

**Canadian Signals & Communications
System Council No. 11 of the IBEW**

Insert to Your Pension Guide

Amendments to Canadian Pacific Railway Company Pension Plan effective June 1, 2013

Canadian Pacific and the IBEW are pleased to provide you with amendments to your Pension Plan, as described in this insert, broken down between employees hired prior to June 1, 2013, and employees hired on or after June 1, 2013.

Also included at the end of this insert are the changes to the Health Spending Account (HSA) for employees hired on or after January 1, 2013.

Amendments

For IBEW employees hired prior to June 1, 2013

- Pension accrued for pensionable service prior to June 1, 2013 will have an annual pension limit of \$1,975* per year of pensionable service.
- Any employee who has an annual pension above the pension limit of \$1,975 for service prior to June 1, 2013, will be grandfathered (that is, your pension for your service up to May 31, 2013 will not be less than the pension calculated using your pensionable service and pensionable earnings up to that date).
- Pension accrued for pensionable service on or after June 1, 2013 will have an annual pension limit of \$1,975* per year of pensionable service.
- The Incentive Compensation (Goalshare) program is not renewed. Therefore, incentive compensation payments are excluded from pensionable earnings for service starting June 1, 2013.

* In a pension calculation, the pension limit of \$1,975 will have no impact on an IBEW member unless the best 60 consecutive months for highest plan earnings purposes are in excess of \$104,000.

A pension calculation consists of the following for an IBEW employee hired prior to June 1, 2013:

A. For service before January 1, 2004 (highest plan earnings do not include Incentive Compensation payments):

- 1.8% of your highest plan earnings up to the final average Year's Maximum Pensionable Earnings (YMPE)
plus
- 2.0% of your highest plan earnings in excess of the final average YMPE
multiplied by
- Your years of IBEW pensionable service before January 1, 2004

Plus

B. For service between January 1, 2004 and May 31, 2013 (highest plan earnings include Incentive Compensation payments):

- 1.8% of your highest plan earnings up to the final average YMPE
plus
- 2.0% of your highest plan earnings in excess of the final average YMPE
multiplied by
- Your years of IBEW pensionable service between January 1, 2004 and May 31, 2013

Plus

C. For service on and after June 1, 2013 (highest plan earnings do not include Incentive Compensation payments):

- 1.8% of your highest plan earnings up to the final average YMPE
plus
- 2.0% of your highest plan earnings in excess of the final average YMPE
multiplied by
- Your years of IBEW pensionable service on and after June 1, 2013

As described on the previous page, the annual pension resulting from the sum of A and B is limited to $\$1,975 \times$ your pensionable service up to May 31, 2013 (but not less than the grandfathered pension as described), and the annual pension resulting from C is limited to $\$1,975 \times$ your pensionable service on and after June 1, 2013 (with no grandfathering).

A Pension Example

Let's take the example of an IBEW employee who retires on December 31, 2014 under the following scenario:

- Retires at age 57
- 20 years of pensionable service pre-2004
- 9 years and 5 months of pensionable service between January 1, 2004 and May 31, 2013
- 1 year and 7 months of pensionable service from June 1, 2013 to December 31, 2014
- Highest plan earnings* applicable to pre-2004 pensionable service equal to \$59,000 (excludes Incentive Compensation payments)
- Highest plan earnings* applicable to pensionable service between January 1, 2004 and May 31, 2013 equal to \$61,000 (includes Incentive Compensation payments)
- Highest plan earnings* applicable to pensionable service from June 1, 2013 to retirement date of December 31, 2014 equal to \$59,000 (excludes Incentive Compensation payments)
- Final average YMPE=\$49,900
- Company consent has been granted

**Highest Plan Earnings are the average of the best 60 consecutive months of earnings.*

NOTE that in the above example, the highest plan earnings are lower than \$104,000 so the pension limit of \$1,975 does not apply.

<i>Pre-2004 Pensionable Service</i>	<i>Jan. 1, 2004 to May 31, 2013 Pensionable Service</i>	<i>June 1, 2013 to Dec. 31, 2014 Pensionable Service</i>
1.8% of \$49,900 = \$898.20 plus 2.0% of \$ 9,100 = <u>\$182.00</u> \$1,080.20 multiplied by x 20 years equals \$21,604.00 annual pension	1.8% of \$49,900 = \$898.20 plus 2.0% of \$11,100 = <u>\$222.00</u> \$1,120.20 multiplied by x 9.417 years equals \$10,548.92 annual pension	1.8% of \$49,900 = \$898.20 plus 2.0% of \$ 9,100 = <u>\$182.00</u> \$1,080.20 multiplied by x 1.583 years equals \$1,709.96 annual pension

Total annual pension = **\$33,862.88** (\$21,604.00 + \$10,548.92 + \$1,709.96)
or \$2,821.90 per month.

Again, note that this is less than the new pension limit of \$1,975 × 31 years = \$61,225 so the pension limit has no effect on this member's pension.

It is important to note that an employee who has 35 years of pensionable service prior to January 1, 2004 will not have Incentive Compensation factored into the pension calculation.

For IBEW employees hired on or after June 1, 2013

- Pension accrued for pensionable service on and after June 1, 2013 will have an annual pension limit of \$1,715 per year of pensionable service.
- The pension formula is 1.7% up to the final average year's maximum pensionable earnings and 2.0% in excess of the final average year's maximum pensionable earnings.
- Contribution rates are 4.3% up to the year's maximum pensionable earnings, and 6.3% in excess of the year's maximum pensionable earnings.

Health Spending Account (HSA) for Retirees

Employees hired prior to January 1, 2013

There are no changes to the HSA. The annual available amount is based on \$33 for each full year of active service. On the death of the retiree, the surviving spouse continues with the benefit at the same amount.

Employees hired on or after January 1, 2013

The annual available amount will be based on \$45 for each complete year of pensionable service (to a maximum of 35 years) less 15 years. For example, if at retirement the pensionable service is 32 years, the formula for the HSA would be:

$$(32 \text{ years of pensionable service less } 15 \text{ years} = 17 \text{ years}) \times \$45 = \$765$$

The annual amount will be payable until the age of 65. On the death of the retiree, 55% of the HSA amount will be available to the surviving spouse until the time the retiree would have reached the age of 65.

For More Information...

Pension Information is available on your annual statement which you receive each year, or you can get a pension estimate using the Pension Estimate Tool on RailCity. If you have questions or need more information on this insert or how to access the tool, please contact Pension Services at 1-888-511-7557 or 319-3035 in Calgary, or by email at Pension@cpr.ca.

The Fine Print

This bulletin outlines the recent amendments to the Canadian Pacific Railway Company Pension Plan for the IBEW. The content is designed to inform employees generally about amendments to the Pension Plan. If there is a question of interpretation about the information in this bulletin, the official Canadian Pacific Railway Company Pension Plan documents will govern.

This bulletin is not intended to provide legal, investment or tax advice. Please consult your personal tax or legal advisor to determine how the provisions of the Pension Plan apply to your personal circumstances.

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