CP Total Rewards

Pensions / Retirement Savings

Defined Benefit (DB) Pension Guide

June 2023

CP Total Rewards

Pension Guide

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This summary outlines the highlights of the Canadian Pacific Railway Company Pension Plan. The content is designed to inform employees generally about the key provisions of the CP Pension Plan. If there is a question of interpretation about the information in this summary, the official CP Pension Plan document will govern. This summary is not intended to provide legal, investment or tax advice. As a CP Pension Plan member, you may wish to consult your personal tax or legal advisor to determine how the provisions of the Pension Plan apply to your personal circumstances.

Name of plan

Canadian Pacific Railway Company Pension Plan, established January 1, 1903

Plan year

The Plan year for the CP Pension Plan is the 12-month period beginning each January 1 and ending December 31.

Federal pension legislation

The plan is registered under federal pension legislation.

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Plan at a glance

Eligibility

You are automatically enrolled when you are hired.

Employee contributions

You are required to contribute a certain percentage of your pensionable earnings up to the YMPE (Year's Maximum Pensionable Earnings – this is the same amount that you make contributions to the Canada/Quebec Pension Plan), and a higher percentage on earnings above the YMPE to an overall annual limit.

Company contributions

The company will contribute whatever is required to pay your promised pension benefit, and it must contribute at least 50% of the value of your pension benefit.

Vesting

You are vested immediately. This means that you are entitled to your pension value, both your contributions and the company portion, as soon as you make contributions to the plan.

Normal retirement date

The normal retirement date for your pension plan is the last day of the month in which you turn age 65.

Retirement benefit

Your monthly pension is based on a formula comprised of your years of pensionable service and the average of your highest plan earnings over a consecutive 60-month period.

Early retirement date

You can retire on the last day of any month after you turn age 55.

Early retirement benefit

Union: If you retire on an early retirement date and qualify with a minimum of age 55, and 85 points (age + years of service, minimum 25 years of pensionable service for RTE), and receive company consent, you will receive your full accrued pension benefit, when you retire without waiting until your normal retirement date.

Non-Union: If you retire on an early retirement date and qualify with a minimum of age 57, and 85 points (age + years of service) and receive company consent, you will receive your full accrued pension benefit, when you retire without waiting until your normal retirement date.

If you do not meet the minimum qualifications indicated, you can still retire, however, your early retirement benefit will be an adjusted equivalent retirement benefit to account for the longer retirement period.

When you retire

You will receive a monthly pension benefit, payable for your lifetime at the end of each month through direct deposit, starting with the first month of your retirement.

If you have a spouse at retirement

You are provided different options to take your pension benefit, each one with a different amount continuing to your surviving spouse if you have a spouse. Each option is of equivalent value.

There are statutory requirements to provide your spouse with a benefit at least equal to 60% of your monthly pension benefit. Your spouse would have to waive this requirement if you were to choose a form of pension that would provide less than this level to your survivor.

If you are single at retirement

Upon your death, your estate receives the balance of your pension payments up to the value of what your contributions, plus interest, were at retirement. Alternatively, if you do not have a spouse at retirement, you may elect a reduced amount of lifetime pension with a guaranteed term of either 10 or 15 years. In the event of your death prior to the end of the guaranteed term, the remaining guaranteed period and payments are paid to your estate.

If you leave before retirement

You are entitled to the commuted value of your pension. Small values are paid out as cash or can be transferred to a non-locked in retirement account. Larger values can either be transferred out to a Locked in Retirement Account (LIRA) or kept at CPKC as a deferred pension payable at age 65. The transfer value of your pension on the current date can be calculated using the Pension Estimating tool (https://cp.hroffice.com).

If you die before you retire

If you were eligible to retire at the time of your death, your surviving spouse will receive a benefit depending on your age and years of pensionable service.

If you die before you were eligible to retire, then your spouse (or estate if you don't have a spouse) will receive at a minimum, the commuted value of your pension as if you terminated service on the date of death.

If you separate or divorce

Your pension benefit is treated as a family asset subject to division and is dependent on the terms of the settlement, applicable matrimonial and pension regulations in your province, your spouse's age and the pension plan provisions. Changes in marital status should be communicated to Pension Services to prevent delays in determining your pension entitlement.

If you become disabled or are absent from work for pensionable leaves of absence

You continue to have "deemed" or constructed earnings that fill in the gaps left by your absence. You are still required to make pension contributions on these earnings in order to continue to earn pensionable service while absent on a pensionable leave.

Pension arrears to the pension plan are created when you have deemed or constructed earnings on your record with no or low paid contributions. These arrears are required to be paid in order to get full credit for your pensionable service.

Level Income Option (LIO)

If you retire before age 60, you will be provided with the option to choose an increased benefit until age 60. Your Canadian Pacific pension is then reduced for the remainder of your lifetime after age 60.

You are also eligible to begin receiving your Canada/Quebec pension plan benefits at age 60. These additional government pension benefits are intended to replace the Canadian Pacific reduction amount thereby maintaining a level pension income from all sources at age 60.

Indexing

If you are age 65 (age 63 for Unifor members) and retired for at least five years, the first $1,500 of your monthly pension is increased each year by an amount up to 50% of the annual increase in the consumer price index up to 6%. Therefore, the maximum increase in your monthly pension is 3% of $1,500, or $45 per month.

Introduction

Eligibility

The Canadian Pacific Railway Company Pension Plan (CP Pension Plan) provides you with a lifetime pension based on your highest plan earnings and your years of pensionable service with the company. This pension together with any pension benefits from other companies, your personal savings and government benefits forms your retirement income.

Plan highlights

- The CP Pension Plan provides you with a predictable pension based on Highest Plan Earnings and Pensionable Service.
- Pensionable earnings include your regular salary, overtime pay and constructed earnings (i.e. earnings you would have received if you were working and contributing during a period of pensionable leave). They are aligned to your pay periods and earnings paid in a month are attributed to that month.
- Highest plan earnings means the greater of:
  - Your highest average monthly earnings during the last 60 months of service prior to retirement; or
  - Your highest average monthly earnings during any earlier period of five consecutive calendar years (January – December).
- Pensionable service considers all the service for which you have made the required contributions. This is limited to a maximum of 35 years.
- You make contributions to the plan according to a contribution formula based on your pensionable earnings and the Year's Maximum Pensionable Earnings (YMPE).
- The YMPE is based on the average industrial wage in Canada. It is the amount used to calculate Canada/Quebec Pension Plan contributions and benefits and is adjusted yearly to reflect changes in average wage levels.
- Final Average YMPE is the monthly average of the YMPE during the same period use in calculating your highest plan earnings.
- CPKC contributes whatever additional amount is necessary to fund your pension at retirement. Company contributions are determined on the basis of a periodic assessment of the Pension Plan's financial condition and depend on pension fund performance, future salary levels and other factors.
- You can retire with your earned or accrued pension at age 65 (normal retirement date), or as early as age 55 (age 57 for non-union as of January 1, 2023), if your age and years of pensionable service (minimum of 25 years for RTE) add up to 85 points and you have company consent to retire. If you do not meet these conditions, you can still retire any time after age 55, however, your pension will be adjusted lower to account for the additional time your pension will be payable, but its value will still be equivalent to the value of your earned or accrued pension.
- Your pension is automatically indexed (or adjusted for the cost-of-living) on the first $1,500 of your monthly benefit by an amount equal to 50% of the annual increase in the Consumer Price Index up to 6%. The maximum yearly increase in your monthly pension is 3% of $1,500. You must be age 65 (age 63 for Unifor retirees) and have been retired for at least five years to be eligible for indexing.

Participation and contributions

Participation

As a full-time employee, you are automatically enrolled in the CP Pension Plan when you are hired. You may decline to join on bona fide religious grounds.

Once you join the plan, you may not opt out for any reason as long as you are employed by Canadian Pacific.

Employee contributions

The CP Pension Plan requires that you make contributions to the plan until you have accumulated 35 years of pensionable service.

For your convenience, you make your regular contributions through bi-weekly payroll deduction. Each year, your personal annual pension statement indicates the amount of your previous years' contributions and the total value of your contributions and interest to date.

Periods of pensionable service:	Up to the pension limit date:	Earnings that do not exceed the year's maximum pensionable earnings:	Earnings that exceed the year's maximum pensionable earnings:
TCRC-MWED	June 1, 2013	5.45%	7.03%
CPPA	June 1, 2013	5.67%	7.25%
USW	January 1, 2023	5.67%	7.25%
IBEW	January 1, 2023	5.67%	7.25%
Unifor	May 1, 2015	5.48%	6.98%
TCRC-RTE	January 1, 2023	6.98%	7.23%
RCTC	June 1, 2013	5.48%	6.98%
Management	June 1, 2013	3.50%	5.50%
For all groups except management hired on or after the pension limit date		4.3%	6.3%

Your regular pension contributions are tax-deductible within the limits of the Income Tax Act. Since they are deducted from your pay on a pre-tax basis, you automatically reduce your taxable income each pay period.

If you have questions on the status of your pension contributions or how to make up missing contributions, please contact Pension Services at 1-888-511-7557 or email pension@cpr.ca.

Maximum employee contributions

The Pension Plan requires you to make contributions on your annual pensionable earnings up to a maximum amount determined based on your union or management position and your last date of hire.

Company contributions

CPKC contributes to the Pension Plan whenever required to fund the pension benefits provided under the plan. Company contributions may vary from year to year, depending on the financial condition of the plan and applicable pension regulations. CPKC actuaries review the plan's assets and liabilities regularly to determine the required level of company contributions.

Pension plan formula

The CP Pension Plan is a defined benefit plan that provides you with a pension based on your highest plan earnings and years of pensionable service. The formula for calculating your pension is:

A. Your highest plan earnings up to the final average YMPE multiplied by the percent indicated in the table below for each year of pensionable service

Periods of pensionable service	If member's last date of hire was before	Then the following percentage is used	If member's last date of hire is on or after	Then the following percentage is used:
TCRC-MWED	June 1, 2013	1.80%	June 1, 2013	1.70%
CPPA	June 1, 2013	1.80%	June 1, 2013	1.70%
USW	January 1, 2023	1.90%	January 1, 2023	1.70%
IBEW	January 1, 2023	1.80%	January 1, 2023	1.70%
Unifor	May 1, 2015	1.80%	May 1, 2015	1.70%
TCRC-RTE	January 1, 2023	1.80%	January 1, 2023	1.70%
RCTC	June 1, 2013	1.80%	June 1, 2013	1.70%
Management	June 1, 2013	1.30%	June 1, 2013	1.30%

Plus

B. Your highest plan earnings above the final average YMPE multiplied by 2.0% for each year of pensionable service.

See Your Annual Pension Statement for information on how your own pension is calculated.

Pension limits

The pension benefit that is accrued under this plan is limited to a maximum annual amount depending on the period of pensionable service and on whether you were hired before or after the pension limit date for that period as indicated in the table below:

Periods of pensionable service	If member's last date of hire was before	Pension limit if you were hired before the pension limit date	Pension limit if you were hired after the pension limit date
TCRC-MWED	June 1, 2013	$1,975	$1,715
CPPA	June 1, 2013	$1,975	$1,715
USW	January 1, 2023	$1,975	$1,715
IBEW	January 1, 2023	$2,175	$1,715
Unifor	May 1, 2015	$2,050	$1,715
TCRC-RTE	January 1, 2023	$2,250	$1,715
RCTC	June 1, 2013	$2,200	$1,715
Management	June 1, 2013	$1,975	$1,715

The pension accrual is calculated by using the pension plan formula and dividing it by your years of pensionable service. The accrual amount can be greater than the limit, but the limit caps the retirement benefit.

If your earnings provide you with a pension accrual that is above the pension limit, it is this limit times your years of service that equals your total payable annual pension benefit. For pension accruals below this limit, it is the accrual times the years of service to calculate your pension benefit.

Pension limits example 1:

An RTE or RCTC employee hired before January 1, 2023 is capped at a maximum pension of $2250 x 35 years = $78,750 annually.

Pension limits example 2:
A Unifor employee hired before May 1, 2015 is capped at a maximum pension of $2050 x 35 years of service = $71,750 annually.

Pension limits example 3:
A IBEW employee hired before January 1, 2023 is capped at a maximum pension of $2175 x 35 years of service = $76,125 annually.

Pension limits example 4:
All other employees hired before their applicable pension limit date are capped at a maximum pension of $1975 x 35 years of service = $69,125 annually.

Pension limits example 5:
All new employees hired after the pension limit dates above will be capped at a maximum pension of $1715 x 35 years of service = $60,025 annually.

A retirement example

Let's look at George a RTE employee who retires at age 55 under the following circumstances:

- **35 years of pensionable service (hired before Jan 1, 2023)**
- **Highest plan earnings of $125,000**
- **Final average YMPE of $64,900**
- **Company has given consent to retire**

A

Your highest plan earnings up to the final average YMPE multiplied by 1.8% for each year of pensionable service

$64,900
x .018
$1,168.20
x 35 years
$ 40,887

+

B

Your highest plan earnings over the final average YMPE multiplied by 2.0% for each year of pensionable service

$125,000
- $64,900
$60,100

$60,100
x .02
x 35 years
$ 42,070

= Annual pension benefit

$40,887 + $42,070 = $82,957

However, from example 1 above the maximum pension is $2,250 x 35 years = $78,750

$\frac{\$78,750}{12}$ = **$6,562.50 monthly**

George can receive a company pension of $6,562.50 each month or $78,750 on an annual basis. Note that George can retire as early as age 55 with an unreduced pension because his age plus pensionable service add up to a minimum of 85 points (i.e., 55 + 35 = 90).

Depending on his marital status and the survivor option George and his spouse chooses, his actual monthly pension amount received may vary, however they will always be equivalent in overall value.

On his 65th birthday, George can begin receiving benefits from the Canada/Quebec Pension Plan CPP/QPPQPP) and Old Age Security (OAS), or he may even start collecting a reduced CPP/QPP as early as age 60.

Let's suppose George didn't join CPKC until later in life at age 31.

- **He would have 27 years of pensionable service at age 58 (hired after Jan 1, 2023)**
- **Highest plan earnings of $125,000**
- **Final average YMPE of $64,900**
- **Company has given consent to retire**

A	+	B	= Annual pension benefit
Your highest plan earnings up to the final average YMPE multiplied by 1.7% for each year of pensionable service		Your highest plan earnings over the final average YMPE multiplied by 2.0% for each year of pensionable service	**$29,789.10 + $32,454 = $62,243.10**
$64,900 x .017 $1,103.30 x 27 years **$29,789.10**		$125,000 - $64,900 **$60,100** → $60,100 x .02 x 27 years **$32,454**	However, the maximum pension is $1,715 x 27 years = $46,305 $46,305 / 12 = **$3,858.75 monthly**

George can receive a company pension of $3,858.75 each month or $46,305 on an annual basis. Note that George can retire as early as age 58 with an unreduced pension because his age plus pensionable service add up to a minimum of 85 points (i.e., 58 + 27 = 85).

Depending on his marital status and the survivor option George and his spouse chooses, his actual monthly pension amount received may vary, however they will always be equivalent in overall value.

On his 65th birthday, George can begin receiving benefits from the Canada/Quebec Pension Plan (CPP/QPP) and Old Age Security (OAS), or he may even start collecting a reduced CPP/QPP as early as age 60.

Jane is a USW clerk who started at CPKC right after school.

- **She has 41 years of pensionable service at age 60 (hired before Jan 1, 2023)**
- **Highest Plan Earnings of $75,000**
- **Final average YMPE of $64,900**
- **Company has given consent to retire**

A	+	B	= Annual pension benefit
Your highest plan earnings up to the final average YMPE multiplied by 1.9% for each year of pensionable service		Your highest plan earnings over the final average YMPE multiplied by 2.0% for each year of pensionable service	**$43,158.50 + $7,070 = $50,228.50**
$64,900 x .019 $1,233.10 x 35 years **$43,158.50**		$75,000 - $64,900 $10,100 → $10,100 x .02 x 35 years **$7,070**	$50,228.50 / 12 = **$4,185.71 monthly**

Jane has 41 years of service but the maximum pensionable service is 35 years. Her points are still calculated based on her total service so she has 101 points (age 60 + 41 years).

As a member of the USW she will have a 1.9% accrual up to the YMPE.

Depending on her marital status and the survivor option Jane and her spouse chooses, her actual monthly pension amount received may vary, however they will always be equivalent in overall value.

On her 65th birthday, Jane can begin receiving benefits from the Canada/Quebec Pension Plan (CPP/QPP) and Old Age Security (OAS)

When you can retire

Normal retirement

You may retire with your earned pension at age 65.

Your normal retirement date is the last day of the month in which you reach age 65. On the last day of the following month, you receive your pension payable on a monthly basis through direct deposit.

Early retirement

You can retire with a pension on the last day of any month that is within the 10-year period before your normal retirement date.

If you do not qualify for an unreduced pension (as explained below), your benefit will be adjusted actuarially for each year you are younger than your normal retirement age. This adjustment accounts for the longer period of time over which the Pension Plan expects to pay your pension.

Early retirement with an unreduced pension

Minimum qualifications:

- **For union service**

Age 55 or older if the sum of your age plus pensionable service adds up to 85 or more points (RTE needs a minimum of 25 years of service), and you receive company consent.

- **For non-union service only**

Age 57 or older if the sum of your age plus pensionable service adds up to 85 or more points, and you receive company consent.

If you have a spouse at retirement

After you retire, you receive a monthly pension payable for your lifetime, with a portion of your pension continuing after your death to your eligible spouse for his or her lifetime.

Pension regulations require that you provide a continuing benefit to your spouse equal to at least 60% of your monthly pension payment. As a result, you receive an adjusted pension during your lifetime in return for the guarantee that if you die before your spouse, he or she will receive a continuing benefit equal to 60% of your monthly pension payment, adjusted actuarially. You will also have the options to select 80% or 100% continuing to your spouse but your payment will be further adjusted actuarially.

If you prefer to receive an unadjusted pension during your lifetime, your spouse must sign a written agreement to waive the 60% requirement. In this case, your spouse will receive a 50% (55% for USW and Unifor members) continuing benefit when you die.

If your spouse is younger than you by 10 or more years, his or her survivor pension will be reduced by 1% for each year over 10 years.

During your lifetime, you will receive your pension in equal monthly installments. If you and your spouse die before you have both received pension payments equal to at least the value of your contributions, plus interest, at your retirement date, your estate will receive the balance of that value in a lump-sum payment.

If you are single at retirement

During your lifetime, you will receive your pension in equal monthly installments. If you die before you receive pension payments equal to at least the value of your contributions plus interest, at your retirement date, your estate will receive the balance of that value in a lump sum payment.

If you leave before retirement

If you terminate before you are eligible to retire, you are entitled to the full lump-sum value of your pension. Your age and pensionable service will affect your pension payment.

According to pension regulations, CPKC must fund at least 50% of the value of your pension. If you contribute more than 50% of the amount needed to finance your benefit, you are entitled to your excess contributions when you leave the company.

Payment Options:

If you leave before age 55, you have the following payment options:

- Leave your accrued pension in the Pension Plan and receive it in full starting at your normal retirement date, or on an actuarial equivalent basis any time after age 55;
- Use the lump-sum value of your pension to purchase an immediate or deferred life annuity;
- Transfer the lump-sum value of your pension to a locked-in RRSP and continue investing your retirement fund until you purchase an annuity or transfer to a Life Income Fund (LIF) no later than December 31 of the year you turn 71;
- Transfer the lump-sum value of your pension to a LIF; or
- Transfer the lump-sum value of your pension to your next employer's pension plan, if that plan permits.

If you leave after age 55 you must keep your pension in the Pension Plan and begin receiving your pension either immediately or at any time up to and including the age of 65.

If you leave CPKC before completing two years of plan membership, you receive the lump-sum value of your pension as a lump-sum payment. You can transfer the lump-sum payment to a Registered Retirement Savings Plan (RRSP) that is not locked-in.

If you die before you retire

If you die before you retire, your spouse will receive a benefit depending on your age and years of pensionable service. Pension Services will prepare a statement of benefits and options and forward it to your spouse or, if you are single, to your estate. Your spouse may have several options in using the survivor benefit:

- Leave the pension in the Pension Plan and receive it either immediately or when you would have reached age 65.
- If you die before at 55, your spouse may use the lump-sum value of his or her pension in the following ways:
  - Purchase an immediate or deferred life annuity;
  - Transfer to a locked-in RRSP and continue investing the retirement fund until he or she purchases an annuity or transfer to a Life Income Fund (LIF) no later than December 31 year he or she turns 71;
  - Transfer to a LIF; or
  - Transfer to his or her employer's pension plan, if that plan permits.
- In all options, pension regulations require the entire amount of any lump-sum value must be used to provide a retirement income for your spouse.

If you separate or divorce

If you separate, divorce or annul your marriage, CPKC will comply with any court order or written legal agreement (e.g., separation agreement) that requires your pension benefit to be treated as a family asset subject to division.

The treatment of your pension will vary depending on the terms of the settlement, applicable matrimonial property laws in each province, federal pension regulations, your spouse's age and the provisions of the Pension Plan. According to the Pension Benefits Standards Act, 1985, your spouse cannot receive a payout greater than the benefit you have earned.

Once a portion of your benefit is assigned to your spouse or the person who becomes your spouse after retirement, it cannot be replaced later through increased pension contributions.

The allocation of your pension benefit is not an automatic process. Either you, your spouse, or your legal representative must initiate this request by contacting Pension Services at 1-888-511-7557.

If you become disabled

If you are temporarily absent as the result of illness or an injury, certified by a physician, you can continue to make pension contributions and earn pensionable service. During the period of your disability, the company assumes your earnings are the same as if you were at work.

You may apply for a disability pension if:

- You are a member of Unifor or TCRC-RTE; and
- You have at least 10 years of pensionable service; and
- You suffer from a physical or mental impairment that is certified in writing by a physician as preventing you from engaging in any employment for which you are reasonably suited by virtue on your education, training or experience and that can reasonably be expected to last for the remainder of your lifetime.

Applying for a disability pension is a voluntary process. Once you complete the appropriate forms, the company's chief medical officer reviews your application to determine whether or not you meet the definition of disability.

- If you meet the definition of disability, your application is forwarded to Pension Services who calculate your pension benefit and then submit your application to the Pension Committee for consideration and approval.
- If you do not meet the definition of disability, you have two options:
  - You may participate in the Disability Management Program and, if suitable work is found, you may be deployed elsewhere in the company; or
  - If no suitable work is available, you will receive the regular pension options provided on termination of employment or retirement, if applicable.

If you take a leave of absence

If you take an unpaid, approved and pensionable leave of absence from CPKC (i.e. Union duty, jury duty, military service, public service, maternity/paternity leave, medical and certain periods of layoff leave), you can continue to make pension contributions and to earn pensionable service. Your contributions are based on your constructed earnings or the earnings you would have received if you had been at work. Your contributions are subject to Income Tax Act maximums.

You must arrange with the pension department to pay your pension contribution arrears. You can choose to make your contributions either by payroll deduction or by cheque.

The lifetime maximum period that you can be credited with pensionable service during your layoffs or leaves of absence is limited to five years for service after December 31, 1990. This time limit excludes union service and illness or injury certified by a physician.

Level income option

The Level Income Option (LIO) is a choice of pension payment the CP Pension Plan offers employees who retire before age 60 and who qualify under the plan rules. It attempts to balance the total payments you receive from the company Pension Plan and the Canada/Quebec Pension Plan to provide you with a level retirement income.

The LIO works in this way: Under the company Pension Plan, you begin to receive a pension as early as age 55.; but, you have to wait until age 65 to be eligible for the full Canada/Quebec Pension Plan benefit or age 60 if you wish to receive this government benefit on a reduced basis.

Under the LIO, the Pension Plan provides you with an increased pension from the date you retire until age 60 and a decreased pension starting at age 60 for the balance of your lifetime. The plan increases your pension payment up to age 60 until the earliest age that you can choose to start receiving CPP/QPP. From age 60 onwards, the plan decreases your pension payments. The result is that your combined retirement income from the Pension Plan and from CPP/QPP is more level over time than it would be without the LIO option.

The LIO is a voluntary agreement you sign with the company Pension Plan on how you wish to have your pension paid over your lifetime. As a result, once you choose the LIO and the Pension Plan begins paying your pension, your income will remain level for the rest of your life. However, this option is not available if you choose 80% or 100% pension benefits for your survivor spouse.

Although choosing the LIO is a permanent decision, it does not affect any pension payments the Pension Plan pays to your surviving spouse. In the same way, the LIO does not affect the automatic cost-of-living increases you and your spouse receive as a result of the indexing provision of the Pension Plan.

Indexing your pension

Indexing means the first $1,500 of your monthly pension may be increased each year by an amount up to 50% (70% for USW) of the annual increase in the Consumer Price Index. The maximum increase in your monthly pension is 3% of $1,500, or $45.

You must be 65 years of age (63 for Unifor) or older and have been retired for at least five years on December 31st of the previous year in order to be eligible for an indexed pension. If you die, your surviving spouse is also eligible for an indexed pension on the date that you would have become eligible.

CPKC will index your pension on January 1st of the year you qualify and all subsequent years.

Payment process

After you retire, you will receive your monthly pension payment as a direct deposit to your bank account on the last banking day of the month.

Registered Retirement Savings Plans (RRSPs)

Making the most of your RRSP contribution room

More and more people are finding Registered Retirement Savings Plans (RRSPs) a tax-effective way to build personal savings. It's another way you can supplement your retirement income. Your RRSP contribution room may be affected by participating in the CP Pension Plan. To find out how these rules apply to your specific circumstances, please contact your personal tax or legal advisor.

The Canada Revenue Agency determines your annual RRSP contribution room using a set formula. Each year's RRSP room depends on your earned income and accrued pension benefits in the previous year.

RRSP contribution formula

The formula to calculate your available RRSP room, in respect of a particular year is:

18% of your previous year's earned income up to $31,560*

Less

Your Pension Adjustment (PA) as reported on your previous year's T4

*This is the dollar limit for 2023. Limits are adjusted each year by the Canada Revenue Agency

Pension Adjustment (PA) formula

Following is the formula the Canada Revenue Agency currently uses to calculate your pension adjustment.

Your retirement benefit entitlement formula for each year is:

*1.3% to 1.9% of your pensionable earnings up to the year's YMPE

*(i.e. the rate applicable to you in the Pension Plan Formula, section A.)

Plus

2.0% of your pensionable earnings above the year's YMPE

Your Pension Adjustment calculation is:

PA = (Benefit Entitlement x 9) - $600

Tony works for CPKC and is a member of Unifor.

- **His Earnings in 2023 were $82,000**
- **The 2023 YMPE is $66,600**

A		B		
Your earnings up to YMPE multiplied by 1.8%	+	Your earnings over the YMPE multiplied by 2.0%	=	**2022 Benefit Entitlement Pension Adjustment**
$66,600 x .018 **$1,199**		$82,000 - $66,600 $15,400 $15,400 x .02 **$308**		($1,507 x 9) - $600 = **$12,963**

There are two steps to this formula. First, the Benefit Entitlement must be calculated. Second, the Benefit Entitlement is used in the Pension Adjustment (PA) formula.

The result is rounded to the nearest dollar.

In this example Tony's RRSP room would be reduced for the current year by the PA calculation of $12,963.

Administering your plan

The Pension Plan is administered through the following:

CPKC Board of Directors

Canadian Pacific is the sponsor of the Pension Plan. CPKC's Board of Directors sets investment policies and oversees the overall operation of the Pension Plan. The Board has delegated some of its duties to CPKC senior management.

Pension Committee

The Pension Plan rules give the Pension Committee certain duties in administering the Pension Plan.

The Pension Committee is responsible for:

- Promoting awareness and understanding of the Pension Plan;
- Reviewing the financial, actuarial and administrative aspects of the plan;
- Recommending changes to plan provisions;
- Retaining the services of an actuary, auditor or technical advisors as necessary;
- Determining your pension benefits, contribution levels and other conditions necessary to receive plan benefits; and
- Prescribing the methods of paying employee pensions, lump sums and refunds.

The Pension Committee is made up of eight members:

- Four members are appointed by CPKC's President and CEO;
- Three are elected from among the general chairmen of the railway unions, and
- One pensioner member is elected by CPKC pensioners.

Pension Services

Pension Services is responsible for the day-to-day administration of the company Pension Plan. This includes:

- Maintaining pension-related employee data before you retire;
- Calculating your benefit when you retire or leave the company before retirement;
- Maintaining regular pension payments to you and your surviving spouse after you retire; and
- Communicating the provisions of the Pension Plan to plan members.

Pension Services has a dedicated group of trained staff serving the information needs of active employees and pensioners via the Pension Services Helpline at 1-888-511-7557, by fax at 403-319-3669 or by email at Pension@cpr.ca.

Keeping you informed

Each year, Canadian Pacific will mail to you a personal annual pension statement showing your pensionable service, pension contributions and earned pension to date. Your statement also describes your earned pension to date that would be payable upon retirement, termination or death.

If you have a spouse, pension regulations require that you share the information in your annual pension statement with your spouse.

When you retire, leave the company before retirement or die, you or your spouse will receive a statement describing your actual benefit entitlements at that time.

Security of your benefits

The assets of the Pension Plan, including the contributions you and the company make to the Pension Plan and the investment earnings of the fund, are held in a trust fund, which is kept separate from the assets of Canadian Pacific.

The Pension Plan assets are managed by professional investment managers. The company conducts a valuation of the Pension Plan on a regular basis to ensure it is fulfilling its contribution obligations in accordance with the Pension Benefits Standards Act, 1985.

Throughout this booklet, terms related to your Pension Plan are explained. For your convenience, we have summarized these terms below. You can also find these terms in the Pension Plan text.

Actuarial equivalent: Using actuarial science, the discipline of applying mathematical and statistical models, to calculate the value of future payments as a lump sum. The science employs many factors such as age, retirement date, life expectancy, marital status, etc. CPKC follows the actuarial guidelines established by the Canadian Institute of Actuaries.

Annuity: A contract purchased from an insurance company that provides you with a lifetime pension. There are many types of annuities. The amount of monthly lifetime pension you receive depends on the type of annuity selected, on prevailing interest rates at retirement, and on your age (and your spouse's age) when the annuity payments begin. The higher the interest rates and the older you are when payments begin, the greater the monthly pension payment.

Arrears: Pension Arrears are the result of missing time for a pensionable leave where the company constructs earnings on your behalf. Those earnings are equivalent to what you would have earned had you been at work. The required pension contributions on those constructed earnings are called pension arrears, and are required to be paid in order to receive the associated service with these deemed earnings.

Constructed earnings: The earnings you would have received if you had been working during a period of pensionable leave. You make pension contributions on constructed earnings in order to receive credit for a pensionable leave.

Consumer Price Index: A federal government approximation of inflation based on the price changes of a fixed basket of goods and services purchased by a typical urban family in Canada.

Continuous service: Your last period of uninterrupted service with the company as a full-time or part-time employee and includes authorized leaves (e.g., maternity and leaves of absence). In some cases, you may transfer your service within the Canadian Pacific family of companies. Not all continuous service is pensionable service.

Deferred pension: A pension payable at a later date (i.e., between ages 55 and 65). The amount of pension is established when you leave the company before retirement and is based on the current Pension Plan provisions, your pensionable service and highest plan earnings.

Defined benefit plan: A pension plan that provides you with a lifetime benefit based on your highest plan earnings and years of pensionable service. The CP Pension Plan has a defined benefit plan option.

Earned income: A term used by the Canada Revenue Agency to define the earnings on which you can make RRSP contributions. Earned income:

- Refers to your employment income, rental income, business profits and taxable alimony/maintenance payments you receive;
- Is reduced by your professional dues, employment expenses, rental losses, business losses and deductible alimony/maintenance payments you make; and
- Excludes investment income, capital gains or losses and pension income you receive.

Earned pension: The monthly amount of your lifetime retirement benefit based on your pensionable earnings and years of pensionable service. It is adjusted if you retire before age 65 without meeting the age and service conditions or if your eligible spouse chooses not to waive his or her entitlement to a 60% survivor benefit.

Employee group: Your classification as either a unionized or non-unionized employee and includes the specific union of which you are currently a member.

Estate: The sum total of all of your assets at your death (e.g., property, investments, cash, personal belongings).

Final average YMPE: The monthly average of the YMPE during the same period used in calculating your highest plan earnings.

Highest plan earnings: This means the greater of:

- Your average monthly earnings during the last 60 months of service with CPKC; or
- Your average monthly earnings from CPKC during any earlier period of five consecutive calendar years.

Indexing: An increase made to your monthly pension benefit to reflect a portion of the increase in the cost-of-living.

Level Income Option (LIO): A choice of pension payment that attempts to balance the total payments you receive from the company Pension Plan and the Canada/Quebec Pension Plan to provide your retirement income. Under the LIO, the Pension Plan provides you with an increased pension from the date you retire until age 60 and a decreased pension starting at age 60 for the balance of your lifetime.

Normal retirement date: Either the earlier of age 65 or age 55 as long as the sum of your age plus pensionable service adds up to 85 or more points. If you do not meet these conditions, you may retire early with an adjusted pension any time within the 10-year period before your normal retirement date.

Pension Adjustment (PA): The Canada Revenue Agency's prescribed value of pension benefits you earned under the company Pension Plan. When the Canada Revenue Agency determines your RRSP contribution room, it makes an adjustment to reflect your participation in the Pension Plan for the previous years. Your PA is reported on the T4 you receive each year.

Pensionable Earnings (or Earnings): Includes your regular salary, overtime pay and constructed earnings.

Pension Limit Date: Pension Limit Date means the applicable date set out in the tables in this document that is used to determine a Member's affiliation for periods of Pensionable Service.

Pensionable Service: Considers all the service for which you have made the required pension contributions. This is limited to a maximum of 35 years.

Registered Retirement Savings Plan (RRSP): A type of savings account used to shelter your personal savings as defined by the Income Tax Act (Canada). It is held by a financial institution such as a bank, credit union, insurance company or trust company.

Spouse: A person who is living with you in a conjugal relationship continuously for at least one year before your retirement, or if there is no individual to whom this applies, a person to whom you are legally married.

Unpaid Leaves of Absence: A leave eligible for pensionable service includes:

- Parental leave (including maternity leave);
- Certain periods of layoff;
- Illness or injury certified by a physician;
- Union service;
- Public office or public service; and military service and war service

A leave of absence is not eligible for pensionable service includes:

- Leave for personal reasons; and
- Educational leave.

Vesting: Your right to receive your earned pension at your normal retirement date if you leave CPKC before you retire. Vesting occurs immediately upon joining the pension plan.

Year's Maximum Pensionable Earnings (YMPE): Based on the average wage in Canada. It is the amount used to calculate Canada/Quebec Pension Plan contributions and benefits, and it is adjusted yearly by the government to reflect changes in average wage levels.