KINECTRICS

KINECTRICS INC.

PENSION PLAN

JULY 1, 2014

Approved by PWU and Society.

TABLE OF CONTENTS

INTRODUCTION
SECTION 1.0

This document describes the most significant pension benefits of the Kinectrics Inc. Pension Plan (the "Plan") in effect July 1, 2014. Further, this document is only a general description of a complex set of rules and has been prepared to familiarize you in a general way with the Plan. It outlines the main provisions of the Plan but does not add to the Plan. It cannot be relied upon to interpret or vary Plan documents. If there is any inconsistency between the information contained in this document and the Plan Rules, the Plan Rules will prevail. It is hoped that employees and prospective employees will find the information helpful.

To help employees understand the information in this document**,** definitions of some specific pension related terminology have been included toward the end of this document.

Most employees who are eligible are required to join the Plan; for certain employees, however, membership is optional. That is explained in the section 'Eligibility to Join the Plan'.

There are many types of pension plans. The Plan is a contributory defined benefit pension plan. This means that employees as well as Kinectrics and any participating employer under the Plan contribute into the pension fund and the pension benefit is defined by a formula based on earnings and length of service. With this formula and some assumptions about your future earnings with Kinectrics or a participating employer, you can figure out approximately how much pension you are likely to receive at retirement. The section entitled 'Calculating the Earned Pension' and the examples at the end of the document provide more details about this formula.

All pension plans must specify a normal retirement date and allow for early retirement as well. The Plan also provides for postponed retirement. Employees have a number of options regarding early retirement, including the opportunity to retire early without a discount in the earned pension. The section 'Types of Retirement' explains these options in detail.

The purpose of a pension plan is to provide retirement income. Many employees, however, will not stay with Kinectrics or a participating employer until retirement. Those who pursue their careers elsewhere can select from among a variety of pension options available on termination of employment, including transferring their pension entitlement to another pension plan. These are described in the 'Termination of Employment' section of this document.

The Plan provides important security for the spouses and children of employees who die before retirement and for pensioners' spouses and children as well. These benefits vary with length of service and marital status, and are described in the sections entitled 'Pre-retirement Death Benefits' and 'Post-retirement Death Benefits'.

ELIGIBILITY TO JOIN THE PLAN
SECTION 2.0

As a condition of employment, most unionized employees are required to join the Plan upon appointment to regular staff. All eligible probationary employees who have completed 3 months of probationary service are required to join the Plan.

A Society represented regular special-rated employee may make a written election not to become a member of the Plan. A regular Management Group employee may make a written election not to become a member of the Plan.

Non-regular employees such as part-time or temporary employees may elect to join the Plan on the first day of the month coincident with or following completion of the following requirements:

- Completed at least 24 months of continuous employment, and
- Earned at least 35% of the Year's Maximum Pensionable Earnings ("YMPE") or worked at least 700 hours during each of the two immediately preceding calendar years.

If a non-regular employee elects to join the Plan, membership must continue regardless of subsequent earnings or hours worked.

If a non-regular employee declines to join the Plan, he/she may subsequently elect to join on the first of any month thereafter provided the eligibility requirements remain satisfied.

PENSION CONTRIBUTIONS
SECTION 3.0

As stated in the introduction, the Plan is a contributory defined benefit plan. Under such a plan, the rate of employee contributions is specified (see below) and the employer is responsible for making additional contributions, if any, as may be necessary for the fund to provide the defined benefit.

3.1 Employee Contributions

Eligible PWU represented employees are required to contribute to the Plan an amount equal to 7.5% of base annual earnings (actual earnings for non-regular employees) up to the YMPE under the Canada Pension Plan ("CPP"), plus 9.5% of base annual earnings in excess of the YMPE**.** The YMPE for 2014 is $52,500. Society represented employees are required to contribute an amount equal to 9.5% of all base annual earnings. Eligible Management Group employees are required to contribute an amount equal to 9% up to the YMPE plus 9.5% in excess of the YMPE. These contribution rates are subject to change. Employees can elect to continue contributions, as well as his or her pensionable service accrual, after completing 35 years of Pensionable Service. This election must be made at least 60 days prior to the date that your contributions past 35 years are to begin.

3.2 Employer Contributions

Contributions, if any, to the Plan by Kinectrics and any participating employer under the Plan, are determined in accordance with the *Pension Benefits Act, Ontario* ("PBA"), and the *Income Tax Act, Canada* ("ITA").

Employer contributions are made pursuant to the recommendations of an actuary. Actuarial valuations are performed at least every three years to assess the adequacy of the pension fund's assets in relation to the Plan's obligations. The assets are the fund investments; the obligations are the benefits earned by members prior to the valuation date.

INTEREST CREDITED TO EMPLOYEE CONTRIBUTION SECTION 4.0

The rate of interest paid on contributions by employee members and deferred vested members differs from that paid on certain lump-sum refunds and transfers following an employee's termination or death.

4.1 Interest on Contributions of Employee and Deferred Vested Members

Interest at the rates described below is credited to employee contributions from the first day of the month following the month in which the contributions are made up to the month of termination, retirement, or death.

For example, contributions deducted from pay in January commence earning interest as of February 1st.

Subject to a minimum interest rate as set out below, interest is compounded annually and the rate is set at the beginning of each year at the average of the yields of five-year personal fixed-term chartered bank deposit rates as determined from the Canadian Socio-Economic Information Management ("CANSIM") series B 14045 published monthly in the Bank of Canada Review. The average is taken over a twelve-month period from July 1st to June 30th immediately preceding the calendar year to which the interest rate is applicable.

The above interest rate is subject to a minimum of the lesser of:

(i) A rate calculated at 1% below the arithmetic average of the interest rates paid by Canadian chartered banks on non-chequing savings deposits and published in the Bank of Canada Review for the twelve month period from the 1st day of July to the 30th day of June immediately preceding each calendar year; or

(ii) A rate calculated at the arithmetic average of the annualized monthly interest rates earned by the pension fund on short-term investments during the period described in (i).

The interest rate for 2014 is 1.54%.

4.2 Interest on Lump Sum Refunds and Transfers

The interest paid on lump sum refunds and transfers is applied from the date of termination, retirement or death to the first day of the month in which the refund is paid. The interest rate paid for all lump sum refunds and transfers, except the locked-in portion of the commuted value, is the same interest rate used to credit interest on the contributions of employees (described in the previous section).

The interest rate for the locked-in portion of the commuted value transfer is the same rate used to determine the commuted value. The interest rate is determined each month as prescribed by the PBA.

Lump sum refunds and transfers consist of:

- Excess contributions,
- Commuted values,

CALCULATING THE EARNED PENSION
SECTION 5.0

Before 1966, employees contributed 5% of their base earnings to the Plan and earned a pension equivalent to the "Basic Pension" described below. As of January 1, 1966, the CPP was established and it was decided to integrate the two plans. The effect of this integration was to reduce employee contributions to the Plan and likewise to reduce the pension payable from the Plan by an "integration adjustment". The "integration adjustment" is subtracted from the Basic Pension at age 65 or whenever the retired employee is receiving a CPP disability pension.

An employee's Earned Pension consists of three components: Basic Pension, Integration Adjustment and Bridge Pension. All of these pension amounts are subject to any applicable early retirement discounts (see "Early Retirement").

5.1 Basic Pension

This is the amount calculated as follows:

- 2% x average base annual earnings during the 36 consecutive months when the employee's base earnings were highest multiplied by years of Pensionable Service.

5.2 Integration Adjustment

This is the amount calculated as follows:

0.5% times the lesser of:

- the average base annual earnings during the 60 consecutive months when the employee's base earnings were highest, or
- the average Year's Maximum Pensionable Earnings during the same 60-month period

multiplied by:

- years of pensionable service after 1965.

The Integration Adjustment cannot exceed the amount of Canada Pension that would be payable at age 65 or the amount of CPP disability pension if eligible.

The Basic Pension less the Integration Adjustment is referred to as **Life Pension** and such amount is payable for life from retirement date***.***

5.3 Bridge Pension

If an employee is eligible and opts to retire before reaching age 65 AND is not receiving CPP disability pension, he or she is entitled to a bridge pension which is payable from the retirement date to age 65.

The bridge pension is calculated as follows:

0.625% times the lesser of:

- the average base annual earnings during the 60 consecutive months when the employee's base earnings were highest, or

- the average Year's Maximum Pensionable Earnings during the same 60-month period

multiplied by:

- 35 times the lesser of ONE, or your years and months of pensionable service divided by 30.

For more details regarding the pension calculation formulas, refer to the section "Detailed Pension Calculation".

5.4 Maximum Pension Allowed under the Income Tax Act:

Benefits payable under the Plan are subject to maximum pension benefit limits prescribed under the ITA.

INDEXING

SECTION 6.0

The pension being paid to a retired member (excluding any level income option amounts) or to a beneficiary receiving a survivor's pension will be increased by 100% of the increase in the Ontario CPI for the 12-month period ending in June of the previous year, subject to a maximum annual increase of 8%. Where the increase in the Ontario CPI is greater than 8%, the difference will be carried forward and applied in a future year. Similarly, 100% of any decrease in the Ontario CPI will be carried forward and applied in a future year.

Where an employee retired or a beneficiary of a deceased employee began receiving a pension in the immediately preceding year, the indexing is to be prorated based upon the number of months in which the pension was being paid. Similarly, if any amount being carried forward is to be applied in a future year, it will be prorated in the same proportion as the indexing to which it is related.

TYPES OF RETIREMENT
SECTION 7.0

7.1 Normal Retirement

Normal retirement age is 65 for both men and women. Normal retirement date is the first day of the month coincident with or immediately following attainment of normal retirement age. For PWU represented employees, normal retirement date can be any day of the month coincident with or immediately following attainment of normal retirement age.

7.2 Early Retirement

A member may retire before the normal retirement age upon completion of any of the following qualifying conditions.

Depending upon age and service, the early retirement pension will be reduced by an amount between an actuarial reduction (the largest discount) and no discount. Early retirement date is the first day of any month following completion of the qualifying conditions. For PWU represented employees, early retirement date can be any day of any month following completion of the qualifying conditions.

What follows is a summary of the early retirement provisions. Please note that it is only a general description of a complex set of rules and has been prepared to provide a general overview of the early retirement provisions, ultimately, the Plan Rules will prevail.

7.3 Undiscounted Early Retirement

A member who has met one of the following conditions is entitled to retire early, and receive the earned pension without any early retirement discount:

- Completed at least 35 years of continuous employment; or
- Age and years of continuous employment total at least 82, (84 for Management Group employees).

7.4 Discounted Early Retirement

A member who is within 10 years of normal retirement but who does not qualify for an undiscounted pension may apply to retire early on a discounted pension. The discounts are applied to the earned pension and are dependent upon the member's age and service at retirement as follows:

With 25 or More Years of Continuous Employment

The discounts which follow apply to all active employees and deferred vested members who are within 10 years of normal retirement age and have 25 or more years continuous employment. The earned pension is reduced by the percentage discount factor corresponding to the member's age.

Age at Retirement	Percent Discount
55	15%
56	12%
57	9% (Nil for PWU and Society with Rule of 82)
58	6% (Nil for PWU and Society with Rule of 82)
59	3%
60-64	Nil
65	Normal Retirement

With 15 or More But Less Than 25 Years of Continuous Employment

These discounts apply only to active employees who are within ten years of normal retirement age and have 15 or more but less than 25 years of continuous employment**.** **These discounts do NOT apply to deferred vested members.** The earned pension is reduced by the percentage discount factor corresponding to the employee's age.

Age at Retirement	Percent Discount
55	25%
56	22%
57	19%
58	16%
59	13%
60	10%
61	8%
62	6%
63	4%
64	2%
65	Normal Retirement

Employees with Less Than 15 Years of Continuous Employment, and Deferred Vested Members with Less than 25 Years of Continuous Employment

An employee, who has less than 15 years of continuous employment, or a deferred vested member with less than 25 years of continuous employment, may retire early within 10 years of normal retirement age. In such a case, the earned pension will be actuarially reduced.

7.5 Postponed Retirement

If an employee does not retire at age 65, payment of the pension begins on the employee's postponed retirement date, but no later than the end of the year in which the employee attains 71 years of age.

An employee can elect to continue to contribute to the Plan during the period of postponed retirement. In this event, service after the normal retirement date will count for purposes of determining the pension benefit.

Alternatively, an employee may elect not to contribute to the Plan after normal retirement date. If an employee does not continue making contributions, service after the normal retirement date is NOT counted for purposes of determining the pension benefit. However, base earnings after normal retirement date continue to count for purposes of calculating the best earnings components of the pension benefit.

LEVEL INCOME OPTION
SECTION 8.0

An employee who retires before age 65 may elect a level income option whereby the employee's pension under the Plan is adjusted to give the retiree an increased pension up to age 65 and a reduced pension thereafter. The amount of adjustment depends on the employee's age at retirement and a conservative estimate of his or her anticipated government pensions (Old Age Security and/or Canada Pension). The adjustment amounts are NOT indexed.

Some pensioners may find that the actual government pensions they receive at age 65 will more than make up for the reduction in their pension under the Plan at that time. As this will not always be the case, however, employees are encouraged to check with the administrator of the Canada Pension Plan for an estimate of the government pension that they can expect.

APPOINTMENT OF BENEFICIARY
SECTION 9.0

As discussed in the next section entitled 'Pre-Retirement Death Benefits', some pre-retirement death benefits must be paid to an eligible spouse regardless of the designated beneficiary.

An eligible spouse is a person who is married to the employee and is not living separate and apart from the employee at the time of retirement or death. Or, it can be an individual who has been living in a conjugal relationship with the employee continuously for three years, or who has been in a relationship of some permanence where the employee and common-law spouse are the natural or adoptive parents of a child, both as defined in the Family Law Act. At retirement, an employee and his or her spouse can waive the entitlement to death benefits by delivering a written waiver in the prescribed form to Kinectrics.

PRE-RETIREMENT DEATH BENEFITS
SECTION 10.0

Pre-retirement death benefits depend on a variety of factors such as:

- Length of Plan membership;
- Length of continuous employment;
- Whether there is an eligible spouse or dependent children.

If there is No Eligible Spouse or Eligible Dependent Children

- A death benefit is paid to the beneficiary or estate as follows:
  - For service before 1987: a refund of employee contributions with interest.
  - For service after 1986: a lump sum equal to the commuted value of the pension earned after 1986 plus a refund of any excess contributions.

If there is an Eligible Spouse

- With less than 10 years of continuous employment:
  - For service before 1987: the spouse, will receive a refund of employee contributions with interest.
  - For service after 1986: The eligible spouse will have a choice of either (a) a lump sum payment equal to the commuted value of the pension earned after 1986, or (b) an immediate or deferred pension having a commuted value equal to the pension earned after 1986.

- After 10 or more years of continuous employment:
  - For service before 1987: the eligible spouse will receive an immediate monthly pension equal to 66 2/3% of the pension earned by the employee prior to 1987,
  - For service after 1986: The eligible spouse will have a choice of either (a) a lump sum payment equal to the commuted value of the pension earned after 1986, or (b) an immediate or deferred pension having a commuted value equal to the pension earned after 1986. The immediate pension will not be less than 66 2/3% of the pension earned after 1986.

If An Eligible Spouse is Survived by Eligible Dependent Children

If the employee had at least 10 years of continuous employment and his/her spouse is survived by a dependent child or children, the 66 2/3% survivor pension, if applicable, is split among the eligible dependent children and payable until the child or children reach age 18.

If the child is disabled beyond age 18, the pension continues until cessation of the disability. If the child continues full-time education beyond age 18, the pension will continue until the child has either completed seven years of continuous education (uninterrupted since age 18 or the date of death of the employee, whichever occurred later) at a post-secondary educational institution or ceased full-time attendance at a secondary school or post-secondary educational institution, whichever occurs first.

If there are Eligible Dependent Children but No Eligible Spouse

If the employee had less than 10 years of continuous employment, the same benefits as described in the section “If There is No Eligible Spouse or Eligible Dependent Children” above are payable.

If the employee had at least 10 years of continuous employment, the same survivor benefit is payable to the eligible dependent children as described under the section “If an Eligible Spouse is Survived by Eligible Dependent Children” above. In addition, the difference between the commuted value of the pension earned after 1986 and the commuted value of the dependent children’s pension earned after 1986 is payable to the estate or the designated beneficiary.

POST-RETIREMENT DEATH BENEFITS
SECTION 11.0

If there is an Eligible Spouse or Eligible Dependent Children at the Time of Retirement

After the retired employee's death, his/her eligible spouse will receive 66 2/3% of the retired employee's pension entitlement excluding any level income amounts the employee has previously elected.

If either the spouse is survived by a dependent child or children or, the retired employee has no eligible spouse and is survived by a dependent child or children, the 66 2/3% survivor pension is split among the eligible dependent children and payable until the child reaches at least age 18. If the child is disabled beyond age 18, the pension continues until cessation of the disability. If the child continues full-time education beyond age 18, the pension will continue until the child has either completed seven years of continuous education (uninterrupted since age 18 or the date of the retired employee's death, whichever occurred later) at a post-secondary educational institution or ceased full-time attendance at a secondary school or post-secondary educational institution, whichever occurs first.

If the employee wishes, the contingent annuitant option (see below) may be used to provide a 100% survivor pension.

If there is No Eligible Spouse or Eligible Dependent Children at the Time of Retirement

Such an employee can select one of the following options prior to retirement:

- **Five-year Guarantee Option**

  If the retired employee dies before having received his/her pension for at least five years, the balance will be paid to the beneficiary or estate.

- **Life Annuity Option**

  An employee receives a slightly increased pension payable for life with value equivalent to the five-year guarantee pension option. There are no beneficiary benefits payable under this option.

- **Contingent Annuitant Option**

  Under this option, an employee may provide a survivor's pension to a separated spouse, or former spouse, after his/her death. The employee may receive an actuarially reduced pension so that the value of the pension paid to the retired employee and survivor is equivalent to the 66 2/3% pension option. The contingent annuitant can receive a 30%, 50%, 66-2/3%, or 100% pension.

- **Marriage After Retirement**

  Employees, who, after retirement, marry or enter into a common-law relationship which meets the definition of an eligible spouse, may elect to have their pension actuarially reduced in order to provide a survivor's pension for their eligible spouse. The amount of reduction will depend on both the pensioner's and the spouse's ages, and such election is subject to satisfactory evidence of good health of the pensioner at the time of the request.

LEAVE OF ABSENCE
SECTION 12.0

If an employee is granted a leave of absence with pay, he or she continues to pay employee contributions and the pension credit accumulates accordingly subject to limits prescribed by the ITA.

If an employee is granted a leave of absence without pay for medical reasons, and does not subsequently receive benefits under the Long Term Disability (LTD) Plan, the employee's pension contributions are suspended and pension credit does not accrue for the period of absence. If, upon termination of the leave of absence, the employee chooses to make up the contributions which were not made during the period of absence, he or she will receive credit for pensionable service for the period of absence subject to limits prescribed by the ITA.

If an employee is granted a leave of absence without pay for medical reasons and subsequently receives benefits under the LTD Plan, the employee does not contribute to the Plan but the pension credit continues to accumulate.

If an employee is granted leave of absence without pay for other than medical reasons, any make-up of contributions or any other greater amount as determined by Kinectrics to establish pensionable service for the period of absence requires Kinectrics prior approval subject to limits prescribed by the ITA.

Employees granted pregnancy or parental leave must advise Kinectrics in writing prior to the commencement of the leave as to whether or not they wish to make pension contributions prior to or upon termination of the leave of absence. Should they choose not to make pension contributions prior to the leave of absence; they have up to 12 months following return to active employment to choose to pay the required amount in a lump sum to the Plan.

TERMINATION OF EMPLOYMENT
SECTION 13.0

An employee who has been a Plan member will receive a formal statement of his/her rights and benefits under the Plan upon termination of employment. The specific options available depend on the employee's age, length of Plan membership, and length of continuous employment. The following principles form the basis for all the options:

Locking In

- An employee is immediately locked-in to the pension earned under the Plan once they commence participation in the Plan, subject to the Termination Options set out below.

Commuted Value Transfer

- An employee who is not entitled to an immediate pension, may transfer the commuted value of such pension to:
  - The pension fund related to another pension plan if the other plan provides for such payment, or
  - A registered retirement savings plan established under the ITA and subject to restrictions prescribed by the PBA,
- Financial institutions receiving such commuted value transfers must agree to administer the funds in accordance with the requirements prescribed by the regulations made under the PBA.
- Employees may elect commuted value transfers of locked-in pensions only during the 60 days immediately following the termination date or the date the pension option statement is prepared, whichever is later.

Excess Contributions

- Excess contributions may be payable in addition to the options set out below.

13.1 Termination Options

A summary of the options available to an employee, depending upon years of continuous employment and Plan membership, is set out below:

1. On commencing Plan membership:

- Defer 100% of the earned pension.

2. On completing less than 10 years of Plan membership, where an employee is not entitled to commence an immediate pension:

a) Pension in Respect of Pre-1987 Employment

- Defer 100% of the earned pension.

b) Pension in Respect of Post-1986 Employment

- Defer 100% of the earned pension, or
- Transfer the commuted value of 100% of the earned pension on a locked-in basis.

3. On or after completing 10 years of Plan membership, where an employee is not entitled to commence an immediate pension:

a) Pension in Respect of Pre-1987 Employment:

- Defer 100% of the earned pension, or
- Defer 75% of the earned pension for the 1965-1986 service plus receive a refund of 25% of the commuted value of the earned pension for the 1965-1986 service, or
- Transfer 75% of the commuted value of the earned pension on a locked-in basis plus receive a refund of 25% of the commuted value of the earned pension.

b) Pension in Respect of Post-1986 Employment:

- Defer 100% of the earned pension, or
- Transfer 100% of the commuted value of the earned pension on a locked-in basis.

4. On or after completing 10 years of continuous employment, where an employee is entitled to commence an immediate pension.

a) Pension in Respect of Pre-1987 Employment

- Defer 100% of the earned pension,
- Defer 75% of the earned pension plus receive a refund of 25% of the commuted value of the earned pension, or
- Transfer 75% of the commuted value of the earned pension on a locked-in basis plus receive a refund of 25% of the commuted value of the earned pension.

b) Pension in Respect of Post-1986 Employment

- Defer 100% of the earned pension.

5. Grow-in Rights

A member whose employment is terminated involuntarily on or after July 1, 2012, and whose age plus continuous employment equal at least 55, may be entitled to receive additional early retirement enhancements. This right entitles the eligible plan member to receive the pension beginning on the date on which the member would have been entitled to an enhanced or unreduced pension under the pension plan, if his or her employment or membership had continued to that date. The amount of the pension is calculated according to the member's actual years of service. Eligibility for and the exact calculation of this benefit will be determined pursuant to section 74 of the Pension Benefits Act.

13.2 Vested Pension Entitlement

Former employees who retain a deferred vested pension entitlement are subject to Plan Rules in effect at the time of termination of employment.

Deferred vested members' pensions are indexed from the first of the month following their date of termination on the same basis as pension payments as described in the section 'Indexing'.

Notes: A former employee who has a deferred vested pension entitlement may apply for an early retirement pension (see 'Early Retirement' section). Subject to grow-in rights, if the former employee does not qualify for undiscounted early retirement and has less than 25 years of continuous employment, the early retirement discounts outlined in this document do not apply and the pension is subject to actuarial reduction.

EXCESS PENSION CONTRIBUTIONS
SECTION 14.0

Employee contributions made after 1986, and the interest on these contributions, cannot be used to provide more than 50 percent of the commuted value of the pension earned after 1986.

Accordingly, at retirement, termination of employment, or death prior to retirement, an employee (or beneficiary) receives a lump-sum payment equal to the amount by which the employee's contributions made after 1986 (including credited interest) exceeds 50 percent of the commuted value of the pension earned after 1986.

REINSTATEMENT IN THE PLAN
(SUBJECT TO LIMITS PRESCRIBED IN THE ITA)
SECTION 15.0

15.1 Re-Employment Within One Year of Termination

If an employee rejoins Kinectrics or a participating employer within one year of leaving, the employee can be reinstated in the Plan provided arrangements are made at the time of again becoming a member.

If the employee elected to leave his or her pension in the Plan on termination of employment, then upon reinstatement in the Plan, the employee's two periods of membership will be combined for the purposes of providing a single pension at retirement. The period between the date of termination and the date of again becoming a member of the Plan is treated the same as a leave of absence without pay for other than medical reasons (see 'Leave of Absence' section).

In the event the member withdrew or transferred his or her pension out of the Plan on termination of employment, he or she may elect to repay that amount into the Plan, with interest, in order for the two periods of membership to be combined, as described above.

15.2 Other Opportunities For Reinstatement

If an employee has previous pensionable service and is rehired and again becomes a member of the Plan, he or she may elect to reinstate all or part of the previous pensionable service. The service reinstated will be included in determining the employee's pensionable service.

This option is available if, on rejoining the Plan, an employee is not eligible or did not elect to have previous pensionable service reinstated under the provision entitled "Re-Employment Within One Year of Termination".

If an employee elects reinstatement within one year of again becoming a member of the Plan, the base earnings on the date of rejoining the Plan are deemed to be the base earnings for the entire period of previous service. Based on this earnings rate, employee contributions are calculated using the contribution rates in effect during the period of previous service. Interest at previous going rates applied to employee contributions is then compounded from the date of rejoining the Plan to the month of payment.

After the employee's first year of eligibility, the calculation described above is based on the employee's base earnings at the time the election to reinstate is made.

Any amount of contributions-plus-interest remaining to the employee's credit in the pension fund in respect of the service being reinstated is then applied to reduce the amount calculated above.

ADDITIONAL VOLUNTARY CONTRIBUTIONS
SECTION 16.0

Up to October 9, 1986, an employee was allowed to make additional voluntary contributions to the pension fund in respect of "eligible past service years." These contributions do not increase years of pensionable service. They are accumulated in the pension fund with credited interest.

16.1 Credited Interest

Interest is compounded annually. The rate is set at the beginning of each year at the arithmetic average of the annualized monthly rates earned by the pension fund on short-term investments for the period July 1st to June 30th immediately preceding the calendar year to which the interest rate is applicable.

16.2 Withdrawal of Additional Voluntary Contributions plus Interest

An employee must withdraw his/her accumulated voluntary contributions plus credited interest from the pension fund upon retirement or termination of employment. Upon an employee's death, the accumulated voluntary contributions with credited interest are paid to the beneficiary or estate.

Additional voluntary contributions plus interest cannot be withdrawn from the Plan under circumstances other than retirement, termination of employment or death.

PURCHASE OF PROBATIONARY SERVICE OR TEMPORARY SERVICE
SECTION 17.0

A period of probationary or temporary service may be purchased as pensionable service under the Plan provided the employee irrevocably elects to purchase the service and makes the required lump sum payment to the Plan within 3 months of completing the period of probationary or temporary service, as applicable. The cost to the employee of purchasing the service can be calculated by multiplying the period of probationary or temporary service expressed as a fraction of a year, by the annual contribution that would be payable based on the employee's base earnings at the time the contributions are actually made to the Plan. Note, the buy-back period must be in complete months of temporary and probationary service, which in total cannot exceed six months.

Note: Certain additional requirements may apply. Please consult the Human Resources Department to obtain further details.

DEFINITIONS
SECTION 18.0

Actual Earnings

For non-regular employees, actual earnings is pay for hours worked. It includes vacation, floaters, sick leave, statutory days and granted days.

Actuarial Reduction

Result of a calculation used to change the amount of monthly pension payments when taken at a different age (prior to normal retirement age), or with different survivor conditions (e.g. contingent annuitant option), but representing the same total value over the expected term of the payments. For example, a pension commencing at age 55 may be a lower monthly amount than one starting at age 65 because a greater number of monthly payments is expected; it is said to be actuarially reduced when the present value is the same.

Base Annual Earnings

To obtain annual base earnings, multiply the base earnings by 52.1786 for a weekly rated employee or by 12 for a monthly rated employee. Note, base earnings do not include any additions to salary, such as overtime, special allowances or relief pay. However, certain bonus earnings may be included in base annual earnings. Please consult the Human Resources Department for specific details.

Beneficiary

A person who, on the death of an employee or pensioner, may become entitled to a benefit under the Plan.

Commuted Value

Amount of money which, if invested today at a given rate of compound interest, is expected to provide a defined benefit commencing at a specified future date.

Continuous Employment

Period during which an employee is continuously employed for purposes of the Plan, such as determining eligibility for early retirement reductions, death benefits and termination benefits.

Continuous Membership

See definition of Pensionable Service.

Deferred Vested Member

An employee who has terminated employment with Kinectrics or a participating employer and who has elected to leave part or all of his/her contributions in the Plan in order to receive part or all of his/her earned pension in the future.

Earned Pension

The amount of pension accrued by an employee from the date of joining the Plan up to a specified date.

Integration Adjustment

Provision in a pension plan for directly reducing a plan benefit in relation to expected benefits under the Canada Pension Plan, the payment of which normally commences at age 65.

Locking In

Requirement under applicable pension benefits legislation that pension contributions made after a certain date cannot be withdrawn by the employee. Also see 'Vesting'.

Pensionable Service

Period of service for which an employee is credited with membership in the Plan for purposes of calculating a retirement pension.

Plan Membership

The duration since an employee became a member of the Plan.

Registered Pension Plan

An employment pension plan accepted for registration for tax purposes under the ITA and for registration under applicable pension benefits legislation.

Registered Retirement Savings Plan (RRSP)

A personal retirement savings plan, defined in the ITA, under which tax is deferred on contributions and investment income until withdrawn.

Vesting

The right of an employee to leave part or all of his/her contributions in the Plan on termination of employment in order to receive part or all of the earned pension in the future.

Year's Maximum Pensionable Earnings (YMPE)

The maximum amount of annual earnings from employment on which Canada Pension Plan contributions and benefits are calculated.

DETAILED PENSION CALCULATION
SECTION 19.0

Example 1

Pension if you retire at age 65. Assume that you are retiring at age 65 on January 1, 2014.

Step 1:
Select the 36 consecutive months of your Plan membership during which the total of your base earnings is highest. This is usually your last 36 months of employment. Divide the total base earnings during this period by three.

You have now calculated your average base annual earnings during the period of highest 36 consecutive months of base earnings. Let us assume they are $78,000 per annum. Similarly, calculate the average base annual earnings during the 60-month period when your base earnings were highest. Let us assume they are $75,000 per annum.

Step 2:
Calculate your average YMPE under the CPP during the same period as your highest 60 consecutive months of base earnings.

The YMPE has been revised upward since the CPP was introduced to compensate for increases in the average industrial wage. During the past ten years, it has been:

Year	YMPE	Year	YMPE	Year	YMPE
		2008	$44,900	2013	$51,100
		2009	$46,300	2014	$52,500
2005	$41,100	2010	$47,200		
2006	$42,100	2011	$48,300		
2007	$43,700	2012	$50,100		

Assume that your annual base earnings were highest during the 60-month period from January 1, 2009 to January 1, 2014. Therefore, your average YMPE during the period is ($46,300 + $47,200 + $48,300 + $50,100 + $51,100)/5 = $ 48,600 per annum.

Step 3:

Calculate your years of pensionable service. Let's assume that you have 35 years of pensionable service. If you elected to continue contributing to the pension after 35 years of service, count your additional years of plan participation.

Step 4:

Calculate your years of pensionable service since January 1, 1966. For this example, all pensionable service is after January 1, 1966.

Step 5:

Finally, substitute each of your calculations in the preceding four steps in the following formula to arrive at your annual life pension payable at age 65:

Basic Pension Calculation:

2 %

times

high-36 average base annual earnings (step 1)

times

years and months of pensionable service (step 3)

minus

Integration Adjustment Calculation:

.5%

times the lesser of high-60 average base annual earnings (step 1), or
high-60 average YMPE (step 2)

times

years and months of pensionable service after January 1, 1966 (step 4)

Using the values obtained in each of the above steps, the pension payable at age 65 is:

(2% x $78,000 x 35) - (0.5% x $48,600 x 35)

= $46,095 per annum

Example 2

Pension if you retire before age 65. Assume that you are retiring at age 60 with 35 years of pensionable service on January 1, 2014.

Although you have opted to retire early (i.e., prior to age 65), the life pension amount will NOT be different from what was calculated in the previous example (base pension less integration amount).

However, assuming you are not receiving CPP disability pension, in addition to the life pension, you will also be eligible for a Bridge Pension amount based on the following formula prior to you reaching age 65 (from January 1, 2014 to December 1, 2018):

Bridge Pension Calculation:

0.625%

times the lesser of

high-60 average base earnings (step 1), or

high-60 average YMPE (step 2)

times

35

times

the lesser of 1, or

years and months of pensionable service (step 3) divided by 30

Using the values obtained in each of the previous steps, the Bridge Pension amount payable up until you reach age 65 is:

0.625% x $48,600 x 35 x minimum (1, 35/30)

= $10,631.25

The Total Pension amount payable until you reach age 65 is therefore equal to:

life pension amount PLUS bridge pension amount

= $46,095.00 + $10,631.25

= $56,726.25 per annum

Note: In this example there is no discount of pension for early retirement. However, you should check the discount factors corresponding to your age and service to see if a discount factor would be applied to reduce the earned pension you have calculated in the above example.