

Teamsters Canada Rail Conference – Running Trades Employees

Insert to Your Pension Guide

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

Canadian Pacific and the TCRC-RTE 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.

Amendments

For TCRC-RTE employees hired prior to June 1, 2013

- Pension accrued for pensionable service prior to June 1, 2013 will have an annual pension limit of \$2,200* per year of pensionable service.
- Any employee who has an annual pension above the pension limit of \$2,200* for service prior to June 1, 2013 will be grandfathered up to the defined benefit limit set by the Canada Revenue Agency (which in 2013 is \$2,696). In other words, 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 \$2,200* per year of pensionable service.
- The Incentive Compensation program is not renewed. Therefore, incentive compensation payments are excluded from pensionable earnings for service starting June 1, 2013.
- Effective January 1, 2013 contribution rates are reduced by 0.5%. Therefore, the rates on January 1, 2013 are 6.69% up to the year's maximum pensionable earnings (YMPE) and 6.98% in excess of the YMPE. The maximum salary for contributions is \$110,000 based on the pension limit of \$2,200. Once an employee has reached that annual salary, contributions will stop.

* In a pension calculation, the pension limit of \$2,200 will have no impact on a TCRC-RTE member unless the final 60 consecutive months (or best five consecutive calendar years, if higher) for highest plan earnings purposes are in excess of \$115,000.

A pension calculation consists of the following for a TCRC-RTE employee hired prior to June 1, 2013:

A. For service before July 1, 2008 (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 TCRC-RTE pensionable service before July 1, 2008

Plus

B. For service between July 1, 2008 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 TCRC-RTE pensionable service between July 1, 2008 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 TCRC-RTE 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 $\$2,200 \times$ 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 $\$2,200 \times$ your pensionable service on and after June 1, 2013 (with no grandfathering).

PENSION EXAMPLES

Example 1 (the pension limit does not apply)

Let's take the example of a TCRC-RTE employee who retires on December 31, 2014 under the following scenario:

- Retires at age 57
- 24 years 6 months of pensionable service pre-July 2008
- 4 years and 11 months of pensionable service between July 1, 2008 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-July 2008 pensionable service equal to \$90,000 (excludes Incentive Compensation payments)
- Highest plan earnings* applicable to pensionable service between July 1, 2008 and May 31, 2013 equal to \$93,000 (includes Incentive Compensation payments)
- Highest plan earnings* applicable to pensionable service from June 1, 2013 to retirement date of December 31, 2014 equal to \$90,000 (excludes Incentive Compensation payments)
- Final average YMPE=\$49,900
- Company consent has been granted

**Highest Plan Earnings are the average of the last 60 months of earnings prior to retirement, or the best 5 consecutive calendar years of earnings, whichever is greater.*

Keep in mind that a TCRC-RTE member needs at least 25 years of pensionable service at retirement.

NOTE that in the above example, the highest plan earnings are lower than \$115,000 so the pension limit of \$2,200 does not apply.

Pre-July 1, 2008 Pensionable Service	July 1, 2008 to May 31, 2013 Pensionable Service	June 1, 2013 to Dec. 31, 2014 Pensionable Service
1.8% of \$49,900 = \$898.20 plus 2.0% of \$40,100 = <u>\$802.00</u> \$1,700.20 multiplied by x 24.5 years equals \$41,654.90 annual pension	1.8% of \$49,900 = \$898.20 plus 2.0% of \$43,100 = <u>\$862.00</u> \$1,760.20 multiplied by x 4.917 years equals \$8,654.90 annual pension	1.8% of \$49,900 = \$898.20 plus 2.0% of \$40,100 = <u>\$802.00</u> \$1,700.20 multiplied by x 1.583 years equals \$2,691.42 annual pension

Total annual pension = **\$53,001.22** (\$41,654.90+ \$8,654.90+\$2,691.42)
or \$4,416.76 per month

It is important to note that an employee who has 35 years of pensionable service prior to July 1, 2008 will not have Incentive Compensation factored into the pension calculation.

Example 2 (pension limit applies)

Let's take the example of a TCRC-RTE employee who retires on December 31, 2014 under the following scenario:

- Retires at age 57
- 24 years 6 months of pensionable service pre-July 2008
- 4 years 11 months of pensionable service between July 1, 2008 and May 31, 2013
- 1 year 7 months of pensionable service from June 1, 2013 to December 31, 2014
- Highest plan earnings* applicable to pre-July 2008 pensionable service equal to \$120,000 (excludes Incentive Compensation payments)
- Highest plan earnings* applicable to pensionable service between July 1, 2008 and May 31, 2013 equal to \$122,000 (includes Incentive Compensation payments)
- Highest plan earnings* applicable to pensionable service from June 1, 2013 to retirement date of December 31, 2014 equal to \$120,000 (excludes Incentive Compensation payments)
- Final average YMPE=\$49,900
- Company consent has been granted

**Highest Plan Earnings are the average of the last 60 months of earnings prior to retirement, or the best 5 consecutive calendar years of earnings, whichever is greater.*

Keep in mind that a TCRC-RTE member needs at least 25 years of pensionable service at retirement.

NOTE – as the pension limit of \$2,200 applies in this case, the grandfathered pension at May 31, 2013 has to be determined first as follows:

- 29 years 5 months of pensionable service at May 31, 2013
- Highest plan earnings applicable to pre-July 2008 pensionable service equal to \$117,000 (excludes Incentive Compensation payments)
- Highest plan earnings applicable to pensionable service between July 1, 2008 and May 31, 2013 equal to \$119,000 (includes Incentive Compensation payments)
- Final average YMPE 47,877

Pre-July 1, 2008 Pensionable Service	July 1, 2008 to May 31, 2013 Pensionable Service
1.8% of \$47,877 = \$ 861.79	1.8% of \$47,877 = \$ 861.79
plus	plus
2.0% of \$69,123 = <u>\$1,382.46</u>	2.0% of \$71,123 = <u>\$1,422.46</u>
\$2,244.25	\$2,284.25
multiplied by x 24.5 years	multiplied by x 4.917 years
equals \$54,984.13 annual pension	equals \$11,231.66 annual pension

The grandfathered pension at May 31, 2013 is **\$66,215.79** (\$54,984.13 + \$11,231.66)

Once the grandfathered pension has been established, the next step in the calculation assumes the pension limit applies to all service and earnings at the retirement date as follows:

Pre-July 1, 2008 Pensionable Service	July 1, 2008 to May 31, 2013 Pensionable Service	June 1, 2013 to Dec. 31, 2014 Pensionable Service
1.8% of \$49,900 = \$ 898.20 plus 2.0% of \$70,100 = <u>\$1,402.00</u> \$2,300.20	1.8% of \$49,900 = \$ 898.20 plus 2.0% of \$72,100 = <u>\$1,442.00</u> \$2,340.20	1.8% of \$49,900 = \$ 898.20 plus 2.0% of \$70,100 = <u>\$1,402.00</u> \$2,300.20
Maximum of \$2,200 applies multiplied by x 24.5 years equals \$53,900 annual pension	Maximum of \$2,200 applies multiplied by x 4.917 years equals \$10,817.40 annual pension	Maximum of \$2,200 applies multiplied by x 1.583 years equals \$3,482.60 annual pension

In the above calculation, note that the pension for service to May 31, 2013 totals \$64,717.40 (\$53,900 + \$10,817.40)

As the grandfathered pension for service to May 31, 2013 shown on the previous page is higher it is used in the final result. Therefore the total pension is \$66,215.79 + \$3,482.60 = **\$69,698.39**

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 TCRC-RTE 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.

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 TCRC-RTE. 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.

July 2013