



**CANADIAN  
PACIFIC  
RAILWAY**

Pension Services

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Gulf Canada Square  
401 – 9th Avenue SW  
Calgary Alberta  
T2P 4Z4

Tel (403) 319-3035  
Toll Free 1-888-511-7557  
Fax (403) 319-3669  
e-mail  
Pension\_Services\_Help@cpr.ca

Date

Name & Address

Dear

Congratulations on your upcoming retirement!

Due to the recent agreement between Canadian Pacific Railway and the TCRC union members, in January 2005 CPR adopted a new approach to retiree health care coverage for TCRC employees who retire on or after January 31, 2005. This new approach will replace the “basic” Blue Cross plan the company currently offers with what is called a Health Spending Account (“HSA”). We want to explain these changes and the choices available to you.

The Blue Cross plan will continue to exist for all who retired prior to January 31, 2007.

The HSA will be provided to all TCRC employees who retire after December 31, 2006. The Blue Cross plan *will not be an option which is offered after this date.*

The option of the Blue Cross plan or the HSA will be available to employees who retire between January 31, 2005 and December 31, 2006– ***this option applies to you!***

**NOTE:** Please be advised that if no reply is received by your initial pension payment on (Date) you will be defaulted to the HSA program.

You have two choices: (1) you can enroll in the Blue Cross plan, or (2) you can elect to enroll in the new HSA.

Your first option is the Blue Cross plan.

The “basic” Blue Cross plan is paid for by CPR and features a lifetime maximum benefit of \$15,000. It provides coverage for prescription drugs and other medical services. You can also enroll in the “top-up” plan, which you pay for in its entirety. It supplements your basic coverage and adds another \$10,000 to your lifetime maximum; however, the rate varies by province and will rise as the cost of the services rise. We have included materials in your retirement kit, which describe the provisions and pricing of the plan. You should review them carefully. Your second option is a Health Spending Account.

What is a HSA and how does it work? Below is a summary. We have also included other important materials in this retirement kit describing the HSA. Please make sure you read them carefully.

- As an eligible retiree, CPR will provide you with an annual contribution to your HSA for the rest of your life (and your spouse's life).
- The amount of the annual contribution is determined by a fixed formula, based on length of service with the company. Under the formula, employees accrue \$33 for each year of active service. In your case you are eligible for an amount of \$XXX in your first calendar year of retirement and \$XXX thereafter. Upon your death, and if you have a surviving spouse, they will be eligible for the full amount of the HSA for the rest of their life.
- When you incur an eligible health expense that is not covered by provincial health care (such as vision care, dental treatment, hearing aids, etc.), you pay for the service and then use the money in your HSA to reimburse yourself, tax-free, for the expense. The list of 'eligible' expenses is defined by tax law, and is much broader than the expenses covered by the current Blue Cross plan. For more information you can contact your local tax office or visit their website at [www.cra-arc.gc.ca/](http://www.cra-arc.gc.ca/)
- Any balance remaining in the HSA at the end of the year is carried over to the next year and added to CPR's annual contribution. However, the carry forward amount must be depleted in the following year; otherwise the law requires that it be forfeited (i.e., each HSA amount has a 'lifespan' of 2 years). Every time you submit a claim, you will receive a statement outlining the balance in your account.
- You can also use the HSA to pay for premiums for private health or dental coverage (or for the Quebec pharmacare premiums for those retirees living in Quebec).
- Manulife will administer the HSA on behalf of CPR's retirees and will staff a Call Center to answer your questions.
- You can simply use the HSA to reimburse your eligible medical expenses or you can use the HSA to pay for the premiums of a private health plan that you can purchase from most insurance carriers. **It is your choice.**
- Although CPR does not endorse or recommend any specific insurance company or benefit provider, Manulife Financial and SunLife of Canada have agreed to waive any pre-existing medical conditions for CPR retirees should you purchase a private plan within 60 days of your date of retirement. Blue Cross also offers various private and government-sponsored plans, however, some of their plans do not waive pre-existing conditions and some of their plans require that you complete a medical questionnaire prior to Blue Cross accepting your application. Therefore, make sure you understand what you are getting before you agree to purchase anything.
- The money contributed by CPR to your HSA is not taxable to you; the only exception is for those pensioners living in Quebec. However, the Quebec pharmacare premium that pensioners are currently paying could be paid through the HSA.
- If you elect to reside in Quebec, the HSA will not be offered to you until you reach 65 years of age. You will be provided with the Blue Cross plan up to that point in time. Our records indicate

that you are not a Quebec resident and therefore the options identified in this letter should apply to you. However, if you do decide, at some future date, to move into Quebec, contact Pension Services for more information.

In summary, the HSA provides you with:

- **Flexibility** — you can choose the benefits you need, based on your own personal circumstances
- **Tax effectiveness** — money going into and out of these accounts is not taxable to you (unless you reside in Quebec)
- **Better coverage options** — you can use your HSA to pay for a wide range of health care benefits not covered under the existing Blue Cross plan, including the opportunity to purchase out-of-country emergency medical coverage.

In the final analysis, the choice is yours. What is best for you? Should you select the Blue Cross plan? Should you select the new HSA? Let us know by completing the enclosed election form and returning it to us as soon as possible. If you have any questions you can contact Manulife or Pension Services (see below).

**For all HSA Plan related questions, please contact Manulife, the HSA administrator, directly by calling 1-800-268-6195.**

If you have any additional questions regarding your Retirement Information Kit, status changes regarding legal spouse, or any further concerns, please contact Pension Services toll free at 1-888-511-7557 (319-3035 in the Calgary area) or by e-mail at [Pension\\_Services\\_Help@cpr.ca](mailto:Pension_Services_Help@cpr.ca)

Yours truly,

Pension Services

We have outlined below several benefit carriers along with their telephone number and email addresses which may assist you in the process of choosing a private health care plan –

**Blue Cross -**

[www.bluecross.ca](http://www.bluecross.ca)

1 800 USE-BLUE (1 800 873-2583)

**Sun Life -**

[www.sunlife.ca](http://www.sunlife.ca)

1 800 SUN-LIFE (1 800 786-5433)

**Manulife -**

[www.coverme.com](http://www.coverme.com)

1 877 COVER ME (1 877 268-3763)

*\*As this contact information for Manulife is **only to purchase** a plan, if you have questions pertaining to HSA specifically, please contact the toll-free number for Manulife as indicated on the previous page.*

Please note that the above are not endorsed or “preferred” by Canadian Pacific Railway. We recommend that you explore all your options prior to making a benefit carrier choice.



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Pension\_Services\_Help@cpr.ca

***ELECTION FORM***

RETURN THIS ELECTION FORM TO:

CANADIAN PACIFIC RAILWAY  
PENSION SERVICES  
HUMAN RESOURCES SERVICE CENTER  
401-9<sup>TH</sup> AVE SW  
SUITE 1900  
CALGARY, ALBERTA  
T2P 4Z4

I, (name of retiree) \_\_\_\_\_ HAVE READ AND UNDERSTOOD THE LETTER FROM PENSION SERVICES THAT DESCRIBES THE RETIREE HEALTH CARE OPTIONS AVAILABLE TO ME. SPECIFICALLY:

- (1) TO ENROLL IN THE BLUE CROSS PLAN OR,
- (2) ENROLL IN THE NEW HEALTH CARE SPENDING ACCOUNT

I ELECT : (PLEASE INDICATE YOUR CHOICE BY INITIALLING IN THE RELEVANT BOX).

\_\_\_\_ I ELECT TO ENROLL IN THE BLUE CROSS PLAN AND HAVE ATTACHED THE ELECTION CARD THAT I RECEIVED WITH MY RETIREMENT KIT. I UNDERSTAND THAT I WILL NOT BE PROVIDED WITH THE OPTION OF ENROLLING IN THE NEW HEALTH SPENDING ACCOUNT AT ANY FUTURE DATE.

\_\_\_\_ I ELECT TO ENROLL IN THE NEW HEALTH SPENDING ACCOUNT. I UNDERSTAND THAT I WILL NOT BE PROVIDED WITH THE OPTION OF ENROLLING IN THE CURRENT BLUE CROSS HEALTH PLAN AT ANY FUTURE DATE.

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(SIGNATURE OF RETIREE) (EMPLOYEE NUMBER) (DATE)

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(SIGNATURE OF WITNESS) (DATE)