

PENSION PLAN INSERT

FOR UNIONIZED EMPLOYEES OF CANADIAN PACIFIC

NOTICE OF CHANGES TO THE CP PENSION PLAN EFFECTIVE JULY 1, 2011 AS A RESULT OF BILL C-9 – AMENDMENTS TO THE PENSION BENEFITS STANDARDS ACT, 1985

Effective July 1, 2011, the federal government amended the Pension Benefits Standards Act, 1985. Below is a summary of these changes.

- All benefits are immediately vested. Previously, a member had to be in the pension plan for 2 years before vesting occurred.
- The excess contribution calculation is based on benefits and contributions for all years of service. Previously, the calculation was based on benefits and contributions after January 1, 1987.
- Pre-retirement death benefits must be at least equal to the commuted value of the member's benefits regardless of whether or not there is a surviving spouse. Previously, there was a distinction between pre-1987 and post-1986 benefits.

Options on Retirement

- Commuted value less than \$1,000
 - Paid in cash less tax
- Commuted value greater than \$1,000 but less than 20% of the YMPE
 - Paid in cash less tax, or
 - Transferred to a non-locked-in RRSP
- Under 2 years of plan membership and the commuted value is greater than 20% of the YMPE
 - Immediate pension actuarially reduced for early retirement before age 65, or
 - Commuted value paid in cash less tax, or
 - Commuted value transferred to a non-locked-in RRSP
- Over 2 years of plan membership and the commuted value is greater than 20% of the YMPE
 - Immediate pension (actuarially reduced for early retirement before age 65 if not eligible for an unreduced pension)

Options on Termination

- Commuted value less than \$1,000
 - Paid in cash less tax
- Commuted value greater than \$1,000 but less than 20% of the YMPE
 - Paid in cash less tax, or
 - Transferred to a non-locked-in RRSP
- Under 2 years of plan membership and the commuted value is greater than 20% of the YMPE
 - Deferred pension commencing at age 65, or
 - Commuted value paid in cash less tax, or
 - Commuted value transferred to a non-locked-in RRSP
- Over 2 years of plan membership and the commuted value is greater than 20% of the YMPE
 - Deferred pension commencing at age 65, or
 - Commuted value transferred to a lock-in financial vehicle

Option on pre-retirement death without a surviving spouse

Commuted value paid as cash less tax

Options on pre-retirement death with a surviving spouse

- Commuted value less than \$1,000
 - Paid as cash less tax
- Commuted value less than 20% of the YMPE
 - Paid as cash less tax, or
 - Transferred to a non-locked-in RRSP
- Under 2 years of plan membership and the commuted value is greater than 20% of the YMPE

Member	Spouse's Options
Under age 55 at death	Deferred pension commencing at member's age 65
Age 55 or over at death	Immediate pension
	OR Commuted value paid as cash less tax regardless of member's age, or Commuted value transferred to a non-locked-in RRSP regardless of member's age

- Over 2 years of plan membership and the commuted value is greater than 20% of the YMPE, but less than 15 years' pensionable service or less than 60 points

Member	Spouse's Options
Under age 55 at death	Transfer of commuted value to a lock-in financial vehicle, or Deferred pension commencing at member's age 65
Age 55 or over at death	Immediate pension

- At least 15 years of pensionable service and at least 60 points, and the member is under age 55 at death
 - Immediate pension
 - Transfer of the commuted value of the immediate pension to a locked-in financial vehicle
- At least 15 years of pensionable service and at least 60 points and the member is age 55 or over at death
 - Immediate pension