



NATIONAL AIRLINES COUNCIL OF CANADA
CONSEIL NATIONAL DES LIGNES AÉRIENNES DU CANADA

March 18, 2009

Diane Lafleur
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Dear Ms. Lafleur,

I am writing to you today on behalf of the National Airlines Council of Canada (NACC), which represents Canada's four largest airlines, to express our support for changes in the regulatory framework for private pension plans subject to the Pension Benefits Standards Act, 1985.

The commercial aviation sector in Canada is dependent on service providers such as NAV Canada, the Canadian Air Transport Security Authority and various community airport authorities to ensure the viability and cost certainty of our operations. For that reason, we are deeply concerned about the funded status of defined benefit pension plans sponsored by those stakeholders and regulated under federal statute. Specifically, we are greatly concerned that those entities will have no option but to pass the cost of increased pension funding obligations on to air carriers and their passengers as end users of Canada's aviation infrastructure.

As such, we would support the pension regulation reforms delineated in the position paper submitted to Finance on March 5th, 2009 by Air Canada, Bell Canada, Canada Post, Canadian National Railway, Canadian Pacific Railway, MTS Allstream and NAV Canada. Those reforms include:

- A permanent change in the solvency deficit amortization period from five to ten years for all current and future solvency deficiencies, without any conditions.
- Government introduction of a regulation to prescribe the discount bond rate based on a benchmark AA corporate bond index.
- Continued leeway for plan sponsors to retain asset smoothing methods for solvency funding purposes and the acceptance by OSFI of caps higher than 110% without a deemed trust applying.
- Exclusion of indexing from the calculation of solvency liabilities when determining solvency amortization payment requirements. Funding of the indexed benefits, including deficit amortization, would continue to be provided through the going-concern funding valuation.

The NACC is of the view that given the continuing lack of liquidity in the capital markets and the continuing decline in equity markets in early 2009, as well as the need for companies implicated either directly or



indirectly by increased pension liability to plan for their increased pension contributions over the next several years, it is critical that these issues be urgently addressed.

Thank you for your consideration in this matter.

Sincerely,

NATIONAL AIRLINES COUNCIL OF CANADA

A handwritten signature in black ink, appearing to read "George Petsikas", with a long, sweeping horizontal flourish extending to the right.

George Petsikas
President