PENSION PLAN

FOR UNIONIZED EMPLOYEES

OF

VIA RAIL CANADA INC.

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INTRODUCTION

VIA's Pension Plan for Unionized Employees (the VIA Plan) is designed to provide you with a retirement pension that, together with the government pension plans, will help ensure that you have adequate replacement income during your retirement. The Plan also provides benefits in the event of your death or termination of employment.

The main provisions of the VIA Plan currently in effect are summarized in this document. The official Plan text, which is registered with the applicable regulatory authorities, and the other prescribed documents can be consulted at the Shared services office in Montreal. The latest amendment of the official Plan text was in 2009.

In any case requiring interpretation, the official text and documents will prevail.

Each year, you will receive a personal pension statement confirming your accrued contributions and entitlements under the VIA Plan so that you can better plan your retirement.

A personal statement will also be issued to you when benefits become payable as a result of your retirement or termination of employment. In the event of your death, a similar statement will be sent to your spouse or, if you do not have a spouse, to your estate.

Before the description of the main Plan provisions, you will find in the following pages a glossary of terms used in this document as well as some basic notions on retirement planning to help you prepare for this phase of your life.

We hope you find this booklet helpful in understanding how the VIA Plan works and what it offers you, from the contributions you make today to the pension benefits you will receive in the future.

The terminology used in this document includes both the feminine and masculine.

GLOSSARY

Throughout this document, certain technical terms are used. These terms have been defined below and appear in italics whenever they are used.

Directors

The Board of Directors of VIA.

Member

Any VIA employee represented by a union becomes a Plan member upon hire and remains a Plan member for as long as he remains employed by VIA.

Spouse

The person with whom you are legally married or the person who has been living permanently with you, in an unmarried conjugal relationship, for at least one year.

Allowable service

Your years of compensated service, up to 35 years, during which you have contributed to the VIA Plan.

Earnings

Your salary, including overtime pay, and any other compensation or payment from VIA for your service in Canada. Earnings exclude any payments made after your date of retirement, death or termination of employment.

Year's Maximum Pensionable Earnings (YMPE)

Maximum earnings on which Canada/Québec Pension Plan (CPP/QPP) contributions are deducted. In 2014, the YMPE is $52,500. The YMPE is indexed each year.

RETIREMENT PLANNING

Perhaps you see yourself retiring in five, ten or twenty years? Or maybe you have just started your career and still have many years ahead before retirement? Whatever your situation, it is never too early to start thinking about retirement. To ensure that you have sufficient retirement income to achieve your goals, you need to plan, save and make sound decisions.

Good financial planning allows you to closely monitor the retirement income you are building so that you avoid unpleasant surprises when you are ready to retire.

Following the four steps below will help you with your retirement planning:

Step 1	Determine at what age you would like to retire
Step 2	Set your financial objectives
Step 3	Identify your sources of retirement income
Step 4	Calculate what you still need to save

After completing this exercise, you will be able to determine if your goals are realistic or if you need to change your strategy. You may wish to consult an independent financial advisor to guide you in your decisions.

Step 1 – Determine at what age you would like to retire

The age at which you wish to retire directly impacts the amount you need to save. If you decide to retire at age 55, therefore, you must keep in mind that:

- your retirement pension could be reduced;
- certain government benefits are not payable before age 65;
- you will have less time to accumulate the necessary savings;
- your retirement will be longer.

Step 2 - Set your financial objectives

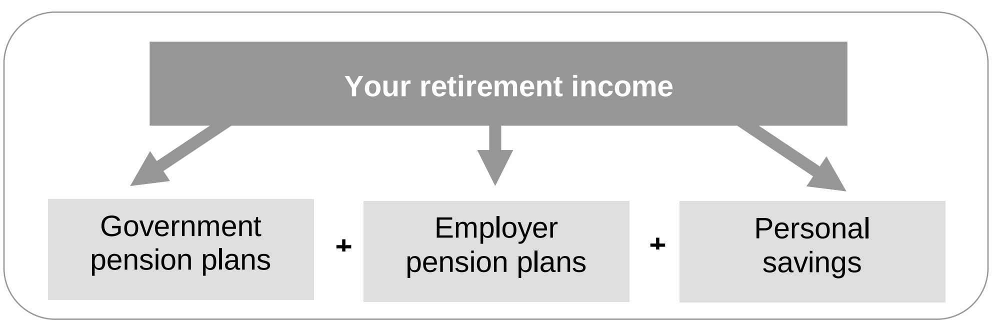
How much money will you need when you retire? What lifestyle do you hope to lead at that time? To determine your financial objectives for retirement, you need to take into account the expenses that will change as well as your retirement plans.

When you retire, expenses change!	
Expenses that will decrease or disappear	▪ Contributions to government plans ▪ Pension contributions ▪ Income tax ▪ Work-related expenses, such as clothing and transportation ▪ Mortgage payments
Expenses that will likely not change	▪ Basic living expenses, such as food and public services
Expenses that could be higher	▪ Health care expenses ▪ Travel or leisure expenses

In this context, experts say that for you to maintain your current lifestyle during retirement you need to count on having about 50% to 70% of your pre-retirement income.

Step 3 - Identify your sources of retirement income

To know whether or not you will have enough money to reach your financial objectives, you need to identify your sources of retirement income. During retirement, you will have three main sources of income:



1) Government pension plans

If you meet the eligibility criteria, you could receive benefits from the:

- Canada Pension Plan / Québec Pension Plan (CPP/QPP); and
- Old Age Security (OAS).

	CPP/QPP	OAS
Benefits	▪ Begin at age 65 or ▪ Begin at age 60 (with reduction)	▪ At age 65
Indexation	▪ Each year ▪ Based on increases in the Consumer Price Index (CPI)	▪ Every three months ▪ Based on increases in the CPI

You can contact the Régie des rentes du Québec to obtain your Statement of participation in the Québec Pension Plan. You can find more information about this on the website of the Régie des rentes du Québec at www.rrq.gouv.qc.ca.

If you reside outside of Québec, you can obtain your Canada Pension Plan Statement of Contributions. The steps to follow are provided on the Service Canada website at www.servicecanada.gc.ca.

2) Employer pension plans

Your benefits from the VIA Plan could represent a significant portion of your retirement income, just like the benefits from the plans of other employers for whom you have worked during your career.

The VIA Plan will provide you with a retirement pension calculated according to a pre-determined formula.

3) Your personal savings

You may need personal savings to make up the difference between your financial objectives and the amounts you will receive from the government pension plans, the VIA Plan and other employer pension plans in which you have participated.

- RRSP: a practical way to save for retirement

  Contributing to an RRSP is an excellent way to accumulate income over the long term and to benefit from tax deductions in the short term. The money you save today will make all the difference when the time comes to retire.

- Contributing to your RRSP

  The Canada Income Tax Act places an annual limit on the amount you can contribute tax-free to an RRSP.

  The amount you can contribute (your RRSP contribution room) is calculated according to a pre-determined formula. Your membership in the VIA Plan results in a pension adjustment (PA), which reduces your RRSP contribution room (see box).

  Each year, VIA calculates your PA and indicates the amount in Box 52 on your T4 slip. The Canada Revenue Agency (CRA) uses this amount to calculate your RRSP contribution room for the year. Your contribution room is indicated on the Notice of Assessment that the CRA sends you each year after processing your income tax return.

Contribution room

18% of your earned income* during the previous year

LESS

your pension adjustment (PA) for the previous year, which corresponds to the deemed value of the pension you accrued under the pension plan during the previous year

PLUS

your unused contribution room since 1991

** Maximum $24,270 in 2014*

- Tax Free Savings Account (TFSA)

  The TFSA is another flexible savings vehicle that the federal government introduced on January 1, 2009, for Canadian residents. Even though the TFSA is technically not a retirement savings vehicle, its tax advantages complement those offered by an RRSP. Here, in brief, is how a TFSA works.

  - You can deposit up to $5,000 a year into a TFSA for years 2009 to 2013.
  - Since January 1, 2013, you can deposit up to $5,500 a year.
  - TFSA contributions are not tax-deductible.
  - Contributions and investment income are not taxed on withdrawal.
  - Amounts withdrawn are added to the contribution room for the following year.
  - In the event of your death, the amount accumulated in your TFSA can be transferred to your *spouse* on a tax-free basis.

Step 4 - Calculate what you still need to save

After setting your financial objectives and identifying your accumulated income, you will then know if you need to:

- increase your annual amount of retirement savings;
- change your retirement goals and continue saving in the same way; or
- postpone your retirement.

Your best ally in saving for retirement is time. The earlier you start saving, the more time you have to accumulate the amount you need.

MAIN PROVISIONS OF THE PLAN

Membership

You automatically join the VIA Plan upon hire.

Contributions

Member contributions

Your required contributions are deducted from your *earnings* and are equal to:

> **6.5%** of your *earnings* up to the
> *Year's Maximum Pensionable Earnings* (YMPE)
> (for 2014, the YMPE is $52,500)
>
> ***plus***
>
> **7.6%** of your *earnings* in excess of the YMPE

Your contribution rate for the following years will be as follows:

- 2015 : 7 % of your *earnings* up to the YMPE plus 8 % of your *earnings* in excess of the YMPE;
- 2016 : 7.7 % of your *earnings* up to the YMPE plus 8.6 % of your *earnings* in excess of the YMPE;
- 2017 : 8.2 % of your *earnings* up to the YMPE plus 9 % of your *earnings* in excess of the YMPE.

You stop contributing after 35 years of *allowable service*.

Your contributions are fully tax-deductible.

Example

If your 2014 *earnings* amount to $65,000, your contributions will be calculated as follows:

On your *earnings* up to the YMPE:
$52,500 x 6.5% = $3,412.50

plus

On your *earnings* in excess of the YMPE:
($65,000 - $52,500) x 7.6% = $12,500 x 7.6% = $950.00

TOTAL = $4,362.50

- Interest on *member* contributions

  Your contributions begin accruing interest on the first day of the month following the month in which they are paid to the pension fund. Interest is credited monthly for the duration of your membership in the VIA Plan.

  The interest rate is determined on January 1 and July 1 of each year and is equal to the average interest rate credited by chartered banks on five-year personal fixed term deposits, calculated over the preceding six months.

- Contribution deficiency

  Payment of any deficiency in contributions, including required interest, is mandatory. Payment is made through a minimum payroll deduction of 2% of your *earnings* or in a lump-sump payment.

- Interruption or withdrawal of *member* contributions

  While you remain employed by VIA, you are not permitted to withdraw your contributions from the Plan. Furthermore, you cannot interrupt your contribution payments, except in the following cases:

  – you are transferred to a position that is not covered by the Plan

  – you have 35 years of *allowable service*

  – you are on authorized unpaid leave.

VIA contributions

VIA conducts an actuarial valuation of the Plan every year. Using the valuation results, the Plan actuary determines the contributions VIA must make each year. VIA pays, therefore, the amount required to provide for adequate funding of your pension benefits.

Your contributions and those of VIA are deposited into a pension fund that is separate from VIA's operating funds.

Retirement

Retirement dates

The **normal retirement date** is the last day of the month during which you reach age 65.

However, if you have completed at least two years of Plan membership, you can elect to take an **early retirement** on the last day of any month following your 55th birthday, but no later than at age 65.

You can elect to retire on the last day of any month after your normal retirement date. The **postponed retirement** date shall not be later than the last day of the year in which you attain the age of 71.

Pension formula

The most important provision of the Plan is the pension formula, which is used to calculate your pension at retirement. With this formula, your pension is based on the following three factors:

1) **your average *earnings***, which represent the monthly average of your *earnings* either over the last 60 months of service or over the five highest-paid consecutive calendar years, whichever is greater;

2) the **average *Year's Maximum Pensionable Earnings (YMPE)***, which represent the monthly average of the YMPE under the Canada Pension Plan or the Québec Pension Plan (CPP/QPP) over the last 60 months of service (as stated previously, the YMPE is $52,500 in 2014);

3) your ***allowable service***, up to 35 years. It may include certain periods of absence deemed to be compensated service under the Plan.

- Calculation

  Once the above three factors have been determined, your pension can be calculated. If you retire on your normal retirement date, your monthly pension will be based on the following formula:

> 1.7% of your average *earnings* up to
> the average YMPE, multiplied by
> your years of *allowable service*
>
> ***plus***
>
> 2.0% of your average *earnings* that exceed
> the average YMPE, multiplied by
> your years of *allowable service*

Example

Mark retired on January 31, 2014, after completing 37 years of compensated service, of which 35 years are *allowable service*. His average monthly *earnings* were $5,000, and on January 31, 2014, the monthly average of the YMPE was $4,058.61.

Mark's monthly pension at his normal retirement date was calculated as follows:

> 1.7% x $4,058.61 x 35 years = $2,414.87
>
> ***plus***
>
> 2.0% x ($5,000 - $4,058.61) x 35 years = $658.97
>
> **TOTAL = $3,073.84**

Pension payment

The pension calculated with this formula is payable:

- if you retire at age 65 (normal retirement date);

- if you retire early (after reaching age 55) **with VIA's consent** and if, on your retirement date, the sum of your age and your years of *allowable service* equals at least 85.

  If the sum of your age and years of *allowable service* is less than 85, your monthly pension will be reduced to compensate for the earlier commencement of your pension payments and the longer payment period.

- if you retire after the age of 65 but before the last day of the year in which you attain the age of 71 (postponed retirement date).

Forms of pension

Your monthly pension payments begin the last day of the month following your retirement and are payable for life. The period during which payments are guaranteed in the event of your death varies, depending on your marital status at retirement.

- Normal form

  The normal form of pension provides for a guaranteed payment period in the event of your death. This guaranteed period varies according to your marital status at retirement, as follows:

  – **if you do not have a *spouse* upon retirement,** and you die before receiving 120 monthly payments, your estate will receive 100% of the value of the remainder of the 120 monthly payments;

  – **if you have a *spouse* upon retirement and your *spouse* survives you,** and you die before receiving 60 monthly payments, your *spouse* will receive a pension equal to 100% of your pension for the remainder of the 60 months and, thereafter, 65% of your pension for life. If both you and your *spouse* die before 60 monthly payments have been received, or if the surviving *spouse* is not the same person as the *spouse* upon retirement, the estate will receive 100% of the value of the remainder of the 60 monthly payments.

- Optional form if you have a *spouse* upon retirement

  Instead of the normal form of pension, you can choose to receive a **reduced pension** so that, in the event of your death before you have received 60 monthly payments, your *spouse* would receive a pension equal to 100% of your pension for the remainder of the 60 months and, thereafter, 75% of your pension for life. If both you and your *spouse* die before 60 monthly payments have been received, or if the surviving *spouse* is not the same person as the *spouse* upon retirement, the estate will receive 100% of the value of the remainder of the 60 monthly payments.

- Integrated pension

  If you retire early, you can elect to receive a higher initial pension that, at age 65, will be reduced by the amount of the Old Age Security pension payable at the time of your retirement.

The total of the pension payments made to you, or to your *spouse* or estate after your death, must be equal to at least your contributions with interest, as at your retirement date. Any unpaid portion of this minimum total pension will be paid to your estate in a lump sum.

Pension indexation

After three years of payments, your pension is automatically adjusted every year to partly compensate for the adverse effects of increases in the Consumer Price Index (CPI).

Under this provision, on every April 1 following the third anniversary of your retirement, your pension or your surviving *spouse's* pension will be increased at a rate of 50% of the increase in the CPI over the preceding calendar year, subject to a maximum adjustment of 3% per year.

Example

When John retired in January 2010, his monthly pension was $5,500. He has been entitled to indexation of his pension since April 1, 2013.

In 2012, the CPI increased by 1.5%; therefore, the pension indexation factor was 0.75% (50% of 1.5%).

As of April 1, 2013, John's monthly pension was increased to $5,541.25 ($5,500 + [0.75% of $5,500]).

The CPI increase in 2013 was 0.9%; therefore, the pension indexation factor was 0.45% (50% of 0.9%). As of April 1, 2014, John's monthly pension was increased to $5,566.19 ($5,541.25 + [0.45% of $5,541.25]).

Termination of employment

If you terminate your employment for reasons other than retirement or death, you are entitled to a refund of your pension value

Depending on the amount of the commuted value of your pension and certain criteria relating to your profile, here are the different options available:

Commuted Value of the pension less than 20% of the YMPE

If the commuted value of your pension is lower than 20% of the YMPE, you are entitled to a refund of your pension value. The commuted value of your pension can be paid as a lump sum payment, which could also be deposited in a non locked-in registered retirement savings plan, as per your choice.

Commuted Value of the pension exceeds 20% of the YMPE

If you terminate your employment and the commuted value of your pension exceeds 20% of the YMPE, you are entitled to a deferred pension that will become payable on the date of your normal retirement. The amount of the pension will be equal to your accrued pension as calculated in accordance with the pension formula.

If you are under 55 years of age and have less than two years of membership at the time of termination of employment, you can choose to receive a lump sum payment, which could also be deposited in a non locked-in registered retirement savings plan.

If you are under 55 years of age and have more than two years of membership at the time of termination of employment, you can elect to transfer the value of your deferred pension to another registered pension plan, to a locked-in RRSP or to a financial institution or insurance company to purchase a life annuity.

The Plan also includes the following provision to ensure that the value of your deferred pension meets certain minimum requirements:

- If your contributions with interest exceed 50% of the value of your deferred pension, you are entitled to the additional deferred pension that can be provided by your excess contributions (“50% rule”).

Death before retirement

In the event of your death, the benefits provided to your legal heirs will vary according to your civil status at the time of death.

Your *spouse,* beneficiary of estate will receive a death benefit equal to the commuted value of your pension earned to the date of your death.

- **Without a surviving *spouse***
  Your estate will receive the value of the pension that would have been payable to you had you terminated your employment with VIA on the date of your death.

- **With a surviving *spouse***
  If you have at least 15 years of *allowable service* or if you have reached age 55 and
  have at least two years of service at the time of your death, the value of your accrued deferred pension, including any additional pension arising from excess contributions ("50% rule"), will be paid your *spouse* in the form of an immediate lifetime pension equal to at least 65% of your accumulated pension. This pension would at least be equal to the present value of your pension. Should your *spouse* die before 60 monthly payments have been made, the estate will receive the remainder of the 60 payments. Your *spouse* can elect to transfer the value of the pension to another pension plan, to an RRSP or to an insurance company to purchase a life annuity.

Commuted Value of the pension less than 20% of the YMPE

If the commuted value of the benefits payable to the surviving *spouse* or estate is lower than 20% of the YMPE for the year of your death, the commuted value will be paid as a lump sum cash payment, which could also be deposited in a non locked-in registered retirement savings plan in the name of your *spouse*.

Authorized leaves of absence

Sick leave

- **If you have at least three months but less than five years of *allowable service***

  If illness or injury prevents you from working, you can accumulate up to three months of *allowable service*. You do not have to contribute to the VIA Plan during this period.

- **If you have five years or more of *allowable service***

  If illness or injury prevents you from working, you can accumulate up to 41 weeks of *allowable service*. You do not have to contribute to the VIA Plan during this period.

  If your absence lasts longer than 41 weeks, a maximum of 24 months (including the 41 weeks) will be recognized as *allowable service,* provided you make the required contributions.

Leave following an occupational accident

If you are absent from work due to a temporary total disability for which you are receiving Workers' Compensation benefits, your temporary leave of absence will be recognized as *allowable service*, provided you make the required contributions for the duration of your leave of absence.

Other authorized leaves of absence

Periods of authorized leave of absence, such as maternity, parental, adoption, child care, educational and layoff leave (if you have at least 20 years of *allowable service*) are recognized as allowable service, to the extent eligible for the particular leave of absence.

Authorized caregiver leave is recognized as *allowable service*, up to eight weeks.

Contributions during an authorized leave of absence

You do not contribute to the Plan during a period of authorized leave. On your return to work, you must pay your contribution deficiency, if applicable, which consists of the contributions you would have paid had you not been on leave. You can pay your deficiency either in a lump-sum payment or through a minimum automatic deduction of 2% of your *earnings*.

Periods of authorized leave of absence for union duties are recognized as *allowable service*. During these periods, you are considered to be actively employed by VIA. As a result, you must make your required contributions, but only if you do not participate in any other registered pension plan during these periods of absence.

Periods of authorized leave of absence to serve in an elected public office are recognized as *allowable service*. You must contribute to the Plan during these periods of absence at a rate of twice the required contributions, but only if you do not participate in any other registered pension plan during these periods of absence.

In the event of total and permanent disability

If, at the beginning of your disability, you have at least 10 years of *allowable service* and you are declared to be totally and permanently disabled, you can choose to receive an immediate pension from the Plan.

A **total and permanent disability** means a physical or mental impairment that prevents you from engaging in any employment for which you are reasonably suited by virtue of your education, training or experience, that can reasonably be expected to continue for the remainder of your lifetime, and that is is attested to in a written report from a medical doctor licensed to practice in Canada.

Administration of the VIA Plan

The VIA Plan is administered by the Board of Directors (the *Directors*) with the assistance of the Pension Board. The Pension Board reports its decisions to the Board of Directors, which must ratify those decisions for them to become effective.

Functions of the Pension Board

The Pension Board has the following powers:

- promote awareness and understanding of the Plan among members;
- review the financial, actuarial and administrative aspects of the Plan;
- make regulations for the government of its proceedings;
- recommend and review regulations for the efficient operation of the Plan;
- perform the administrative functions as per the applicable legislation;
- do whatever is incidental or conducive to the exercise of the powers and discretion conferred on it by the Plan.

WHAT YOU NEED TO DO IN THE MONTHS LEADING UP TO RETIREMENT

Notify your immediate supervisor

If you are planning on retiring, we recommend that you inform your immediate supervisor of the date you want to retire at least **three months** in advance. Your immediate supervisor has to sign your *Pension Application* form.

Pension statement

To find out the approximate amount of pension benefits you could receive at retirement, you can call Pension Services at 1-800-799-9934. You will be sent a pension statement indicating your estimated pension benefits as well as the payment options that will be available to you upon retirement.

If you know your retirement date when you request your pension statement, your statement will be accompanied by all the forms you will need to complete in preparation for retirement.

Certification documents

In addition to the forms you will have to complete, you will also need to provide Pension Services with the following documents:

- Certification of your age: birth or baptismal certificate (original or certified copy)
- Social insurance card (certified copy)

If you have a legal or common-law *spouse*:

- Marriage certificate (original or certified copy)
- Certification of your *spouse's* age: birth or baptismal certificate (original or certified copy)
- Your *spouse's* social insurance card (certified copy)

Government pension benefits

To ensure that there is no delay in your receiving any government pension benefits you may be entitled to during retirement, it is recommended that you apply in advance.

Canada Pension Plan / Québec Pension Plan (CPP/QPP) benefits	Old Age Security (OAS) pension
It is recommended that you apply about **six months** before the date you want to begin receiving your pension benefits.	You can apply at any time during the 11 months leading up to your 65th birthday, but **not before**.

For more information, please consult the following websites:

CPP and OAS benefits	QPP benefits
www.servicecanada.gc.ca	www.rrq.gouv.qc.ca

MISCELLANEOUS

Non-alienation of benefits

As stipulated by law, you are not allowed to borrow from your benefits provided by the Plan. Furthermore, except as provided by provincial legislation in cases of marriage breakdown, no benefits provided under the Plan may be surrendered, transferred, alienated, discounted or used in any way as collateral while you are alive.

Division of benefits upon marriage breakdown

When stipulated in provincial property laws, your benefits accrued under the Plan during the period of marriage are subject to division between you and your *spouse* in the event of separation, divorce or annulment of marriage. For more information, please refer to Division of Benefits in the Event of Divorce, Separation or Annulment of Marriage.

For further information

If you have any questions after reading this booklet, please do not hesitate to contact the Shared services team, at 1-800-799-9934.