

**IMPORTANT ANNOUNCEMENT TO ALL DEFERRED AND PENSIONER MEMBERS OF THE
AIR CANADA UNITED KINGDOM PENSION TRUST FUND**

Please read this announcement carefully.

**No action is required from you in relation to this announcement. However, it contains
important information about your Air Canada pension scheme.**

Our records show that you are a deferred or pensioner member of the Air Canada United Kingdom Pension Trust Fund (the **Scheme**).

This announcement is being issued to you jointly by:

- Air Canada, which is the principal employer of the Scheme (the **Company**); and
- PSGS Trust Corporation Limited, represented by Wayne Phelan, which is the sole independent professional trustee of the Scheme (the **Trustee**).

Introduction

We heard that some of you have been worried about the letter you received from the Trustee earlier this month regarding the possibility of purchasing a buy-in policy and the change in the Trustee Board.

The message has been obviously misinterpreted by some members, since the changes we are communicating are good news for you! We hope that this announcement will clarify the situation and answer the questions that have been received following the letter issued by the Trustee.

Summary of our joint message

- The purchase of a buy-in policy by the Trustee would be in your best interests and the best interests of all other Scheme members.
- A buy-in policy would make your pension fully secured with an insurance company and no longer dependent on the Company's financial position to support the Scheme.
- A buy-in policy, in addition to offering you much more security for your pension, would be transparent to you and:
 - there would be no change to your pension amount;
 - your pension would continue to be increased each year as under the current Scheme rules;
 - upon your death, the same benefits would be payable as under the current Scheme rules; and
 - Air Canada, on behalf of the Scheme, would continue to make monthly pension payments to pensioners.
- The Board of six trustees was replaced with one sole independent professional trustee because the previous trustees agreed to be replaced by PSGS Trust Corporation Limited, on the basis of it continuing to be represented by Wayne Phelan, who has the required expertise, especially to review the possibility of purchasing a buy-in policy.
- No matter who is the trustee of the Scheme, they have the same legal duties to act in the best interests of all Scheme members and protect the entitlements you have accrued.
- The communication you received from Capita, the Scheme administrator, asking you to provide personal information, is valid. We need to ensure that the Scheme's records are accurate. This is a normal activity for a pension scheme and is intended to ensure that the Scheme continues to pay the right benefits to the right people, at the right time. It is also very important to have up to date information when investigating the possibility of purchasing a buy-in policy. Please therefore provide

the information requested as soon as possible. Please rest assured that, as always, your data is protected and will be handled in a secure manner.

Current possibility of the Trustee purchasing a buy-in policy for the Scheme

Most importantly, the possibility of the Trustee purchasing a buy-in policy is good news for you and all other Scheme members.

We have provided some information below about why this is the case and why it is currently a possibility (but not a certainty) for the Scheme. We have also enclosed some frequently asked questions and answers in connection with the possibility of the Trustee purchasing a **buy-in policy**.

What is a buy-in policy?

A buy-in policy is a type of insurance policy that would provide a regular income to the Trustee to pay pension benefits promised under the Scheme, in exchange for the payment of a lump sum from the Scheme assets to an insurance company.

Why this is possible – positive funding position of the Scheme

The Company, the previous Scheme trustees and PSGS Trust Corporation Limited, represented by Wayne Phelan (who was the Chair of previous Trustee Board since 2015 and is now the current Trustee) have been working together over the past few years to reduce the risks associated with the Scheme, in the expectation that the financial position of the Scheme would eventually allow for the buy-in of all members' benefits with an insurance company.

The Scheme's funding position has improved significantly in recent years. This is because of:

- significant additional contributions paid by the Company to the Scheme in recent years; and
- the investment strategy adopted by the Scheme trustees, which has significantly reduced the investment risk.

The Scheme's funding has improved to such an extent that the Company and the Trustee are currently able to investigate the possibility of securing all members' benefits in full with an insurance company, by purchasing a buy-in policy.

If the Trustee is able to purchase a buy-in policy, it would pay some or all of the Scheme assets to an insurance company. The insurance company would then be liable for funding members' benefits, although the Trustee and Capita would continue to operate the pensioner payroll.

In the large majority of cases, where pension scheme trustees are able to do so, they will seek to purchase a buy-in policy. This is because it will substantially increase the security of members' benefits.

For example, lots of companies, including some very well-known ones, have purchased buy-in policies for their pension schemes over recent years. This includes British Airways, Marks & Spencer, Cadbury, Rolls Royce, the Co-op and the AA, amongst many others.

Increased security of your benefits

There would be substantial advantages for you and all other Scheme members if the Trustee is able to purchase a buy-in policy.

This is because such a buy-in policy would significantly improve the security of members' benefits:

- the Trustee would be able to rely on the insurance company for supporting the Scheme, rather than relying only on the financial ability of the Company to do so;
- insurance companies are very secure and highly regulated. All insurance companies that provide buy-in policies are regulated by both the Financial Conduct Authority (the **FCA**) and the Prudential Regulation Authority (the **PRA**). The PRA requires insurance companies to hold significant capital reserves in order to back the buy-in policies and other insurance products that they provide offering better security than the Company;

- if the Company were to enter insolvency and the Scheme did enter an assessment period for the purposes of the Pension Protection Fund (the **PPF**), the PPF would not assume responsibility for the Scheme. This is good news for members because the insurance company would guarantee all of the members' benefits covered by a buy-in policy rather than the reduced benefits payable to members by the PPF; and
- in the unlikely event that an insurance company fails, it will be covered by the Financial Services Compensation Scheme (the **FSCS**), which provides compensation in full. The FSCS would pay this compensation to the Trustee, who could guarantee 100% of all members' benefits.

A buy-in policy would not affect your entitlement to benefits from the Scheme. If you are already in receipt of a pension from the Scheme, it would continue to be paid and be increased each year in the normal way. If you are entitled to a deferred pension from the Scheme, it would continue to be revalued each year in the normal way. Any benefits that might be payable to your family or dependants on your death would also not be affected.

It is important to note here that, at the moment, the Trustee is only exploring the possibility of purchasing a buy-in policy for the Scheme. It is not certain that it will happen. If a buy-in policy for all members' benefits can be purchased, the Trustee will keep you up to date and will provide you with more information about it at the relevant time.

Request by Capita to provide certain personal information to the Scheme

You recently received a letter from Capita, the Scheme administrator, requesting you to provide certain personal information.

The Trustee requires this information to ensure the Scheme's records are up-to-date so that all members continue to receive the right benefits at the right time. Pension schemes checking the information that they hold in this way is a normal activity.

It is also very important that the Trustee has up to date member information when investigating the possibility of purchasing a buy-in policy. This is because it will enable the Trustee to secure the best possible price with insurance companies. By providing this information, you will therefore substantially increase the chances of the Trustee being able to purchase a buy-in policy (which would be good news for you and all other Scheme members). We therefore kindly ask that you please provide the requested information to Capita without delay, if you have not already done so. Please rest assured that, as always, your data is protected and will be handled in a secure manner.

Change recently made to the trusteeship of the Scheme

PSGS Trust Corporation Limited, represented by Wayne Phelan, is now the sole independent professional trustee of the Scheme (the **Trustee**) but has been Chair of the Board since 2015.

Previous trustee board

Before the change recently made to the trusteeship of the Scheme, five individual trustees worked alongside the current Trustee:

Barbara Lavoie	Employer Nominated Trustee
Robert Atkinson	Employer Nominated Trustee
Derek Buckell	Member Nominated Trustee (pensioner representative)
Simon Letchford	Member Nominated Trustee (union representative)
Olivier Ouimet	Employer Nominated Trustee

The Company and the Trustee are very grateful for the time and hard work that these individuals have given to the Scheme and the excellent job they have done of administering it on your and our behalf. This has to a large extent resulted in the current possibility of the Trustee purchasing a buy-in policy.

Change to the trusteeship of the Scheme

The five individual trustees agreed to the Trustee becoming the sole independent professional trustee of the Scheme, for the following main reasons:

- the Scheme is maturing, having closed to the future build-up of benefits on 31 December 2016 and given that it is currently exploring the possibility of a buy-in of all members' benefits;
- it has become increasingly common for closed pension schemes, of a similar size and maturity to the Scheme, to operate with a sole independent professional trustee;
- the Trustee has a lot of experience of dealing with closed pension schemes of a similar size to the Scheme, including where they are exploring the possibility of a buy-in;
- Wayne Phelan, who represents the Trustee, has been working with the individual trustees since 2015 and has done an excellent job of chairing the trustee board. This means that Wayne has both the expertise and knowledge of the Scheme needed so that the Trustee can effectively act as the sole independent professional trustee. In particular, Wayne has a lot of experience of guiding pension schemes through buy-in processes. If needed, Wayne is also able to call upon the substantial experience of his fellow professional trustee directors;
- the legal duties of the Trustee to the Scheme remain exactly the same as those which applied to the full trustee board before the change (in particular, the Trustee continues to be independent of the Company and has a legal duty to seek to ensure that all members continue to be paid their benefits in full and on time); and
- using a sole independent professional trustee will reduce the management time needed from the Company to support the Scheme. The Company is always looking to improve the efficiency of the administration of the Scheme, for the benefit of both the Company and Scheme members.

The Trustee formally took over as the sole independent professional trustee of the Scheme with effect from 3 April 2021.

We confirm that both the Company and the full trustee board took their own independent legal advice before agreeing to this change. This was to make sure that the process was implemented in accordance with the Scheme rules and pensions law.

Conclusion

We would like to reiterate that the possibility of the Trustee purchasing a buy-in policy is good news for you and all other Scheme members.

The Company wishes to confirm that it remains fully supportive of Wayne Phelan and the Trustee, in terms of the ability they have to continue looking after the Scheme and providing it with the best possible chance of purchasing a buy-in policy in the near future.

- If you have any questions about the content of this announcement or the enclosed frequently asked questions and answers, please contact either:
- Nathalie Henderson, Senior Director, Pensions, Air Canada, by email at: nathalie.henderson@aircanada.ca
- Wayne Phelan, PSGS Trust Corporation Limited, by email at: wayne.phelan@psgovernance.com

Before contacting us, please make sure you have read the content of this announcement and the enclosed frequently asked questions, as your question may have already been addressed.

Please note that a copy of this announcement and the enclosed frequently asked questions and answers have been issued directly to Gerald White, Director of the UK/EC Pionairs.

Issued for and on behalf of Air Canada and PSGS Trust Corporation Limited

21 May 2021