Retirement Plan

Salaried and Unionized Employees

CAE

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Securing Your Future

Your CAE Retirement Plan (the Plan) is a key part of your retirement income. The monthly pension provided by the Plan, along with government pensions and personal savings, will help you secure the standard of living you want after you retire.

This booklet is designed to help you understand how the Plan works and the valuable benefits it provides. While every effort has been made to provide accurate information describing the more significant provisions of the Plan, this booklet is in no way an exhaustive description of the Plan. Details are found in the legislation governing pension plans and in the official Plan text. The documents and information concerning the Plan are available for review upon request. The information shown in this booklet is subject to the applicable legislation and to the official Plan text which will govern in all cases.

The Plan is registered in Québec, however members' rights are established by their province of employment.

Enrolling in the Plan

Eligibility

All permanent full-time employees and part-time employees working more than 20 hours per week are eligible to enroll in the Plan when hired for non-unionized employees and after the probationary period for unionized employees.

Non permanent employees and permanent part-time employees working less than 20 hours per week can enroll in the Plan on the first day of the year after they have fulfilled the following requirements, based on their province of employment:

Province of Employment*	Eligibility Requirements
Québec	– Annual earnings of at least 35% of YMPE; OR – 700 hours worked, in the calendar year immediately preceding membership.
British Columbia Alberta New Brunswick Newfounland and Labrador	– 2 years of continuous service; AND – Annual earnings of at least 35% of YMPE in each of the 2 consecutive calendar years immediately preceding membership.
Saskatchewan Manitoba Ontario Nova Scotia Prince Edward Island	– 2 years of continuous service; AND › Annual earnings of at least 35% of YMPE; OR › 700 hours worked, in each of the 2 consecutive calendar years immediately preceding membership.

* The province of employment is the location of your workplace except in the case of members working on military bases. For these employees, the Plan's applicable legislation is that of the province of Québec.

YMPE stands for yearly maximum pensionable earnings under the Canada Pension Plan or Régime des rentes du Québec. The YMPE is adjusted annually.

• IMPORTANT •

Membership

Membership is voluntary. However, once you become a member of the Plan, you must continue to contribute so long as you are actively employed by CAE.

Contributions

Payroll Contributions

Each member is required to contribute to the Plan, through payroll deductions, an amount equal to:

2.375%	of your pensionable earnings up to the YMPE	+	4%	of your pensionable earnings in excess of the YMPE.

Pensionable earnings represent the base salary excluding overtime and bonuses.

EXAMPLE

Annual contributions based on the current contribution rate and the YMPE of the current year:

– Pensionable Earnings (PE):	$88,000		
– PE up to the YMPE:	$66,600 × 2.375%	=	**$1,582**
– PE in excess of YMPE:	$21,400 × 4%	=	**$856**

Therefore, the **contributions to the Plan** for the current year are: **$1,582 + $856** = $2,438

YMPE stands for the year's maximum pensionable earnings under the Canada Pension Plan or Régime des rentes du Québec. The YMPE is adjusted annually. Please consult the Government of Canada website to obtain the YMPE of the current year.

Employer Contributions

CAE makes whatever contributions are necessary to provide the pension benefits promised under the Plan. These contributions vary from year to year depending on the Plan actuary's calculations. These take into account the assets of the Plan, the investment performance of these assets, the contributions of members and other factors that may be relevant.

Contributions if You Become Disabled

If you become disabled, as certified by a medical practitioner, and are receiving benefits under any long-term disability income insurance sponsored by CAE or under any government sponsored program, you are not required to contribute to the Plan. The period of disability will count towards your total years of credited service and your pension benefits, as if you had worked and contributed to the Plan during that time based on your annual base salary on the date you became disabled.

Contributions if You are on Maternity, Paternity or Parental Leave

If you are on maternity, paternity or parental leave, you may continue contributing to the Plan based on your annual base salary at the start of your leave. If you continue contributing, this period will count towards your total years of credited service and your pension benefits. The periods of leave which may be credited in respect of any one birth are limited by the applicable legislation.

If you elect not to contribute during your leave, this period will not count towards your total years of credited service and your pension benefits.

Contributions if You are on Leave of Absence Without Pay or Laid Off

If you are granted a leave of absence without pay or you are laid off, you are not permitted to contribute to the Plan. This period will not count towards your total years of credited service and your pension benefits.

When You Can Retire

Normal Retirement

Your normal retirement date is the first day of the month immediately following your 65th birthday.

Early Retirement

You may retire from active employment on the first day of any month following the date on which you reach age 55. However, your pension will be reduced by:

- ¼ of 1% per month for each year from age 55 to age 60;
- ½ of 1% per month for each year from age 60 to age 65.

Postponed Retirement

If you continue working beyond age 65 and are a member of the Plan, you continue to contribute and accrue pension benefits. You may receive a pension on the earlier of:

- the first day of the month immediately after the termination of your active employment with CAE.
- December 1st of the calendar year in which you reach age 71.

Your pension will be adjusted to take into account the fact that you retired after age 65.

Calculating Your Pension

Pension Formulas

At your normal retirement date, that is at age 65, your annual pension payable to you each month will be equal to the greater of **Formula 1** and **Formula 2**.

Formula 1 – Career earnings Pension

For each year of credited service as of January 1, 2001, 1.1875% of your pensionable earnings up to the yearly maximum pensionable earnings (YMPE) **plus** 2% of your pensionable earnings in excess of the YMPE.

Formula 2 – Final average earnings Pension

1% of your final average earnings, up to the average yearly maximum pensionable earnings (YMPE) **plus** 1.5% of your final average earnings in excess of the average YMPE, **multiplied by** the number of years of credited service.

The average YMPE and the final average earnings are calculated using the pensionable earnings and YMPEs of the last 60 consecutive months of credited service.

Pensionable earnings represent the base salary excluding overtime and bonuses.

EXAMPLE OF HOW THE ANNUAL PENSION IS CALCULATED

The table below shows the historical pensionable earnings, YMPE and vested rights for a member who has 7 years of credited service. Please consult the Government of Canada website to obtain the YMPE.

Year	Pensionable earnings	YMPE	Earnings in excess of the YMPE	Vested Rights (Formula 1)
2017	$78,000	$55,300	$22,700	$1,110.69
2018	$80,300	$55,900	$24,400	$1,151.81
2019	$82,700	$57,400	$25,300	$1,187.63
2020	$85,100	$58,700	$26,400	$1,225.06
2021	$88,700	$61,600	$27,100	$1,273.50
2022	$90,300	$64,900	$25,400	$1,278.69
2023	$91,300	$66,600	$24,700	$1,284.88
Average (Formula 2)	$87,620	$61,840	$25,780	N/A

Using the information on the previous page, calculations for a pension payable at age 65 are as follows:

Pension Based On Formula 1
Career Earnings Pension

Total of vested rights for 7 years:

$1,110.69 + $1,151.81 + $1,187.63 + $1,225.06 + $1,273.50 + $1,278.69 + $1,284.88 = $8,512.26

the annual pension under formula 1 is $8,512.26

Pension Based On Formula 2
Final Average Earnings Pension

1.0% of $61,840 (average YMPE) = $618.40

– Plus –

1.5% of $25,780 = $386.70
(final average earnings in excess of the average YMPE)

– Multiplied –

($618.40 + $386.70) × 7 years of credited service = $7,035.70

the annual pension under formula 2 is $7,035.70

To determine the pension entitlement, the Plan uses the formula which produces the higher amount of annual pension. **Therefore, this member is entitled to an annual pension of $8,512.26**, payable at age 65.

EXAMPLE OF EARLY RETIREMENT (BEFORE AGE 65)

Suppose that the **member retires at age 58**. The pension calculation above is for a pension payable at age 65, the normal retirement date. However, since this member has decided to begin pension payments before age 65, it is considered an **early retirement**. The annual pension of $8,512.26 will therefore be reduced to account for early payments.

– Pension reduction between age 58 (age of retirement) and age 60:	24 months × ¼% per month = 6%
– Pension reduction between age 60 and age 65:	60 months × ½% per month = 30%
– Total reduction (%):	6% + 30% = 36%
– Total reduction ($):	36% × $8,512.26 = $3,064.41

Lifetime annual pension payable at age 58: $8,512.26 - $3,064.41 = $5,447.85

50% Rule (Excess Contributions)

In any event (retirement, termination or death) CAE must pay for the cost of at least 50% of the value of the credited pension for your membership since the date of the pension reform. If, at the date of event (retirement, termination or death), your payroll contributions made after this period, accrued with interest, represent more than 50% of the value of your credited pension, an additional amount equal to the difference will be payable as excess contributions.

Forms of Pension Payment

Normal Form of Pension Payment

If you do not have a spouse at the date your pension becomes payable, the normal form of pension payment is a lifetime pension that will cease to be paid at your death.

If you have a spouse at the date your pension becomes payable, the normal form of pension payment is a 50% joint and survivor pension, that is, a pension payable to you for life and which, following your death, will be reduced to 50% of the original amount payable to your spouse for life.

However, the law requires that your spouse receive a lifetime pension of 60% of your pension following your death (your spouse may, however, waive his or her right to this pension). This form of pension is the actuarial equivalent of the 50% joint and survivor pension described in the previous paragraph. If your spouse waives the right to a spousal death benefit, you may choose a form of pension that does not include the minimum death benefit prescribed by legislation.

In all of the above-mentioned cases, if, following your death or that of your spouse, the total of the retirement benefits paid out to you and your spouse is less than your employee contributions accrued with interest at the date the payment of the retirement pension began, the difference is payable to the successors of the last annuitant.

Optional Forms of Pension Payments

When you retire, you may elect an optional form of pension payment. Depending on the form chosen, the pension amount will be adjusted to be the actuarial equivalent of the normal form of pension.

If you have a spouse – 60% Joint and Survivor Life Pension, with 120 Guaranteed Monthly Payments

This form of pension guarantees 120 monthly payments including a pension payable to your eligible spouse. If you have not received the guaranteed payments when you die, the remaining payments will continue to be made, in equal monthly instalments, to your spouse, or your designated beneficiary if you no longer have a spouse. Should the guaranteed period expire, 60% of the pension you were receiving will be paid to your eligible spouse for his or her lifetime. Should you die before your spouse and after receiving the guaranteed number of payments, your spouse will receive 60% of the pension you were receiving at the time of your death.

If you do not have a spouse, or if your spouse has waived the right to a spousal benefit – Life Pension, with Guaranteed Monthly Payments

This form of pension guarantees either 60, 120 or 180 monthly payments, depending on your choice. In other words, you will receive a reduced pension, in equal monthly instalments, for life. Should you die before receiving the guaranteed number of payments, the remaining payments will be made to your beneficiary or estate in a lump sum.

In any event – Temporary Pension (Bridge Benefit)

If you retire before age 65, you may temporarily increase the amount of your pension until Old Age Security (OAS) becomes payable. On your 65^{th} birthday, your pension will be reduced by the same estimated amount of statutory benefits. This form is only available if your pension is greater than the maximum OAS benefits.

CAE may also offer other options which are permitted by legislation governing pension plans.

Termination of Employment Before Retirement

Benefits on Termination of Employment

If you terminate your employment with CAE, you will be entitled to receive a deferred pension payable at your normal retirement date and, if applicable, your excess contributions accrued with interest.

Payment Options

If you leave CAE before age 55, you may leave your pension in the Plan until your normal retirement date at which time monthly pension payments will begin. You may also elect to start your deferred pension at any time between ages 55 and 65. In that case, your pension will be subject to an actuarial reduction if you have not reached age 65 when you retire.

You may also elect to transfer the lump sum value of your deferred pension from the Plan to any of the following retirement vehicles (subject to locking-in provisions of each province):

- a locked-in retirement vehicle, authorized by law;
- your new employer's registered plan, subject to your new employer's approval;
- a deferred life annuity from an insurance company.

Based on the locking-in provisions of each province, your entitlement may not be locked in and the following options could be available to you:

- cash refund (tax withholding);
- transfer of a non-locked-in amount to a retirement vehicle authorized by law.

Note that in some provinces, spousal consent is required to authorize payment or transfer where applicable.

For employees in Quebec, for example, spousal consent is not required and entitlements are not locked if the commuted value of pension at termination is less than 20% of the YMPE for the year of termination. Your termination statement will indicate the provisions applicable to your situation. You can also refer to the applicable legislation by province.

Should you terminate and elect to transfer your entitlements, the transfer amount will reflect your Commuted Value (CV) based on the Plan's degree of solvency effective as at the CV calculation date. For example, if the plan degree of solvency was 88.8% and your CV was $65,000, then your transfer amount would be 88.8% x $65,000 = $57,720.

The Plan could authorize unlocking provision in special circumstance including case of reduced life expectancy or non-residency.

To exercise your right to request a transfer of the lump sum value you must complete and return the necessary forms within 90 days of terminating employment with CAE. You will have a further opportunity to elect a transfer during the 90-day period following each five year anniversary of your termination of employment, if you are under age 55. Members in Québec will have one final chance to request a transfer during the 90 days following your 55th birthday.

You will be provided with complete details of your entitlements and options if your employment with CAE is terminated.

Death Benefits

Before You Retire – Before Age 65

If you die before your normal retirement date while you are actively employed by CAE, or after your employment is terminated (and you are entitled to a deferred pension which has not yet begun), your spouse, or your designated beneficiary if you don't have a spouse, will be entitled to a refund of the value of the credited pension provided by your credited service and, if applicable, the value of your excess contributions, accrued with interest.

Your eligible spouse may, at any time, waive the right to the spousal death benefit. If this right is waived, the benefit becomes payable to your designated beneficiary.

Before You Retire - After Age 65

If you die after your normal retirement date, but before you begin to receive your pension, you will be deemed to have retired on the date of your death. Your spouse will receive a lifetime pension equal to 60% of the pension you would have received if you had retired on the date of your death.

If you do not have a spouse, your designated beneficiary will be entitled to a refund of your contributions accumulated with interest.

After You Retire

If you die while receiving pension benefits from the Plan, a death benefit might be paid to your spouse, beneficiary or estate according to the form of pension payment you chose at retirement.

Questions and Answers Regarding the Retirement Plan

Can I contribute to the Plan even if I am working on a temporary basis?

Yes, all employees of CAE may join the Plan as soon as the requirements regarding eligibility are fulfilled.

Can I contribute more than this amount to the Plan?

No, the provisions of the Plan do not provide for additional contributions.

May I buy back past service in the Plan if I join today, but have been working at CAE a few years?

No, under the Plan benefits can only be paid for service as of the enrollment date.

Are my contributions to the Plan tax deductible?

Yes, they are entirely tax deductible.

When may I leave the Plan?

You may leave the Plan at the end of your employment, at retirement or upon your death.

Why can't I leave the Plan under any other circumstances?

The Plan limits movement out of the Plan to allow its administrators to develop an investment strategy based on predictable cash flow.

What type of pension plan do we have at CAE and what is the difference between a defined benefit plan and a defined contribution plan?

The CAE Retirement Plan is a defined benefit plan. A defined benefit plan is a pension plan under which the retirement benefit is calculated using a predetermined formula. The amount of pension payable at retirement is not dependent on the performance of the pension and life expectancy. Investment and life expectancy risks are therefore assumed by the employer.

A defined contribution plan is a plan under which the retirement benefit is determined by the total contributions allocated to the member plus the investment income earned. This amount is used to purchase a life annuity at retirement and only then can the actual amount of pension be determined. Therefore, investment and life expectancy risks are assumed by the individual.

Is my pension indexed to reflect the increase in the cost of living?

The Plan does not have a guaranteed indexation clause.

What rate of interest is credited to my pension contributions?

The rate used is the actual return of the pension fund.

How is my pension paid?

Payment is issued on the first of each month from the pension fund.

What if I live to be 100?

Your pension will be paid for your lifetime regardless of how long you live.

What happens to my pension if I work somewhere else or start my own business after I retire?

Your pension payments will not be affected if you earn other income after you retire.

Does my spouse benefit from my pension upon my death?

The Plan provides for a pension benefit for your spouse if you die after beginning your pension payments. This will continue for your spouse's lifetime, unless your spouse has waived his or her right to the death benefit. However, the pension will be reduced according to the option you elect when you retire. As well, if the sum of pension payments to you and your spouse is less than your contributions with interest at your date of retirement, the difference is paid to the successors of the last annuitant.

What type of benefit is paid if I die before taking my retirement?

If you die before retirement, the Plan pays a death benefit to your spouse or beneficiary. The benefit calculation is based on your membership period in the Plan.

What do I need to do if I wish to contribute to the Plan during a maternity or parental leave?

Do a request on CAE's HR portal.

If I leave the Company at some point in my career, can I take out my contributions?

If you leave before age 55, you may elect to transfer the value of your accrued benefits to a retirement vehicle.

Can I contribute to an RRSP even though I am contributing to the CAE Retirement Plan?

The Canada Revenue Agency allows individuals to contribute and deduct up to 18% of the prior year's income to an RRSP subject to an annual dollar limit.

In an attempt to ensure that the overall limit on tax-assisted retirement savings is maintained in Canada, employers who sponsor a registered pension plan must report the pension adjustment (PA) amount on the T4/T4A slips of each employee who accumulates benefits under this plan.

For a defined benefit plan, the PA calculation is based on benefit entitlement multiplied by the factor 9 less $600 and reduces your permitted RRSP contribution by that amount.

EXAMPLE

A non-member who earned $91,300 may contribute $16,434 to an RRSP ($91,300 × 18%) for the next fiscal year. If this individual joined the retirement plan, his annual vested rights (Formula 1 – Career Earnings Pension) in the Plan would be $1,284.88. The calculation of his PA and the resulting RRSP room would be as follows:

– Pension Adjustment: = 9 × vested rights during the year - $600
  = 9 × $1,284.88 - $600 = $10,964

– RRSP room = $16,434 - $10,964 = $5,470

Therefore, the member may contribute **$5,470** into an RRSP for the next fiscal year.

Are there any adjustments to my RRSP contribution room if I terminate my employment from CAE rather than retire?

Should you terminate your employment and if you opt for a refund or a transfer of the value of your pension benefit, you will receive a Pension Adjustment Reversal (PAR). The purpose of the PAR is to restore RRSP contribution room should the value of the lump sum payment be less that the total of your PAs. The PAR is generally equal to the positive difference between the sum of your PAs and the value of your benefit in respect of your membership since 1990.

The PAR increases your RRSP contribution room in the year you receive your payment from the Plan. Any unused RRSP contribution margin is carried over to subsequent years.

No PAR is calculated if you opt for a deferred pension.

What is the date of the pension reform?

Québec and British Columbia	– January 1, 1990
Ontario and Alberta	– January 1, 1987
Manitoba	– January 1, 1984
Saskatchewan	– January 1, 1993
Nova Scotia	– January 1, 1988
Newfoundland and Labrador	– January 1, 1997
New Brunswick and Prince Edward Island	– N.A.

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