

your pension insert

TC Local 1976 USW

Amendments to Canadian Pacific Company Pension Plan effective January 1, 2010

Canadian Pacific and TC Local 1976 USW are pleased to provide you with amendments to your Pension Plan, as described later in this insert, pertaining to the Buyback provision in the Plan and the requirement to provide the Company with six months notice in advance of your planned retirement date. For your reference, this insert also includes some background information on your current pension plan – how it is calculated and definitions of some of the key terms. For details on the plan amendment, please refer to the next page.

Background: How your Pension Benefit is Calculated

To give you a refresher on how the TC Local 1976 USW pension plan works, you receive a benefit from the plan that is based on your years of TC Local 1976 USW pensionable service and your highest plan earnings. Your benefit is paid according to a pension formula, as follows:

For service before January 1, 2004:

- 1.8% of your highest plan earnings (not including Gainshare payments) up to the final average Year's Maximum Pensionable Earnings (YMPE)

plus

- 2.0% of your highest plan earnings (not including Gainshare payments) in excess of the final average YMPE

multiplied by

- Your years of TC Local 1976 USW pensionable service before January 1, 2004*

** Employees with service prior to January 1, 1966 receive a pension benefit equal to 2% for each year of TC Local 1976 USW pensionable service prior to January 1, 1966.*

For service after December 31, 2003:

- 1.8% of your highest plan earnings (including Gainshare payments) up to the final average YMPE

plus

- 2.0% of your highest plan earnings (including Gainshare payments) in excess of the final average YMPE

multiplied by

- Your years of TC Local 1976 USW pensionable service after December 31, 2003.

Please place this bulletin on the recent CP Pension Plan amendments in the back pocket of Your Pension Guide for easy reference.

For More Information

If you have questions or need more information, 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 TC Local 1976 USW. 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.

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A Pension Formula Example

Let's take the example of an employee who retires on December 31, 2009 under the following scenario:

- Retires at age 60
- 25 years of pensionable service pre-2004
- 6 years of pensionable service post-2003
- Highest plan earnings* applicable to pre-2004 pensionable service equal to \$48,000 (this excludes Gainshare payments)
- Highest plan earnings* applicable to post-2003 pensionable service equal to \$50,000 (includes Gainshare payments)
- Final average YMPE=\$43,620
- Company consent has been granted

* Highest Plan Earnings are the average of the best 60 consecutive months of earnings.

Pension Calculation

For pre-2004 pensionable service	For post-2003 pensionable service
1.8% of \$43,620 = \$ 785.16	1.8% of \$43,620 = \$ 785.16
plus	plus
2.0 % of \$4,380 = \$ 87.60	2.0 % of \$6,380 = \$ 127.60
\$ 872.76	\$ 912.76
multiplied by X 25 years pensionable service	multiplied by X 6 years pensionable service
equals \$21,819 annual pension	equals \$5,476.56 annual pension

Total annual pension = \$27,295.56

(\$21,819 + \$5,476.56) or about \$2,274 per month

It is important to note that an employee who has 35 years of pensionable service prior to January 1, 2004 will not have Gainshare factored into the pension calculation.

Buyback

You may buy back additional service if your termination from the company results from a technological, organizational or operational change, you have eight or more years of cumulative compensated service, and you were hired prior to January 1, 1994. When you buy back service, you make pension contributions that were missed for a certain period of time. The time period during which you may buy back service has been extended to July 1, 2013.

Remember...

- According to the Income Tax Act, you may buy back only two consecutive years for each period of a layoff.
- You can only buy back years of service prior to 1990.
- You cannot buy back service if it would result in more than a total of 35 years of pensionable service.

Key Terms

Earnings or 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 also include Gainshare payments for pensionable service after 2003.

Highest Plan Earnings are the average of the best 60 consecutive months of earnings.

Pensionable Service considers all the eligible service as defined in the Canadian Pacific Railway Company Pension Plan Rules for which you have made the required contributions. This is limited to a maximum of 35 years.

Year's Maximum Pensionable Earnings (YMPE) is based on the average wage in Canada. It is the amount used to calculate the Canada/Quebec Pension Plan contributions and benefits, and it is adjusted yearly to reflect changes in average wage levels. In 2010, the YMPE is \$47,200.

The final average YMPE is the YMPE's averaged over the same period as your Highest Plan Earnings. In 2009, the average YMPE in respect of 2009 and the prior four years was \$43,620.

Application for Retirement

If you are planning to retire, you must make an irrevocable application for retirement with 6 months notice to the Company. This requirement may be waived with mutual agreement between the Company and the Union.