CUPE SCFP
AIR CANADA COMPONENT

Pension Handbook

For AC CUPE

Cabin Personnel

Printed March 2011

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Pensions 101: What is My Air Canada Pension all about?

Your Air Canada Pension benefit is one of the most important benefits that the Union has negotiated for you! No matter your age, or whether you are junior or senior, your pension plan is an important component of your overall compensation for the work that you do at Air Canada. Your **Annual Pension Statement** and the **information and tools** available on acaeronet will help you understand what your pension plan means for you. The pension website accessed through acaeronet is referred to as the Mercer OneView site.

For most flight attendants, the Air Canada pension plan is relied upon to provide the cornerstone for their future retirement income. One way to look at the pensions that you have earned is as deferred wages. If you leave the Company before being eligible for a pension, you will be entitled to other options for receiving the value of the pension that you have earned.

There are currently two pension plans for flight attendants at Air Canada, one for original Air Canada (AC) employees (AC CUPE Plan), and one for former Canadian Airlines Int'l Ltd. (CAIL) employees (CAIL CUPE Plan). Air Canada is the sponsor and administrator for both plans. The Office of the Superintendent of Financial Institutions (OFSI) is the federal regulator of our plans. Mercer is the actuarial firm that handles the administrative and actuarial duties relative to the plans.

Pension issues are dealt with in Letter of Understanding #30 of the Collective Agreement. It was ratified in December 2002, as part of the contract effective November 2001 to June 2004, which was negotiated and agreed to in the round of bargaining prior to CCAA.

What Type of Pension Plan Do We Have?

There are two common types of pension plans: Defined Benefit Plan or Defined Contribution Plan (often referred to as a money purchase plan). We have Defined Benefit Pension Plans at Air Canada. Under such Defined Benefit Plans, the member's pension is based on a formula. A Defined Benefit Plan provides for a predetermined pension amount. You can estimate the amount of pension that you will receive by plugging the relevant figures into the pension formula. Your cost (contribution) is also defined by a formula, and can be determined by plugging the relevant figures into the cost formula.

The Company assumes the risk for our defined benefit plans, and it has to ensure that enough money is in the plans to meet the pension obligations. Pension obligations include ensuring that there is enough money in the fund to provide for the pension benefits for retirees, and ensuring that the plan is "fully funded." Fully funded means that there must be enough money in the pension fund to ensure that if all plan members retired at once they could be paid 100% of the pension that they would be owed. If there is less than 100% in the fund, then a "solvency deficiency" exists. For example, if there were only 80% of the funds needed to pay all pension members what they are owed, there would be an 80% solvency deficiency. The Company is responsible for the management of the money in the pension fund. It assumes the investment risk and is responsible for any deficits. The Company costs and contributions (or liabilities) are determined by the investment returns of the plans; long term interest rates (which affect liability calculations); and the number of retirees. The Company is also responsible for "Current Service Costs". The current service cost is the cost of the pensions that we all earn for working during the year. The current service cost is an estimate of the present value of the additional expected future benefit cash flows in respect of pensionable service that will accrue after the valuation date, assuming the plan will be maintained indefinitely.

The other common type of pension plan is a Defined Contribution Plan. Our plans are NOT Defined Contribution Plans. With Defined Contribution Plans you do not know what your pension amount will be in advance before you retire. Your contributions and the employer contributions are preset based on a formula. Usually the member contributes a set percentage, and the Company contributes a matching amount. This money is credited to the member's account. On retirement the amount of money in the account will determine the pension that the member will receive. The member alone takes all of the financial risk for the investment of the funds in the account! This type of system makes it very difficult to plan your retirement. The member's pension would be adversely affected if the investment returns on their account had not been positive (such as in 2008), or if interest rates are low when they retire (which makes purchasing an annuity very expensive).

In recent years, many employers have been trying to force employees to accept Defined Contribution Plans, and the associated risk, rather than providing Defined Benefit Plans. This was the case at Air Canada during the CCAA period of negotiations in 2003. The Unions at Air Canada stuck together and defended and protected our Defined Benefit Pension Plans.

AC and CAIL Pension Plan Merger

There are currently two pension plans for Air Canada flight attendants. All original AC flight attendants belong to the AC/CUPE plan, which is part of the AC Main Plan. The AC Main Plan includes other original Air Canada employees from work groups represented by the IAM, CAW, CALDA, and management. The Pilots are not part of the AC Main Plan. All flight attendants formerly with CAIL are in the CAIL/CUPE plan. As negotiated in the Collective Agreement with the Company, the CAIL CUPE Plan has been harmonized to adopt most of the provisions of the AC/CUPE Plan. The benefit formula for those in the CAIL plan was changed on a go forward basis, and it is equivalent to the AC formula for service from June 1, 2000. For service prior to this date, the CAIL formula was not improved and the AC plan formula is more favorable. In the event of a plan wind-up the provisions of the two plans are different. The different wind-up provisions currently apply to all of your service. The CAIL wind-up provisions apply to all service not just pre June 2000 service.

The Collective Agreement requires that, ultimately, one merged consolidated pension plan for all AC flight attendants replace the CAIL/CUPE and AC/CUPE pension plans: a consolidated AC/CUPE Pension Plan will be the end result.

The Union has been in discussions with the Company over the last few years to finalize the language needed to make this consolidated plan possible. One major outstanding item that is stalling this process is the different "wind-up" provisions in the two plans. Once this item is resolved, it is expected that the Company will consolidate the plans subject to the approval of OSFI.

Pension Plan Wind-Up Provisions

As it stands now, the CAIL/CUPE Plan has a priority order for distributing assets on a wind-up when there is a solvency deficiency (If assets are insufficient to provide the benefits earned and pensions being paid). This means that if the Plan is ever terminated with a solvency deficiency, assets would be distributed according to the order of priority established in the Plan, to the extent it is established that these priority provisions are enforceable. There is some uncertainty as to whether or not this CAIL/CUPE Plan wind-up provision will stand up if there is ever a legal challenge to it.

The order of priority in the CAIL/CUPE Plan is as follows:

i) members' contributions with interest;
ii) pensions of members or retired members who have attained age 60 (over i) above);
iii) pensions of other retirees and active members below age 60 who qualify for early retirement (over i) above);
iv) pensions of other members who do not qualify for early retirement.

The presence of these priority provisions in the plan means that you may receive more or less than the solvency ratio of your benefit. Additionally, if there is a surplus, there are provisions in the CAIL/CUPE Plan to enhance pensions prior to the Company having access to the surplus.

On wind-up with a solvency deficiency, the AC Plan distributes assets based on what would be considered a suitable and equitable manner. This is generally expected to mean that all plan members will receive a value for their pension equal to the solvency ratio. For example, if there were an 80% solvency ratio at the time of a wind-up, AC Plan members, including active members and retirees, would receive 80% of the value of their pension benefit. There is no provision in the AC Plan for any benefit improvement for plan members if the plan is wound up with a surplus.

It is expected that on merger of the plans that a common system will be adopted to deal with wind-up provisions on a go-forward basis for all plan members. This could mean that new wind-up provisions would apply to plan members only after the agreed to "go-forward" date. The current wind-up provisions specific to your situation are reviewed on your annual pension statements in the "Financial Situation" section.

So How Does My Current Air Canada Defined Benefit Pension Operate?

As already mentioned, the plans for CUPE members at Air Canada are both Defined Benefit Pension Plans. This means that the pension benefit that you receive when you leave the Company is based on a defined benefit formula. If you leave the Company before you are eligible to receive monthly pension payments, you will be entitled to various options depending on your age and length of service. The value of the pension that you have earned and the options you have regarding that pension value are outlined in the "Detailed Report" section for pension estimates done on Mercer OneView on acaeronet.

You contribute 4.5% of your earnings up to the Year's Maximum Pensionable Earnings (YMPE), and 6% on earnings above the YMPE (see the glossary for the definition of YMPE). This is your cost per month of allowable pension service.

Your pension benefit when you retire is not based on what you contribute, or on the returns of the pension fund. It is based on a formula, which uses your allowable months of pension service, your Average Annual Compensation (based on your best consecutive 36 months), and a predetermined pension factor (% factor):

> ***Pension Benefit = Allowable Service x Compensation x % Factor (Below and Above the YMPE)***

Your pension benefit can, therefore, be improved by increasing your Average Annual Compensation figure (by earning more), by increasing your Allowable Service (by buying back or working longer up to a maximum of 35 years), or through negotiating improvements to the pension factor.

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The AC/CUPE and CAIL/CUPE pension plans have the same benefit formula from June 1, 2000 forward.

> Note: "earnings" here means Average Annual Compensation (See the Glossary).

Final Average YMPE (See the Glossary) is used for CAIL-type service. Average YMPE (See the Glossary) is used for AC-type service.

For all AC Plan service, and for CAIL Plan service (CAIL plan service considered as AC-type service) **post** June 1, 2000, the formula is:
Allowable Service x {(1.75% x earnings up to Avg YMPE) + (2% x [earnings above the Avg YMPE])}

For CAIL Plan service (CAIL-type service) **pre** June 1, 2000, the formula is:
Allowable Service x {(1.375% x earnings up to Final Avg YMPE) +
(2% x [earnings above the Final Avg YMPE])}

Considering the above formulas you will note that from June 1, 2000 forward the pension factor is the same for both the AC Plan and the CAIL Plan, and is 1.75 per cent for earnings up to the Average YMPE. For all AC service prior to June 1, 2000, the factor is also 1.75 per cent for earnings up to the Average YMPE. For all CAIL service prior to June 1, 2000, the factor is 1.375 per cent for earnings up to the Final Average YMPE. (For service prior to June 1, 2000, the CAIL formula is less beneficial than the AC formula). Regardless of whether you are in the AC or CAIL plan, the formula is 2 per cent for earnings above the Average YMPE for all AC-type service, and the Final Average YMPE for CAIL-type pre June 2000 service. Note that in the CAIL/CUPE plan for service prior to June 2000, the Final Average YMPE figure, not the Average YMPE figure, is used. When a CAIL/CUPE plan member's best earnings are in the past this is what causes a decrease in the value of their pension earned up to June 2000.

For both plans, if you leave the Company after reaching age 55 and 80 points (age + pensionable service), you receive the full amount of pension that you have accrued, unreduced for actuarial reasons. If you leave before you have reached age 55 and 80 points, your pension is actuarially reduced based on your specific age and service, and your plan rules. These early retirement rules (pre age 55) are different for the AC and CAIL Plans. There is a greater reduction in the CAIL Plan than in the AC Plan, if you leave with 80 points before you are 55.

The reduction in your pension depends on your age and qualifying service at the time that you leave the Company. Information on reduced pensions can be found on the acaeronet portal at the "HR" tab > "Info and Tools" > "Defined Benefit" > "Info Zone" > "Retirement Benefits" > "Leaving the Company before Eligibility for Retirement". Or, once you have reached "Info Zone" you can click on "Learn" and "Plan" in the box at the bottom of the "Info Zone" page.

For CAIL/CUPE Plan pension service earned pre June 1, 2000, if you retire or terminate before age 60 you must be at least age 55 with 80 points to receive an unreduced pension, and if you retire or terminate at age 60 or older your pension for your pre 2000 service is not reduced even if you do not have 80 points.

An unreduced pension is not necessarily a full or maximum pension. You can earn allowable pension service credits up to a maximum of 35 years, which is 420 months (35yrs x 12months = 420months). If you retire before you have reached 35 years of pension service, you will not be retiring with a full or maximum pension. After 35 years, you can no longer add service to your pension formula. If, however, after 35 years in the pension plan, you achieve a higher Average Annual Compensation (by earning more), this will be taken into account and used in your pension benefit formula (to increase your pension benefit). For those in the CAIL Plan who work beyond 35 years of allowable service, the YMPE number used in the pension formula continues to rise based on the definition in the CAIL Plan. This means that for CAIL plan members the value of your pension will go down slightly each year you continue to work, unless you increase your Average Annual Compensation calculation during that time.

Pension Benefit Differences between the AC CUPE and CAIL CUPE Plans

Notwithstanding that the two pension plans will ultimately be merged and replaced by one, there will still be a different pension benefit formula for former CAIL flight attendants for all service up to June 2000 (unless the differences are negotiated away).

The first difference, as discussed above, is:

> Difference 1: The CAIL pension benefit (pre June 2000) is based on a 1.375% formula (for earnings up to the Final Avg YMPE), whereas the AC pension benefit is based on a 1.75% formula (for earnings up to the Avg YMPE). In both the AC and CAIL pensions, there is a 2% formula for all earnings above the YMPE figure used.

The second difference is:

> Difference 2: The CAIL pension benefit formula (pre June 2000) uses the Final Average YMPE (based on the last 36 months before retirement), whereas the AC pension benefit formula uses the Average YMPE (based on the 36 months used to determine member's Average Annual Compensation).

The result of these differences is a lower pension benefit for former CAIL flight attendants for all years of service up to June 2000. For example, if a member had retired on January 1, 2007: Based on the YMPE figures from 2004, 2005, 2006, and the pension formulas used for pre-June 1, 2000 service, the AC formula provided a pension benefit of approximately $155 more per year of allowable service pre-June 2000 than the CAIL formula.

YMPE: 2004=$40,500; 2005=$41,100; 2006=$42,100

Final Average and Average YMPE = $41,233

Formula difference:
1.75% - 1.375% = 0.375% Pension difference: $41,233 x 0.375% = $154.62 per yr.

(This is assuming that the Average Annual Compensation is greater than or equal to the Final Average YMPE)

For example, as of January 1, 2007, if two members retired with unreduced pensions (at least age 55 and 80 points), with the same years of service (with 25 of those years of service accumulated prior to June 2000), and with the same Average Annual Compensation, the AC pension formula would provide a pension benefit of 25 x $155 = $3,875 more per year or $3,875 divided by 12 = $323 more per month than the CAIL pension formula. (Assuming that the Average Annual Compensation is greater than or equal to the Final Average YMPE).

We emphasize that these differences only exist for the CAIL years of pension service up to June 1, 2000. Thereafter, all flight attendants have the same pension benefit formula on a go-forward basis.

Why Do Some CAIL Pension Estimates Go Down Each Year?

Some CAIL Plan members may notice that estimates for future milestone dates on their pension statements go down slightly each year. This is due to the CAIL definition of Final Average YMPE used within the CAIL pension benefit formula. When a CAIL flight attendant's best earnings (consecutive 36 months) are in the past, and not during his/her last 36 months of service with AC, the value of the CAIL-type pension (pre June 2000) goes down each year. This is because the federal government increases the YMPE by approximately 2% each year, thereby increasing the Final Average YMPE each year. This in turn increases the amount of CAIL type pension that is calculated at 1.375%, and reduces the amount of CAIL type pension that is calculated at 2%. Only those CAIL flight attendants who joined the CAIL/CUPE Plan prior to June 2000 are affected in the above manner. This situation can be rectified if the definition of the Final Average YMPE used in the formula for CAIL service is changed to be the same as the Air Canada Plans definition for Average YMPE. This has to be negotiated. The IAM and CAW have the same concern in their CAIL pension plans.

Mandatory Membership In The Pension Plan

Mandatory membership in the pension plan is required for all AC flight attendants. As negotiated in the Collective Agreement, all former CAIL flight attendants were required to join the pension plan. This was negotiated in view of the fact that the two pension plans were going to be merged incorporating the AC rules and benefits going forward from June 1, 2000. The only exception to mandatory membership was that former CAIL flight attendants who were age 55 or older as of October 2002 had the option to not join (opt out).

January 1, 2006 was the date originally negotiated for mandatory enrolment to become effective for those flight attendants who were not in the pension plan at CAIL. However, due to delays in the process and lack of notice for those affected, the Union and the Company agreed to change this date to January 1, 2007. In March 2007, the Company started deducting employee pension contributions for former CAIL flight attendants who became enrolled in the pension plan as of January 2007.

Indexing

The last indexing as per the CUPE Collective Agreement was as of January 1, 2007. The only way to reinstate indexing is through future collective bargaining. Indexing, when it was in effect, applied to retirees over the age of 60. It was 1/2 of CPI (Consumer Price Index) up to 8%, to a maximum indexing of 4%. The Company would not extend indexing of pensions for any of the Union groups during the CCAA contract extension negotiations. Indexing provisions were the same for AC and CAIL plan members.

Buy-Back Programs

In accordance with Letter of Understanding #30 of the Collective Agreement, certain buy-back opportunities were provided by the Company. Many of you participated in these buy-backs, and they have been completed.

There are also provisions in accordance with LOU XY, to buy back service when you are on a reduced block. If you do not select the buy back (pension top up) option, you receive 60% of the allowable service during your reduced block. For the 8 month reduced block program, you would receive 5 months credit if you did not select the pension buy back option. If you selected the buy back option, you receive the full 8 months as allowable service. Under this option you pay the full cost for the time you do not work. This is based on an estimate that what you fly equals 60% of your earnings. You pay the full cost of the 40% earnings estimate.

Current Financial Situation of Air Canada CUPE Pension Plans

The Company is required by OSFI to continue funding the CAIL/CUPE and AC/CUPE pension plans so that they can meet their pension obligations. The financial health and solvency ratios of all of the Company's pension plans have, unfortunately, been hurt in the last few years (2008-10) by declining or weak markets and low interest rates.

The current Memorandum of Settlement between the Company and the Union sets out special rules and commitments for the pension plan until 2014. In a nutshell, the AC unions agreed to pension relief for AC from 2010-2014. Without this relief, it was anticipated that the Company would seek CCAA protection. The unions, in a sense, were buying time in the hope that the economic situation would improve for the pension plan, and for the airline industry.

Highlights of the Memorandum regarding the pension include:

> No company funding of past service contributions to all ten of the Company's registered pension plans for a 21-month moratorium period, starting with no past service payments for the second quarter of 2009, until the end of 2010.

> Company funding of past service contributions to the pension plans will be limited to $150 million in 2011, $175 million in 2012, and $225 million in 2013, all below legally required amounts.

> An additional Company payment of $15 million to the pension plans in 2014 if an aggregate pension plan solvency deficiency continues to exist.

> All Company funding of current service contributions to the pension plans will continue as usual throughout this 2009-2013 period. Current service cost is about $170 million per year.

In 2011, estimated required employer contributions to the pension plans will be Current Service Cost, of about $170M, plus $150M as per the agreed schedule for all plans combined, for a total of $320M.

A pension update based on the January 1, 2010 valuation is posted on acaeronet. Under the HR tab go to My Pension News on the left. Select: "Air Canada Pension Update - August 2010 [PDF]

- 2010/08/26 • What's Happening in our Pension Plans?" The most current pension information as of March 2011 publically available was provided in a press release in early 2011, stating that "Based on preliminary estimates as at January 1, 2011, the aggregate solvency deficit in the registered pension plans is estimated to be approximately $2.1 billion, whereas the aggregate solvency deficit in the registered pension plans, as at January 1, 2010, was $2.728 billion." The solvency information provided on the aeronet is more recent than the information that is provided on your pension statement.

Security of Your Pension Plans

Many members are concerned about the security of their pension entitlement. Junior members are concerned that there may not be a pension plan for them when they retire, and senior members are concerned that the pension benefit that they have worked long and hard for may not be what they had expected and planned for. The Union is committed to protect the pensions that you have worked for, and to ensure that there is a pension plan for all flight attendants that will continue to allow members to retire with dignity!

The pension plan funds are held in a trust administered by CIBC Mellon. If the Company ever went bankrupt, or if the defined benefit pension plans were ever terminated, whatever assets (money) are in the plans would be distributed to the plan's members based on the plan's wind-up provisions. The plans are protected in law. Company creditors are not entitled to any of the assets (money) in the plans. The "Financial Situation" section of your pension statement reviews the solvency situation and wind-up rules applying to your plan. The figures in the statement that you receive in July have solvency data as of January 1st of the preceding year, as the most recent valuation information is not public at the time that your statement is prepared and distributed. The actuarial valuation as of January 1, 2010 is the one currently available, and as of that date the funding of the plans on a solvency basis was 78.1% for the Air Canada CUPE Plan, and 77.4% for the CAIL CUPE Plan.

If there is a surplus in the pension fund at the time of a bankruptcy or plan termination, the Company is entitled to the surplus under the terms of the AC/CUPE Plan. There is different language in the CAIL/CUPE Plan concerning wind-up provisions and surplus. Under the CAIL/CUPE provisions, surplus funds are used to upgrade pensions of members prior to the Company receiving any of these surplus funds. It is unclear at this time what language will be maintained in the Consolidated Plan Text on a go-forward basis.

The Company cannot unilaterally wind-up or terminate the pension plan. Changes to the pension plan can only be made with agreement from the Union. However, the plan could be terminated by the pension regulator (Office of Superintendent of Financial Institutions or OSFI) if AC defaulted on payments that it was required to make to the plan if the plan was not fully funded. As discussed above, if the plan was wound up, any amounts in the pension trust fund would be distributed to pension plan members according to the plan wind-up provisions. Creditors do not have access to these funds.

One final note is that if the CAIL and AC/CUPE plans are not merged, and are still separate at the time of wind-up, distributions at wind-up would be based on the liabilities that exist in each plan.

Where Can I Get More Information On My Pension?

Annual Pension Statement: You will receive an annual pension statement at the beginning of July each year. This statement will provide all your relevant personal pension information as of December 31st of the previous year. The solvency numbers provided in your statement will be from January 1st of the previous year. They will not be the most recent figures from January 1st of the year that you receive your statement. This updated information is available in August. It is now posted on the acaeronet portal under "My HR" > My Pension News > Air Canada Pension Update - August 2010.

The solvency ratios for the AC/CUPE Plan, which is part of the AC Main Plan, as of January 1, 2010 was 78.1%. The solvency ratio for the CAIL/CUPE Plan as of January 1, 2010 was 77.4%. Preliminary estimates for January 1, 2011 indicate an improvement for all the plans at Air Canada.

"HR" tab on acaeronet: pension "Information & Tools" - (Mercer OneView): On this site you can:

* learn more about your pension plan, in the InfoZone
* in "Tools" make future projections about how much you will receive from the pension plan
    - *your pension, when you retire* or
    - *your deferred pension or lump sum transfer options, if you leave before retiring*

To access this site:

1. Sign into aeronet
2. On the top menu select "HR"
3. Under "My Pension" on the left select "Information and Tools"
4. Under "My Pension information and tools" select "Defined Benefit"
5. Now select "Click here to view your pension information"

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You will now be transferred to Mercer OneView. Please be patient as it often takes some of time to make the connection.

The pension calculator allows you to produce pension estimates based on different departure dates. It will also show you your options should you leave the Company before being eligible for a pension.

> **** Be sure to check out the "*Detailed Report*" section provided with your calculations. This section will give you all your projected options, and it will also show you when your best consecutive 36 months occurred and what that number is. Other relevant information, such as downloadable forms to apply for Disability and Grounded Pensions, is also available in the pension section of the AC portal.

Mercer: Mercer is the actuarial firm that has been hired to handle member pension inquiries. They should be able to provide you with accurate information about your pension. They are also the firm that prepares the actuarial valuations of our pension plans. Mercer will provide you with information on existing pension rules and policies. You can contact them by phone, but they will not provide you with a written answer as this creates additional cost to the Company. Call Employee Services (eservices) at 1-877-645-5000 and select "pensions" and "other pension questions" and you will be transferred to the Mercer call center assistance.

AC Pension Department: The AC pension department is responsible for establishing administrative policies, and for ensuring that the pension plans are administered in accordance with the plan text and legislative requirements. They coordinate pension matters with, and report to the AC Board of Directors. AC Pension department representatives, who cannot be contacted directly by CUPE members, meet with your pension committee representatives twice a year. Membership concerns can be placed on the meeting agendas.

CUPE Pension Committees: The plans have joint Company/Union pension committees. These committees meet twice a year. The AC Plan calls for one employee representative and the CAIL Plan calls for three employee representatives.

If you are unable to get the information that you need from the above resources, contact your Union pension committee.

AC CUPE PENSION COMMITTEE:
Michel Cournoyer (Chairperson): pension@accomponent.ca

CAIL CUPE PENSION COMMITTEE:
Ross Nichol (Chairperson): pensionguy@accomponent.ca
Nick Beveridge: n.beveridge@accomponent.ca
Ralf Hartmann: ralf.liza@rogers.com

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We hope that this booklet has given you a good understanding and general overview of how your pension plan operates at Air Canada.

In Solidarity,

Your Pension Committee Members

Glossary: Terms and Definitions

"Actuary" is a person with specialized skills in financial forecasting. The actuary forecasts the future cash flows under the pension plan and determines the contributions required to match those cash flows.

"Administrator" is the person or body designated responsible for the management of the pension plan in accordance with the Income Tax Act and the pension standards legislation.

"Allowable Service" is the amount of time you are credited with to be used in the pension formula. One month of allowable service is credited for any month during which there is employment with the Company for which Compensation is paid. You can accumulate up to 420 months of allowable service (35 years x 12 = 420 months).

"Allowable Service and Qualifying Service". Allowable service equals qualifying service unless you were a part-time employee. Allowable service and qualifying service are sometimes referred to as pensionable service.

"Average Annual Compensation" means the annual average earnings based on your best 36 consecutive months. The earnings used to determine this number are close to the "Grand Total Pay" figures on your monthly CABIN PERSONNEL – DETAIL/PAY SUMMARY.

"Average Year's Maximum Pensionable Earnings (YMPE)" for all AC/CUPE Plan service and for CAIL/CUPE Plan service post June 1, 2000 is the average of the Year's Maximum Pensionable Earnings in the 36 consecutive months used to determine a Member's Average Annual Compensation.

"Final Average Year's Maximum Pensionable Earnings (YMPE)" for CAIL/CUPE Plan service pre June 1, 2000 is the average of the Year's Maximum Pensionable Earnings during the last 36 consecutive months of service preceding the date of retirement, death or Termination of Employment whichever comes first.

> Note: The Average YMPE as defined in the glossary is used in the formula for determining AC-type benefits (All AC Plan service and CAIL Plan service post June 1, 2000). The Final Average YMPE as defined in the glossary is used in the formula for determining the CAIL-type benefits (CAIL Plan service pre June 1, 2000).

"Yearly Maximum Pensionable Earnings (YMPE)" is a figure set each year by the federal government. This is the amount of earnings you pay Canada and Quebec Pension Premiums (C/QPP) on. It is a measure of the national average wage and forms the base for CPP/QPP benefits.

"Solvency Ratio" The solvency ratio compares the market value of the plan's assets with the wind-up liabilities for benefits accrued to date. If a plan is fully solvent then its solvency ratio is 100% and it can meet all of its liabilities if it goes through a wind-up. If the solvency ratio is less than 100% and the plan goes through a wind-up, members would receive a distribution, based on the plan's provisions, which in most cases would be less than the full value of the pension. For example, if a plan is 80% solvent it can meet 80% of its liabilities (the value of the pensions owed to plan members).

"Wind-up" The process by which a defined benefit plan is shut down.