

PENSIONS 201

A GUIDE FOR AIR CANADA CUPE DEFINED BENEFIT MEMBERS

Are you thinking of retirement?

Can I afford to retire?!

Am I ready to retire from an emotional and social perspective?

What information do I need to know and where do I find it?

We have a big decision ahead of us, some sooner and some later, to retire from a successful career. It can be a daunting life change for sure. Let's work through this together.

Our pension plan may be the largest benefit we receive after

our pay so it stands to reason that the shift to retirement, after 30-40 years or more of work, is a significant life change that warrants commensurate contemplation.

In this bulletin we will address your concerns about what information you need and where to find it. You can use this as a quick reference guide.

We will cover how the Defined Benefit pension plan pertains to you, but in our experience it is also important to note the value of your personal, family, and community emotional investments. It is often these investments, not the financial decisions in isolation, that play a

stronger role in feeling comfortable with venturing into retirement. There are some very useful planning resources available to us through the Employee Assistance Plan (EAP) provider: Homewood Health. [Homeweb | Home](#) If you have not logged in follow the sign in prompts for your name etc. and enter [Air Canada Component of CUPE](#) to register. Enter "Preparing for Your Retirement" in the search window and select the useful 120 minute online course. Contact your local EAP coordinators for other resources available through Homewood Health. We highly recommend them.

HOW MUCH DO I NEED? HOW MUCH SHOULD I SAVE?

As a reference:

\$240,000 earning 4% interest = \$1000 per month for 42 years.

Outside of a DB pension plan investment risk (ie. stocks, money market funds, ETFs) and longevity risk (42 years might not be long enough!) are borne by the individual. A DB pension has incredible value

as it can provide efficiencies and shared risk unattainable by ourselves.

Do you need the equivalent of \$720000, \$960000 or closer to \$1.2 Million plus?

The Canadian Retirement System

The Canadian Retirement System is based on a **3 Pillar System** including **government programs**, Old Age Security (OAS), the Guaranteed Income Supplement (GIS) and the Canada Pension Plan/Quebec Pension Plan (CPP/QPP), **employer based pension plans** and **personal savings** (RRSP, TFSA). It is designed as a whole to provide 60-70% of pre-retirement earnings.

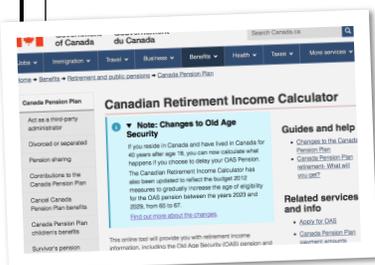
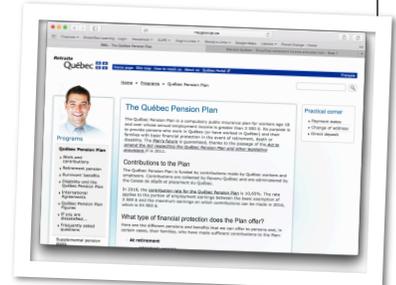
Government Programs

The foundation, and first pillar, of the retirement system are the government programs. We can find general information about OAS/GIS (1-800-277-9914) and CPP at the Services Canada Site ([Home - Service Canada - Service Canada](#)) 1 800 O-Canada (1-800-622-6232) or the Canada.ca site [Home - Canada.ca](#) in both official languages. Similar general information about the Quebec Pension Plan can be found at the QPP site. [RRQ - The Québec Pension Plan](#)

My Service Canada Account (MSCA) [My Service Canada Account](#) is a good way to conveniently and securely access, view and update your EI, CPP, and OAS information online. We can also estimate future Canadian retirement income with the Canadian Retirement Income Calculator (CRIC). [Canadian Retirement Income Calculator](#)

The QPP ([Retraite Québec - Home page](#)) offers 2 online tools for estimating retirement earnings: CompuPension ([Retraite Québec - CompuPension](#)) which lets you simulate your retirement income based on your personal information and the

Simplified retirement income simulator tool ([Retraite Québec - Simplified retirement income simulator tool - Step 1](#)) which lets you quickly simulate your retirement income and determine how much to save each year for retirement.



*Nearly 3 out of 4 Quebeckers, and likely Canadians, have never calculated the savings they will need for retirement. **Don't be one of them!***

Your Defined Benefit Pension Plan

Now that you have the government programs figured out it is time to familiarize yourself with your Air Canada DB Pension Plan on HR Connex! Once signed into the aeronet and HR Connex you will find 3 options under the Retirement heading. The Retirement Guide is a good initial read and we recommend watching the “Planning for Retirement” video too.



To do pension estimates click on **HR Connex Pension** then **Project Your Retirement Income** or “**Run Pension Estimates**” under the pension pull down menu. To customize the projection input a last day on payroll, which is usually the last day of a month, and a first day of retirement, which has to be the 1st of the month following the calendar month of your last day on the payroll. On your estimate

page click on **Pension Forms of Payment** and go to the bottom of the page to click **Calculation Details**. You will find details including the time period your best consecutive 36 months (best 3 years) was earned. Also useful, under the Pension pull down menu, is the Plan Information link. You can find specific information about the plan including the Air Canada Pension Plan - Employee Booklet. You can also call HR Connex Pensions if you have any questions or need any assistance 1-855-855-0785 (select option 2 for DB pensions).



Don't forget about the important thresholds regarding your defined benefit pension:

1. You are eligible for an unreduced pension once you are age 55 or older and have 85 points (age + qualifying pension service). It is very important to keep in mind there is a hefty actuarial penalty of about 6% per year to age 65 if you retire before you have reached an unreduced pension. If you retire before you reach an unreduced pension you have the option to defer your pension to age 65 to avoid the penalty. 2. You are eligible to retire with a pension when you have accumulated 25 years of qualifying pension service or 80 points (age + qualifying pension service), but it is greatly reduced if you haven't met the requirements of step one. 3. The maximum number of “allowable” years of service you may accumulate is 35 years; you may increase your pension benefit after reaching the 35 years by increasing your Average Annual Compensation (best consecutive 36 months) used in your pension formula. If you terminate from AC before eligibility to retire there may be a variety of options to choose from. These options are dependent on several factors such as your age (how far you are from age 65) and your qualifying service. Your specific options are identified on pension projection estimates on HR Connex. Please consult with the experts at HR Connex Pensions if you need assistance understanding your options.

CUPE members qualify for non-pension retirement benefits such as travel and extended health, when they reach age 65 or 25 years of company service or 80 points based on age + company service. The AC Voluntary Supplemental Health Plan is similar to our employee extended health plan but it has limited vision and dental coverage. So get new glasses and your teeth repaired under the active employee health plan which ends 31 days following your last day. The cost of the retiree supplemental plan varies based on age and province of residence. You can go to [HR Connex » Policies and Forms » My Benefits » Retiree Benefits » Retiree Benefits Overview](#) for more information. Questions about retiree benefits other than your pension should be directed to HR Connex @ 1 855 855-0785 option 1 or online through an online “[Chat with HR.](#)”



Summary Thoughts

CHECK LIST

Obtain your CPP Statement of Contributions from Services Canada

Run your Pension Estimate on HR Connex

Gather your personal savings info: RRSP and TFSA amounts

Apply all this information into the Canadian Retirement Income Calculator

Like we said it's a big step to retire. There are a lot of things to be comfortable with. We hope we have given you

and aeronet flows provided earlier in this bulletin. They are there for your benefit and to help you understand. If

Retirement Planning Webinar

April 27th 14:00 EST

Meeting ID: 4526309

Attendee PIN: 6072570#

To register for this webinar, please visit the following link:

<http://www.anymeeting.com/PHID=EC55DD87834F30>

an accessible, easy to digest summary of the things you can do to gather your thoughts and information to proceed with your retirement. Don't forget to use EAP and HR Connex Pensions contacts, links

you find you still have questions call HR Connex @ 1-855-855-0785 (select option 2 for DB pensions) or contact your Pension Committee and/or your EAP representatives. We are all here to help.

HYBRID PLAN MEMBERS

We know retirement is barely on your radar. Your Pension Committee is committed to changing that. We will be publishing a bulletin to help walk you through some pension basics and all the elements of your AC Hybrid Pension Plan that matter most to you in an easy to understand way. We look forward to engaging you and any feedback you feel like



sharing. See you on the line.

DID YOU FIGURE OUT WHAT YOU MIGHT NEED PER MONTH.....?

Max. OAS
\$570

Avg. C/QPP
\$620

DB Pension
\$2560

RRSP/TFSA
\$1000

(Equivalent to \$600,000 portfolio @ 4% yield for 42 years)

(Equivalent to \$240,000 portfolio @ 4% yield for 42 years)