



CALDA (*Canadian Airline Dispatchers Association*)



AIR CANADA UNIONS' COUNCIL

Pension Plan Funding

December 2, 2008

The recent significant losses in value across financial markets have affected the value of the assets held on behalf of employees within Air Canada's pension plans. The Company recently held a meeting with all of its Unions to express concern about the increase in the Company's contributions to the pension plans that will likely be required next year to address the increased shortfall in plan assets.

The Company advised us that they are working with other major employers in the federally regulated sector who sponsor defined benefit pension plans to lobby for changes in federal government pension regulations. Air Canada asked the Unions to join with them in asking the government to make rule changes that would reduce the amount of money that the Company would otherwise have to contribute to our pension plans to make up for funding shortfalls.

The Air Canada Unions' Council met last Friday to discuss our response to this situation. We are committed to working together with the goal of protecting and securing the pensions of our members and retirees. We reminded ourselves of our successful joint efforts to defend the pension plans of Air Canada employees during the CCAA process in 2003 and 2004.

We will be making use of the professional resources available to all of us to conduct due diligence and give careful consideration to our options. We have not made any decisions about our response to the Company yet. We have asked for a joint meeting with Company representatives to gather additional information. We will report back to you on our progress.

Last Thursday, the federal government announced its proposal to give employers with defined benefit pension plans 10 years (instead of the current 5 years) to cover any funding shortfalls in their pension plans, as at December 31, 2008. It appears that the employer must have the support of the pension plan members to take advantage of this measure, unless they obtain a letter of credit to secure the increased shortfall. The government will also consider making further permanent changes to pension funding rules in 2009. We will be monitoring developments in the regulatory field closely.

The Air Canada Unions' Council consists of Unions representing Air Canada Employees: Air Canada Pilots Association, Canadian Airline Dispatchers Association, Canadian Auto Workers, Canadian Union of Public Employees, and International Association of Machinists and Aerospace Workers.

Air Canada Unions' Council

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