

March 9, 2012

Mr. David Gordon
Deputy Superintendent, Pensions
Financial Services Commission of Ontario (FSCO)
Pension Division
5160 Yonge Street
Box 85, 4th Floor
Toronto, ON M2N 6L9

Dear Deputy Superintendent,

**Re: Navistar Canada, Inc. Non-Contributory Retirement Plan (Registration # 0351684)
(formerly the International Truck and Engine Corporation Canada Non-Contributory Retirement plan)**

The CAW-Canada and its Locals 127 and 35 have been parties to collective agreements with Navistar Canada Inc. (The "Company") and thereby represent hourly and salaried employees, respectively, who have been employed at the Company's Chatham Assembly Plant in Chatham Ontario. The above referenced pension plan (the "NCRP") is incorporated by reference into these collective agreements.

Over a period of time beginning in late 2008 and continuing through to the present we have witnessed the discontinuance of all work performed at the plant. More specifically, the represented population at the Navistar plant grew gradually through 2008 to the point where over 850 CAW members were 'on-roll' in the third and fourth quarters of 2008. According to data received from Navistar, early in 2009 the plant employed approximately 775 active CAW members who were members of the hourly defined benefit pension plan (the NCRP). The December 31 2009 actuarial valuation for the NCRP shows 786 active and suspended Chatham members as at December 31 2008.

Beginning in late 2008 workers began to be laid off from the Chatham plant. Between February and the end of May 2009 over 315 members were laid off, with average seniority of 15 years and some with as many as 20 years of service.

On June 29 2009, as contract talks on a renewal collective agreement between the Company and union broke down, a further 275 or so members were laid off and production was indefinitely suspended at the plant pending resolution of the labour dispute. Approximately 90 or so other members continued in 'active or suspended' service on disability or other leaves of absence. In addition, approximately 96 members retired between March 1 and July 1 2009.

Navistar and the union attempted on different occasions over the two subsequent years to reach a renewal collective agreement, but to no avail. Then in a letter addressed to the undersigned, dated July 28, 2011, the Company announced its intention to close the Chatham plant. It also issued a press release and filed

documentation with the Securities Exchange Commission in the U.S.A. on this matter on August 2nd 2011. A copy of the July 28 2011 letter is attached for your reference.

And while it is recognized that the decision to close the Chatham facility was made on or about July 28, 2011, in fact the process to close the plant began back in 2009. Work at the Chatham plant has never resumed since June 2009 -- no new work has been awarded to the facility. The work performed at Chatham has been transferred to other Company facilities in the United States and Mexico. While not irreversible in the intervening period, in the unique circumstances of this labour dispute the discontinuance of operations at the Chatham facility occurred over a period of more than two (2) years, beginning in February 2009.

Consequently, as a result of the cessation of operations at the facility -- a process of discontinuance which began in late 2008 and culminated with the decision set out in the letter of July 28, 2011 -- the CAW Canada is hereby requesting that the Superintendent order a partial wind-up of the above referenced pension plan, and issue notice to both Navistar Canada Inc. and the parent company Navistar Inc. under Section 69 of the Pension Benefits Act (the "PBA"). The partial wind-up would apply to all NCRP plan members who worked at Chatham -- all plan members' loss of employment has resulted from the reduction and ultimate cessation of production at the plant that began in late 2008, and that loss of employment now appears permanent.

Partial Plan Wind-up

We feel it would be helpful to set out our view of the application of certain provisions of the PBA in the context of the NCRP at Chatham. We believe this necessary because of disagreements we are having with the Company on questions over:

- (1) the period of time the partial wind up should cover and, therefore, who should be included in the partial wind-up (or, conversely, who, if anyone, should be excluded from the partial wind-up?) and
- (2) the criteria to be applied, and the benefits provided, when determining benefit eligibility under the Plan and under Section 74 of the PBA.

1. On the first question our view is that all Chatham employees who were members of the NCRP in 2009 should be included in the partial plan wind-up. This would apply to all on-roll NCRP plan members prior to any layoff in 2009, and should also apply to any member who subsequently voluntarily severed or retired and who would benefit from inclusion in a partial wind-up.

Our rationale is as follows:

- The plant effectively discontinued operations over a period of two years beginning in late 2008, and with the July 28, 2011 notice from the Company it is now clear that members of the NCRP will have their employment terminated by the employer. Any termination of employment results directly from the discontinuance or all or a part of the business of the employer or as a result of the reorganization of the business of the employer, criteria under which the Superintendent can order a plan wind-up under the PBA.
- Members who were laid off in late 2008 or in 2009, regardless of their date of layoff, do not terminate employment or service until a period of layoff equal to their length of service (time for time).
- Members do not terminate their membership in the NCRP as a result of layoff. In fact, under Article 7.03(b)(iii) of the NCRP members laid off after having worked at least 170 hours in 2009 (the majority of Chatham members laid off in 2009) are entitled to an additional accrual of .9 of a year of credited

service in the NCRP while on layoff. For members laid off in June 2009, this takes their credited service accrual in the NCRP through May 2010.

- Members who voluntarily retired or severed between February 2009 and the wind-up date, and who would benefit from inclusion in a wind-up, should not be penalized for making a decision prior to a wind-up announcement, or the notice of closure. The plant never resumed operations after June 2009, and these members have had their employment opportunities terminated by the discontinuance of the plant by Navistar. The only variable that differentiates these members from those still 'on-roll' is the timing of their decision: had these members known the Company intended to close the plant permanently and that a plan wind-up was coming, their decision could have, and likely would have, been different.
 - The loss of employment for all NCRP members whether this occurred prior to the Company's announcement or not, clearly results from the decision by Navistar to cease production and discontinue operations in Chatham. That cessation of production and the subsequent loss of employment occurred over a period of more than two years beginning in 2009. Navistar should not be permitted to benefit from drawing out the decision to announce its final closure decision and plan wind up by excluding all members who terminated prior to this arbitrary, drawn-out date.
2. Our view of the plan benefits and rules that should apply in the case of the partial plan wind-up is straightforward: all plan benefits must be considered, and the Section 74 provisions of the PBA should be applied in total:
- All members who meet the Age 40 and 10 years of service criteria at date of layoff under the Plant Closure Benefit set out in Exhibit C, Section C of the plan would be eligible for either an immediate unreduced Special Early Retirement pension (including unreduced Temporary benefit) at or after age 55, or to grow into an unreduced Special Early Retirement pension (including unreduced Temporary benefit) payable at age 55 under the terms of the plan. Consent for the Special Early Retirement pension is deemed given under Section 74(7) of the PBA.
 - All members whose age plus years of plan membership or employment, at the later of date of termination or plan wind-up, totals 55 points or more would be eligible for either an immediate, or to grow into, an unreduced pension on the date the member would otherwise have been eligible if the plan were not wound up. These options would include:
 - an immediate unreduced Regular Early Retirement pension, including a Temporary benefit or Supplemental Allowance,
 - an immediate Special Early Retirement pension (including unreduced Temporary benefit) at or after age 55,
 - grow into an unreduced Regular Early Retirement pension, including, if the 10 year employment or membership requirement is met, a Temporary benefit, or Supplemental Allowance,
 - grow into a Special Early Retirement pension (including an unreduced Temporary benefit if the 10 year employment or membership requirement is met) payable at age 55,
 - among others

Consent for the Special Early Retirement pension is deemed given under Section 74(7) of the PBA.

Next steps

We respectfully request an order of the FSCO directing a partial wind-up of the Navistar NCRP. We further request an order that all affected employees whose employment terminated or is deemed terminated after 2008 be entitled to all benefits pursuant to Section 74 and related sections of the PBA under a partial wind-up plan approved by the FSCO. We reserve the right to amend our request for relief as further information becomes available or as deemed appropriate in the circumstances.

We would be pleased to discuss this matter further if required, and provide any other information necessary. In the meantime, we look forward to your timely decision in this matter.

Yours truly,



Ken Lewenza
National President

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cc: Peter Kennedy, National Secretary-Treasurer, CAW Canada
Bob Chernecki, Assistant to the President, CAW-Canada
Lewis Gottheil, Director of Legal Department, CAW-Canada
Jeff Wareham, National Representative, CAW-Canada
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Cathy Wiebenga, Chairperson, CAW Local 127
Sonny Galea, Chairperson, CAW Local 35
Rick Reaume, President, CAW Local 127
Barry Morris, Director of Labour Relations, Navistar Inc.
Vinod Armoogum, Pension Officer, FSCO