



## JUNE 2014 – AIR CANADA PENSION COMMITTEE REPORT

In the January 2014 Pension Report I explained how the YMPE is used to determine the effective % factors to be used in determining your pension benefit. In the May 2014 report I explained the second part of the pension benefit formula which is your pensionable earnings. In this report I will explain the third and final part of your defined benefit pension calculation formula; your amount of service.

There are 4 types of service used at Air Canada to calculate your entitlement to your pension and post-retirement benefits and the amount of your pension. Because they are very similar yet very different, it is one of the more confusing things for members to understand about their pensions.

The first is **Qualifying** service. This is the amount of time, in whole months, from your date of entry into the pension plan until your termination or retirement. This is used to determine when you have attained your 25 years or 80 points in the pension plan. It is used to determine which options you may elect to receive your pension (I.e. if you have qualified for retirement or are simply terminating). Qualifying service is affected (reduced) by periods of layoff but is not prorated for any months worked as a P/T employee.

The second is **Allowable** service and it is the number of whole months that you have actually contributed to the pension plan and determines the \$\$ value of your pension. It is affected (reduced) by periods of layoff and is prorated any whole months worked as a P/T employee. **Pensionable** service = allowable service and is the term used for CAIL type service (prior to December 1, 2001). It is your allowable service that is multiplied by your AAC and FAE earnings and the applicable % factors to determine the final dollar value of your pension.

The forth is **Continuous** (company) service. This is the amount of time, in whole months, from your last permanent date of hire with Air Canada, CAIL or any of its predecessor companies until your termination or retirement. Continuous service is used to determine your eligibility for post-retirement benefits and travel in accordance with the Air Canada Retirement Policy. It is not used in any respect for your pension. Continuous Qualifying service is **not** affected (reduced) by any periods of layoff, WCB, GDIP, LOA or for any months worked as a P/T employee. Continuous service is only interrupted by termination.

Everything to do with pensions is calculated in whole months so both your age and service will be calculated and totaled in whole months to determine your service, points and eligibility. Working a single day in a month will credit you with qualifying, allowable and continuous service for that entire month. Because of this, you will always retire effective the first day of the month next following your last day of work. Any day during the month can be your last day on the payroll, but your official retirement date will always be the first day of the next month.

That is why members who wanted to retire under the old pension rules had to complete their last day of work on or before November 30<sup>th</sup>, 2013. If they were still working on December 1<sup>st</sup>, 2013 they would have been credited with all of December 2013 for qualifying service and their retirement date would have been January 1<sup>st</sup>, 2014 which was the first effective date of the new (current) pension plan rules.

Both the *Income Tax Act (ITA)* and the *Pension Benefit Standards Act (PBSA)* limit contributions and benefits (allowable service) in a defined benefit pension plan to a maximum of 35 years (420 months). No contributions can be made and no further benefit can be accrued after the member has attained 420 months of allowable service in any of Air Canada's Defined Benefit pension plans.

It is important to remember that your pension and post-retirement benefits are two completely separate things that use two completely separate types of service (qualifying and continuous) to determine your eligibility to receive each. This is a distinction that often leads to confusion for our member's.

I may be contacted at [president@iam764.ca](mailto:president@iam764.ca) with any questions or concerns that you may have.

Respectfully Submitted,

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