 Fax/Téléc.: 403-250-3707
Toronto – Tel/Tél. : 905-671-3192 (Toll free/Sans frais : 1-877-426-2948) Fax/Téléc.: 905-671-2114 (Toll free/Sans frais : 1-866-298-0369)
Vancouver – Tel/Tél. : 604-448-0721 (Toll free/Sans frais : 1-877-426-3140) Fax/Téléc.: 604-448-0710 (Toll free/Sans frais : 1-888-310-1688)
Montréal – Tel/Tél. : 514-336-3031 (Toll free/Sans frais : 1-888-992-1010) Fax/Téléc.: 514-336-3039 (Toll free/Sans frais : 1-866-800-3039)

Section 2.4 of the second amended 2009 Share Trust Agreement (signed June 1, 2010) specifies the pro-rata share amounts of each participating Union. The IAMAW is the largest unitholder in that agreement with ownership of 35.96% of the original 2009 Share Trust.

The shares were granted as collateral to offset part of the unfunded solvency liability that the defined benefit pension plan members assumed through the solvency funding deficit in lieu of Air Canada having to make the full amount of their required solvency funding payments between 2009 and 2014. The Share Trust Agreement and the *Income Tax Regulations (ITR)* stipulates that if sold, the shares can only be deposited into the eligible defined benefit pension plans to cover any owed solvency deficit. As at January 1, 2021 the IAMAW defined benefit pension plan was 134% funded on a going concerns basis and 118% funded on a solvency basis.

The 2009 Share Trust Agreement (STA) does not allow for the share sale proceeds to be used to provide any pension benefit improvements. The STA was only designed to help offset any solvency funding deficits that may exist in the eligible pension plans as at the date of any share sale.

The STA explicitly prohibits the distribution (payment) of any share sale proceeds into any pension plan that is in surplus. Section 11.4 (c) of the STA stipulates that where all eligible pension plans are in surplus, the "Excess Distribution" (money) must be retained within the STA as cash. Further, it stipulates that any "Excess Distribution" that is retained within the STA shall be reinvested as directed by Air Canada.

Both the *Pension Benefit Standards Act (PBSA)* and the *Income Tax Regulations (ITR)* [at s6802 (h)] were amended in 2009 to allow for the creation of the *2009 Air Canada Pension Plan Funding Regulations* and the *2009 Air Canada Share Trust Agreement*. These regulatory amendments allowed the Share Trust to be afforded favourable tax treatment for the shares, the same as if they were contained within a Registered Pension Plan. Therefore, any deal to unlock the value of the shares and repurpose those realized funds has to be approved by the Ministry of Finance and federal regulators.

The Share Trust funds can only be used for deposit into the eligible pension plans and are considered as employer contributions to the pension plans. Because all of Air Canada's pension plans are currently funded in excess of 125% on a going concern basis and 105% on a solvency basis, employer contributions into the pension plans are prohibited by the *Income Tax Act*. Therefore, any agreement that is reached with Air Canada governing the deposit of the STA share sale proceeds into the pension plan to increase member pension benefits also requires the agreement and consent of federal regulators.

The 2009 STA prohibits the distribution of any share sale proceeds outside of the ten (10) Air Canada Defined Benefit pension plans that are listed at schedule 1.1(z) of the STA. Air Canada Management and Non-unionized employees are members of two of the pension plans listed. Because these shares are considered to be employer contributions to a Registered Pension Plan for the purpose of taxation, they cannot be deposited outside of the listed pension plans.

Note: Air Canada and all of the unions have merged their separate original Air Canada and ex-CAIL pension plans since the Share Trust was created in 2009. The IAMAW negotiated the merger of our two pension plans as part of the 2012 collective agreement. The merger of the IAMAW pension plans was implemented on January 1, 2014.

Under the terms of the 2009 Share Trust Agreement, any shares that are sold from within the Share Trust must be split between all of the eligible Air Canada pension plans and deposited into every pension plan based upon the pro-rata solvency funding ratio of each pension plan as at the date of the sale. This means that if the IAMAW sold any of its' shares under the current 2009 Share Trust Agreement, a pro-rata portion of the proceeds realized through the share sale would have to go to each and every other Air Canada Defined Benefit pension plan and not just the IAMAW plan. The largest portion of any union's share sale would go to whichever pension plan had the lowest solvency funding ratio, regardless of which union sold their shares.

Halifax – Tel/Tél. : 902-835-3171 Fax/Téléc.: 902-835-3841
Winnipeg – Tel/Tél. : 204-987-9254 Fax/Téléc.: 204-987-9252
Calgary – Tel/Tél. : 403-250-3708 Fax/Téléc.: 403-250-3707
Toronto – Tel/Tél. : 905-671-3192 (Toll free/Sans frais : 1-877-426-2948) Fax/Téléc.: 905-671-2114 (Toll free/Sans frais : 1-866-298-0369)
Vancouver – Tel/Tél. : 604-448-0721 (Toll free/Sans frais : 1-877-426-3140) Fax/Téléc.: 604-448-0710 (Toll free/Sans frais : 1-866-310-1688)
Montréal – Tel/Tél. : 514-336-3031 (Toll free/Sans frais : 1-888-992-1010) Fax/Téléc.: 514-336-3039 (Toll free/Sans frais : 1-866-800-3039)

The Shift in Focus:

All of Air Canada's Defined Benefit pension plans came into surplus funding in 2014. There were a number of factors that caused this sharp improvement in the solvency funding of the Air Canada pension plans between 2009 and 2014. By mid to late 2015, it became increasingly apparent that the solvency funding of Air Canada's Defined Benefit pension plans had stabilized and was indeed continuing to improve over time. While far from a certainty, both Air Canada and the Council of Unions believed that the long-term risk to the pension plans had been resolved and was in good shape on a go forward basis.

The 2009 Share Trust Agreement was entered into when Air Canada's Defined Benefit pension plans had a combined solvency deficit of nearly $2.9 Billion. With the announcement of the 2014 actuarial valuation, that had improved remarkably to just over a $1 Billion surplus. The solvency surplus continued to increase in 2015, and in fact has continued to increase every year since then.

There became a realization amongst the Council of Unions that the 2009 Share Trust Agreement would almost certainly not be needed to provide solvency protection for our pension plans going forward. With the sharp rise in the value of Air Canada shares after 2014, the Council of Unions now had joint ownership of a very significant asset. The problem was that it was a stranded asset that could not be utilized in any way for the benefit of our members.

When the 17,647.059 shares were issued by Air Canada into the Share Trust on November 1, 2009, they had a market value of $1.09 per share. This was an aggregate value of just less than $20 million. Based on a $25 per share market value, the Share Trust now has an aggregate value of approximately $441 million.

Because Air Canada's Defined Benefit pension plans were in such a large funding surplus, the shares could not be sold and placed in the pension plans as additional funds because they were considered to be employer contributions. Even if the shares were sold and put in the pension plans, that would just serve to increase the surplus, which directly benefits Air Canada (by extending their contribution holiday) but not our members.

The structure of the 2009 Share Trust Agreement and the *ITR [s6802 (h)]* prohibited any union from simply selling their shares and providing money or benefits to their members outside of the Defined Benefit pension plans. That meant that the Council of Unions would have to get creative and find a way to restructure the 2009 Share Trust Agreement and negotiate a new repurposing agreement with Air Canada that would unlock the value of the 2009 Share Trust Agreement for the benefit of as many of our members as possible.

The Initial Repurposing Concept and Process:

To ensure that each Union could benefit from all of their own allocated shares, an alternate arrangement had to be agreed to by all parties in order to unlock the value of the 2009 Share Trust Agreement. Unlocking the joint STA was a very complex undertaking. It ultimately took seventy-four (74) months from the first meeting of the Council of Unions to begin the process of repurposing the STA until the signing of the November 2021 Share Trust Repurposing Agreement

No one party could force any other party into unlocking the 2009 Share Trust Agreement. Any repurposing agreement had to be approved by all five Unions, Air Canada, the Share Trust Trustee and federal regulators.

Internal talks began in September 2015 between the five (5) Air Canada Unions (ACPA, CALDA, CUPE, Unifor and the IAMAW) that comprise the Council of Unions. Discussions also had to be held with Air Canada to negotiate a Memorandum of Agreement (MOA) that would allow the 2009 Share Trust Agreement to be repurposed for the benefit of our members.

Halifax – Tel/Tél. : 902-835-3171 Fax/Téléc.: 902-835-3841
Winnipeg – Tel/Tél. : 204-987-9254 Fax/Téléc.: 204-987-9252
Calgary – Tel/Tél. : 403-250-3708 Fax/Téléc.: 403-250-3707
Toronto – Tel/Tél. : 905-671-3192 (Toll free/Sans frais : 1-877-426-2948) Fax/Téléc.: 905-671-2114 (Toll free/Sans frais : 1-866-298-0369)
Vancouver – Tel/Tél. : 604-448-0721 (Toll free/Sans frais : 1-877-426-3140) Fax/Téléc.: 604-448-0710 (Toll free/Sans frais : 1-866-310-1688)
Montréal – Tel/Tél. : 514-336-3031 (Toll free/Sans frais : 1-888-992-1010) Fax/Téléc.: 514-336-3039 (Toll free/Sans frais : 1-866-800-3039)

The Council considered a number of different options and scenarios for unlocking and repurposing the STA. It took more than three years of internal meetings, actuarial consultations, legal and income tax enquiries before the Council was able to design a repurposing proposal that was agreeable to all five unions and could be brought forward to Air Canada for negotiation.

The primary focus of the Council of Unions' proposal and the most logical use of the 2009 STA share sale proceeds was to create a continuing stream of annual ad hoc pension payments to all retirees and survivors. Air Canada's unionized pension plans have not had any indexation against inflation since between 2002 and 2007, depending upon which union. The last IAMAW indexation increase was made in January 2007.

In its simplest form, the Council of Unions' initial proposal for the repurposing of the 2009 STA, was to sell the shares at fair market value, invest the proceeds and use the annual return on investment to provide a continuing series of annual ad hoc payments to all pensioners. The amount payable to each pensioner each year would be proportional to the value of their annual pension and the realized return on investment in that year. It would not be a lot of money each year and it would not be compounding, but it would be a tangible benefit to all of our defined benefit pension plan members every year after they retired.

On November 5, 2018 the Council of Unions signed a protocol agreement on the intended usage of the STA share sale proceeds. The Council also agreed to a shared-cost process for the assistance of third party actuarial and legal experts. A sub-committee of the Council members was formed to negotiate the repurposing of the Share Trust proceeds with Air Canada for the ultimate benefit of all our respective defined benefit pension plan members.

The Council of Unions sub-committee met with representatives of the Air Canada Finance Department in Toronto on February 27, 2019. At that meeting the Council presented their initial proposal for the dissolution of the STA and the repurposing of the share sale proceeds.

In a follow-up meeting at the company's Montreal Headquarters on July 10, 2019, senior Air Canada executives presented the Council of Unions with the company's response to the Council's STA repurposing proposal. Air Canada's counter-proposal provided a very different conceptual approach to the use of the STA share sales proceeds than the Council of Union's initial repurposing proposal had contemplated.

The Council held additional internal meetings in November 2019 as well as January and February 2020 to try and craft a new compromise proposal that the Council could agree to on behalf of our members and that it hoped would also be acceptable to Air Canada. The Council was still in the process of finalizing their response to Air Canada when the Covid pandemic caused the near total shutdown of Air Canada's flight operations in mid-March 2020.

No further discussions or meetings occurred between the Council of Unions or with Air Canada concerning the STA repurposing proposal until March 24 and 25, 2021.

The Road to the Deal:

As a result of the near total shutdown of their flight operations due to the Covid pandemic, Air Canada laid off more than half of their employees in June 2020. The company failed to provide the necessary 16 weeks notice of layoff to their employees prior to the lay offs and applied for an exemption to this requirement of *Division IX, Section 212 (1)* of the *Canada Labour Code* on December 21, 2020. The Ministry of Labour denied Air Canada the exemption in a ruling that was issued on February 12, 2021.

The denial for an exemption forced Air Canada to enter into employment mitigation negotiations with all of its unions through the Joint Planning Committee process stipulated at *Section 214 (1)* of the *Code.* In a series of meetings with each of its five unions' Joint Planning Committees on March 24 and 25, 2021, Air Canada tabled identical proposals to each union concerning certain employment mitigation programs.

Halifax – Tel/Tél. : 902-835-3171 Fax/Téléc.: 902-835-3841
Winnipeg – Tel/Tél. : 204-987-9254 Fax/Téléc.: 204-987-9252
Calgary – Tel/Tél. : 403-250-3708 Fax/Téléc.: 403-250-3707
Toronto – Tel/Tél. : 905-671-3192 (Toll free/Sans frais : 1-877-426-2948) Fax/Téléc.: 905-671-2114 (Toll free/Sans frais : 1-866-298-0369)
Vancouver – Tel/Tél. : 604-448-0721 (Toll free/Sans frais : 1-877-426-3140) Fax/Téléc.: 604-448-0710 (Toll free/Sans frais : 1-866-310-1688)
Montréal – Tel/Tél. : 514-336-3031 (Toll free/Sans frais : 1-888-992-1010) Fax/Téléc.: 514-336-3039 (Toll free/Sans frais : 1-866-800-3039)

The Company's mitigation proposal was comprised of two separate concepts. The first concept was the Early Retirement Incentive Program (ERIP) that was agreed to by all of the unions on April 9, 2021. The ERIP provided either a temporary enhanced pension payment for active members who had attained age 55 and 80 points of age plus qualifying service until they reached age 65, or it provided a significantly higher (smaller reduction) pension benefit for members who had not yet attained age 55 or 80 points of age plus qualifying service.

The ERIP was funded by a small portion (approximately 1%) of each union's Defined Benefit pension plan surplus. Member's who applied to take the ERIP by the May 14, 2021 deadline could chose to leave the employment of Air Canada on either of June 1, July 1 or August 1, 2021. Seven hundred and forty-six (746) IAMAW members elected and were approved to participate in the ERIP.

The second concept that was proposed by Air Canada in their March 24, 25, 2021 presentations to the unions concerned the repurposing and usage of the 2009 Share Trust Agreement to make certain benefits available to select active employees and to all current pensioners who were receiving monthly pension benefits from the Defined Benefit pension plan.

Air Canada's proposal for the unlocking and use of the 2009 STA was not acceptable to any of the unions in the form initially presented, but it signaled a very significant shift from their July 2019 counter-proposal on the Share Trust repurposing. The Council of Unions reconvened a series of internal meetings and consultations to try and rework the company's March 2021 proposal into an agreement that would more closely approximate the Council's original February 2019 proposal, while keeping the basic elements of the company's March 2021 offer.

A series of meetings between the Council of Unions and Air Canada were held from April to November 2021. During that time, a number of proposals and counter-proposals were exchanged and reworked. The ultimate result of that extensive process is the new Share Trust Repurposing Agreement that was finalized on November 10, 2021 and publicly announced on November 12, 2021 by Air Canada and the Council of Unions.

Because Air Canada is a publicly traded company and any agreement that was agreed to between the parties could have an impact on Air Canada's share price, all parties were sworn to strict confidentiality on the process and any discussions between the parties concerning the STA. That is the reason that there was extremely little communication from any of the Unions to their membership concerning the STA during the last six years.

Only three communications were issued by the Council of Unions prior to the signing of the November 2021 Share Trust Repurposing deal:

April 2021
July 2019
May 2019

So, while this announcement seemingly came out of the blue, it actually is the culmination of more than six years of extremely hard work by all five unions that comprise the Air Canada Council of Unions. A number of the individuals from the Council working group have changed over the six years that it has taken, but every single one of those who were involved played a key role to ensure that this agreement was ultimately achieved for the benefit of as many of our members as possible.

The final step of the Share Trust Repurposing Agreement process will be to obtain the required approvals of the Minister of Finance and federal regulators.

The Deal:

The November 2021 Share Trust Repurposing Agreement will serve to amend the 2009 Share Trust Agreement. Currently all Share Trust assets are jointly held by all of the unitholders (unions). The first step of the Repurposing Agreement will be to reallocate the shares for the benefit of each union individually.

Halifax – Tel/Tél. : 902-835-3171 Fax/Téléc.: 902-835-3841
Winnipeg – Tel/Tél. : 204-987-9254 Fax/Téléc.: 204-987-9252
Calgary – Tel/Tél. : 403-250-3708 Fax/Téléc.: 403-250-3707
Toronto – Tel/Tél. : 905-671-3192 (Toll free/Sans frais : 1-877-426-2948) Fax/Téléc.: 905-671-2114 (Toll free/Sans frais : 1-866-298-0369)
Vancouver – Tel/Tél. : 604-448-0721 (Toll free/Sans frais : 1-877-426-3140) Fax/Téléc.: 604-448-0710 (Toll free/Sans frais : 1-866-310-1688)
Montréal – Tel/Tél. : 514-336-3031 (Toll free/Sans frais : 1-888-992-1010) Fax/Téléc.: 514-336-3039 (Toll free/Sans frais : 1-866-800-3039)

The 2009 Share Trust assets (17,647,059 shares) will be divided on a pro-rata basis between six (6) Air Canada Defined Benefit pension plans to create separate "Trust Share" pools. Each of the five union ("employee group") pension plans will receive a pro-rata share minus an aggregate 11.66% of the Trust Shares that has been ceded to the Management and Non-organized pension plan. The IAMAW portion of the 11.66% equals 4.19%.

All external third-party costs relating to taxes, commissions, legal, actuarial, accounting, and filing fees will be paid on a pro-rata basis by each employee group's Trust Share pool. Air Canada is responsible to pay for their own internal costs associated with the Share Trust repurposing.

As a result of this split, the IAMAW will retain 31.77% ownership of the 2009 Trust Shares. The full asset split is detailed at Section 5 of the Repurposing MOA. After each "employee group" pension plan has been allocated their Trust Shares, those shares will then be allocated to provide the following benefits to members, to the maximum extent permitted by the money available.

The November 2021 Share Trust Repurposing Agreement is comprised of four (4) components:

1) Voluntary Separation Packages (VSPs)
2) An immediate retroactive payment to all pensioners.
3) A series of future lump sum payments to all pensioners as at the date of each payment.
4) Right to nominate a Member to the Air Canada Board of Directors.

VSPs:

- ✓ The requisite number of shares will be sold by each of the employee groups to create an aggregate $150 million "VSP pool".
- ✓ There will be three (3) separate VSP offerings to all active IAMAW members, including those in the MEPP.
- ✓ Each VSP offering will be limited to a maximum value of $50 million. The IAMAW share of each VSP offering will be 31.77% ($15.89 million).
- ✓ Any unused portion of an employee group's VSP pool will revert to their "pensioner pool".
- ✓ The first VSP will be offered in 2024, a second offered between 2026 to 2029 and a third offered between 2030 to 2037.
- ✓ There must be a minimum of 24 months between each VSP offering. Air Canada has sole discretion over which month the VSPs will be offered.
- ✓ All IAMAW member with at least 10 years of continuous service as at the date of the VSP will be eligible.
- ✓ Acceptance will be based upon bargaining unit seniority.
- ✓ The company cannot prevent any eligible member from receiving a VSP for any reason.
- ✓ VSPs will comprise two (2) weeks wages per full year of completed company service to a maximum of fifty-two (52) weeks.
- ✓ The number of VSP packages to each union will be limited by the amount of money available in their respective VSP pool at each offering. ($15.89 million for the IAMAW)

Immediate Retroactive Payment to Retirees and Survivors:

- ✓ All remaining shares after the creation of the "VSP pool" will be deposited into each employee group's respective "pensioner pool".
- ✓ The requisite number of shares will be sold by each of the employee groups to create an aggregate pool of $100 million. The IAMAW portion will equal $31.77 million.
- ✓ This pool will be used to pay an immediate lump sum payment to all retirees and survivors who are in receipt of a monthly pension benefit as at the date of payment and who have been retired at least one year.
- ✓ Payment of the initial lump sum will be based upon the increase in the CPI since January 1, 2009 or from January 1 of the year following retirement, whichever is most recent.
- ✓ The payments will be a percentage (%) of each pensioner's annual pension benefit.
- ✓ This payment will be made as soon as administratively possible after the finalization of the Share Trust Repurposing Agreement.

Halifax – Tel/Tél. : 902-835-3171 Fax/Téléc.: 902-835-3841
Winnipeg – Tel/Tél. : 204-987-9254 Fax/Téléc.: 204-987-9252
Calgary – Tel/Tél. : 403-250-3708 Fax/Téléc.: 403-250-3707
Toronto – Tel/Tél. : 905-671-3192 (Toll free/Sans frais : 1-877-426-2948) Fax/Téléc.: 905-671-2114 (Toll free/Sans frais : 1-866-298-0369)
Vancouver – Tel/Tél. : 604-448-0721 (Toll free/Sans frais : 1-877-426-3140) Fax/Téléc.: 604-448-0710 (Toll free/Sans frais : 1-866-310-1688)
Montréal – Tel/Tél. : 514-336-3031 (Toll free/Sans frais : 1-888-992-1010) Fax/Téléc.: 514-336-3039 (Toll free/Sans frais : 1-866-800-3039)

Additional Lump Sum Payments:

- ✓ All remaining shares after the creation of the "VSP pool" and the initial $100 million lump sum payment will remain in each respective employee group's "pensioner pool".
- ✓ These remaining shares will be divided into five (5) additional lump sum payments to all retirees and pensioners who are in receipt of a monthly pension as at the date of payment.
- ✓ Non-compounding lump sum payments will be made once every three (3) years between 2025 and 2037. That comprises a total of five (5) future lump sum payments over a fifteen (15) year period.
- ✓ These additional lump sums will be paid as follows:
  - i. Payment in the year 2025 using 20% of the remaining Trust Shares of Each Employee's Group Pensioners' Pool;
  - ii. Payment in the year 2028 using 25% of the remaining Trust Shares of Each Employee's Group Pensioners' Pool;
  - iii. Payment in the year 2031 using 33.33% of the remaining Trust Shares of Each Employee's Group Pensioners' Pool;
  - iv. Payment in the year 2034 using 50% of the remaining Trust Shares of Each Employee's Group Pensioners' Pool; and
  - v. Payment in the year 2037 using 100% of the remaining Trust Shares of Each Employee's Group Pensioners' Pool.
- ✓ Payment of these additional lump sums will be based on a percentage of the increase in the CPI from the date of the previous lump sum payment or January 1 following retirement, whichever is most recent.
- ✓ Because the number of remaining Trust Shares will vary for each Employee Group, the % of CPI will also vary by Employee Group.

Nomination of a Board Member:

- ✓ Article 8 of the 2009 Share Trust Agreement grants the Council of Unions the right to nominate a member to the Air Canada Board of Directors for as long as the Trust Shares equal more than 2% of Air Canada's outstanding stock value.
- ✓ The Share Trust Repurposing Agreement grants the Council of Unions the right to nominate a member to the Air Canada Board of Directors until the earlier of January 1, 2030 or the aggregate remaining Trust Shares equal 2% or less of Air Canada's outstanding stock value.

Epilogue:

This document details a recipe for, and an insight into the process of how sausages are made. Negotiated multi-party agreements are always very much like developing a recipe by committee. Every chef gets to put an ingredient into the mixture, but every chef would not necessarily choose to use all of the same ingredients if they were making the sausages from their own personal recipe. The trick is to craft a sausage recipe that everybody can swallow without choking on it.

The November 2021 Share Trust Repurposing Agreement is not the deal that the Council of Unions originally envisioned or worked so hard to achieve for six years. Nor is it the deal that Air Canada originally envisioned. This agreement represents the very best deal that could be achieved for the benefit of our members that Air Canada could swallow without choking on it, and vice-versa.

After seventy-four (74) months of work by the Council of Unions trying to get an agreement to repurpose the 2009 Share Trust, the right combination of circumstances, opportunity and understanding finally presented itself during the last six months to make this agreement possible.

Halifax – Tel/Tél. : 902-835-3171 Fax/Téléc.: 902-835-3841
Winnipeg – Tel/Tél. : 204-987-9254 Fax/Téléc.: 204-987-9252
Calgary – Tel/Tél. : 403-250-3708 Fax/Téléc.: 403-250-3707
Toronto – Tel/Tél. : 905-671-3192 (Toll free/Sans frais : 1-877-426-2948) Fax/Téléc.: 905-671-2114 (Toll free/Sans frais : 1-866-298-0369)
Vancouver – Tel/Tél. : 604-448-0721 (Toll free/Sans frais : 1-877-426-3140) Fax/Téléc.: 604-448-0710 (Toll free/Sans frais : 1-866-310-1688)
Montréal – Tel/Tél. : 514-336-3031 (Toll free/Sans frais : 1-888-992-1010) Fax/Téléc.: 514-336-3039 (Toll free/Sans frais : 1-866-800-3039)

The repurposing agreement contains a benefit for active members of both the legacy defined benefit pension and the MEPP through the series of VSP offerings. It contains a small measure of retroactive compensation to all of our retired pensioners in lieu of the indexation that has been lost from our pension plan since 2007. And finally, it provides a small measure of future financial benefit and retirement security for our current and future pensioners for the next fifteen (15) years.

All of the parties realized that they faced a rapidly closing window of opportunity to achieve a repurposing agreement on the 2009 Share Trust. As evidenced by the January 1, 2021 actuarial valuation reports, every single one of Air Canada's unionized employee groups now has a minority of their active members in their defined benefit pension plans. 2021 is the cross-over year where, for the first time, all five Air Canada unions will have the majority of their active members not contributing and earning service in the defined benefit pension plans. If a repurposing agreement could not be achieved this year, then going forward it would become increasingly less likely that a deal could ever be reached to benefit any of our members.

The Share Trust Repurposing Agreement is not perfect, but very few things in life are. It is not everything that we had hoped for, but it is more than we thought was possible. The absolute rule of negotiating any agreement is to ensure that you do not let the perfect be the enemy of the good. While perfect is always your target, the best that is possible must also be your goal. Agreements always represent what is possible and not necessarily what is preferred.

In solidarity,

Christopher Hiscock
Chairman
IAMAW
Air Canada Pension Committee

CH/mdr moveup

BULLETIN NO. 052 – ISSUED NOVEMBER 19, 2021
PLEASE COPY, POST AND CIRCULATE

Halifax – Tel/Tél. : 902-835-3171 Fax/Téléc.: 902-835-3841
Winnipeg – Tel/Tél. : 204-987-9254 Fax/Téléc.: 204-987-9252
Calgary – Tel/Tél. : 403-250-3708 Fax/Téléc.: 403-250-3707
Toronto – Tel/Tél. : 905-671-3192 (Toll free/Sans frais : 1-877-426-2948) Fax/Téléc.: 905-671-2114 (Toll free/Sans frais : 1-866-298-0369)
Vancouver – Tel/Tél. : 604-448-0721 (Toll free/Sans frais : 1-877-426-3140) Fax/Téléc.: 604-448-0710 (Toll free/Sans frais : 1-866-310-1688)
Montréal – Tel/Tél. : 514-336-3031 (Toll free/Sans frais : 1-888-992-1010) Fax/Téléc.: 514-336-3039 (Toll free/Sans frais : 1-866-800-3039)