RESPONSE TO LATECOERE CANADA – UNION MEMBER PETITION

To: Members of IAM Local Lodge 11

From: IAM Local Lodge 11 Executive
Date: April 17, 2026

Response to Request

<u>Receipt of Petition</u>
In direct response to the Request for Union Action, your IAM Local Lodge 11 Union President, David Lau, acknowledges receipt of the January 16, 2026, petition signed by Local Lodge 11 Members as presented by Member, Gustavo Ortiz. Most, if not all, of this information has been discussed at monthly Membership meetings. It is unfortunate if you have not been able to attend any of them.

In the early 1990's, Local Lodge 11 was invited to join a plan that encompassed Lodge 250 and other composite Lodges. After the demise of Canadian Airlines, the IAM Lodges continued the same plan design under their individual Lodges. We would like to clarify that District 250 Union Representatives are not responsible for the oversight or administration of your IAM Local Lodge 11 Health & Welfare Trust Plan. We have consulted with District 250 as a courtesy, and invited them to be part of the ongoing process. Your IAM Local Lodge 11 Health & Welfare Trust was established between IAM Local Lodge 11 of the International Association of Machinists and Aerospace Workers, and the Trustees of the IAM Local Lodge 11 Trust Fund.

The IAM Local Lodge 11 Health & Welfare Trust Income Loss Indemnity Plan (ILIP) is the Plan Sponsor and Policyholder for the disability plan that provides coverage to Local Lodge 11 Members. Canadian Labour Benefit Plans (CLBP) acts as a fiduciary to receive and disburse funds for Trusts administered by our consultant, Canadian Benefits Consulting Group (Canadian Benefits).

<u>Written Response</u>
As requested, the document provides a written response to the petition's individual concerns. We confirm that transparency has been provided throughout this process and will continue to be upheld.

<u>Information Session</u>
A Membership meeting will be scheduled to allow you an additional opportunity for open discussion and provide further information on the program. We will update you all with the details of the Information meeting as soon as we have date and time and location booked.
We will be inviting the following guests to attend the meeting: Derek Christo, CA of D'Abadie Moody Chartered Accountants out of Langley, whose firm has been auditing the Trustee in excess of 33 years; the Administrator, Canadian Benefits Consulting Group; along with Mike Ferns, Business Representative of District 250.

<u>Discussion</u>
Your IAM Local Lodge 11 Trustees are committed to constructive participation in the spirit of collaboration, with the goal of serving the membership effectively, equitably and in a manner that reflects collective protection.

Please see our responses to the petition in blue.

Response Summary

We acknowledge the concerns expressed, and questions related to governance and oversight. We recognize the need for clarity on how the Local Lodge 11 benefits interact with Employment Insurance (EI), and how the current structure ensures fairness across the membership.

The following sections provide comments corresponding to the petition's statements:

- The Current Structure
- Fair Representation and Transparency Considerations
- Member Requests and Possible Options
- Transparency Regarding CLBP Governance
- Trustee Term Limits and Member Participation

The Current Plan Structure

As documented in the petition, these are the elements of the current plan:

- Premiums are automatically deducted from employees' wages each pay period

  Bi-weekly contribution deductions are 3.4% of you annual salary (example if your hourly rate is $36.08 then your annual salary is $71763.12 which your 3.4% bi-weekly contribution deductions are $93.84 per pay period.
  This disability coverage provides if you have the misfortune of incurring a substantial disability which prevents you from working until age 65. As an example, a 40 year old Member will receive $1.8 Million to protect their family.

- Annual costs vary significantly depending on individual earnings

  As benefits are based on salary, so are contributions.
  If you have a higher salary, you will pay higher premiums.
  If you become disabled, you will receive a higher benefit.

- Employees are not permitted to opt out of the program

  See Member Request Section following.

- Employees cannot select different levels or types of coverage

  See Member Request Section following.

- Benefits under this plan are accessed before Employment Insurance, despite EI also being a mandatory contribution.

  EI benefits are taxable, 55% of earnings, subject to a weekly maximum of $729.
  More than 75% of Members would **not** receive 55% of their earnings on EI due to this maximum.
  Furthermore, taxes will be deducted from EI benefit payments.

  These are the benefits of the current IAM Local Lodge 11 Short Term Disability plan compared to EI:

  - Benefits received are classed as non-taxable income
  - All Members are eligible for 55% of their salary
  - Members are eligible for a retroactive rate reduction on the EI premiums they pay, that is provided by EI, to be shared with the Employees, with the Employee group to whom it pertains with a 5/12 share and the Employer with a 7/12 portion.

Fair Representation and Transparency Considerations

- A single mandatory insurance structure does not reflect the wide range of personal and financial circumstances among employees

  Just as your salaries vary, the Plan benefit is also based on salary.

- Employees who already have private or spousal disability coverage have no flexibility to account for that coverage

  For the vast majority of Members, no other wage protection insurance exists.
  Private or spousal coverage can accommodate varying personal and financial circumstances as you choose.
  This ensures that your IAM Local Lodge 11 Plan provides a guaranteed level of income for all Members at an affordable cost.
  You have the option of accessing other supplemental plans as your needs require.

- Higher-earning employees contribute substantially more through payroll deductions while receiving the **same level** of coverage as others

  If you have a higher salary, you pay higher premiums.
  Your disability benefits are also higher, based on your earnings.

- Decisions regarding the Plan, including its design, continuation, and oversight, are not consistently explained or formally reviewed with the membership.

  Decisions regarding your Local Lodge 11 Health & Welfare Trust are made in accordance with the fiduciary responsibilities and governance required of the Plan.

  The Plan provides access to all Members, with benefits that vary only according to salary.

  Group plans are not intended to accommodate each individual circumstance, just like no Collective Agreement can suit everyone.

  Information is communicated at monthly Union meetings and posted on the Union website for full transparency.

  A Membership survey was completed in January 2024, for example, with plan design decisions made based on our Membership's responses to that survey.

Member Requests and Possible Options

<u>Option 1 — Voluntary Participation</u>

Members request consideration of a model that would allow employees to choose whether to participate in CLBP, without penalty or impact to union membership, seniority, or employment.

When a plan has voluntary participation, the cost increases significantly for all of the Membership.

The cost of an individual plan to cover income replacement would have a higher monthly premium than a true group disability insurance plan.

Evidence of good health would be required by medical form completion, and some Members would be refused coverage.

Having a mandatory plan ensures that all Members, regardless of their health, now or in the future, will be covered.

<u>Option 2 — Tiered Participation Framework</u>

The union could explore flexible participation levels that allow employees to select coverage aligned with their needs and financial capacity.

Example Tier	Illustrative Cost Level	Illustrative Coverage Scope
Basic	Lower cost	Short-term coverage
Mid-level	Moderate cost	Medium-term coverage
Higher-level	Higher cost	Longer-term coverage
Full	Current cost	Current CLBP coverage

A tiered format with one choice could be available for a group of 10,000 Members.
Based on the current Membership, these options would not be available on a group basis.

The features of the current plan described above in the previous section are in line with group disability plans in general, for the type of plan. and the size of group represented by IAM Local Lodge 11.

Transparency Regarding Governance

Members seek clarity regarding:

- Whether trustees receive any form of compensation, honorariums, gifts, travel, hospitality, training, or other benefits from insurers or related parties

  Trustees do not receive any financial compensation, honorariums, gifts, travel, hospitality, training costs or other benefits from any source.

  Lost wages and meeting travel expenses only are reimbursed as an expense of the Trust, when Trustees attend Trustee meetings or training sessions.

  Trustees participate in educational training sessions as part of their fiduciary responsibilities, to maintain industry-standard knowledge in line with the International Foundation of Employee Benefit Plans (IFEBP) best practices.

  Successful completion of the training is required for per diems and lost wages to be paid.

- How trustees are selected or appointed, and what criteria or qualifications are considered.

  Since 1992 / 92, three Union Members have been appointed by Local Lodge 11, and typically serve four-year terms.

  Your Trustees assume legal responsibility for administering Trust property on behalf of you as the beneficiaries of the Plan, and are required to complete mandatory training and continuing education to meet fiduciary standards.

- How long trustees serve, whether term limits exist, and how continuity and accountability are maintained

  Four year terms can be renewed.

  Due to the education and experience required as a Trustee, most Trusts allow for Trustees to be re-appointed for many successive years.

  It is very useful for new Trustees to have overlap before the Trustee they are replacing leaves.

  As the Administrator, Canadian Benefits provides internal training for new Trustees which includes an introduction to:
  - Duties and responsibilities of Trustees
  - Group disability insurance terms and finance definitions
  - Plan design
  - Plan documents
  - Fiduciary Liability Insurance
  - Review of previous Trustee meetings and action items

  From an accountability perspective, the external auditor reviews the finances on an annual basis.

- How decisions affecting the Plan are made, documented, reviewed, and communicated to the membership.

  Plan decisions are made by your Board of Trustees with input from the Insurance Company, the Auditor / Accountant, the Consultant, and the Plan Administrator.

  Minutes of the meetings summarize items discussed and decisions reviewed at our regular monthly Membership Meetings.

  A Membership survey conducted in January 2024, for example, outlined revisions to the plan design, as requested by our Members.

  Updated CLBP information is always available through the Local Lodge 11 website: https://iamaw11.ca/?page_id=421

- If no such compensation or benefits exist; members respectfully request confirmation of that fact. Transparent governance practices help build confidence in the program and ensure members understand how decisions affecting their wages and benefits are managed.

  Your Trustees do **not** receive any pay for their service.

  It is a **voluntary** position, and the Charted Accounting firm confirms this annually in the Financial Statement.

  The Trust undergoes an annual audit by D'Abadie Moody of Langley, BC.

  Mr. Derek Christo will be happy to confirm this at our Membership Meeting.

  All audits have been completed in accordance with applicable standards.

  Based on our current membership, a minimum reserve of two years of premiums, is recommended by the IFEBP, and is a work in progress by your Board of Trustees.

  Our reserves provide approximately four months of coverage in the event of an emergency such as a work stoppage.

Trustee Term Limits and Member Participation

Members respectfully request consideration of governance improvements:

- Reasonable term limits for trustees to encourage rotation and fresh perspectives.

  Although the Trustees have term limits of four years rotating, it is not necessarily always in the best interest of our Membership, who are the Plan's beneficiaries, to have short term rotating Trustees.

  The reasoning behind this is that there are a number of ongoing related costs with initial training, and mandatory continuing education with respect to the life cycle of the experience of the plan.

  Canadian Benefits works with over 20 Union Trusts whose experience suggests some term renewal is good for stability and consistency.

  For the reasons stated above, it is not always best practice of the IFEBP to necessarily cycle through Trustees every four years.

- Periodic opportunities for members to select or confirm trustees through transparent processes

  Local Lodge 11 appoints the Trustees, usually for staggered periods, which allows for regular opportunities to appoint new Trustees.

- Eligibility for any employee who has successfully passed their probationary period

  As a general course of business, all our Membership who have passed their probationary period are eligible to accept the roles and responsibilities of a Trustee by appointment.

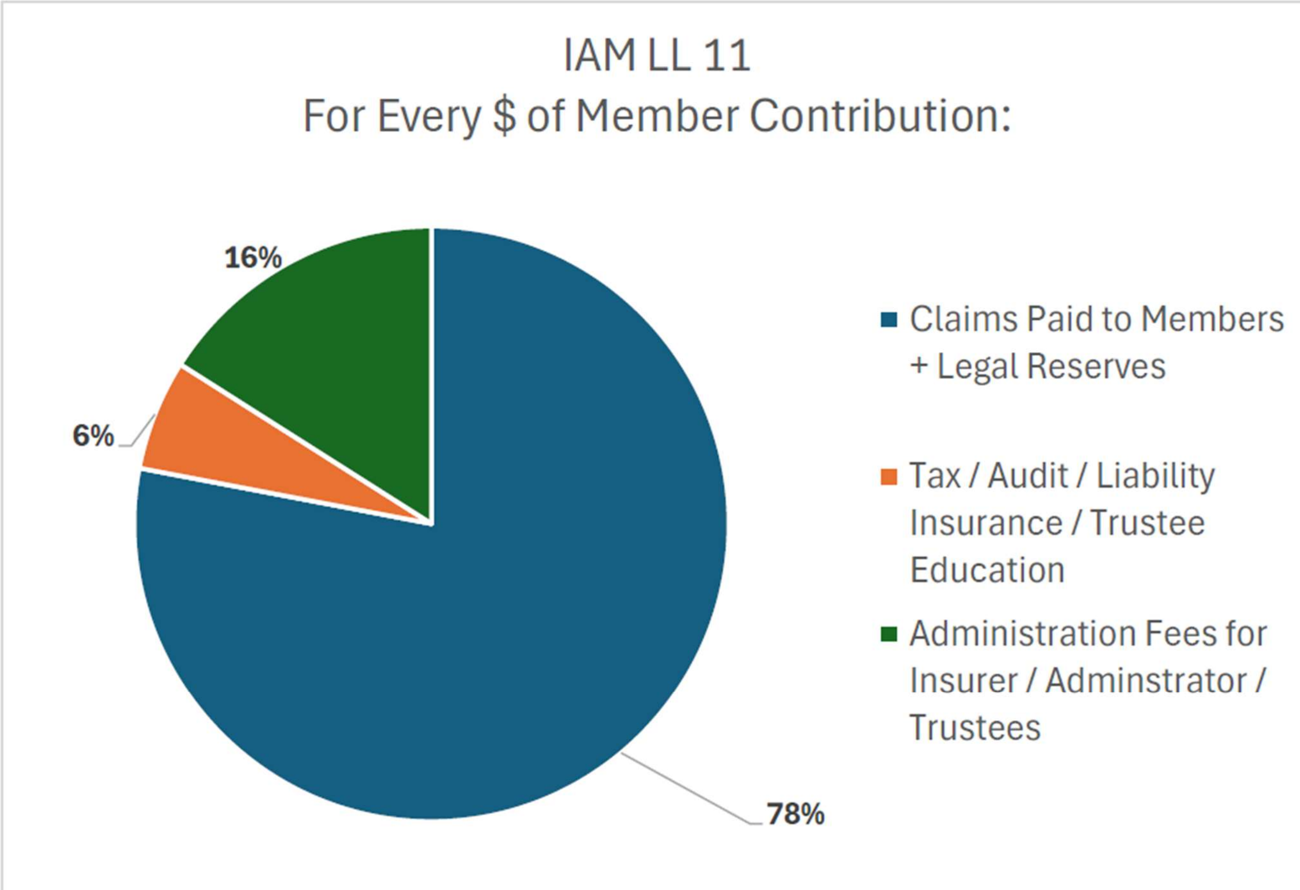
We encourage you to attend monthly meetings, to review our website, and to participate in all available surveys.

Closing Statement

We appreciate the opportunity to provide clarification and respond to our Membership on the concerns raised. Your IAM Local Lodge 11 Health & Welfare Trust Plan has supported many of our Members during periods of hardship through disability. Our Plan continues to play a very important role in helping individuals maintaining financial stability and dignity for their families during times of illness or injury.

Your Trustees remain committed to ensuring the program operates in a transparent, equitable, and financially responsible and prudent manner for all of our Membership.

Respectively submitted,
David Lau
President
IAMAW Local Lodge 11



INFORMATION CLBP BENEFITS (Short-Term & Long-Term Disability Insurance)

All CLBP related Information can be found on Bulletin Board (located near First Aid Room) and also it can be found on our Local 11 Website.

Website : https://iamaw11.ca/?page_id=421

QR Code for Website: