CANADIAN PACIFIC RAILWAY COMPANY

OFFICE OF THE CHAIRMAN AND PRESIDENT

MONTREAL, SEPTEMBER 15, 1936.

Effective January 1, 1903, the Company inaugurated a system of voluntary pensions without contribution from the employees, in order to provide for those who, after many years spent in the faithful performance of their duties, retire from active service.

The changes in conditions that have since taken place, more particularly in recent years, have made it clear that the continuance of the present system would eventually impose upon the Company financial burdens which it would be unable to bear.

In view of this, the Company has for some time past had under consideration such changes in the system as will give reasonable assurance that in the absence of circumstances beyond its control the payment of pensions upon the present scale may be continued. The results of the studies made have indicated that from the standpoint of both the Company and employees the simplest and most satisfactory plan would be to adhere as closely as possible to the underlying principles of the present pension system, and to incorporate therein suitable provisions for contributions by the officers and employees, and such other changes as are necessary to meet the altered conditions.

In order to bring about these changes, a new code of rules and regulations has been prepared by a joint committee, composed of four representatives appointed by the Company and four chosen by the General Chairmen of the organized classes of employees. This new code has been adopted by the Directors of the Company, and will on January 1, 1937, supersede the rules and regulations at present in effect.

It is hoped that all those eligible will become contributors, in order that the officers and employees, both individually and collectively, may derive the greatest benefit from the pension system, and that the aims and objects sought to be attained through the inauguration of the original pension plan may be perpetuated.

This announcement is accompanied by a set of the new rules and regulations, a series of explanatory questions and answers, and a form of application to participate in the contributory pension system. In order to secure full advantage of the new system all eligible officers and employees are urged to sign and return the application form to their Heads of Departments at as early a date as possible.

Chairman and President.

CANADIAN PACIFIC RAILWAY COMPANY

PENSION DEPARTMENT

Since a general distribution of the Pension Rules and Regulations was made on September 15, 1936, the following rules have been amended:—

Rule 8 (a)—Change made necessary by addition of new Rule 30.

Rule 10 (a)—Proviso added extending right of election in cases of employees out of the service because of staff reduction.

Rule 11 (g)—Refunds of contributions on termination of service.

Rule 15 (d)—Medical examinations.

Rule 19—Joint life and last survivor pensions. (To become effective October 1, 1940).

Rule 20—Refunds of contributions to estates of deceased pensioners.

Rule 22—Employees' Representatives.

Rule 30 — Added — Employees transferred between Companies.

Answer to Question 16, relating to Trust Fund proportion of pension, has been revised.

Question and Answer 32, relating to joint life and last survivor pensions, have also been revised.

Question and Answer 33, relating to joint life and last survivor pensions have been added.

CANADIAN PACIFIC RAILWAY COMPANY

PENSION DEPARTMENT

RULES AND REGULATIONS

Revised to February 12, 1940

Definitions.

1.—For the purpose of these Rules, unless the context otherwise requires:

(a) "The Company" shall be deemed to mean and include Canadian Pacific Railway Company and any railway, steamship or other company controlled and operated by Canadian Pacific Railway Company.

(b) "The Board" shall mean the Board of Directors of Canadian Pacific Railway Company.

(c) "The Committee" shall mean the Committee as provided in Paragraph 2 of these Rules.

(d) "The Secretary" shall mean the Secretary of the Committee.

(e) "The Actuary" shall mean the Actuary appointed under the provisions of Paragraph 6(a) of these Rules.

(f) "The Superintendent of Pensions" shall mean the Superintendent of Pensions appointed under the provisions of Paragraph 7 of these Rules.

(g) "Eligible employee" shall mean an employee who is eligible for pension under the provisions of Rule 8.

(h) "Service" and "in the service" shall mean employment by the Company.

(i) "Last entry into the service" shall mean the date upon which the employee last entered the service of the Company as shown by its staff records.

(j) "The Trust Fund" shall mean the Canadian Pacific Railway Company Pension Trust Fund.

2.—The pension system shall be administered by a Committee of seven members, four of whom shall be officers of the Company appointed from time to time by the Board and three of whom shall be elected triennially from among the General Chairmen of the organized classes of employees of the Company having agreements with it, by a majority vote of such General Chairmen. Any vacancy occurring among the employee members of the Committee shall be filled in similar manner for the unexpired portion of the current triennial period. The Vice-President of Finance of Canadian Pacific Railway Company shall always be one of the members appointed by the Board, and he shall be Chairman of the Committee. Committee.

3.—The office of the Pension Department shall be at Montreal.

4.—Meetings of the Committee shall be held at the Head Office of the Company at 10 o'clock in the morning of the first Tuesday in each month. Other meetings may be held at the call of the Secretary on at least seven days' notice to the members. If the day appointed for a meeting shall fall on a legal holiday the meeting shall be held at the same hour on the day next following which is not a legal holiday. Meetings.

5.—(a) At all meetings of the Committee four members shall constitute a quorum. In case there be no quorum present on the date fixed for the meeting, the members present may adjourn the meeting from time to time until a quorum can be obtained. Quorum.

(b) In the event of one or more of the Officer Members of the Committee being unable to attend any meeting, the remaining Officer Members or Member may elect from among the Officers of the Company one substitute for such meeting, and in the event of one or more

of the Employee Members of the Committee being unable to attend any meeting, the remaining Employee Members or Member may select from among the General Chairmen referred to in Rule 2 one substitute for such meeting.

(c) At all meetings of the Committee each member shall have one vote and the Chairman of the meeting shall, in the event of a tie, have a casting vote. In the absence of the Chairman the members shall choose one of their number to act as Chairman.

Powers.

6.—(a) The Committee shall, subject to the rules herein prescribed, have power:

To determine the eligibility of employees to receive pension allowances;

To determine the amounts of contributions, of pension allowances, and of refunds;

To prescribe the conditions under which such allowances may inure;

To retain from time to time, the services of an Actuary, who shall be Fellow of the Actuarial Society of America or of the Institute of Actuaries of Great Britain, (herein referred to as the Actuary), for the purpose of valuing the Trust Fund, of determining the percentages that may be withdrawn therefrom, and generally of performing such other duties as may from time to time be assigned to him by the Committee;

To retain the services of such auditors and such other technical advisers as may be deemed necessary;

To determine from time to time the proportion of the cost of administering the pension system to be charged against the Trust Fund.

(b) The Committee shall make rules for its own government, not inconsistent with these regulations.

(c) The Committee shall from time to time, as required, make reports of its actions to the Board, which may review, alter or rescind such actions.

(d) The Committee shall furnish to the General Chairmen of the organized classes of employees an annual statement showing the financial position of the Trust Fund and such other information as the Committee shall consider desirable.

Supt. of Pensions.

7.—The Chairman of the Committee shall appoint a Superintendent of Pensions, who shall have charge of the operation of the Pension Department and shall report to the Chairman on all matters connected with the administration of his office. The Superintendent shall act as Secretary of the Committee.

Eligibility.

8.—(a) Only those employees of the Company shall be eligible for pension whose names are entered on its staff records, whose last entry into its service has or shall have occurred before attaining the age of forty years (excepting employees transferred under the provisions of Rule 30 and subject to such other exceptions as in special circumstances may be approved by the Committee), and who, as full time employees, shall thereafter remain continuously in the service of the Company, or of the Company and some other company or companies jointly, until they have attained an age at which they may retire on pension under the provisions of these rules or until they have been transferred under the provisions of Rule 30; provided, however, that leave of absence, suspension, dismissal followed by reinstatement within one year, or a temporary layoff on account of reduction of staff, need not necessarily be treated by the Committee as constituting a break in the continuity of such service.

Staff Registration.

(b) For the purpose of these rules, the names of all employees shall be entered on the staff records of the

Company when they first enter its service, provided that, subject to Clause (c) of this rule, the names of employees whose early service is of a casual or intermittent nature shall not be regarded as having been entered on such staff records until they have completed six months' continuous service or six months' cumulative service within a period of three consecutive years, unless, in any case, the Committee shall decide otherwise, but, for the purpose of fixing the age at last entry into service under Clause (a) of this rule, employees who come within this proviso shall be regarded as having entered the service at the commencement of the six months' period of continuous or cumulative service mentioned in this proviso.

Casual or Intermittent Employment.

Ocean Services.

(c) For the purpose of these rules, the names of employees in the ocean services of the Company who are not on the permanent staff shall not be regarded as having been entered on the staff records of the Company so as to be entitled to contribute, and to receive pension allowances, unless in any case the Committee shall decide otherwise.

Proof of Age.

(d) Every employee, upon the request of the Superintendent of Pensions, shall submit proof of age satisfactory to such Superintendent.

Statutory Pensions.

(e) The pension system shall not apply to any employee in respect of whom the Company shall be required at any time to make contributions to any other pension fund or plan under any statutory enactment, unless the Committee shall otherwise determine.

Employees of Acquired Companies.

9.—(a) The service of any employee of a Company, control and operation of which has been assumed by Canadian Pacific Railway Company prior to January 1, 1937, shall be construed (subject to the provisions of Rule 8) as continuous from the date since which such employee has been continuously employed by such

Company, whether prior or subsequent to such assumption of control and operation.

(b) From and after January 1, 1937, unless otherwise agreed by the Company as a part of the arrangement for acquiring control by purchase, lease or otherwise of property of any other Company or person, employees taken over from such other Company or person must, in order to be eligible for pension, have entered the service of such other Company or person before attaining the age of forty years and shall be considered as having entered the service of the Company only on the date of such acquisition.

Contributors.

10.—(a) Every eligible employee in the service of the Company on December 31, 1936, and continuing in the service shall be entitled to elect on or before December 31, 1937, (but not thereafter) to become a contributor under the pension system; provided that an eligible employee who

(i) has been laid off on account of reduction in staff,

(ii) has not been employed by the Company during the year 1937,

(iii) is on December 31, 1937, on a seniority list of the Company, or, if not belonging to a class of employees covered by a seniority list, can be shown otherwise to be subject to call for service and ready and willing to serve,

(iv) returns to the service on or before December 31, 1940, and

(v) is at the time of his return on such seniority list or so subject to call,

shall within thirty days after the date of his return elect whether or not he shall become a contributor under the pension system, but that no such employee shall be permitted to become a contributor without the approval of the Committee.

(b) Every eligible employee entering the service on or after January 1, 1937, shall become a contributor under this pension system.

Contributions.

11.—(a) Every eligible employee in the service on December 31, 1936, who becomes a contributor shall make contributions equal to 3% of the salary or wages earned. Such contributions shall commence with the calendar month following the date at which he elects to become a contributor, and shall be made for each and every calendar month during which he renders service to the Company.

(b) Every eligible employee entering the service on or after January 1, 1937, shall make contributions equal to 3% of the salary or wages earned. Such contributions shall, subject to the proviso in paragraph (b) of Rule 8, commence with the calendar month during which the employee's name is entered on the staff records of the Company, and shall be made for each and every calendar month during which the employee renders service to the Company.

(c) Contributions shall be deducted currently from each payroll.

(d) Contributions of those employed exclusively by the Company and paid entirely by commissions shall be based on their average net monthly earnings during the preceding calendar year after deducting all expenses incurred on behalf of the Company.

(e) Contributions shall cease with the month in which the employee attains the age of sixty-five years.

Currency.

(f) All contributions made in other than Canadian funds shall be credited to employee's account in the currency in which they are paid unless the employee is changed to another position in which he is paid in a different currency, at which time the accumulated con-

tributions shall be converted into the new currency at the then current rate of exchange.

(g) When, before retirement on pension, the service of a contributor is terminated for any reason, an amount equal to the contributions made by him will be refunded to him or in the case of his death to his legal representatives; provided that if no legal representatives have been appointed and the amount involved does not exceed the sum of $200.00, payment may be made to such person or persons as in its sole discretion the Committee may direct. **Refunds.**

(h) A contributor will not be entitled to a refund of his contributions during a period of temporary lay-off, leave of absence or furlough, unless his service is terminated during such absence.

(i) A contributor whose contributions have been refunded to him as provided for under this rule and who later returns to the service shall, for the purpose of these rules, be regarded as a new employee, provided that a contributor whose contributions have been refunded to him on dismissal, and who is reinstated under the proviso in paragraph (a) of Rule 8, may, within three months after such reinstatement, repay to the Trust Fund the amount of his contributions so refunded, and in that event only shall the period for which such refunded contributions were originally made by him be included in his term of service.

12.—(a) All contributions by employees shall in the first instance be deposited in a chartered bank in a separate account to the credit of the Trust Fund of which Canadian Pacific Railway Company shall be trustee, which Trust Fund shall not form any part of the revenues or assets of the Company. The Trust Fund shall be administered by the Trustee subject to the provisions of these rules and shall be invested from time **Trust Fund.**

to time in Dominion Government Securities or securities guaranteed by the Dominion Government.

(b) From the Trust Fund thus set up there shall be paid:

1. The cost of administering the Trust Fund.

2. Such proportion of the cost of administering the pension system as the Committee may from time to time determine.

3. A proportion of the pension allowance of any contributor retiring after January 1, 1937. Such proportion shall be determined and certified to from time to time by the Actuary, and unless the Committee shall otherwise direct shall be expressed as a percentage of that portion of the total pension which accrues in respect of the period for which the employee has made contributions. The proportion so determined shall not be increased until such time as the fund shall be found to be in a position to bear 50% of the cost of all pensions emerging thereafter.

4. Refunds payable under Rule 11 (g).

5. Amounts payable under Rule 20.

13.—(a) The Company shall pay in to the Trust Fund monthly an amount equal to 25% of any allowances paid pursuant to Rule 21, except the minimum allowances provided for in the said rule or allowances which are commuted under the provisions of said rule. Such payments into the Trust Fund will be applied from time to time for the purpose of increasing the proportion of the pension allowances which the Trust Fund would otherwise provide.

(b) The Company may from time to time make contributions directly to the Trust Fund, to be applied in accordance with the directions of the Board, for the purpose of increasing the proportion of the pension

allowances which the Trust Fund would otherwise provide.

Retirement Age.

14.—All employees who have attained the age of sixty-five years shall be retired; provided, however, that the Company may, with the concurrence of the employee and in the case of those whose working conditions are provided for by agreement with the approval also of the Committee, retain in the service any employee who has reached such age if in the judgment of the Company it is in its interest to do so. Eligible employees shall receive a pension allowance on retirement.

15.—(a) Any eligible employee between the ages of sixty and sixty-five may, at the discretion of the Committee, be retired with a pension allowance either upon the application of such employee or upon the recommendation of the Head of the Department to which he belongs.

(b) Any eligible employee, who between the ages of sixty and sixty-five is laid off on account of reduction in staff and maintains his employment relation with the Company will at age sixty-five be eligible for pension allowance.

(c) The Committee shall have power, subject to the approval of the Board, to retire with a pension, in special circumstances, an eligible employee who has not reached the age of sixty years.

Medical Examinations

(d) Every employee recommended for retirement with pension who is under sixty-five years of age shall, unless otherwise determined by the Committee, be physically examined by a medical officer of the Company, whose report and recommendation shall be transmitted to the Committee for consideration in dealing with the case.

Notice of Retirement.

16.—At least six months' notice shall be given to

employees who are to be retired on pension, except those referred to in Rule 15.

Calculating Contributors' Service.

17.—In calculating the period of service of a contributor, one month's service shall be allowed for every calendar month during which the employee has, or shall have, rendered service to the Company since his last entry into the service and twelve such months shall equal one year's service; provided, however, that in calculating service subsequent to January 1, 1937, only those months in which the employee shall have rendered service and made contributions shall be allowed.

Calculating Contributors' Pension Allowances.

18.—Pension allowances to contributors shall be calculated in the following manner:

(a) For each year of service, calculated as in Rule 17, the allowance shall be one percent of the average monthly pay received for the ten years of service (so calculated) preceding retirement, or preceding the date upon which the employee attained the age of sixty-five years, should he be retained in the service after such date; for example, in the case of an employee who has forty years' service and has received on an average for the last ten years one hundred dollars per month, the pension allowance would be forty percent of one hundred dollars or forty dollars per month.

Minimum.

(b) No pension granted under this rule shall be less than twenty-five dollars per month, except in the case of employees paid in currency other than Canadian and employees taken over from other companies as referred to in Rule 9(b), as to whom the application of this rule shall be subject to the discretion of the Committee.

Optional Allowance to Dependent.

19.—(a) Any contributor may elect to receive in lieu of the pension allowance granted under Rule 18, an

allowance payable to himself during his life, subject to the condition that one-half of the allowance will be continued to his wife should she survive him.

(b) Any contributor who is unmarried or widowed may, with the approval of the Committee, elect to receive in lieu of the pension allowance granted under Rule 18, an allowance payable to himself during his life, subject to the condition that one half of the allowance will be continued to such dependent as he may appoint.

(c) No election under the foregoing paragraphs of this rule shall be valid unless the contributor gives written notice to the Superintendent of Pensions at least six months prior to the date upon which the contributor will have attained the age of 65 years; provided, however, that in the case of retirement under paragraphs (a) and (c) of Rule 15, the election may be made at any time prior to retirement, in which event, notwithstanding anything in paragraph (e) of this rule, no survivor pension shall be payable unless the contributor shall survive at least six months after the date of such election.

(d) An election may be revoked upon death of the wife or other named dependent or upon dissolution of the contributor's marriage if such event shall have taken place prior to the date upon which the contributor shall have attained the age of 65 years and before the contributor shall have retired on pension. In such event the contributor may elect, within one month, to receive upon retirement a pension allowance calculated under Rule 18, or may appoint another dependent to whom a survivor pension may become payable in accordance with the provisions of this rule. Save as aforesaid, any election to take a joint survivor pension under this rule shall be irrevocable whether or not the contributor

shall have been retained in service after he shall have attained the age of 65 years.

(e) The allowance to the survivor shall accrue and become payable upon the death of the contributor, but, if such death occurs before the contributor shall have attained the age of 65 years, then, subject to the proviso of paragraph (c) of this rule, only if the contributor shall, prior to the time of his death, have retired under the provisions of pargaraphs (a) or (c) of Rule 15.

(f) The optional allowances referred to in this rule shall be calculated in accordance with the methods prescribed from time to time by the Actuary.

(This revised rule shall become effective October 1, 1940.)

Deceased Pensioners, Refunds.

20.—When the pension payments made under these rules cease by reason of the death of a contributor or the death of both the contributor and the wife or dependent to whom a survivor pension may be payable, before the amount of the pension payments (including the proportion voluntarily contributed by the Company) has equalled the amount of contributions made by said contributor, the difference shall be paid to the contributor's legal representatives; provided that if no legal representatives shall have been appointed and the amount involved does not exceed the sum of $200.00, payment may be made to such person or persons as in its sole discretion the Committee may direct.

Calculating Non-Contributors' Pension Allowances.

21.—All eligible employees in the service on December 31, 1936, who do not on or before December 31, 1937, agree to contribute, shall upon retirement under the provisions of these rules be granted a pension allowance calculated in the following manner:

(a) For each year of service prior to January 1, 1937, calculated as under the pension system heretofore in effect, an allowance of 4/5 of 1% of the average monthly pay (so calculated) received for the 10 years preceding such date, or such part thereof as the employee may have been in the service, if his last entry into the service was subsequent to December 31, 1926. No pension allowance granted under this rule shall be less than twenty-five dollars per month except that, in the case of employees who entered the service after January 1, 1912, the annual pension allowance shall not be less than the equivalent of twelve dollars for each year of service subsequent to his last entry into the service and prior to January 1, 1937.

(b) Any employee whose pension allowance shall have a commuted value of less than five hundred dollars, calculated in accordance with the methods prescribed from time to time by the Actuary, shall be paid such value in a lump sum. In case such commuted value is more than five hundred dollars and less than one thousand dollars, calculated as above provided, the Committee may direct the payment of such value in a lump sum.

Employees' Representatives.

22.—(a) Employees absent on leave and during such absence employed as General Chairmen, Assistant General Chairmen, Vice-Presidents, Dominion Legislative Representatives (or in any other official positions approved by the Board) of Labour Organizations who represent classes of employees having agreements with the Company governing wages and working conditions, or in any elective public or representative capacity approved by the Board, shall, for the purpose of these rules and subject to the provisions of this rule, be regarded in all respects as employees actively at work

in the service of the Company. The contributions and pension allowance of any such employee when on full time leave shall be calculated on a full time basis for the highest paid position in the territory in which he holds seniority rights, to which he could have attained, under the working agreement from time to time applicable to him, if he had remained in the active service of the Company.

(b) The monthly contributions to be made by any such employee in each year shall be based on the average monthly compensation calculated under the preceding paragraph for the next preceding calendar year.

(c) Notwithstanding anything contained in Clause (a) or Clause (b) of this Rule, the contributions and pension allowance of any such employee, who may be absent on leave and employed as referred to in Clause (a) during part only of a year, may, if so approved by the Committee, be calculated on the compensation that would have been earned by him during the time that he would have worked for the Company had he not been so absent on leave.

War Service.

23.—The period during which employees were absent on leave to serve the cause of the Allies during the War, 1914-1918, shall be included in the period of total service for the purpose of calculating pensions.

Payments.

24.—When pension allowances are authorized pursuant to these rules, they shall be paid monthly and the first payment shall, unless otherwise determined by the Committee, be made on or about the 15th day of the month following that in which the pension is made effective.

Pay-rolls.

25.—Pay-rolls covering all pension allowances, showing the names of those to whom such allowances have been made and the amount of such allowances, shall be prepared at the close of each month by the

Superintendent of Pensions; shall be certified by him; shall be countersigned by the Chairman of the Committee; and shall be forwarded to the Accounting Department for registration and payment.

Irresponsible Pensioners.

26.—In the case of an employee or a pensioner who in the opinion of the Committee is irresponsible or of unsound mind, any amount payable under these rules may be paid to such person or persons as in the opinion of the Committee are best qualified to administer the same, whether or not the person to whom the payment is made is the legal guardian or trustee of the employee or pensioner.

Garnishment.

27.—No pension allowance shall be assigned in whole or in part, and in the event and during the continuance of any seizure, attachment or garnishment thereof any such pension allowance shall cease; provided, however, that in the event of such allowance ceasing the Committee may, at its discretion, make an allowance not exceeding the amount of the allowance which has ceased to a dependent of the pensioner.

Employment after Retirement.

28.—The acceptance of a pension allowance does not debar a retired employee from engaging in other business, but such retired employee cannot so engage in other business or re-enter the service of the Company, except with the consent of the Committee.

Pensioners' Reports.

29.—The Superintendent of Pensions shall keep himself informed of the whereabouts of all pensioners, and shall require satisfactory evidence from each of such pensioners, at least once a year, that he is not debarred from receiving a pension under these rules.

Transfers between Companies.

30.—(a) This Rule shall apply only in the case of an employee who has been or shall be transferred under proper authority and who shall have been, up to the date of his retirement on pension, continuously in the service of this Company (being "The Company" as

defined in Rule 1 (a)) and of any other company (hereinafter referred to as the "Other Company") which has an agreement with this Company for the preservation of pension privileges of transferred employees;

(b) An eligible employee who has been or shall be so transferred shall upon retirement, whether retirement takes place while such employee is in the service of this Company or of the Other Company, receive from this Company a pension allowance in respect of his service with it;

(c) If the employee has been a contributor (or being entitled to do so by the Pension rules of the Company from which he transfers, has elected to become a contributor) he must become a contributor to the Pension Fund of the Company to which he transfers unless the latter Company has no contributory pension system, and his pension allowance from this Company shall be based upon his service with it, but the percentage provided for in Rule 18 (a) shall be applied to the average monthly pay received for the ten years of service (calculated as in Rule 17) preceding retirement or preceding the date upon which the employee attained the age of 65 years, should he be retained in the service after such date, irrespective of the Company from which such pay was received during such ten year period;

(d) If the employee, being a non-contributor, has been or shall be so transferred from this Company to the Other Company, he shall upon retirement be granted a pension allowance based upon his service with this Company and calculated under Rule 21;

(e) If the employee, being a non-contributor, has been or shall be so transferred from the Other Company to this Company, he shall be treated, for pension purposes, as though he were a new employee entering the

service of this Company, unless, being otherwise eligible under the Pension Rules of the Other Company, he was or shall have been a non-contributor by reason of the fact that such rules did not provide for contributions by employees, in which event, he shall be treated in all respects as having been a contributor at the time of such transfer;

(f) If the employee, being a contributor, has been or shall be so transferred either to or from this Company, the minimum pension allowance granted in respect of his service with this Company shall be equal to but not greater than the proportion of twenty-five dollars per month which his service with this Company bears to his total service with this Company and the Other Company;

(g) An employee so transferred shall be entitled to have his contributions refunded to him only upon final termination (otherwise than by retirement on pension) of his employment with the Company to which he shall have been last transferred;

(h) In the case of employees who have been or shall be so transferred refunds of contributions shall be paid, or pension payments shall commence, only after production of a certificate of the Superintendent of Pensions, or other duly authorized officer administering the pension system of the Company in whose service the employee is at the time, certifying that such employee has terminated his employment (other than by a transfer to which this Rule applies) or has been retired, as the case may be.

Company's Participation.

31.—(a) The establishment and continuance of this system of pensions insofar as the Company's contributions are concerned is purely voluntary on the part of the Company, which reserves the right to alter, suspend or discontinue from time to time and in whole or in

part its contributions towards pension allowances or to the Trust Fund, and neither such establishment and continuance nor any action at any time taken by the Board or the Committee shall be construed as giving to any employee or pensioner a legal right or claim to any allowance from the Company for pension. While it is the policy of the Company to encourage its employees to remain with it, and by faithful service, to qualify for pension allowances, nothing contained in these rules shall diminish or affect any right which it otherwise has to discharge any employee at any time when the interests of the Company in its judgment may so require, without liability for any claim for any pension or allowance, other than salary or wages owing and unpaid, and for the repayment of the contributions, if any, made by the employee under Rule 11.

Misconduct.

(b) Notwithstanding anything contained in these rules, the Company may cancel its voluntary proportion of any pension whenever it is established, in the opinion of the Committee, that a pensioner is guilty of serious misconduct.

Pension Allowances under Former Rules.

32.—Nothing in these rules and regulations shall be deemed to prevent the payment of pension allowances under the pension system previously in effect to those already on pension, and to eligible employees, who, being more than sixty-five years of age, are, on January 1, 1937, retained in the Company's service, and to whom pension allowances may be made under the provisions of such previous system.

Effective Date.

33.—These rules and regulations shall take effect on January 1, 1937, and may be altered, added to or repealed from time to time as the Committee, subject to the approval of the Board, may hereafter determine.

EXPLANATORY

Questions and Answers

1. *Question*—When does this new pension system go into effect ?

   Answer—January 1, 1937.

2. *Question*—Why is it necessary to change the pension system ?

   Answer—Changed conditions since the inauguration of the pension system previously in effect have added so largely to the cost of pensions that it is necessary that such increasing cost be shared through contributions from the employees in order to give reasonable assurance that, in the absence of circumstances beyond the control of the Company, the payment of pensions upon the previous scale will be continued.

3. *Question*—What will happen to the previous pension system ?

   Answer—As of December 31, 1936, it will be superseded by the new system, particulars of which are set out in the accompanying rules and regulations which do not affect pensions previously granted or authorized. Provision is made for service pensions to present employees in respect of their service up to the above-mentioned date.

4. *Question*—Who are eligible for pensions under the new system ?

   Answer—Employees who have entered or shall enter the service before age 40 and who remain in the service until age 65, unless sooner retired under the provisions of the rules.

5. *Question*—If an employee enters service at 30 years of age and is continuously in service until he is aged 41, at which time he is laid off on account of

reduction in staff, and is not again required until 43 years of age at which time he returns to service, what effect would this lay-off of two years have upon pension privileges of such employee ?

Answer—This lay-off will not make the employee ineligible for pension but the two years will not be counted in his term of service.

6. *Question*—An employee under 40 years of age enters the service January 1, 1937, works until March 31, 1937, and is then laid off. On January 1, 1938, he returns to service and works until February 28, 1938, and is again laid off until July 1, 1939, when he returns to service and is continuously employed. On what date will he be shown as entering the service and when will contributions begin ?

   Answer—As his early service is of an intermittent nature he will be shown as entering the service January 1, 1937, and commence to contribute on completion of six months' cumulative service on August 1, 1939, from which latter date service for pension purposes will be calculated.

7. *Question*—Must an eligible employee in the service prior to January 1, 1937, become a contributor on that date ?

   Answer—No. He has until December 31, 1937, to decide. However, should he elect to contribute his term of service will not include the months in 1937, for which contributions may not have been made and it is therefore to his advantage to become a contributor from January 1, 1937.

8. *Question*—Must an employee under 40 years of age entering the service after December 31, 1936, become a contributor ?

Answer—Yes. This will be a condition of employment in the case of all such employees entering the service on or after January 1, 1937.

9. *Question*—An employee earns A. $75.00, B. $100.00, C. $150.00, D. $200.00 per month. How much will his contribution amount to monthly?

   Answer—A. $2.25, B. $3.00, C. $4.50, D. $6.00.

10. *Question*—Is the rate of contribution subject to change?

    Answer—No change is contemplated unless and until the Actuary finds, after this pension system has been in effect for a number of years, that the employees' contributions together with the Company's contributions are either more or less than sufficient to maintain pension allowances as provided for by the rules.

11. *Question*—If an employee becomes a contributor do the rules permit him while still working to discontinue or withdraw his contributions?

    Answer—No.

12. *Question*—Can an employee during leave of absence, suspension, or a temporary lay-off on account of reduction of staff, withdraw his contributions?

    Answer—No. Contributions can only be withdrawn if his service is terminated during such absence.

13. *Question*—Will Rule 8 (b) apply to a previous contributor who becomes a new employee?

    Answer—Yes. He is subject to the regulations applying to new employees.

14. *Question*—If an employee leaves the service and withdraws his contributions is he permitted if re-employed to re-deposit such contributions and

receive credit for the period of service covered by them ?

Answer—No, unless in a case of reinstatement coming within the terms of the proviso in Rule 11 (i). In all other cases he re-enters the service as a new employee and if under 40 years of age must as a condition of re-employment become a contributor.

15. *Question*—Is the approval of the Committee necessary in respect of all payments from the Trust Fund ?

Answer—Yes, with exception of costs incidental to the purchase, sale and care of securities.

16. *Question*—In the case of an employee having 35 years' service as of December 31, 1936, who elects to become a contributor and at age 65 has contributed for five years, and whose average wage during the last 120 months of service has been $100.00 per month, (a) what pension allowance would be paid, and (b) what proportion would be supplied by the Trust Fund ?

Answer—(a) $40.00 per month.

(b) As may be determined by the Actuary, but probably about $1.50 a month.

17. *Question*—Can any portion of the Trust Fund be used to pay the pension of a non-contributing employee retired on pension subsequent to January 1, 1937 ?

Answer—No.

18. *Question*—If an employee dies before reaching pension age what becomes of his contributions ?

Answer—The total sum is refunded to his legal representative.

19. *Question*—In the case of a non-contributor who reaches pension age on January 1, 1940, with 40 years' service and whose average earnings during the last 10 years prior to January 1, 1937, were $100.00 per month, (a) what pension would he receive, and (b) what amount would be paid by the Company into the Trust Fund?

    Answer—(a) $29.60 per month.
    (b) $ 7.40 per month.

20. *Question*—Do the provisions of Rule 15 apply to all eligible employees whether or not they become contributors?

    Answer—Yes.

21. *Question*—How is the term of service of a contributor to be calculated?

    Answer—He will be allowed one month of service for every calendar month in which he has worked and 12 such months shall be the equivalent of one year's service.

22. *Question*—If an employee works from January 1 to September 30 in any year and is then granted three months' leave of absence, how much service would be allowed for the year?

    Answer—One month's service for each calendar month in which he worked, or nine months.

23. *Question*—If an eligible employee who entered the service January 1, 1917, does not become a contributor but remains continuously in the service until age 65, what service will be allowed in calculating pension?

    Answer—From January 1, 1917, to December 31, 1936, or 20 years.

24. *Question*—What is the general effect of the change in the method of calculating pensions as between the old and new pension systems?

Answer—Examination of a number of cases taken at random indicated a moderate reduction in the term of service, which, however, was offset by the increase in the average monthly wage ascertained by taking only the last 120 months in which service was actually rendered.

25. *Question*—How is the average monthly pay of a contributor referred to in Rule 18(a) determined ?

Answer—By dividing by 120 the aggregate earnings for the last 120 months during which the employee rendered service prior to age 65 or age of retirement, if earlier.

26. *Question*—What will a contributor's pension amount to who reaches age 65 with 40 years' service (calculated under Rule 17) to his credit at an average salary of $150.00 per month for the last 120 months in which service was rendered ?

Answer—40% of $150.00, or $60.00 per month.

27. *Question*—Will the minimum of $25.00 per month apply to all contributors without regard to the period of time during which contributions have been made ?

Answer—Yes, except as provided for under Rule 18 (b).

28. *Question*—If an employee is injured and under the provisions of the Workmen's Compensation Act is awarded an allowance for permanent partial disability, will such allowance affect his pension ?

Answer—No.

29. *Question*—If an employee is in receipt of a war pension will this affect his pension under this system ?

Answer—No.

30. *Question*—Will a retiring employee be advised on request as to the approximate monthly allowances

which could be made under the alternatives mentioned in Rule 19?

Answer—Yes.

31. *Question*—Are the alternate pension allowances payable under Rule 19 in all cases smaller or less than the allowances payable to the pensioner under Rule 18?

Answer—Yes. They are based on the expected duration of the lives of two persons, with the result that the expected period during which the allowance will have to be paid is longer and therefore the monthly payments must be less.

32. *Question*—If an employee who retires at age 65 and whose life pension allowance would amount to $100.00 per month, has elected to avail himself of the provisions of Rule 19, what is the amount of the reduced allowance payable to him and what amount will his surviving wife or dependent receive after his death?

Answer—Under the actuarial tables now in effect: If his wife's or dependent's age at the time of retirement is—

Age of wife or dependent	Pensioner receives	Surviving wife or dependent will receive after his death
55 years.....	$74.50	$37.25
60 "	78.50	39.25
65 "	82.50	41.25

33. *Question*—If an employee, who has elected to avail himself of the provisions of Rule 19, is retained in the service after reaching age 65 and dies while still in the service, will the survivor allowance be

payable to his widow or other dependent after his death ?

Answer—Yes.

34. *Question*—If a pensioner dies before the total monthly payments made to him equal the total of the contributions made by him, what will be done with the balance ?

Answer—It will be paid to his legal representative.

35. *Question*—If a pensioner has elected under Rule 19 and both he and his widow or other dependent, to whom an allowance is payable under that rule, have died before the total payments made to him and his widow or other dependent equal the total of his contributions, what will be done with the balance ?

Answer—It will be paid to his legal representative.

36. *Question*—Will an eligible employee who has been continuously in the service since January 1, 1912, or some date prior thereto, receive on retirement under the rules a minimum pension allowance of $25.00 per month whether or not he becomes a contributor and regardless of service actually rendered ?

Answer—Yes.

37. *Question*—What pension allowance would be made on retirement to an eligible employee who has been in the service continuously since 1920, whose average compensation has been $100.00 per month during the last 10 years prior to January 1, 1937, but who does not become a contributor ?

Answer—$17.00 per month which represents the minimum of $12.00 per year for each year of service prior to January 1, 1937.

38. *Question*—Must an eligible employee who was in the service on December 31, 1936, become a contributor in order to receive a pension allowance on retirement under the rules?

Answer—No; but if he does not become a contributor he will receive only the allowance provided for in Rule 21.

Examples showing comparisons of pension allowances to non-contributors and contributors:

Years of service up to Dec. 31,'36	Years of service after Dec. 31,'36	Average Mo. wage 10 years prior to Dec. 31,'36	Average Mo. wage for last 120 Mos. worked	Non-Contributors' monthly pension allowance	Contributors' monthly pension allowance
10	30	$100.00	$100.00	$10.00	$40.00
20	20	100.00	100.00	20.00	40.00
30	10	100.00	100.00	25.00	40.00
40	5	100.00	100.00	32.00	45.00
10	30	100.00	125.00	10.00	50.00
20	20	100.00	125.00	20.00	50.00
30	10	100.00	125.00	25.00	50.00
40	5	112.50	125.00	36.00	56.25
10	30	150.00	150.00	12.00	60.00
20	20	150.00	150.00	24.00	60.00
30	10	150.00	150.00	36.00	60.00
40	5	150.00	150.00	48.00	67.50
10	30	150.00	200.00	12.00	80.00
20	20	150.00	200.00	24.00	80.00
30	10	150.00	200.00	36.00	80.00
40	5	175.00	200.00	56.00	90.00

NOTE—The two men involved in each example have the same length of service and the same pay. The differ-

ence in pension allowance is due to the fact that the non-contributor receives no benefit from his service after December 31, 1936, and only 4/5ths of the allowance in respect of service prior to that date, whereas the contributor has the benefit of his full service and allowance. Furthermore, if the non-contributor receives an increase after December 31, 1936, he obtains no benefit from it in respect to his pension allowance, whereas the contributor will receive the benefit of any increase granted to him during the last 120 months of service.

39. *Question*—What is meant by the commuted value of an employee's pension allowance as mentioned in Rule 21 (b) and how is its value calculated?

Answer—This is a calculation of the value of a monthly allowance expressed in terms of a lump sum based on actuarial tables of life expectancy.

40. *Question*—Does the proposed system, as above outlined, give an employee any more assurance than the present system, that the Company will continue its contributions?

Answer—Yes. Pension allowances could not be continued on the same scale as under the previous system by reason of their rapidly increasing cost, but with the application of employees' contributions to assist in meeting future accumulating costs it is anticipated that in the absence of circumstances beyond the control of the Company payment of pensions on the previous basis can be continued.

PRINTED IN CANADA 2-40 P.F.O.