

## NOVEMBER 2008 - LL764 PENSION COMMITTEE REPORT

In the April 2008 Pension Committee report I discussed the YMPE. I also said that I would talk about the pension funding formulas in a future report. Well the future is now. The Pension Plan text for former CAIL IAWAW members contains 2 parts. The main body of the text contains the rules that govern the Plan post-transition (December 2001) and is essentially a mirror of the Main AC IAWAW text and rules as they relate to compensation. Appendix A of the text contains the rules of the old CAIL Plan which are used to govern all pensionable service and benefits earned pre-transition.

For all service credited pre and post transition, any income earned that exceeds the YMPE in the applicable years used for your BAE36 (best 3 years earnings) is calculated at 2% for each year of service. All service pre transition is calculated at 1.4% below the YMPE and all service post transition is credited at 1.75% **The AC rules use the YMPE during the same period as your BAE36 and the CAIL rules use the YMPE of the last 36 months you work.**

For example: Ron entered the CAIL pension plan on 01 December 1983. He will retire on 01 December 2013. He will have 30 years (360 months) of pensionable service - 18 years (216 months) of CAIL (December 1983 - November 2001) and 12 years (144 months) of AC (December 2001 - November 2013) service. His BAE36 earnings are \$67,052 earned in 2002, 2003 and 2004. The average YMPE in 2002-2004 was \$39,833 and we will assume the YMPE for 2011-2013 is \$48,000. Remember, the AC rules use the YMPE during the same period as your BAE36 (2002-2004) and the CAIL rules use the YMPE of the last 36 months you work (2011-2013).

Ron's pension will be calculated in 4 parts and added together to determine his total pension earned. The 216 months at CAIL are multiplied by \$48,000 and **1.4%** which equals \$1008.00 per month. The 216 months are then multiplied by \$19,052 (\$67,052 - \$48,000) and **2%** which equals \$571.56 per month for a total pension of \$1579.56 per month for Ron's 18 years at CAIL.

Ron's 144 months at AC are multiplied by \$39,833 and **1.75%** which equals \$697.08 per month. The 144 months are then multiplied by \$27,219 (\$67,052 - \$39,833) and **2%** which equals \$544.38 per month for a total pension of \$1241.46 covering Ron's 12 years at AC. Ron's total pension covering his entire 30 years at both CAIL and AC will be \$2821.02 per month.

Ron's friend Bill entered the Air Canada plan on the same day as Ron on 01 December 1983 and they retired together on 01 December 2013. Bill's pension would be calculated in 2 parts. Bill's 360 months of service would be multiplied by \$39,833 and **1.75%** which would equal \$ 1742.69 per month. The 360 months are then multiplied by \$27,219 (\$67,052 - \$39,833) and **2%** which equals \$ 1360.95 per month for a total pension of \$3103.64 per month for Bill's 30 years of service at AC.

So to recap, your total months of service X your best 36 months (or 3 years) average earnings X the applicable formulas = your monthly pension.

If you retire before age 55 or with less than 80 years of (age + pensionable service), there are penalties that will be applied to reduce your pension after these "total pension earned" calculations have been done. I will explain those penalties in another report. Email is the most effective way to reach me. I may be contacted at [pres764@telus.net](mailto:pres764@telus.net) with any questions or concerns that you may have.

Respectfully Submitted,

Christopher Hiscock  
Chairman, LL764 Pension Committee