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**BANK OF CANADA**

**SUPPLEMENTARY PENSION ARRANGEMENT**

**(BY-LAW 18)**



This document is a consolidated version of the Bank of Canada Supplementary Pension Arrangement (By-law 18). It incorporates into the text of the Arrangement all amendments made to date since the Arrangement took effect on 1 January 1992. The previous consolidation included amendments which had been published in the *Canada Gazette* on 27 October 2012. This consolidation includes the latest set of amendments which were published in the *Canada Gazette* on 24 October 2015.

October 2015

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## 1.1 INTRODUCTION

The *Arrangement* was amended, effective January 1, 2012 (except where another effective date is specifically provided by the *Arrangement*), to (among other things) reflect sundry changes made to the *Pension Plan*. For greater certainty, these amendments to the *Arrangement* do not apply to the determination of *supplementary pension benefits* or *supplementary pension benefit credits* accrued prior to January 1, 2012, unless otherwise specifically provided by the *Arrangement*.

## 1.2 DEFINITIONS

Unless the context otherwise specifies or requires, all terms contained in this *Arrangement* which are defined in the *Pension Plan* shall for all purposes hereof have the meanings given to such terms in the *Pension Plan*.

Further, in this *Arrangement*,

"*Arrangement*" means the Bank of Canada Supplementary Pension Arrangement as described herein and as may be amended from time to time;

"*deferred*", in relation to a *supplementary pension benefit*, means a *supplementary pension benefit* other than an *immediate supplementary pension benefit*.

"*Early Retirement Program*" means an early retirement program approved by the Board of Directors of the Bank of Canada.

"*immediate*", in relation to a *supplementary pension benefit*, means a *supplementary pension benefit* that is to commence within one month after a *participant*, *participant's spouse* or *dependant* is entitled to it.

"*interest*" has the meaning assigned by subsection 4.2 of the *Pension Plan* which shall apply equally to the computation, accrual, rate and crediting of *interest* in respect of a *participant's net supplementary contribution account* and *net RCA account* under this *Arrangement*.

"*net RCA account*" has the meaning assigned by paragraph 11.1.5;

"*net supplementary contribution account*" has the meaning assigned by subsection 4.1;

"*participant*" means a *member* of the *Pension Plan* who has become a participant of this *Arrangement* pursuant to Section Two;

"*Pension Plan*" means the Bank of Canada Pension Plan as may be amended from time to time;

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"RCA" means the portion of this *Arrangement* comprising the *Supplementary Trust Fund* which constitutes a retirement compensation arrangement for the purpose of the *Income Tax Act* as provided in paragraph 11.1.2;

"*supplementary pension benefit*" means a periodic amount to which a *participant* or the *participant's spouse* or *dependant* is or may become entitled under this *Arrangement*;

"*supplementary pension benefit credit*" means the aggregate value at the date of calculation of a person's *supplementary pension benefit* and other benefits under this *Arrangement* determined pursuant to subsection 13.5, but not less than the sum of the *participant's net supplementary contribution account* and accrued *interest* up to the beginning of the month that includes the date of calculation;

"*Supplementary Trust Fund*" means the fund established for the purposes of this *Arrangement*;

"*refundable tax*" has the meaning assigned in Part XI.3 of the *Income Tax Act* in respect of the *RCA*;

"*Trustees*" means the persons or person (including a trust company) appointed by the *Bank* to act as *Trustees* of the *Supplementary Trust Fund* and holding office as such from time to time pursuant to the terms of the agreement entered into between the *Bank* and the *Trustees* as provided in subsection 11.1 hereof.

## SECTION TWO PARTICIPATION

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### 2.1 ELIGIBILITY

#### 2.1.1 Maximum Pension

Any person who is or becomes a *member* of the *Pension Plan* on or after January 1, 1992 other than a *member* whose right to a benefit exists solely by virtue of a period of *pensionable service* prior to January 1, 1992 shall become a *participant* of this *Arrangement* on the later of January 1, 1992 and the date that is the earlier of the date

- (a) such person's contributions pursuant to paragraph 3.2.1 and paragraph 17.2.1 of the *Pension Plan* become restricted by the limitation set out in subparagraph 3.2.3(a) of the *Pension Plan*, and
- (b) such person's pension benefit under the *Pension Plan* becomes restricted by Section Nine of the *Pension Plan*.

Further, any person who is an *active member* of the *Pension Plan* on or after January 1, 1992, and as a consequence of such *member's* death a *pension benefit* becomes payable to such *member's spouse* or *dependants* pursuant to subsection 7.1 of the *Pension Plan* after 1991, which *pension benefit* is restricted by the limitation in respect of the *Year's Maximum Pensionable Earnings* set out in subclause 7.1.2(a)B of the *Pension Plan*, shall unless already a *participant* of this *Arrangement* pursuant to (a) or (b) above, be deemed to be a *participant* of this *Arrangement* on the day immediately prior to such person's date of death.

#### 2.1.2 Early Retirement Program

Any person who retires under the *Early Retirement Program* shall, unless already a *participant* of this *Arrangement* pursuant to paragraph 2.1.1, become a *participant* of this *Arrangement* upon such retirement if the member's *lifetime pension benefit* and *bridge pension benefit* determined pursuant to such *Early Retirement Program* exceed the actual *lifetime pension benefit* and *bridge pension benefit* payable from the *Pension Plan*.

#### 2.1.3 Enhanced Benefits Program

Any person in respect of whom a contribution is made by the Bank as described in Section 14 shall, unless already a *participant* of this *Arrangement* pursuant to paragraph 2.1.1, become a *participant* of this *Arrangement*.



**3.1 PARTICIPANT REQUIRED CONTRIBUTIONS****3.1.1 Current Service**

Each *participant* who is required to contribute pursuant to paragraph 3.2.1 or paragraph 17.2.1 of the *Pension Plan* and who is restricted, on and after January 1, 1992, by the limitation set out in subparagraph 3.2.3(a) of the *Pension Plan*, is required to contribute to this *Arrangement*, by deduction from *salary*, the excess of

- (a) the *member* current service contribution calculated pursuant to paragraph 3.2.1 or paragraph 17.2.1 of the *Pension Plan*

over

- (b) the maximum *member* current service contribution calculated pursuant to subparagraph 3.2.3(a) of the *Pension Plan*.

**3.1.2 Past Service**

A *participant* who is required to contribute pursuant to paragraph 3.2.2 or paragraph 17.2.2 of the *Pension Plan* in respect of the *member's* prior *pensionable service* shall contribute under this *Arrangement* to the *Supplementary Trust Fund* such amounts, if any, as shall be determined by the *Bank* on a basis that is reasonably consistent with the basis used to determine *member* past service contributions pursuant to paragraph 3.2.2 or paragraph 17.2.2 of the *Pension Plan*.

**3.2 NO WITHDRAWAL OF PARTICIPANT CONTRIBUTIONS**

A *participant* who is an *active member* of the *Pension Plan* shall not withdraw any part of the *participant's net supplementary contribution account*, except in the event of the termination of the *Arrangement*.

**3.3 EMPLOYER CONTRIBUTIONS**

The *Bank* shall make contributions to the *Arrangement* at least equal to the *participant's* required contributions made pursuant to subsection 3.1.

## SECTION FOUR PARTICIPANT'S SUPPLEMENTARY CONTRIBUTION ACCOUNT

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### 4.1 NET SUPPLEMENTARY CONTRIBUTION ACCOUNT

The *net supplementary contribution account* of a *participant* at any time is equal to the sum of

- (a) all contributions made to the *Arrangement* by the *participant*, and
- (b) *interest* on the outstanding positive balance of the *participant's net supplementary contribution account* from time to time

less the sum of

- (c) all payments under the *Arrangement* that are in respect of the *pensionable service* of the *participant*, whether single or periodic amounts, and
- (d) *interest* on the outstanding negative balance of the *participant's net supplementary contribution account* from time to time.

**5.1 RETIREMENT AT, AFTER OR BEFORE PENSIONABLE AGE**

A *participant* who elects to retire pursuant to the provisions of paragraph 5.1.1, 5.2.1 or 5.3.1 of the *Pension Plan* will be entitled upon such retirement to an *immediate supplementary pension benefit* under this *Arrangement* equal to the excess of

- (a) the *lifetime pension benefit* and *bridge pension benefit* (if any) determined pursuant to subsection 5.1, 5.2, 5.3 or 17.3 of the *Pension Plan*, as applicable, but in the case of a member who is entitled to become a *participant* pursuant to paragraph 2.1.1 of this *Arrangement*, without the limits imposed thereon by Section Nine of the *Pension Plan*,

over

- (b) the actual *lifetime pension benefit* and *bridge pension benefit* (if any) payable from the *Pension Plan*.

Any *supplementary pension benefit* payable under this Section Five shall be paid at such times and in the same manner as is provided for payment of *pension benefits* from the *Pension Plan*.

If any such *participant* retires under the *Early Retirement Program* then the reference to subsection 5.3 of the *Pension Plan* in this subsection 5.1 shall be read as "the *Early Retirement Program* and subsection 5.3 of the *Pension Plan*."

**SECTION SIX      BENEFITS ON TERMINATION OF EMPLOYMENT FOR ANY  
REASON OTHER THAN RETIREMENT OR DEATH**

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**6.1      DEFERRED SUPPLEMENTARY PENSION BENEFIT**

**6.1.1      Eligibility**

A *participant* who upon termination of employment with the *Bank* becomes entitled to a *deferred pension benefit* pursuant to subsection 6.1 of the *Pension Plan* will be entitled under the *Arrangement* to a *deferred supplementary pension benefit* computed according to paragraph 6.1.2 and payable at *pensionable age*.

**6.1.2      Amount of Supplementary Pension Benefits**

The annual *deferred supplementary pension benefit* to which a *participant* is entitled pursuant to paragraph 6.1.1 shall equal the excess of

- (a)      the *deferred lifetime pension benefit* and *deferred bridge pension benefit* (if any) determined pursuant to paragraph 6.1.2 of the *Pension Plan* but without the limits imposed thereon by Section Nine of the *Pension Plan*,

over

- (b)      the actual *deferred lifetime pension benefit* and *deferred bridge pension benefit* (if any) payable from the *Pension Plan*.

**6.1.3      Early Commencement**

An election under paragraph 6.1.3 of the *Pension Plan* applies to the payment of the *participant's deferred supplementary pension benefit* under the *Arrangement* and the *deferred supplementary pension benefit* under the *Arrangement* shall be adjusted for such earlier payment on the same basis as the *deferred pension benefit* is adjusted under the *Pension Plan*.

**6.2      PAYMENT OF SUPPLEMENTARY PENSION BENEFIT CREDIT  
OR REFUND**

**6.2.1      Payment of Supplementary Pension Benefit Credit**

Any *participant* entitled to a *deferred supplementary pension benefit* pursuant to subsection 6.1 may, in conjunction with a transfer of the *pension benefit credit* from the *Pension Plan* pursuant to paragraph 6.2.1, 6.2.2 or 6.2.4 of the *Pension Plan* or with a withdrawal of the *pension benefit credit* from the *Pension Plan* pursuant to subsection 11.3, elect, in lieu of the benefits otherwise payable, to receive the *supplementary pension benefit credit* from the *Arrangement* in a lump sum.

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## 6.2.2 Refund

Effective July 1, 2011, any *participant* entitled to a *deferred supplementary pension benefit* pursuant to subsection 6.1 may elect, in lieu of the benefits otherwise payable and in conjunction with an election to receive a single payment from the *Pension Plan* in respect of all or a portion of the *participant's pensionable service* pursuant to subsection 6.3 of the *Pension Plan*, to receive a single payment from the *Arrangement* equal to the *participant's supplementary pension benefit credit* in respect of the same period of *pensionable service* and accrued *interest* up to the beginning of the month in which such payment is made.

## 6.2.3 Residual Payment

A *participant* for whom no *supplementary pension benefit* is payable pursuant to the calculation of a *deferred supplementary pension benefit* under paragraph 6.1.2 and who

- (a) transfers the *pension benefit credit* under paragraph 6.2.1, 6.2.2 or 6.2.4 of the *Pension Plan*,
- (b) makes an election under paragraph 6.3.1 of the *Pension Plan*,
- (c) receives the *pension benefit credit* in a lump sum under subsection 10.2 of the *Pension Plan*, or
- (d) makes an election under subsection 11.3 of the *Pension Plan*

shall receive in a lump sum an amount equal to the aggregate of

- (e) the *participant's net supplementary contribution account* under this *Arrangement*,
- (f) less the amount of any negative balance in the *participant's net contribution account* under the *Pension Plan* after the transfer or payment of the *participant's* benefits thereunder,
- (g) plus accrued *interest* on the resulting amount up to the beginning of the month in which payment is made.

## 6.3 UNPAID LEAVE

A *participant* who is deemed to have terminated employment with the *Bank* pursuant to subsection 6.5 of the *Pension Plan* shall be deemed to have terminated such employment for the purposes of this *Arrangement*.

**7.1 PRE-RETIREMENT SURVIVOR BENEFITS**

Subject to applicable legislation regarding beneficiary designations, upon the death of a *participant* prior to the date the *participant retires*, the *spouse* and each *dependant* of the *participant* who receives an *immediate pension benefit* or transfer of a *pension benefit credit* pursuant to subsection 7.1 of the *Pension Plan*, shall receive under the *Arrangement* a *supplementary pension benefit* or *supplementary pension benefit credit*, as applicable, equal to the excess of

- (a) the *pension benefit* or *pension benefit credit*, as applicable, calculated pursuant to subsection 7.1 or paragraph 17.4.1 of the *Pension Plan* but without the limits imposed thereon by Section Nine of the *Pension Plan* and without reference to the limitation in subclause 7.1.2(a)B of the *Pension Plan* in respect of the *Year's Maximum Pensionable Earnings*,  
  
over
- (b) the actual *pension benefit*, or *pension benefit credit* if applicable, payable from the *Pension Plan*.

The *spouse* may elect, in conjunction with the *spouse's* election to transfer the *member's pension benefit credit* pursuant to paragraph 7.1.4 of the *Pension Plan* and in lieu of the *spouse's lifetime supplementary pension benefit* otherwise payable, to receive the *participant's supplementary pension benefit credit* from the *Arrangement* in a lump sum.

**7.2 POST-RETIREMENT SURVIVOR BENEFITS**

Upon the death of a *participant* subsequent to the date the *participant retires*, the *spouse* and each *dependant* of the *participant* who receives a *pension benefit* pursuant to subsection 7.2 or 7.3 of the *Pension Plan*, shall receive a *supplementary pension benefit* under the *Arrangement* equal to the excess of

- (a) the *pension benefit*, calculated pursuant to subsection 7.2 or 7.3, as applicable, of the *Pension Plan* but, in the case of a member who is entitled to become a *participant* pursuant to paragraph 2.1.1 of this *Arrangement*, without the limits imposed thereon by Section Nine of the *Pension Plan*,  
  
over
- (b) the actual *pension benefit* payable from the *Pension Plan*.

If any such *participant* retires under the *Early Retirement Program* then the reference to subsection 7.2 of the *Pension Plan* in this subsection 7.2 shall be read as "the *Early Retirement Program* and subsection 7.2 of the *Pension Plan*."

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### **7.3 OPTIONAL POST-RETIREMENT SPOUSE'S BENEFITS**

An election under subsection 7.3 of the *Pension Plan* applies to the payment of the *participant's supplementary pension benefit* under the *Arrangement*.

### **7.4 DEEMED RETIREMENT**

A *participant* who is deemed to have retired pursuant to subsection 7.4 of the *Pension Plan* shall be deemed to have retired for the purposes of this *Arrangement*.

### **7.5 RESIDUAL PAYMENT**

#### **7.5.1 For Pre-Retirement Survivor Benefits**

For deaths occurring on or after July 1, 2011, if no *supplementary pension benefit* is payable under subsection 7.1 or if all *supplementary pension benefits* which have been or could have become payable under subsection 7.1 arising out of the *pensionable service* of a deceased *participant* have ceased, a single payment will be paid to the *participant's* estate equal to the aggregate of the *participant's supplementary pension benefit credit* at the time of the *participant's* death, computed as if the *participant* had terminated employment at the *participant's* date of death and had not died, in respect of all of the *participant's pensionable service* under the *Pension Plan* which includes, for greater certainty, *pensionable service* prior to 2012 and after 2011, plus accrued *interest* on the resulting amount up to the beginning of the month in which such payment is made and net of the aggregate value of all payments under subsection 7.1. In no event shall this aggregate be less than the *participant's net supplementary contribution account*, less the amount of any negative balance in the *participant's net contribution account* under the *Pension Plan*.

#### **7.5.2 For Post-Retirement Survivor Benefits**

- (a) If the *participant* is not a *grandfathered member* and no *supplementary pension benefit* is payable or if all *supplementary pension benefits* which have been or could have become payable have ceased, in each case under subsection 7.2, a single payment will be paid to the *participant's* estate equal to
  - (i) if the *participant* dies after 60 monthly payments of the *supplementary pension benefits* have been made, the aggregate of the *participant's net supplementary*

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*contribution account*, if positive, less the amount of any negative balance in the *participant's net contribution account* under the *Pension Plan*, in respect of all of the *participant's pensionable service* under the *Pension Plan* which includes, for greater certainty, *pensionable service* prior to 2012 and after 2011, plus accrued *interest* on the resulting amount up to the beginning of the month in which such payment is made; or

- (ii) if the *participant* dies before 60 monthly payments of the *supplementary pension benefits* have been made, the sum of
  - (A) the aggregate of the *participant's net supplementary contribution account*, if positive, less the amount of any negative balance in the *participant's net contribution account* under the *Pension Plan*, in respect of the *participant's pensionable service* under the *Pension Plan* prior to 2012 (other than *pensionable service* bought back by the *participant* after 2011 under paragraph 3.2.2 of the *Pension Plan*, irrespective of whether the *pensionable service* is before or after January 1, 2012), plus accrued *interest* on the resulting amount up to the beginning of the month in which such payment is made; and
  - (B) the greater of
    - (1) the aggregate of the *participant's net supplementary contribution account*, if positive, less the amount of any negative balance in the *participant's net contribution account* under the *Pension Plan*, in respect of the *participant's pensionable service* under the *Pension Plan* after 2011 (and in respect of *pensionable service* bought back by the *participant* after 2011 under paragraph 3.2.2 of the *Pension Plan*, irrespective of whether the *pensionable service* is before or after January 1, 2012), plus accrued *interest* on the resulting amount up to the



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beginning of the month in which each payment is made; and

- (2) the present value of the remainder of the 60 monthly payments of the *supplementary pension benefits*, in respect of the *participant's pensionable service* under the *Pension Plan* after 2011 (and in respect of *pensionable service* bought back by the *participant* after 2011 under paragraph 3.2.2 of the *Pension Plan*, irrespective of whether the *pensionable service* is before or after January 1, 2012), which are not yet paid.
- (b) If the *participant* is a *grandfathered member*, if no *supplementary pension benefit* is payable under subsection 7.2 or if all *supplementary pension benefits* which have been or could have become payable under subsection 7.2 arising out of the *pensionable service* of a deceased *participant* have ceased, a single payment will be paid to the *participant's* estate equal to the aggregate of the *participant's net supplementary contribution account*, if positive, less the amount of any negative balance in the *participant's net contribution account* under the *Pension Plan*, in respect of all of the *participant's pensionable service* under the *Pension Plan* which includes, for greater certainty, *pensionable service* prior to 2012 and after 2011, plus accrued *interest* on the resulting amount up to the beginning of the month in which such payment is made. For greater certainty, if the *participant* is a *grandfathered member* by virtue only of his or her becoming Governor or Senior Deputy Governor of the *Bank* after 2011, this clause 7.5.2(b) applies only to the *participant's pensionable service* under the *Pension Plan* as Governor or Senior Deputy Governor of the *Bank*.

## SECTION EIGHT ADJUSTMENT OF SUPPLEMENTARY PENSION BENEFITS

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8. The *supplementary pension benefit* payable as a result of the retirement, termination of employment or death of a *participant*, all as provided pursuant to Sections Five, Six or Seven of the *Arrangement* shall be adjusted on the same basis and at the same times as the *pension benefits* payable under Sections Five, Six or Seven and/or Seventeen of the *Pension Plan* are adjusted under Section Eight of the *Pension Plan*.

## SECTION NINE PAYMENT OF SUPPLEMENTARY PENSION BENEFITS

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### 9.1 SUPPLEMENTARY PENSION BENEFITS IN MONTHLY INSTALMENTS

The provisions of subsection 10.1 of the *Pension Plan* apply to the payment of *supplementary pension benefits* under this *Arrangement*.

### 9.2 COMMUTATION OF SMALL PENSIONS

If the annual *supplementary lifetime pension benefit* of a *participant* or a deceased *participant*, as applicable, is less than two percent of the *Year's Maximum Pensionable Earnings* for the calendar year in which the *participant* ceases to be an *active member* and

- (a) The *participant* transfers or withdraws the *pension benefit* or the *pension benefit credit* under paragraph 6.2.1, 6.2.2, 6.2.4 or subsection 11.3 of the *Pension Plan*, or
- (b) the *participant* makes an election under paragraph 6.3.1 of the *Pension Plan*, or
- (c) the *spouse* of a deceased *participant* elects to transfer the *pension benefit credit* under paragraph 7.1.4 of the *Pension Plan*, or
- (d) the *participant* or the *spouse* or *dependants* of a deceased *participant*, as applicable, receive the *pension benefit credit* in a lump sum under subsection 10.2 of the *Pension Plan*,

such *participant*, *spouse* or *dependants*, as applicable, shall receive, in lieu of any other benefits under the *Arrangement*, the *participant's supplementary pension benefit credit* from the *Arrangement* in a lump sum as a result of an event described in (a), (c) or (d) above, subject to applicable legislation regarding beneficiary designations.

## SECTION TEN      ASSIGNMENT OF BENEFITS

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### 10.1    ASSIGNMENT OF RIGHTS

The provisions of subsection 11.1 of the *Pension Plan* apply to this *Arrangement*.

### 10.2    MARRIAGE BREAKDOWN

Notwithstanding any other provision of this *Arrangement*, where all or a portion of a *participant's* entitlement under the *Pension Plan* has been assigned to his or her *spouse* or former *spouse* in accordance with paragraph 11.2.2 of the *Pension Plan*, the *participant's* entitlement under the *Arrangement* shall be determined as if no such assignment had occurred in the *Pension Plan*. For greater clarity, benefits accrued under the *Arrangement* are not subject to assignment on marriage breakdown regardless of the treatment of benefits accrued under the *Pension Plan*.

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**11.1 SUPPLEMENTARY TRUST FUND****11.1.1 Trust Agreement**

The *Bank* shall enter into an agreement with the *Trustees* which shall set out the rights and responsibilities of the *Trustees* and the terms and conditions under which the *Trustees* are to hold and administer the *Supplementary Trust Fund*.

The *Bank* will determine the form and terms of the agreement and may modify its terms at such time or times as may be necessary to accomplish the purposes of the *RCA*, and will be responsible for the selection of the *Trustees* and may appoint successor or further *Trustees*, including a trust company, as in its sole discretion, may be necessary or desirable for the purposes of the *RCA*.

**11.1.2 Income Tax Matters**

That part of this *Arrangement* comprising the *Supplementary Trust Fund* is intended to constitute a retirement compensation arrangement for the purpose of the *Income Tax Act*, and the *Trustees* shall act as the "custodian" of the *RCA* within the meaning of that term in the *Income Tax Act*.

The right to a refund of amounts in the *refundable tax* account maintained by Revenue Canada Taxation in respect of the *Supplementary Trust Fund* shall constitute an asset of the *Supplementary Trust Fund*.

**11.1.3 Compliance**

In connection with the *Supplementary Trust Fund*, the *Trustees* shall timely perform the withholding, remitting and reporting obligations in respect of retirement compensation arrangements imposed on custodians under the *Income Tax Act*.

**11.1.4 Payments into and out of Supplementary Trust Fund**

*Participant* current service contributions pursuant to paragraph 3.1.1, *participant* past service contributions pursuant to paragraph 3.1.2 which are tax deductible pursuant to the *Income Tax Act* and *Bank* contributions pursuant to subsection 3.3, all net of the *refundable tax*, shall be paid by the *Bank* into the *Supplementary Trust Fund* in accordance with procedures established by the *Bank*.

The *Trustees* shall have no responsibility for the collection of contributions required to be made into the *Supplementary Trust Fund*.

The *Bank* shall direct the *Trustees* to pay from the *Supplementary Trust Fund* to the *Bank* as their disbursing agent such amounts as are required to pay

- (a) the benefits payable under the *Arrangement* in respect of any *participant* not exceeding the aggregate of

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- (i) the positive balance of the *participant's net RCA account* determined pursuant to paragraph 11.1.5 and
  - (ii) the amount, if any, by which the assets of the *Supplementary Trust Fund* exceed the aggregate of the positive balances of the *net RCA accounts* of all of the *participants*,
- (b) all reasonable expenses incurred in the operation of the *Supplementary Trust Fund* (unless payment of such expenses is assumed by the *Bank*), and
  - (c) taxes payable under the *Arrangement*.

#### **11.1.5 Net RCA Account**

The *net RCA account* of a *participant* at any time is equal to the sum of

- (a) all contributions made to the *Arrangement* by the *participant*, except any contribution made directly to the *Bank* pursuant to paragraph 3.1.2,
- (b) all minimum contributions pursuant to subsection 3.3 made to the *Arrangement* by the *Bank* in respect of the *participant*, and
- (c) *interest* on the outstanding positive balance of the *participant's net RCA account* from time to time

less the sum of

- (d) all payments that are made from the *Supplementary Trust Fund* under the *Arrangement* that are in respect of the *pensionable service* of the *participant*, whether single or periodic amounts, and
- (e) *interest* on the outstanding negative balance of the *participant's net RCA account* from time to time.

#### **11.1.6 Residual Payment to the Bank**

In the event a positive balance remains in a *participant's net RCA account* following

- (a) payment of all *supplementary pension benefits*, if any, which have been or could have become payable under the *Arrangement* in respect of the *participant*, and
- (b) payment of the residual amount, if any, in respect of the *participant* as provided in paragraph 6.2.3 or subsection 7.5, as applicable,

such balance will be paid from the *Supplementary Trust Fund* to the *Bank* at the *Bank's* direction.

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## **11.2 BENEFIT PAYMENTS BY THE BANK**

The *Bank* shall pay any benefits which become payable under the *Arrangement* and which are not paid from the *Supplementary Trust Fund*.

**12.1 RIGHT TO AMEND OR TERMINATE**

While the *Bank* intends to continue the *Arrangement* indefinitely, it necessarily must and does reserve the right to amend or terminate the *Arrangement*, in whole or in part, should future conditions, in the opinion of the *Bank*, warrant such action.

The termination of the *Arrangement*, either in whole or in part, constitutes an amendment to the *Arrangement*.

**12.2 NO REDUCTION IN BENEFITS**

No amendment or termination of the *Arrangement*, either in whole or in part, shall have the effect of reducing

- (a) *supplementary pension benefits* accrued prior to the date of such amendment, or
- (b) *supplementary pension benefit credits* relating to *supplementary pension benefits* accrued prior to the date of amendment

except, where reductions in *pension benefits* or *pension benefit credits* are made to the *Pension Plan*, comparable reductions shall be made to this *Arrangement*.

**12.3 RESIDUAL PAYMENTS ON TERMINATION**

If the *Arrangement* is terminated, any balance remaining in the *Supplementary Trust Fund* following payment of all *supplementary pension benefits*, if any, which have been or could have become payable under the *Arrangement* in respect of each *participant* including the payment of the residual amount, if any, in respect of a *participant*, as provided in paragraph 6.2.3 or subsection 7.5, as applicable, will be paid to the *Bank* at the *Bank's* direction.



**13.1 ADMINISTRATION**

**13.1.1 Duties and Responsibilities of the Bank**

The *Bank* shall

- (a) conclusively decide all matters relating to the interpretation and application of the *Arrangement's* provisions,
- (b) provide for the keeping of records necessary for the administration of the *Arrangement*, and
- (c) perform any other act required of it according to the *Arrangement* or as *prescribed*.

**13.1.2 Compliance**

The *Bank* shall, upon establishing the *Supplementary Trust Fund*, apply for an "RCA Account Number" with Revenue Canada Taxation for purposes of remitting the *refundable tax* withheld from contributions to the *Supplementary Trust Fund*. In connection with the *Supplementary Trust Fund*, the *Bank* shall timely perform the withholding, remitting and reporting obligations in respect of retirement compensation arrangements imposed on employers under the *Income Tax Act*.

**13.2 INFORMATION TO PARTICIPANTS**

The *Bank* will provide to *participants* and their *spouses* such written information with respect to the provisions of the *Arrangement*, written statements of benefit entitlements under the *Arrangement* and access to the documents that comprise the *Arrangement* as are provided to such persons with respect to the *Pension Plan*.

**13.3 PROVISION FOR REGULATIONS**

The *Board* may make such regulations as it deems necessary to give effect to the provisions of the *Arrangement*, and such regulations shall be deemed to constitute part of the *Arrangement*.

**13.4 INCAPACITY TO RECEIVE A BENEFIT**

If, for any reason, an individual entitled to the payment of a benefit under the *Arrangement* is unable to give a valid receipt, payment of the benefit shall be made to the person having legal care or custody of the individual. Payment of the benefit pursuant to this subsection shall constitute a complete discharge of the payment under the *Arrangement*.

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### **13.5 DETERMINATION OF AMOUNTS**

Except as specifically provided for under the *Arrangement*, amounts determined in connection with the administration of the *Arrangement* shall be determined on a basis consistent with the determination of amounts under the *Pension Plan*.

Actuarial factors used to calculate *supplementary pension benefit credits* and other entitlements under the *Arrangement* shall be determined as if such *supplementary pension benefits* and other entitlements are provided under the *Pension Plan*.

### **13.6 ALTERNATIVE CALCULATION OF BENEFITS**

Notwithstanding any other provision of this *Arrangement*, for the purposes of calculating the *supplementary pension benefit* payable as a result of the retirement, termination of employment or death of a *participant* as provided pursuant to Section Five, Six or Seven of the *Arrangement*, the percentage set out in paragraph 5.1.2. of the *Pension Plan* shall be read as such higher amount as the Board may determine.

### **13.7 AGREEMENTS WITH OTHER EMPLOYERS**

The *Bank* at the direction of the *Board* may enter into a reciprocal transfer agreement with any reciprocal authority responsible for the administration of a supplementary pension arrangement for the purpose of preserving some or all of the *supplementary pension benefits* to which an individual who transfers from or to employment with the *Bank* is entitled. Such reciprocal transfer agreement shall constitute a part of the *Arrangement*.

Notwithstanding any other provision of this *Arrangement*, where an individual who transfers to employment with the *Bank* from the Government of Canada wishes to preserve some or all of a benefit acquired under the Government of Canada pension plan, and either a reciprocal transfer agreement is not in full force or the *Board* deems a transfer of the individual's benefits under such agreement to be financially disadvantageous to the *Bank*, then, at the *Board's* sole discretion, the individual may enter into arrangements with the *Bank* whereby his or her benefit is left in the Government of Canada pension plan and, for purposes of calculating the *supplementary pension benefit* payable as a result of the retirement, termination of employment or death of a participant as provided pursuant to Sections Five, Six or Seven of the *Arrangement*, an additional *supplementary pension benefit* shall be payable, determined as the amount, if any, by which the total pension which the individual would have received from the *Pension Plan* and *Arrangement* had a pension transfer been effected exceeds the combined pension payable under the Government of Canada pension plan, the *Pension Plan* and the *Arrangement*. For greater certainty, the calculation of an additional *supplementary pension benefit* referred to above shall not result in total benefits for an individual that are in excess of those which would be payable if a transfer of benefits was made under a reciprocal transfer agreement.

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### 13.8 SERVICE WITH PREVIOUS EMPLOYER NOT OTHERWISE ELIGIBLE UNDER PENSION PLAN AND ARRANGEMENT

Notwithstanding any other provision of this *Arrangement*, the *Board* may, at its sole discretion, allow the crediting of *pensionable service* in respect of a *participant* who:

- (a) is the Governor or a Deputy Governor of the *Bank* at the time when the *Board* exercises its discretion to allow the crediting of such *participant's pensionable service*;
- (b) transfers to employment with the *Bank* from a previous employer;
- (c) has to his or her credit a period of employment with the previous employer; and
- (d) is not eligible to count the previous period of employment as *pensionable service* under paragraph 1.2.1 of the *Pension Plan*.

The *Board* shall determine the amount of *pensionable service* to be so credited.

In such situation, notwithstanding any other provision of this *Arrangement*, the following payments shall be payable to that *participant* under this *Arrangement*:

- (e) upon the termination of employment after a minimum of five years of *continuous* employment, retirement or death of that *participant*, in addition to the *supplementary pension benefit* as provided pursuant to Section Five, Six or Seven of this *Arrangement*, a further *supplementary pension benefit* shall be payable, determined as the amount, if any, by which (i) the total pension which the *participant* would have received from the *Pension Plan* and this *Arrangement* had a transfer of such credited *pensionable service* been allowed under subparagraph 1.2.1(d) of the *Pension Plan* exceeds (ii) the total pension which the *participant* would have received from the *Pension Plan* and this *Arrangement* had a transfer of such credited *pensionable service* not been allowed under subparagraph 1.2.1(d) of the *Pension Plan*; or
- (f) upon the termination of employment of that *participant* prior to having completed five years of *continuous* employment, other than by reason of retirement or death, a single payment shall be made from this *Arrangement* equal to the aggregate of the *participant's* contributions in respect of the *pensionable service* credited under this subsection and accrued *interest* up to the beginning of the month in which such payment is made; except that this requirement of having completed five years of *continuous* employment may be waived by the *Bank* at its sole discretion, in which case the further *supplementary pension benefit*, calculated in accordance with (e) above, shall be payable.

For greater certainty, the provisions in this *Arrangement* relating to the calculation, payment, adjustment, portability rights and survivor's entitlement in respect of the *supplementary pension benefit* shall apply to the further *supplementary pension benefit* payable under this subsection, *mutatis mutandis*.

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The *participant* shall be required, in respect of *pensionable service* credited under this subsection, to make contributions to the *Supplementary Trust Fund* in an amount equal to the aggregate of the contributions the *participant* would have been required to make

- (i) pursuant to subclause 3.2.2(d)(ii)B of the *Pension Plan*; and
- (ii) pursuant to paragraph 3.1.2 of this *Arrangement*,

in each case as if all such credited *pensionable service* had been eligible under subclause 3.2.2(d)(ii)B of the *Pension Plan*.

Such contributions shall be deemed to constitute contributions pursuant to paragraph 3.1.2 of this *Arrangement*.

If the aggregate of the contributions made by that *participant* under this subsection and the contributions made by the *Bank* in respect thereof is less than the contributions required to fund the further *supplementary pension benefit* payable to such *participant* under this subsection, the *Bank* shall make contributions to this *Arrangement* in such amount as required to make up such difference.

### **13.9 NO DUPLICATION**

Nothing in this *Arrangement* shall be construed to provide for *supplementary pension benefits* or *supplementary pension benefit credits*, in duplicate, in respect of a *participant* for the same period of *pensionable service* or *credited service* under the *Pension Plan*.

## SECTION FOURTEEN    ENHANCED PENSION BENEFIT

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### 14.1    DEFINITIONS

In this Section 14:

**"EBP"** means an enhanced benefits program established by the *Bank* which provides for additional *pension benefits* for eligible *participants*;

**"EBP pension benefit"** means the increase in a *participant's supplementary pension benefit* described in subsection 14.3;

**"EBP Salary"** for a *participant* in a particular year means the target salary for the *participant's* job grade, as defined in the *Bank's* applicable salary scales, which may be amended from time to time, in effect on a date in that year determined in accordance with the *EBP*; and

**"Net EBP contribution account"** means the sum of:

- (a) all contributions made to the *Arrangement* in respect of a *participant* pursuant to subsection 14.2, and
- (b) interest on the outstanding positive balance of the *participant's net EBP contribution account* from time to time;  
  
less the sum of:
  - (c) all payments of *EBP pension benefit* under the *Arrangement* that are in respect of the *participant*, whether single or periodic amounts, and
  - (d) interest on the outstanding negative balance of the *participant's net EBP contribution account* from time to time.

### 14.2    EBP CONTRIBUTION

In addition to the contributions made by the *Bank* under subsection 3.3, the *Bank* shall make contributions to the *Arrangement* in respect of a *participant* equal to the amount, if any, designated by the *participant* in accordance with the *EBP*.

### 14.3    AMOUNT OF EBP PENSION BENEFIT

For each year for which the *Bank* makes a contribution in respect of a *participant* under subsection 14.2, the *participant's supplementary pension benefit* if any, before adjustments under this *Arrangement*, will be increased by an amount equal to .08 per cent of the *participant's* highest average salary for each 1 per cent of the *participant's EBP salary* contributed by the *Bank* for that year, prorated for partial percentages.

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#### **14.4 NET SUPPLEMENTARY CONTRIBUTION ACCOUNT**

Notwithstanding the provisions of subsection 4.1, the *net supplementary contribution account* of a *participant* at any time is equal to the *participant's net EBP contribution account* plus the positive balance, if any, in the *participant's net supplementary contribution account* determined under subsection 4.1.

#### **14.5 EXCEPTIONS**

Notwithstanding the provisions of subsection 14.4:

- (a) for the purposes of determining the single payment under paragraph 6.2.3 and subsection 7.5, the negative balance in the *participant's net contribution account* under the *Pension Plan* will be subtracted only from that portion of the *net supplementary contribution account* determined under subsection 4.1; and
- (b) that part of the *supplementary pension benefit* or *supplementary pension benefit credit* payable under subsection 7.1 that is attributable to the increase in the *supplementary pension benefit* under subsection 14.3 shall be calculated without reference to subclause 7.1.2 (a)B of the *Pension Plan*.

**15.1 INTRODUCTION**

The Bank of Canada has outsourced to EDS Canada Inc. (EDS) the Retail Debt Operations (RDO) while retaining overall responsibility for the retail debt function. Each *affected member* will cease to accrue *credited service* under the *Pension Plan* from the *affected member's designated transfer date* onward, but will still retain *pension benefit* rights under the *Pension Plan* and *supplementary pension benefit* rights under this *Arrangement*, if any, for *credited service* prior to this date.

For greater certainty, an *affected member* will remain an *active member* of the *Pension Plan* until the *affected member* ceases employment with EDS, and service with EDS will be included for purposes of determining entitlement to *pension benefits* under the *Pension Plan* and *supplementary pension benefits* under this *Arrangement*, if any.

*Supplementary pension benefits*, *supplementary pension benefit credits*, or any other benefits that an *affected participant* may be entitled to will be payable at the same time and in the same manner as the *affected participant's pension benefits*, *pension benefit credits* or any other benefits are payable under the *Pension Plan*, except as entitlement to such benefits may be modified or clarified in Section 15 of this *Arrangement*. However, any future amendment to provisions of Sections 1 to 14 of this *Arrangement* after the *affected participant's designated transfer date*, including an *Early Retirement Program* approved by the Board of Directors of the Bank of Canada after the *designated transfer date*, shall not apply to the *affected participant* unless explicitly otherwise indicated in such amendment.

**15.2 APPLICATION AND ADDITIONAL DEFINITION**

This Section 15 applies only to *affected participants*. Except as amended by this Section 15, all other provisions in Sections 1 to 14 of this *Arrangement* apply to the *affected participants*, mutatis mutandis. In the event of any inconsistency between any of the provisions in Sections 1 to 14 of this *Arrangement* and the provisions in this Section 15, the provisions in this Section 15 shall prevail.

For the purpose of this Section 15, the term "*affected participant*" means an *affected member* who has become a participant of this *Arrangement* pursuant to Section 2.

**15.3 MODIFICATIONS AND CLARIFICATIONS OF EXISTING PROVISIONS**

With respect to *affected participants*, the following provisions of this *Arrangement* shall be modified or clarified as follows:

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### **15.3.1 General Modifications**

The term "termination of employment" or "termination of employment with the *Bank*", or words of similar effect, shall be replaced by "termination of employment with the *successor employer*". The above modification does not apply to subsection 6.3.

### **15.3.2 Participant Required Contributions**

#### **(a) Current Service**

An *affected participant* is not required nor permitted to contribute to this *Arrangement* on and after the *affected participant's designated transfer date*.

#### **(b) Past Service**

An *affected participant* who is required to contribute pursuant to paragraph 3.2.2 of the *Pension Plan* in respect of such *affected participant's* election prior to the *designated transfer date* shall continue to make contributions (if any) under paragraph 3.1.2 of this *Arrangement* in the manner previously determined, prior to the *designated transfer date*, by the *Bank*.

### **15.3.3 EBP Contribution**

The *Bank* shall not be required nor permitted to make further contributions in respect of an *affected participant* under subsection 14.2 after the *affected participant's designated transfer date*.

## **15.4 AMENDMENTS APPLICABLE TO THE AFFECTED PARTICIPANT**

The amendments to the provisions of paragraph 6.2.1, subparagraph 6.2.3 (a) and paragraph 9.2 (a) shall apply to the *affected participant* who, as of July 1, 2002, has not *retired*, terminated employment with the *successor employer*, or died.