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### **AIR CANADA PROVIDES UPDATE OF SOLVENCY DEFICIT IN REGISTERED PENSION PLANS**

MONTREAL, Feb. 17 /CNW Telbec/ - Air Canada maintains several defined benefit pension plans. 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 million.

The above preliminary estimate includes the impact of the actual return on plan assets as well as recently released guidance from the Canadian Institute of Actuaries regarding discount rates. The final actuarial valuations for January 1, 2011 will be completed in the first half of 2011 but they will not increase past service pension funding obligations projected for 2011 to 2013, as described below.

In July 2009, the Government of Canada adopted the Air Canada 2009 Pension Regulations. These regulations relieved Air Canada from making any past service contributions (i.e. special payments to amortize the plan solvency deficits) to its ten domestic defined benefit registered pension plans in respect of the period beginning April 1, 2009, and ending December 31, 2010. Based on these regulations, for the period from January 1, 2011 to December 31, 2013, the aggregate annual past service contribution equals the lesser of (i) \$150 million, \$175 million, and \$225 million in 2011, 2012, and 2013, respectively, on an accrued basis, and (ii) the maximum past service contribution permitted under the Canadian Income Tax Act.

Pension funding obligations are generally dependent on a number of factors, including the plan demographics at the valuation date, the existing plan provisions, existing pension legislation, changes in economic conditions (mainly the return on fund assets and changes in interest rates) and the assumptions used in the most recently filed actuarial valuation reports. Actual contributions that are determined on the basis of future valuation reports filed annually may vary significantly from projections. In addition to changes in plan demographics and experience, actuarial assumptions and methods may be changed from one valuation to the next to reflect changes in plan experience, financial markets, future expectations, legislation and other factors.

As described above, until 2013, Air Canada's past service pension funding obligations are limited by the Air Canada 2009 Pension Plan Funding Regulations. The above preliminary estimate of the aggregate solvency deficit in the registered pension plans as at January 1, 2011 is an indicative figure only. As of 2014, the Air Canada 2009 Pension Regulations will cease to have effect and Air Canada's pension solvency deficits and pension funding obligations may vary significantly from current estimates based on a wide variety of factors, including those identified above.

For additional information regarding Air Canada pension plans and related funding obligations, refer to Air Canada's 2010 Management's Discussion and Analysis dated February 10, 2011.

#### ***CAUTION REGARDING FORWARD-LOOKING INFORMATION***

Air Canada's public communications may include forward-looking statements within the meaning of applicable securities laws. Such statements may be included in this news release. Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, industry, market, credit and economic conditions, the ability to reduce operating costs and secure financing, pension issues, energy prices, currency exchange and interest rates, employee and labour relations, competition, war, terrorist acts, epidemic diseases, environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), insurance issues and costs, changes in demand due to the seasonal nature of the business, supply issues, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties as well as the factors identified throughout Air Canada's public disclosure file available at [www.sedar.com](http://www.sedar.com), including Section 18 Risk Factors of Air Canada's 2010 Management's Discussion and Analysis dated February 10, 2011. Any forward-looking statements contained in this news release represent Air Canada's expectations as of date of this news release (or as of the date they are otherwise stated to be made) and are subject to change after such date. However, Air Canada disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

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