


TAB C

This is **Exhibit "C"** referred to in the
Affidavit of Hamish Dunlop affirmed August 24, 2018



Commissioner for Taking Affidavits (or as may be)

KIRAN PATEL

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Financial Services
Pension Plan Branch

SEARS CANADA INC.
SEARS REGISTERED RETIREMENT PLAN

(as amended and restated as at July 1, 2008)

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SEARS CANADA INC.
SEARS REGISTERED RETIREMENT PLAN
GENERAL PROVISIONS

SEARS CANADA INC.

Sears Registered Retirement Plan

I – General Provisions

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I. General Provisions

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Section I.1 - Rules of Interpretation

I.1.1 Format of the Plan Text

The text of the Plan, as restated as at July 1, 2008, has three main sections. "I – General Provisions" contains definitions and provisions relevant to the Plan as a whole. "II – DB Provisions" contains provisions related to the determination of benefits for service accrual prior to July 1, 2008. "III – DC Provisions" contains provisions for defined contribution participation in the Plan on and after July 1, 2008.

I.1.2 Format of the DB Provisions

The portion of the Plan rules entitled "II – DB Provisions" consists of a set of basic rules entitled "A. Basic Rules" and a set of amplified rules entitled "B. Amplified Rules" plus sections entitled "C. GRIP", "D. GRIP for Saskatchewan and Manitoba" and "E. Hudson's Bay and Simpsons".

"C. GRIP" and "D. GRIP for Saskatchewan and Manitoba" set out the provisions of GRIP that are used in calculating the pension earned before January 1, 1987 by Members of the Plan who were members of GRIP at January 1, 1987 and had not yet received any payment from GRIP or related plans on account of that pre-1987 service.

"E. Hudson's Bay and Simpsons" sets out the provisions applicable to Members who were previously members of the Hudson's Bay Company Pension Plan and the Simpsons Limited Employees' Pension Plan.

The Amplified Rules elaborate the Basic Rules except where the two are incompatible, in which case the Amplified Rules expressly override the Basic Rules.

The Amplified Rules are those required for reasons such as the following:

- (a) to specify provincial variations where legislative differences cannot be accommodated in a uniform provision;

- (b) to comply with regulatory requirements that stipulate certain provisions must be expressly included in the plan document;
- (c) to describe administrative practice in implementing the Basic Rules in special circumstances, such as for a Member who is classified as other than a full-time employee; and
- (d) to describe the amendments for specific GRIP calculations in conjunction with the overall amendment and restatement of the Plan as at January 1, 1987.

I.1.3 Singular/Plural and Masculine/Feminine References

Except where the context requires otherwise, all references to the singular include the plural and all references to the masculine include the feminine and vice versa.

I.1.4 Headings

Headings for sections are included for convenience of reference and are not relevant to the interpretation of the Plan.

I.1.5 Legislative References

All references to legislation are deemed to include related regulations and interpretative guidelines, if any.

Section I.2 - Definitions

The following terms, where capitalized, have the following meanings respectively for the purposes of this Plan unless a different meaning is clearly required by the context.

- I.2.1** **"Account"** means the account established in respect of a Member to receive the contributions made on behalf of the Member and by the Member under the DC Provisions, plus Income thereon.
- I.2.2** **"Actuarial Equivalent"** means a pension or other benefit which has the same actuarial present value as another benefit, and where the actuarial present value is computed using actuarial tables and such other methods and assumptions as may be adopted by the Company on the recommendation of the Actuary for the purposes of the Plan, subject to any requirements of the Pension Benefits Act and the Income Tax Act. In no event shall the basis on which an Actuarial Equivalent is determined differentiate between male and female Members of the Plan, except as required under the applicable Pension Benefits Act.
- I.2.3** **"Actuary"** means the actuary or firm of actuaries retained by but independent of the Company, who is, or one of whose members is, a Fellow of the Canadian Institute of Actuaries.
- I.2.4** **"Beneficiary"** means the person or persons designated by a Member under Section I.8. If no designation has been made, or if the person or persons designated are not living, then Beneficiary means the Member's estate.
- I.2.5** **"Commutated Value"** means, in relation to benefits that a person has a present or future entitlement to receive, a lump sum amount which is the actuarial present value of those benefits computed at the rate of interest and using the actuarial tables adopted by the Company on the recommendation of the Actuary, subject to any requirements under the Pension Benefits Act and Income Tax Act. In no event shall the basis on which a Commuted Value is determined differentiate between male and female Members of the Plan, except as required under the applicable Pension Benefits Act.
- I.2.6** **"Company"** means Sears Canada Inc. and its successors.

- I.2.7** **"Continuous Service"** means the service of an Employee with an Employer as shown by the Employer's records calculated from the date that he was most recently hired as an Employee, such service including authorised leaves of absence, periods of Disability and at the Company's discretion, service with any affiliated company; a temporary suspension of employment shall not interrupt such Continuous Service. *Continuous Service* shall exclude any periods of employment exercised outside Canada or with an affiliated employer that does not participate in the Plan. Continuous Service is interrupted by an actual termination of employment, but in the Province of Manitoba is not interrupted by any temporary suspension of employment that lasts for less than 52 weeks and in the provinces of Alberta and British Columbia is not interrupted by any temporary suspension of employment that lasts for less than 26 weeks and in other provinces the length of temporary suspension in relation to Continuous Service will be determined by the Company.
- I.2.8** **"DB Provisions"** means the rules of the Plan that determine benefits with respect to service before July 1, 2008 as set out in "II – DB Provisions" including related rules in "I – General Provisions".
- I.2.9** **"DC Provisions"** means the rules of the Plan under which Members participate on a defined contribution basis as set out in "III – DC Provisions" including related rules in "I – General Provisions".
- I.2.10** **"Disability"** means a disability as a result of which a Member qualifies for benefits under his Employer's long term disability plan.
- I.2.11** **"Earnings"** means the total earnings in a year of an Employee from his Employer consisting of wages, salaries, payments for overtime, bonuses, overwrites, commissions, vacation pay and illness allowances excluding, however, the value of an Employee's taxable benefits and any long term incentives and other elements of compensation that the Company expressly excludes for such purposes. *Earnings* during periods of Disability or other leave of absence are determined according to the provisions of Section I.7.3. For periods of Continuous Service during which a Member does not actually receive remuneration from an Employer, any amount deemed to be received by the Member shall not exceed the amount of compensation which is prescribed for this purpose under the Income Tax Act.

- I.2.12** **"Employee"** means an employee of an Employer as shown from time to time on the Employer's records excluding any employee who is an active participant in any pension or profit sharing plan maintained by Sears Roebuck and Co. or any affiliated company located in the U.S.A. and which plans are qualified under Section 401(a) of the U.S. Internal Revenue Code.
- I.2.13** **"Employer"** means the Company and any other employer that is designated by the Company for participation in the Plan and that has agreed to be bound by the terms of the Plan. "**Employers**" other than the Company and the period during which they participate in relation to employees actively earning benefits in the Plan are: Sears Canada Merchandising Services, effective December 23, 2001 until December 31, 2006 and Sears Canada Bank effective December 15, 2003 until January 1, 2006.
- I.2.14** **"Federal Employment"** means employment defined as "included employment" in the Pension Benefits Standards Act (Canada), and "**Federal**", with reference to jurisdiction of employment, has a corresponding meaning.
- I.2.15** **"Final Average 3-Year Pensionable Earnings"** has the meaning described in Section II.A.1.2.
- I.2.16** **"Final Average 3-Year YMPE"** means one-third of the aggregate of the YMPE, in each year during the last 36 consecutive months of the Member's Continuous Service while a Member of the Plan.
- I.2.17** **"Full-Time Employee"** means an Employee who, at the date on which a determination is required, is regularly scheduled to work at least 1950 non-overtime hours in a year. An Employee who has been in Continuous Service throughout a calendar year and who is considered a Full-Time Employee at the end of the year shall be deemed to be a Full-Time Employee for the entire calendar year.
- I.2.18** **"GRIP"** means the Guaranteed Retirement Income Plan of Sears Canada Inc. including the section of that plan applicable to employees employed in Saskatchewan and Manitoba, which plan was incorporated into, and superseded by the terms of this Plan effective January 1, 1987.

- I.2.19** "**Income**" means the net gain or loss on all amounts allocated to an Account, which shall be determined daily by the Trustee or its agent from the date the contributions are allocated to the Account to the date of determination at the rates attributable to those portions of the Trust Fund in which the Member's Account is invested at the relevant time, after deduction for expenses.
- I.2.20** "**Income Tax Act**" means the Income Tax Act, Statutes of Canada, and the Regulations thereunder, and where applicable includes provisions of Information Circular 72-13R8 issued by Revenue Canada, as amended or replaced from time to time and any provincial legislation of comparable substance.
- I.2.21** "**Licensed Annuities Provider**" means a corporation licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada an annuities business.
- I.2.22** "**Locked-In Retirement Contract**" means a registered retirement savings plan or other investment vehicle which is registered under the Income Tax Act and eligible under the Pension Benefits Act for receipt of locked-in retirement funds and includes, subject to minimum age requirements, any locked-in registered retirement income fund or life income fund.
- I.2.23** "**Lump Sum Payment**" means a payment from the Plan of an amount which is not locked-in under the Pension Benefits Act, including a transfer to:
- (a) a registered retirement savings plan of the payee; or
 - (b) a registered pension plan of which the payee is a member, if that plan so permits,
- where such transfer is permitted under the Income Tax Act. Where the amount payable is not transferred, the Lump Sum Payment shall be paid net of amounts withheld as required by law. Each Lump Sum Payment shall fully discharge the Plan's obligations in respect of the amount so paid.
- I.2.24** "**Member**" means an Employee who has joined the Plan according to its eligibility requirements and who is entitled to benefits under the DB Provisions or the DC Provisions or both.

- I.2.25** **"Pension Benefits Act"** means the Pension Benefits Act, R.S.O. 1990 and the Regulations thereunder or, where the context requires, the legislation of comparable substance of another Canadian jurisdiction, as such legislation may be amended from time to time.
- I.2.26** **"Pensionable Earnings"** has the meaning described in Section II.A.1.1.
- I.2.27** **"Pensionable Service Years"** has the meaning described in Section II.A.1.5. Pensionable Service Years do not accrue on and after July 1, 2008.
- I.2.28** **"Plan"** means the Sears Canada Inc. Registered Retirement Plan which takes effect January 1, 1987 or such other date as the Company may determine, and which incorporates certain predecessor retirement plans, as described herein, and as such plan is amended from time to time. The Plan is inclusive of the DB Provisions and the DC Provisions as a single Plan that provides different types of benefits to Members according to the rules for benefit eligibility and determination specified in the Plan text as amended from time to time.
- I.2.29** **"Plan Year"** means the calendar year.
- I.2.30** **"Spouse"** means at the time a determination of marital status is required, a person of the opposite sex or of the same sex who meets one or more of the following conditions:
- a) the Member and the person are legally married and are not living separate and apart;
 - (b) the Member and the person are a party to a voidable or void marriage and are not living separate and apart;
 - (c) the Member and the person:
 - (i) have been cohabiting continuously in a conjugal relationship for the preceding year; or

- (ii) have been cohabiting in a conjugal relationship of some permanence, are cohabiting at the date on which a determination is required and are jointly the natural or adoptive parent of a child.

The expression "spousal relationship" shall have a corresponding meaning. Notwithstanding the foregoing, with respect to Section I.11.10, the expressions "spousal relationship" and "spouse" shall exclude a reference to same sex spouses, unless and until applicable legislation requires that same sex spouses be included.

I.2.31 "Spouse" shall also apply in determining death benefits payable under GRIP for service prior to January 1, 1987.

In addition, the following definitions apply at the date a determination is required according to the jurisdiction in which a Member is employed and in all cases the definitions are subject to the overriding condition that the person must also qualify as a spouse for purposes of registered pension plans under the Income Tax Act:

In the Federal jurisdiction "**Spouse**" means:

- (a) if there is no person described in (b), a person who is married to the member including a person who is a party to a void marriage with the Member; or
- (b) a person who has been living with the Member in a conjugal relationship for at least one year.

In Alberta "**Spouse**" means:

- (a) a person who is married to the Member and has not been living separate and apart from the Member for more than 3 consecutive years; or
- (b) if there is no person to whom (a) above applies, a person who lives with the Member in a marriage-like relationship and has done so for the 3 year period immediately preceding the relevant time, or in a relationship of some permanence if there is a child of the relationship by birth or adoption.

In British Columbia "**Spouse**" means a person:

- (a) who is married to the Member and has not been living separate and apart from him for more than 2 years; or
- (b) if there is no person to whom (1) above applies, who has lived with the Member in a marriage-like relationship for the immediately preceding two years, except that the person is disqualified if he has received a share of the Member's pension pursuant to Section II.11.10.

In Manitoba "**Spouse**" means:

- (a) a person who is married to the Member; or
- (b) a person who is not married to the Member but is in a common-law relationship with the Member that is registered under the applicable Manitoba legislation, and is cohabiting with the Member; or
- (c) a person who is not married to the Member but has cohabited with the Member in a conjugal relationship in the immediately preceding period,
 - (i) for a period of at least 3 years, if either of them is married; or
 - (ii) for a period of at least one year, if neither of them is married,

However, for the purpose of pre-retirement death benefits under Sections II.B.9.4. and III.3.2 and joint and survivor pension rights under Sections II.A.5.3(b) and III.4.1(3) the person is disqualified if he is eligible to receive or has received an assignment of benefits under Section I.11.10 unless in the case of joint and survivor pension rights, the person has resumed cohabitation with the Member. The person is also disqualified for the purpose of joint and survivor pension rights under Section II.A.5.3(b) and III.4.1(3) if he began living separate and apart from the Member before 1984 and has not resumed cohabitation with the Member.

In Newfoundland and Labrador "**Spouse**" means:

- (a) a person who is not married to the Member who:

- (i) is not prevented in law from marrying the Member; or
- (ii) if prevented in law from marrying the Member has cohabited continuously in a conjugal relationship with the Member for not less than 3 years

and is cohabiting with the Member or did cohabit with the Member in the preceding year; or

- (b) if there is no person described in (a) above, a person who:
 - (i) is married to the Member;
 - (ii) is married to the Member by a voidable marriage that has not been voided by judgement or nullity; or
 - (iii) has gone through a form of marriage with the Member in good faith that is void, and is cohabiting or has cohabited with the Member in the preceding year.

Under (a) above a person of the same sex as the Member is disqualified if there is a person of the opposite sex to the Member who qualifies.

In New Brunswick "**Spouse**" means a person who:

- (a) is married to the Member;
- (b) is married to the Member by a marriage that is voidable and has not been avoided by a declaration of nullity;
- (c) has gone through a form of marriage with the Member in good faith that this void, and has cohabited with the Member within the preceding year; or
- (d) is of the same sex or the opposite sex to the Member and is not married to the Member, but has cohabited with the Member:

- (i) continuously for a period of not less than one year in a conjugal relationship in which one person has been substantially dependent on the other for support; or
- (ii) in a relationship of some permanence where this is a child born of whom they are the natural parents and with whom the Member has cohabited within the preceding year.

In Nova Scotia "**Spouse**" means a person:

- (a) who is married to the Member;
- (b) who is married to the Member by a marriage that is voidable and has not been annulled by a declaration of nullity;
- (c) has gone through a form of marriage with the Member in good faith that is void, and is cohabiting with the Member or has cohabited with the Member within the preceding 12-month period;
- (d) if there is no person described in (a), (b) or (c), a person who has been cohabiting with the Member in a conjugal relationship for at least 2 years at the relevant time.

However, a person does not qualify as a Spouse for purposes of a pre-retirement death benefit under Sections II.B.9.4 or III.3.2 if a division of benefits has occurred under Section I.11.10.

In Quebec "**Spouse**" means a person who:

- (a) is legally married to the Member and not legally separated from bed and board;
- (b) if there is no person to whom (a) applies, has been living in a conjugal relationship with an unmarried Member for a period of not less than 3 years, or for a period of not less than 1 year if:
 - (i) at least one child is born, or to be born, of their union;

- (ii) they have adopted jointly at least one child while living together in a conjugal relationship; or
- (iii) one of them has adopted at least one child who is the child of the other, while living together in a conjugal relationship; or
- (c) if there is no person to whom (a) or (b) applies, a person who has entered into a civil union with an unmarried Member.

In Saskatchewan "**Spouse**" means:

- (a) a person who is married to the Member; or
- (b) if the Member is not married, a person of the opposite sex or a person of the same sex, who has cohabited with the Member for at least 1 year immediately preceding the determination of the benefit entitlement.

I.2.32 "**Student**" means an Employee who is enrolled at any accredited university or college on a substantially full time basis as shown from time to time on his Employer's records.

I.2.33 "**Trust Agreement**" means the agreement between the Company and the Trustee establishing the Trust Fund for the Plan and providing for the administration of the Trust Fund and this term is deemed to include, where appropriate, any contract of insurance arranged in furtherance of the Plan.

I.2.34 "**Trust Fund**" means the assets held by the Trustee for the Plan and this term is deemed to include, where appropriate, any contract of insurance arranged in furtherance of the Plan. "Trust Fund" is inclusive of Members' Accounts whether or not they are held in a contract of insurance.

I.2.35 "**Trustee**" means the trustee or trustees appointed in accordance with the provisions of the Plan and is deemed to include, where appropriate, a company authorized to carry on a life insurance business in Canada.

I.2.36 "YMPE" means the Year's Maximum Pensionable Earnings from time to time in effect under the Canada Pension Plan Act or the Quebec Pension Plan Act, whichever is applicable.

Section I.3 - Establishment of the Plan

I.3.1 Predecessor Plans

Sears Canada Inc., formerly Simpsons-Sears Limited, established the Supplementary Pension Plan, a registered pension plan, with effect from January 1, 1971 to provide retirement benefits for eligible employees regardless of province of residence. The Supplementary Pension Plan was incorporated into and superseded by the Guaranteed Retirement Income Plan with effect from January 1, 1976 to continue providing retirement and other benefits for eligible employees.

I.3.2 Sears Registered Retirement Plan

The Guaranteed Retirement Income Plan, as amended from time to time since 1976, was incorporated into and superseded by the Sears Canada Inc. Registered Retirement Plan with effect from January 1, 1987, to comply with major revisions to provincial and federal legislation concerning registered pension plans including the participation of part-time employees, and to continue providing retirement and other benefits for and on behalf of eligible employees.

The Sears Canada Inc. Registered Retirement Plan was amended and restated effective January 1, 1999, January 1, 2001, May 1, 2003 and May 1, 2007.

I.3.3 2008 Restatement

The Sears Canada Inc. Registered Retirement Plan is restated in its entirety as of July 1, 2008 to provide for the cessation of defined benefit service accrual and to introduce a defined contribution provision with effect on and after July 1, 2008.

I.3.4 Plan Provisions in Effect Prior to July 1, 2008

Unless otherwise provided under the terms of the Plan, benefits in payment or to be paid at a future date as a result of retirement, death and any other termination of employment occurring before July 1, 2008 are payable in accordance with the terms of the Plan as it was constituted prior to that date, except that retirement benefits and surviving Spouse or Dependent Children's pensions in payment as at that date are

subject to the terms of the Plan concerning post-retirement inflation adjustments as set out in Section II.A.6 if such benefits continue in payment when the Company declares an inflation adjustment.

Unless otherwise provided under the terms of the Plan, enrolment conditions for members who joined the Plan prior to July 1, 2008 and the determination of required contributions made to the Plan prior to July 1, 2008 shall both be governed by the relevant terms of the Plan in effect prior to July 1, 2008.

I.3.5 Incorporation of Modified GRIP Benefit Formula Provisions

The benefit formula provisions of the Plan applicable to pensionable service prior to January 1, 1987 are set out under “II - DB Provisions GRIP” or “II – DB Provisions GRIP for Saskatchewan and Manitoba” as is applicable to the Member.

I.3.6 Provisions Applicable to Former Bay and Simpsons Employees

Following the acquisition of certain Bay and Simpsons stores by the Company in 1991, the Company agreed to accept a transfer of assets and liabilities for pension benefits accrued by transferring Employees under their prior pension plan to the transfer date. “II – DB Provisions Hudson’s Bay and Simpsons” contains a detailed description of the eligibility and benefit provisions in relation to this prior period of employment for transferred Employees and Members.

Section I.4 - Enrolment

I.4.1 Members as at July 1, 2008

An Employee who is a Member of the Plan as at June 30, 2008 shall continue to be a Member of the Plan on and after July 1, 2008 in accordance with the provisions of the Plan. These Members shall make a contribution election as required by the DC Provisions.

I.4.2 Voluntary Enrolment for Part-time Employees

Any Part-time Employee to whom Section I.4.1 does not apply may enrol as a Member of the Plan as of July 1, 2008 or January 1 of any calendar year on and after January 1, 2009 after satisfying either of the voluntary enrolment conditions described in (a) or (b) as follows:

- (a) completing at least 700 hours of employment during the immediately preceding calendar year; or
- (b) earning at least 35% of the YMPE during the immediately preceding calendar year.

A Part-time Employee in Manitoba must enrol when the enrolment conditions are met.

I.4.3 Voluntary Enrolment for Full-time Employees

Any Full-time Employee to whom Section I.4.1 does not apply may enrol as a Member of the Plan at any time following the completion of 6 months of Continuous Service.

A Full-time Employee in Manitoba must enrol when this enrolment condition is met.

I.4.4 Transition Rule for Certain Quebec Members

A Member to whom Section I.4.1 applies on June 30, 2008, who makes an election to contribute 0% as of July 1, 2008 as provided in the DC Provisions, who is employed in Quebec on July 1, 2008 and who transfers their benefits from the Plan as provided in Section II.A.11 at a time when the Member has no Account under the DC Provisions and thus ceases to be a Member, may again enrol as a Member of the Plan in accordance with Section I.4.2 or I.4.3 as applicable.

I.4.5 Non-Eligible Employees

An Employee who does not satisfy the enrolment conditions described in Section I.4.2 or I.4.3 is not eligible to enrol as a Member of the Plan. However, the Company may waive eligibility requirements under Section I.4.

I.4.6 Student

Notwithstanding the foregoing provisions of Section I.4 of the Plan, a Student may voluntarily enrol as a Member of the Plan immediately after satisfying the voluntary enrolment conditions described in Section I.4.2 or I.4.3..

I.4.7 Enrolment Form

An Employee who enrolls in the Plan must complete, sign and return to the Company a form prescribed by the Company authorizing the Company to withhold contributions from the Member's remuneration.

I.4.8 Termination and Re-Employment

If a Member's Continuous Service is broken and that Member is subsequently re-employed by an Employer, he shall be regarded for the purposes of the Plan as a newly-hired employee who has not had any previous service with an Employer, except with respect to any vested benefits which he may have to his credit in the Plan in respect of his previous service.

Section I.5 - Member Contributions

I.5.1 Member Contributions

(a) *Required Contributions*

On and after July 1, 2008 Member contributions are made in accordance with the DC Provisions.

(b) *Prior Election To Cease Contributions*

Pursuant to the terms of the Plan in effect before July 1, 2008, certain Members elected to cease contributions, and had an election to resume making contributions before July 1, 2008. All of these Members, whether or not they are contributing as of June 30, 2008, are Members and must make a contribution election in accordance with Section I.4.1.

I.5.2 Payroll Deduction

Member contributions must be contributed to the Plan by means of payroll deduction administered by the Company, unless specifically provided otherwise in the Plan.

I.5.3 Interest on Required Contributions at Specified Interest Rates

A Member's required contributions made before July 1, 2008 earn interest at a rate and in a manner that is at least equal to the rate and the manner of calculation prescribed by legislation in the Member's jurisdiction of employment or if no rate or manner of calculation is prescribed, at the rate specified by the Company from time to time for that purpose, and such interest is credited annually for each year or part year during which the contributions are held by the Plan.

Subject to compliance with jurisdictional prescribed requirements for interest credited while a Member is employed in that jurisdiction, the following interest rates will be credited to a Member's required contributions that were made to the Plan before July 1, 2008:

- (a) For the period from January 1, 1987 to December 31, 1992, the rate is based on the average of the yields of 5-year trust company guaranteed investment certificates, published in the Bank of Canada Review as CANSIM Series B 14046, over the most recent period for which the rates are available.

While a Member is actively employed prior to January 1, 1993, interest is calculated on the Member's contribution balance at the end of the prior Plan Year and, at one-half the applicable rate, on the Member's contributions made during the most recent Plan Year. Upon termination prior to January 1, 1993, interest is calculated on a pro-rata basis at the applicable rate of interest on the Member's contribution balance at the end of the prior Plan Year and on one-half of the contributions made during the current Plan Year.

- (b) For the period on and after January 1, 1993, the rate is based on the average of the yields on 5-year trust company guaranteed investment certificates, published in the Bank of Canada Review as CANSIM Series B14080, over the most recent twelve month period for which rates are available.

While a Member is actively employed on and after January 1, 1993, interest is calculated at the end of each Plan Year based on the rate of interest determined above for the last month of that Plan Year, and is applied to the Member's contribution balance at the end of the prior Plan Year and at one-half of the contributions made during the current Plan Year. For new Members who start to contribute during the Plan Year, an appropriate pro-rata portion of the rate for that Plan Year is applied to one-half of the Member's contributions during that Plan Year.

Upon termination, an appropriate pro-rata portion of the rate determined as above for the month preceding the Member's termination is applied to one-half of the Member's contributions made during the last Plan Year.

- (c) Specified Interest Rate for Member Employed in Québec

For a Member employed in Québec, the rate is the most recently determined average annual rate of return obtained on the investment of the Plan assets, less investment expenses and administrative costs, over the 36 month period ending at the end of each calendar year quarter.

Section I.6 - Employer Contributions

I.6.1 Employer Contributions

Subject to the provision of Section I.12.3 (Withdrawal of Assets) an Employer shall make such contributions to the Plan as are required based on the advice of the Actuary in order

- (a) to provide for the proper amortization of any unfunded liability or solvency deficiency; and
- (b) to meet the employer contribution requirements of the DC Provisions

both (a) and (b) being determined in accordance with the Pension Benefits Act, after taking into account the assets held under the Trust Agreement for the Plan, the contributions of the Members and all other relevant factors.

If, at any time while the Plan continue, the Actuary certifies that the assets of the Trust Fund exceed the liabilities of the Plan inclusive of Members' Accounts, the funding excess or a portion of the excess may be used to reduce the contributions that would otherwise be made by the Employers, subject to any limitation prescribed under the Pension Benefits Act and provided that any funding excess allocated to Employer contributions under Section I.6.1(b) is transferred to Member Accounts in accordance with Section 147.3(4.1) of the Income Tax Act.

I.6.2 Restriction on Employer Contributions

Notwithstanding the other provisions of this Section I.6, no contribution shall be made by an Employer to the Plan under Section I.6.1(a) unless the contribution is an eligible contribution as defined under the Income Tax Act, and no contribution shall be made by an Employer to the Plan or allocated to Members' Accounts from funding excess under Section I.6.1(b) unless it is within the limits specified in the DC Provisions.

I.6.3 Timing of Payment

An Employer shall make its contributions to the Plan under I.6.1(a) in equal or proportional monthly amounts and in all other respects in compliance with the procedures prescribed by the Income Tax Act and the Pension Benefits Act.

I.6.4 Remittance of Member Contributions

An Employer shall remit to the Trustee or its designate, for deposit to the Trust Fund, all sums received by it from a Member or deducted from a Member's pay, within 30 days following the month in which such sums are received or deducted, except that this shall occur within 15 days for Members employed in New Brunswick.

Section I.7 - Disability and Other Leaves of Absences

I.7.1 Member Contributions During Leave

(a) *Temporary Absence*

During an unpaid leave of absence due to a pregnancy or parental leave, a work-related injury or illness for which a Member receives workers' compensation benefits, a compassionate care leave, other than a period described in Section I.7.1(b) or (c), a Member may continue to make contributions in accordance with the DC Provisions. Members who elect to contribute shall make contributions by post-dated cheque.

(b) *Member Required Contributions During Short Term Disability*

A Member who has a disability which renders him unable to perform the duties of the employment in which the Member was engaged before the disability, and for which the Member is in receipt of short-term disability benefits from an Employer sponsored program, is required to continue to make contributions in accordance with the DC Provisions.

(c) *Member Required Contributions During Disability Period*

A Member who has a Disability is required to continue to make contributions in accordance with the DC Provisions. Members whose Disability commences on or after July 1, 2008 shall make contributions by post-dated cheque.

I.7.2 Continuous and Pensionable Service Years During Absence

Each year, or part thereof, prior to July 1, 2008 during which contributions were continued during eligible temporary absence, short term disability or Disability under predecessor provisions to Section I.7.1 counts as a Pensionable Service Year, or part thereof.

I.7.3 Earnings During Absence

In determining the level of contributions under Section I.7.1 a Member's Earnings shall be deemed to be equal to:

- (a) for absences described in Section I.7.1(a), the rate of Earnings received by the Member immediately before the commencement of his leave of absence, subject to the prescribed compensation rules under the Income Tax Act;
- (b) for absences due to short-term disability described in Section I.7.1(b), the amount of short-term disability benefit received by the Member from an Employer sponsored program; and
- (c) for periods of Disability described in Section I.7.1(c), the rate of Earnings received by the Member immediately before the commencement of the Disability. In no event will the Member's Pensionable Earnings during periods of his Disability exceed the amount of remuneration of the Member, had his employment with an Employer continued during his period of Disability.

The Member's Earnings are deemed to be equal to 12 times the Member's Earnings as otherwise determined under the Plan for the full month immediately preceding the commencement of the period of Disability or other leave of absence.

I.7.4 "Pensionable Earnings" In Respect of Disability Period

During the period of Disability, for the purposes of determining the amount of benefit accrued with respect to Pensionable Service Years, the Member's Pensionable Earnings are calculated as follows:

- (a) in the first Plan Year of Disability, 12 times the Member's Earnings as otherwise determined under the Plan for the month before that period of Disability commenced; and
- (b) in each succeeding Plan Year of that period of Disability, the amount of the Member's Earnings determined at the end of the previous Plan Year and increased by the percentage increase in the lesser of:

- (i) the Consumer Price Index, if any, in excess of 3%, and
- (ii) the Average Industrial Wage,

since the end of the previous Plan Year. In no event will the Member's Pensionable Earnings during periods of his Disability exceed the amount that is reasonable to consider would have been the remuneration of the Member, had his employment with an Employer continued during his period of Disability.

I.7.5 Application of Disability Provisions

The application of these provisions concerning Disability is limited to those Members who are enrolled in their Employer's long term disability plan, thereby excluding any eligible Employee who does not enrol and Members who are part-time employees and who are therefore not eligible to enrol in that plan.

I.7.6 Leave of Absence or Disability Ending Before Early Retirement Date

If a Member's leave of absence ends or the Member ceases to suffer from a Disability before he is eligible for early retirement and

- (a) the Member returns to active employment with an Employer, his pension will be calculated based on the provisions of the Plan in effect as at the date of his subsequent termination or retirement; or
- (b) the Member does not return to active employment with an Employer, he will be deemed to have terminated his employment for purposes of the Plan as of the date that the leave of absence ended or the Member ceased to suffer from the Disability, and his pension will be calculated based on the provisions of the Plan in effect as at the date of his deemed termination.

I.7.7 Leave of Absence or Disability Continuing Until Early Retirement Date

A Member whose period of leave of absence or Disability continues until he is eligible for retirement may elect to retire at any time before his Normal Retirement Date and his pension will be calculated based on the provisions of the Plan in effect as at the date of his retirement. Any of the Member's pension received prior to his Normal Retirement Date will be deemed to be received on account of disability for

purposes of the Employer's long term disability plan.

I.7.8 Income Tax Act Restrictions on Pensionable Service Years and Deemed Earnings

Periods of unpaid leave of absence included in Pensionable Service Years plus periods of absence during which Earnings are deemed to be received under Section I.7.3 on and after July 1, 2008 shall not exceed the following limits:

- (a) each period of absence before January 1, 1991 for which Pensionable Service Years are granted shall be limited to a maximum full-time equivalent of 2 years; and
- (b) the aggregate of periods of absence on and after January 1, 1991 for which Pensionable Service Years are granted or Earnings are deemed to be received shall be limited to a maximum full-time equivalent of 5 years, plus an additional 3 years in respect of absences that occur within the 12 month period which commences at the time of the birth or adoption of a child of the Member.

Section I.8 - Designated Beneficiary

I.8.1 Effectiveness of Beneficiary Designation

Death benefits are paid in accordance with the beneficiary designation of a Member except if the Company has actual notice that the Member is survived by a Spouse, and the Spouse has not waived priority rights as permitted by the Pension Benefits Act, then the Spouse takes priority over the Beneficiary of the Member, in accordance with the requirements of the Pension Benefits Act.

I.8.2 Procedure for Beneficiary Designation

A Member may designate a Beneficiary or Beneficiaries to receive death benefits payable under the Plan and may, from time to time, alter or revoke the designation either in the manner and according to the forms prescribed by the Company for that purpose, or by will provided that the certified copy of probate is provided to the Company's head office before payment is made.

Section I.9 - Trust Fund

I.9.1 Trust Fund

The Company shall arrange for the funding of the Plan by establishing a Trust Fund for the purposes of the Plan, by the execution of a Trust Agreement with a Trustee which is a company resident in Canada and licensed to carry on a trust business in Canada.

I.9.2 Change of Trustee

The Company may, subject to the terms of the Trust Agreement, remove or replace the Trustee at its discretion from time to time, provided that any substitute Trustee or Trustees (other than a Company authorized to carry on a life insurance business in Canada), shall be a company resident in Canada and licensed to carry on a trust business in Canada.

I.9.3 Relationship of Plan and Trust

The Company shall deliver a copy of the Plan as it may be amended from time to time to the Trustee and the Trust Agreement thereupon forms part of the Plan as so amended, inconsistent provisions of the Plan in existence prior to any such delivery thereby being deemed to have been appropriately modified as of the effective date contemplated for such amendments.

I.9.4 Investment of the Trust Fund

The Trust Fund created by the Trust Agreement and all increments thereto will be held by the Trustee and will be invested in the securities and loans from time to time permitted under the Pension Benefits Act and the Income Tax Act, and in such manner as will qualify the trust for exemption from income tax under the Income Tax Act. Subject to the foregoing, the investment of a Member's Account will be as directed by the Member from options made available under the Trust Agreement.

I.9.5 Continuation of Predecessor Plan Trust Fund

The funding arrangement for the Plan is provided as a continuation of the funding arrangement of GRIP.

I.9.6 Discharge to Trustee

If any person entitled to receive a payment from the Plan is incapable of managing his own affairs and of giving valid receipt for such payment, the Trustee may make payment to the guardian, committee or other legal representative of the person and any such payment will be deemed a payment for the account of the person entitled to the payment and will constitute a full and complete discharge of the Trustee for liability for the payment under the Plan.

Section I.10 - Administration

I.10.1 Administration by the Company

The Company shall administer the Plan and shall, in consultation with the Actuary or Trustee if the Company deems it necessary, decide conclusively all matters relating to the operation, administration, interpretation or application of the Plan and its provisions and without limiting the generality of the foregoing, the Company may exclude from this Plan any employee who is not resident in Canada.

I.10.2 Cost of Administration

All normal and reasonable expenses incurred in the operation of the Plan whether related to the DB Provisions or the DC Provisions or both, including expenses incurred under the Trust Agreement, shall be paid from the Trust Fund, either directly or by reimbursement to the Company on a quarterly basis (or at such other intervals as the Company shall determine). The Company shall determine from time to time the administration and investment fees and expenses that will be paid directly from Members' Accounts.

I.10.3 Purchase of Annuities

The Company may in its discretion, arrange for the purchase of an annuity by the Trust Fund established according to the Trust Agreement to satisfy the benefit entitlement of or on behalf of a Member under the Plan, provided that any restrictions in the Pension Benefits Act with regard to the solvency of the Plan have been met and provided that with respect to a Member's Account, efforts to obtain the Member's election under Section III.4.1 have been made.

Section I.11 - General Provisions

I.11.1 Small Pension Amounts

If a Member's annual periodic pension payment is a small amount and is, thus, eligible for commutation according to the applicable legislative requirements summarized as follows, the Commuted Value of the Member's pension will be paid to the Member in a cash lump sum:

<u>Amount of Benefit</u>	<u>Province</u>
Annual pension less than 2% of YMPE	Ontario P.E.I. (no legislation)
Annual pension less than 4% of YMPE	Manitoba Newfoundland Nova Scotia Federal
Annual pension equal to or less than 4% of YMPE	Alberta Saskatchewan
Annual pension less than 10% of YMPE	British Columbia
Commuted Value (excluding excess contributions) less than 4% of YMPE	Manitoba
Commuted value (excluding excess contributions) less than 10% YMPE	Newfoundland Nova Scotia
Commuted Value (including excess contributions) less than 20% of YMPE	Quebec
Commuted Value (excluding excess contributions) less than 20% of YMPE	British Columbia
Commuted Value at date of request if pension deferred (excluding excess contributions) less than or equal to 20% of YMPE	Alberta Saskatchewan

Annual pension less than 2% of the YMPE (and Member is within 10 years of normal retirement) New Brunswick

Adjusted Commuted Value (adjusted with interest from date of termination to age 65) less than 40% of the YMPE, and the Spouse, if any, consents in the prescribed written form to the payment of the Commuted Value New Brunswick

I.11.2 Required Transfers

Subject to the transfer restrictions as described in Sections I.11.3 and I.11.4, if the amount available for transfer under Section II.B.8.3 is less than 10% of the YMPE in the year in which the Member terminates Continuous Service, the Company may require the Member to make the transfer described in Sections II.A.7.6 and II.B.8.3 if the Member was employed in the following jurisdictions: Alberta, British Columbia or New Brunswick or Federal.

Subject to the transfer restrictions as described in Sections I.11.3 and I.11.4, if the amount available for transfer under Section II.B.8.3 is less than 20% of the YMPE in the year in which the most recent determination of the Commuted Value is made, the Company may require a Member who was employed in Alberta to make the transfer described in Sections II.A.7.6 and II.B.8.3.

I.11.3 Restrictions on Transfers under the Income Tax Act

A transfer of benefits from the Plan to another alternative retirement savings arrangement shall be made directly from the Plan to the alternative retirement savings arrangement, in accordance with the requirements under the Income Tax Act. Amounts transferred in accordance with Sections II.A.7.6 and II.B.8.3 plus excess contributions transferred in accordance with Section II.B.10.2 shall not exceed the maximum amount prescribed under the Income Tax Act. Any amounts which exceed these limits shall be paid to the Member in cash.

I.11.4 Restrictions on Transfers under the Pension Benefits Act

The Company shall not permit a transfer or purchase under Sections II.A.7.6, II.B.8.3, III.4.1 and III.4.2 unless it is satisfied that:

- (a) the transfer or purchase is in accordance with the Pension Benefits Act; and

- (b) any restrictions in the Pension Benefits Act with regard to the solvency of the Plan have been met.

I.11.5 Timing of Transfers

A Member who is entitled to transfer the Commuted Value of his deferred pension under Sections II.A.7.6 and II.B.8.3 shall make the transfer within the time limits required by the Company. However, a Member whose Continuous Service ceases while employed in the province of Quebec is entitled to make the election under Section II.A.7.6 within 180 days of:

- (a) the date on which the Member's employment is terminated;
- (b) every fifth anniversary following the Member's termination of employment until the Member's attainment of age 55.

I.11.6 Non-Resident

A Member who was employed in British Columbia, Quebec, or in Federal Employment, whose Continuous Service has ceased, and who has ceased to reside in Canada for at least 2 years, and in the case of a British Columbia Member, who is a non-resident of Canada for tax purposes, is entitled to the Commuted Value of his entitlement from the Plan in a lump sum.

For a Member who was employed in New Brunswick, whose Continuous Service has ceased, if:

- (a) the Member and his Spouse, if any, have ceased to be Canadian Citizens and have become non-residents of Canada for tax purposes; and
- (b) the Spouse, if any, has signed a waiver as prescribed,

the Member is entitled to the Commuted Value of his entitlement from the Plan in a lump sum.

A Member who was employed in Alberta, whose Continuous Service has ceased and who is a non-resident of Canada for tax purposes, is entitled to the Commuted Value of his entitlement from the Plan in a lump sum.

I.11.7 Short Life Expectancy

If a Member who is retiring establishes by a statement from a qualified medical practitioner that he has only a short life expectancy, the Company may authorize the payment of the Commuted Value of all or part of the Member's life annuity including the Member's Account in a single cash amount, provided that the consent of the Member's Spouse, if any, is obtained.

For a former Member who was employed in Ontario, and who establishes pursuant to the prescribed requirements of the Pension Benefits Act that he or she has an illness or physical disability that is likely to shorten his or her life expectancy to less than two years, and when all applicable requirements of the Pension Benefits Act are satisfied, the Company shall authorize the payment of the commuted value of all or part of the former Member's life annuity including the Member's Account in a single cash amount, and for this purpose the commuted value will be determined taking into account the Member's shortened life expectancy.

If the Member is employed in New Brunswick and has a Spouse, payment in cash shall not be made without the Spouse's consent in the form prescribed by the Pension Benefits Act.

I.11.8 No Additional Rights to Employment

A Member shall not have, because of his membership in the Plan, any additional rights to employment with an Employer which he would not otherwise have.

I.11.9 Non-Alienation

Except as specified in Section I.11.6 or permitted under the Pension Benefits Act and the Income Tax Act, money payable under the Plan is subject to the following restrictions:

- (a) any transaction that purports to assign, charge, anticipate, surrender or give as security any right of a person under the Plan or money payable under the Plan shall not be enforceable against the Plan; and
- (b) money payable under the Plan is exempt from execution, seizure or attachment.

I.11.10 Assignability of Benefits On Marriage Breakdown

- (a) *Support Obligations*
Upon breakdown of a Member's spousal relationship, payments under the Plan are subject to execution, seizure or attachment in satisfaction of a written order for support or maintenance enforceable in Ontario or another relevant jurisdiction, in accordance with the Pension Benefits Act.
- (b) *Division of Property*
Upon the breakdown of a spousal relationship, a Member may assign or convey in writing all or a portion of his benefits and rights under the Plan to his Spouse or former Spouse within the limits imposed by the Pension Benefits Act.

I.11.11 Non-Commutability of Pensions

A pension or deferred pension payable under this Plan shall not be capable of being commuted, except as permitted under Sections, I.11.1 and I.11.6.

I.11.12 Proof of Age

Each Member shall, if and when required by the Company, provide proof of age for himself and any joint annuitant and comply with all reasonable requirements of the Company.

I.11.13 Disclosure to Employees and Members

The Company shall provide to each prospectively eligible Employee and to each newly-enrolled Member and his or her Spouse where required by the applicable Pension Benefits Act, a written explanation of the terms and conditions of the Plan and any amendments thereto prospectively applicable or currently applicable to him (as the case may be) together with an explanation of the rights and duties arising on Plan membership with reference to the benefits available to him under the Plan. The Company shall make available to or on behalf of the Member and his or her Spouse where required by the applicable Pension Benefits Act, the information regarding the operation and administration of the Plan as prescribed in the applicable Pension Benefits Act including prescribed Member information statements.

I.11.14 Governing Law

The provisions of the Plan shall be construed, governed and administered in accordance with the laws and regulations in effect in the Province of Ontario.

I.11.15 No Privity

The Plan shall not create any privity between an Employer and any Employee or former Employee entitled to receive any payment or benefit under the Plan, and no right or claim of any such person shall be asserted or made against an Employer, by reason of the Plan.

Section I.12 - Future of the Plan

I.12.1 Right to Amend or Terminate

While it is the intention of the Company to maintain the Plan in force indefinitely, the right to amend or terminate the Plan, either in whole or in part, is necessarily reserved by the Company in the event that future conditions, in the opinion of the Company, warrant such action, which conditions may include without limiting the generality of the foregoing, changes in pensions, profit sharing plans, retirement income benefits or similar benefits provided by the Company or by or pursuant to any law, regulations or other governmental authority.

I.12.2 No Reduction of Accrued Benefits

Notwithstanding Section I.12.1, the following restrictions apply:

- (a) an amendment to all or part of the Plan shall not operate to reduce benefits which have accrued under the Plan prior to the date of such amendment to Members of the Plan; and
- (b) where an amendment results in a certifiable past service adjustment (as defined under the Income Tax Act) in respect of a Member, the amendment shall not apply to such Member prior to the certification of the past service pension adjustment in accordance with the Income Tax Act.

I.12.3 Withdrawal of Assets

In conjunction with the amendments giving effect to the rules of the Plan, the Company expressly reserves the rights, which have been its rights since the inception of the predecessor plan as follows:

- (a) the right to withdraw assets from the Trust Fund subject to the then current restrictions concerning pension fund surpluses according to the applicable Pension Benefits Act and rulings of the regulatory authorities; and
- (b) the right to apply surplus assets towards the provision of benefits under the Plan

I.12.4 Termination

In the event that the Plan is terminated in full or in part:

- (a) the assets of the Trust Fund (or in the case of a partial termination, the pro-rata portion of the assets of the Trust Fund) shall be applied first to satisfy all pensions and other benefits in accordance with the terms of the Plan and the additional entitlements required under the Pension Benefits Act in respect of service up to the date of such termination (or partial termination) to individuals in the categories (i), (ii) and (iii) as follows who are affected by such termination (or partial termination):
 - (i) Members of the Plan;
 - (ii) pensioners; and
 - (iii) former Employees with deferred pension entitlements;
- (b) if the assets of the Trust Fund (or, in the case of a partial termination, the pro-rata portion of the assets of the Trust Fund) are insufficient to provide fully for the benefits described in Section I.12.4(a), the Accounts shall not be affected by the insufficiency and the Employer shall not be required to make any further contribution by reason of such deficiency other than payments required to be made under Section I.6 up to the date of such termination, except as otherwise required under the terms, if any, of the applicable Pension Benefits Act which provide for guaranteed benefits in the event of plan termination; and
- (c) if, after providing fully for the benefits described in Section I.12.4(a), there are assets remaining in the Trust Fund (or, in the case of a partial termination, in the pro-rata portion of the assets of the Trust Fund), such remaining assets shall revert to the benefit of the Company and, in accordance with the provisions of Section I.12.3, shall be paid to the Company or applied for such other use as the Company shall direct in accordance with the provisions of Section I.12.3 subject, in the case of a partial termination, to any requirements of the Pension Benefits Act that such remaining assets (or a portion thereof) be retained in the Plan.

SEARS CANADA INC.
SEARS REGISTERED RETIREMENT PLAN
DB PROVISIONS

SEARS CANADA INC.

Sears Registered Retirement Plan

II – DB Provisions

A. Basic Rules

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II. DB Provisions

A. Basic Rules

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Section II.A.1 - Final Average 3-Year Pensionable Earnings and Pensionable Service

II.A.1.1 Pensionable Earnings

For any year in which a Member is a Full-Time Employee, the amount of the Member's Pensionable Earnings is the amount of that Member's Earnings.

II.A.1.2 Final Average 3-Year Pensionable Earnings

Subject to Section II.A.1.3, the Final Average 3-Year Pensionable Earnings of a Member is determined as one-third of the Member's aggregate Pensionable Earnings during his 3 consecutive years of highest Pensionable Earnings within his most recent 10 years of Continuous Service while a Member of the Plan.

II.A.1.3 Inflation Adjusted Career Average Earnings

The Final Average 3-Year Pensionable Earnings of an Eligible Member as defined in Section II.A.1.2 is deemed to equal the Member's Inflation Adjusted Career Average Earnings, if greater, which is calculated by applying a formula to the Member's Pensionable Earnings for each year of Plan membership on and after January 1, 1987 with the effect of:

- (a) adjusting such Pensionable Earnings based on the cumulative change in the Consumer Price Index, measured from the year of such Pensionable Earnings with the approximate effect of excluding changes in the last calendar year of Continuous Service; and
- (b) aggregating such inflation adjusted Pensionable Earnings and dividing the aggregate by the Member's years of Plan membership on and after January 1, 1987.

The aggregate adjustment to Pensionable Earnings as described above shall not exceed the increase in the Average Industrial Wage during the same period.

II.A.1.4 Member Eligible for Inflation Adjustment to Earnings

A Member is eligible for the substitution of Inflation Adjusted Career Average Earnings as described in Section II.A.1.3 if the Member has at least 6 years of Continuous Service, if the Member retires from the Company on or before his normal retirement date, and if the Member's average annual Pensionable Earnings in any period of 3 complete calendar years measured back on a non-overlapping basis from the most recent calendar year is less than the Member's average annual Pensionable Earnings for the immediately prior period of 3 complete calendar years by a "Minimum Percentage" determined from the following table relative to the Consumer Price Index Increase During the Period ("CPII"):

<u>CPI Increase During the Period (CPII)</u>	<u>Minimum Percentage</u>
Less than 6%	11% less CPII
6% to 15%	5%
15% to 20%	20% less CPII
Greater than 20%	any drop in earnings

For the purposes of this Section II.A.1.4, CPII is determined as the ratio of the Consumer Price Index of the middle year of the later 3-year period to the Consumer Price Index of the middle year of the prior 3-year period.

II.A.1.5 Pensionable Service Years

- (a) Subject to paragraph (b) of this Section II.A.1.5 a Member will be credited with one Pensionable Service Year for each complete calendar year of the Member's Continuous Service as a Full-Time Employee, while a Member of the Plan, since the later of his most recent date of hire and January 1, 1987 and before July 1, 2008. A Member's Pensionable Service Years shall exclude a period of unpaid leave of absence other than:
- (i) any period of Disability, as described in Section I.7.1(c);
 - (ii) any period of absence during which the Member is entitled to short-term disability benefits under an Employer sponsored program, as described in Section I.7.1(b);

- (iii) any period of absence, other than a period included in (i) or (ii) above, arising from a work-related injury or illness during which the Member is entitled to accrue pension benefits as described in Section I.7.1(a);
 - (iv) any period of absence required by law to be granted in respect of maternity, parental leave or compassionate care leave, as described in Section I.7.1(a); and
 - (v) any other unpaid leaves of absences, unless approved by the Company.
- (b) A Member who had elected under Section 5.1 of the Plan as it was in effect prior to July 1, 2008 to cease required contributions to the Plan is not credited with Pensionable Service Years for any period during which he had ceased to make required contributions to the Plan under that provision.

Section II.A.2 - Normal Retirement

II.A.2.1 Normal Retirement Date

A Member's normal retirement date is the last day of the month in which the Member attains age 65.

II.A.2.2 Normal Retirement Pension

For service with an Employer on and after January 1, 1987, the amount of the annual pension of a Member who retires on his normal retirement date is the sum of (a) and (b) calculated as follows:

- (a) for Final Average 3-Year Pensionable Earnings up to the Final Average 3-Year YMPE
 - (i) 1%

multiplied by
 - (ii) the Member's Pensionable Service Years

multiplied by
 - (iii) the amount of the Member's Final Average 3-Year Pensionable Earnings that is less than or equal to the Final Average 3-Year YMPE but greater than 20% of the Final Average 3-Year YMPE

plus
- (b) for Final Average 3-Year Pensionable Earnings above the Final Average 3-Year YMPE
 - (i) 1.75%

multiplied by

(ii) the Member's Pensionable Service Years

multiplied by

(iii) the amount of the Member's Final Average 3-Year Pensionable Earnings that exceeds the Final Average 3-Year YMPE

and in no event shall the amount of the annual pension payable at the Member's normal retirement date be less than the amount that would have been payable if the Member's Continuous Service had ceased on June 30, 2008.

In addition, the Member has entitlement to his excess contributions if any, calculated and payable in accordance with Section II.A.9.1, including accumulated interest.

Section II.A.3 - Early Retirement

II.A.3.1 Early Retirement Date

A Member may retire on the last day of any month after the Member has attained age 55 and is entitled to a pension commencing on the first of any month thereafter up to the first day of the month after he attains age 65.

II.A.3.2 Early Retirement Pension

For service with an Employer on and after January 1, 1987, the amount of the annual pension of a Member who retires before his normal retirement date is determined as follows:

- (a) the pension earned by the Member to his actual retirement date determined in accordance with the formula in Section II.A.2.2

reduced by

- (b) the early retirement reduction factor described under Section II.A.3.3

In addition, the Member is entitled to his excess contributions, if any, calculated and payable in accordance with Section II.A.9.1, including accumulated interest.

II.A.3.3 Early Retirement Reduction Factor

- (a) Members With Continuous Service Under 10 Years

1/4% per month for each full month by which the Member's actual pension commencement date precedes the last day of the month in which the Member attains his normal retirement date, plus a further 1/4% per month for each month, if any, by which the Member's actual pension commencement date precedes the month in which he attains age 60.

(b) Members With 10 or More But Less Than 25 Years of Continuous Service

1/4% per month for each full month by which the Member's actual pension commencement date precedes the last day of the month in which the Member attains age 62 plus a further 1/4% per month for each month, if any, by which the Member's actual pension commencement date precedes the last day of the month in which he attains age 60.

(c) Members With 25 or More Years But Less Than 30 Years of Continuous Service

1/2% per month for each full month, if any, by which the Member's actual pension commencement date precedes the last day of the month in which he attains age 60.

(d) Members With 30 or More Years of Continuous Service

1/4% per month for each full month, if any, by which the Member's actual pension commencement date precedes the last day of the month in which he attains age 60.

provided that, in no event, shall the reduction in the Member's pension under Section II.A.3.3, be less than the minimum early retirement reduction permitted under the *Income Tax Act* provided that for a Member in Federal Employment, sections (b), (c), and (d) apply only with the consent of the Company.

Section II.A.4 - Postponed Retirement

II.A.4.1 Postponed Retirements

If, pursuant to provincial law and the Employer's policy concerning retirement, a Member has remained in employment after his normal retirement date, the Member may retire after ceasing employment on the last day of any month after his normal retirement date but shall in any event be deemed to retire for the purposes of the Plan not later than November 30 of the year in which the Member attains age 71.

II.A.4.2 Postponed Retirement Pension

For service with an Employer on and after January 1, 1987, the amount of the annual pension upon actual retirement of a Member who retires after his normal retirement date is determined as the greater of (a) and (b) as follows:

- (a) his pension determined in accordance with the formula in Section II.A.2.2, and
- (b) his pension for service up to his normal retirement date determined in accordance with the formula in Section II.A.2.2 actuarially adjusted to the date his pension becomes payable;

and in addition, the Member is entitled upon actual retirement to his excess contributions, if any, calculated and payable in accordance with Section II.A.9.1, including accumulated interest.

Section II.A.5 - Forms and Payment of Pension

II.A.5.1 Pension Commencement and Duration

The Member's pension commences on the first of any month following termination of Continuous Service and attainment of age 55, prior to and including the Member's normal retirement date or the first of the month following the Member's postponed retirement date, as applicable, and is paid in equal monthly instalments thereafter (subject to increases pursuant to the provisions of Section II.A.6) for the Member's lifetime or such longer period as required according to the normal form of pension payable to the Member pursuant to Section II.A.5.2 or if applicable, the optional form of pension payable to the Member pursuant to Section II.A.5.3.

II.A.5.2 Normal Form of Pension

The normal form of pension is as follows depending on whether the Member has a Spouse:

- (a) for a Member who has no Spouse at his actual pension commencement date, monthly instalments continuing for the Member's lifetime, but if the Member dies before receiving 120 monthly instalments, the Commuted Value of the balance of such 120 monthly payments is paid to the Member's beneficiary; or
- (b) for a Member who has a Spouse at his actual pension commencement date, the reduced level of monthly payments which is the Actuarial Equivalent of the benefit described in Section II.A.5.2(a), which provides monthly payments continuing for the greater of the Member's lifetime and 120 months, and continuing thereafter, reduced by 33-1/3%, to his surviving Spouse-if any, for her lifetime.

If the Member dies before receiving 120 monthly instalments, and is not survived by his Spouse, the Commuted Value of the balance of such 120 monthly payments is paid to the Member's beneficiary.

II.A.5.3 Optional Forms of Pension

A Member may elect an optional form of pension, other than that which would be applicable to the Member pursuant to Section II.A.5.2, and that is payable at least for the Member's lifetime, on the conditions that:

- (a) the optional form of pension complies with the requirements of the Income Tax Act and Pension Benefits Act;
- (b) if the Member has a Spouse and is employed in a province where the Pension Benefits Act stipulates a joint form of pension with the Spouse of the Member, such Spouse consents in the prescribed written form to an optional form which provides to the Spouse no benefit or a level of benefit that is less than 66-2/3% of the benefit payable for the Member's lifetime; and
- (c) the optional form of pension is the Actuarial Equivalent of the normal form of pension described in Section II.A.5.2(a).

Section II.A.6 - Post Retirement Inflation Adjustment

II.A.6.1 Annual Review of CPI

The Company will review changes in the Consumer Price Index once a year, as of a specified anniversary date, with a view to declaring an inflation adjustment in accordance with the provisions of this Section II.A.6 to pensions in payment which are subject to such increase.

II.A.6.2 Application of Inflation Adjustment

An inflation adjustment declared pursuant to this Section II.A.6 commences on the later of the 1st day of January immediately following the Member's 65th birthday, or the 1st day of January immediately following the Member's actual retirement, and the inflation adjustment applies to each periodic pension payment which is payable:

- (a) after the date such adjustment is declared;
- (b) to any Member who retired from the service of an Employer prior to January 1, 2001 and who was eligible at the time of retirement to receive an immediate pension; and
- (c) to any Member whose employment with an Employer terminates after December 31, 2000 and the Member is eligible to receive an immediate or deferred pension; and
- (d) to the beneficiary of any Member as described in (b) and (c).

II.A.6.3 Maximum Inflation Adjustment Calculation

Subject to Section II.A.6.4, the inflation adjustment declared by the Company in any particular year is the percentage increase calculated as follows:

- (a) the excess, if any, of the percentage increase in the Consumer Price Index of the immediately preceding year over the Consumer Price Index of the second preceding year over 2%.

multiplied by

- (b) 75%

provided, however, that the inflation adjustment cannot exceed the lesser of 12% and the estimated average base pay increases provided by the Employers to active employees in the prior year. This lesser amount is the "maximum percentage increase".

II.A.6.4 Supplementary Inflation Adjustment

If the inflation adjustment according to Section II.A.6.3 has been restricted for one or more years to the "maximum percentage increase" the Company may declare a supplementary inflation adjustment in any subsequent year, if, and to the extent that the "maximum percentage increase" for that year exceeds the percentage increase calculated according to the formula in Section II.A.6.3, with the further restriction that such supplementary inflation adjustment when added together with all previous inflation adjustments, including all previous supplementary adjustments, shall not exceed the total cumulative allowable percentage increases calculated according to the formula in Section II.A.6.3.

Section II.A.7 - Benefits on Termination

II.A.7.1 Eligibility for Immediate Pension

A Member whose Continuous Service ceases for any reason after he is eligible for an early retirement pension is entitled to an immediate pension calculated according to the formula in Section II.A.3.2, and in addition, the Member has immediate entitlement to his excess contributions, if any, calculated and payable in accordance with Section II.A.9.1, including accumulated interest.

II.A.7.2 Eligibility for Termination Benefit

A Member whose Continuous Service ceases before he is eligible for an early retirement pension is entitled to receive a deferred pension commencing at age 65 in accordance with Section II.A.7.3, or at an earlier date in accordance with Section II.A.7.4.

In addition, the Member is entitled to his excess contributions, if any, calculated and payable in accordance with Section II.A.9.1, with accumulated interest.

II.A.7.3 Termination Benefit

For service with an Employer on and after January 1, 1987, a Member who is eligible for a termination benefit in accordance with Section II.A.7.2 is entitled to receive deferred pension commencing at age 65, determined in accordance with Section II.A.2.2.

II.A.7.4 Early Commencement of Termination Benefit

In lieu of a deferred pension commencing at the Normal Retirement Date as described in Section II.A.7.2, the Member may elect to commence receiving this pension on the first day of any calendar month coincident with or following his attainment of age 55 and prior to his Normal Retirement Date. The amount of this pension is calculated in accordance with Sections II.A.3.2 and II.A.3.3, provided that for the purposes of the determination of early retirement reduction factor under

Section II.A.3.3, the Member's Continuous Service is deemed to be the length of the Member's completed Continuous Service as if the Member had continued in active employment until his pension commencement date.

II.A.7.5 Provision for Spousal Entitlement in Relation to Termination Benefit

The termination benefit of a Member who is entitled to a deferred or immediate pension upon termination of employment for a reason other than retirement or death must provide a spousal pension according to the terms of Section II.A.5.2 and II.A.5.3 in the event that the Member has a Spouse within the terms of those Sections at the time that periodic pension payments commence.

II.A.7.6 Transfer of Deferred Pension Termination Benefit

A Member who is entitled to a deferred pension according to Section II.A.7.2 may elect to transfer a lump-sum amount equal to the Commuted Value of his deferred pension to an alternate retirement income funding arrangement in compliance with and subject to the requirements of the applicable Pension Benefits Act and the Income Tax Act, if any and the Member has no further claims against the Plan following such a transfer.

II.A.7.7 Minimum Transfer Value

In no event shall the sum of:

- (a) the amount available for transfer in accordance with Section II.A.7.6 and
- (b) the Member's entitlement, if any, to excess contributions determined in accordance with Section II.A.9.1, with accumulated interest

be less than 150% of the Member's required contributions made before July 1, 2008, with accumulated interest.

Section II.A.8 - Benefits on Death

II.A.8.1 Amount of Death Benefit for Active Member

For service with an Employer on and after January 1, 1987 and before July 1, 2008, the death benefit for a Member who is actively employed immediately before his death is determined as the Commuted Value of the Member's entitlement as if he had terminated Continuous Service according to Section II.A.7 (Benefits on Termination). For purposes of greater certainty, it is specified that the benefit includes the value of the Member's excess contributions, if any, calculated in accordance with Section II.A.9.1 with accumulated interest.

II.A.8.2 Amount of Death Benefit for Former Member Entitled to Deferred Pension at Death

For service with an Employer on and after January 1, 1987 and before July 1, 2008, the death benefit for a Member who had terminated Continuous Service before his death with an entitlement to a deferred pension which has not commenced and which has not been transferred out of the Plan, is determined as the Commuted Value at the date of death, of the deferred pension to which the Member is entitled under Section II.A.7. In addition, if not previously paid, the value of the Member's excess contributions, if any, calculated in accordance with Section II.A.9.1, with accumulated interest.

II.A.8.3 No Death Benefit After Transfer of Deferred Pension to Alternate Retirement Income Funding Arrangement

No benefit is paid from the Plan with respect to service before July 1, 2008 following the death of a Member who, before his death, had terminated Continuous Service and had completed the transfer of his deferred pension entitlement to an alternate retirement income funding arrangement according to Section II.A.7.6.

II.A.8.4 Death Benefit of Retired Member

The death benefit, if any, for a Member who dies after his periodic pension payments with respect to service before July 1, 2008 have commenced is the payments remaining, if any, or the Commuted Value thereof, according to the terms of payment applicable to the Member's benefit as provided in Section II.A.5 (Forms and Payment of Pension).

II.A.8.5 Death Benefit Settlement

The death benefit described in Section II.A.8.1 or II.A.8.2 is payable to the Member's Spouse, designated beneficiary or, if neither, to his estate, in accordance with the requirements of the Pension Benefits Act and the Income Tax Act and Section I.8

Section II.A.9 - Excess Contributions and Statutory Restrictions

II.A.9.1 Excess Contributions

Following the termination of Continuous Service for any reason, including retirement or death, of a Member who is entitled to an immediate or deferred pension with respect to service before July 1, 2008 upon such termination, retirement or death, the Member's excess contributions, if any, shall be equal to:

- (a) the value of the Member's required contributions made before July 1, 2008 with accumulated interest over
- (b) 50% of the Commuted Value of the Member's deferred or immediate pension with respect to service before July 1, 2008.

II.A.9.2 Income Tax Act Maximum

Notwithstanding anything to the contrary contemplated by the Plan, the annual pension payable under the Plan to any Member with respect to service before July 1, 2008 on retirement, death, termination of employment or termination of the Plan shall not exceed the maximum amount permitted to be paid under the Income Tax Act.

Section II.A.10 - Pension Benefits of Members Transferred to JPMorgan

II.A.10.1 Definitions

The following capitalized terms shall have the following meanings respectively for purposes of this Section II.A.10.

- (a) **“Average Industrial Wage”** means the average Canadian weekly wages and salaries, defined as the Industrial Aggregate, as published from time to time by Statistics Canada under the Statistics Act (Canada) as measured by CANSIM II Series VI558664;
- (b) **“Average Wage”** for a calendar year, means the Average Industrial Wage for each month over the 12-month period ending on June 30 of the immediately preceding calendar year, divided by 12;
- (c) **“Date of Determination”** means the earlier of a Transferred Member’s eventual retirement, death or termination of employment with the Purchaser
- (d) **“Increase in Average Industrial Wage”** for the calendar year, means, the percentage by which the Average Wage in the calendar year exceeds the Average Wage in the immediately preceding calendar year, calculated to the nearest decimal place, subject to a minimum of 0.00%. If the increase is to apply for only part of the calendar year, the increase shall be determined as described but prorated for that part of the calendar year, as applicable;
- (e) **“Purchaser”** means JP Morgan Chase Bank N.A. (Toronto Branch);
- (f) **“Transition Date”** means, with respect to each Transferred Member who is paid on an hourly basis, December 18, 2005, and in respect of each Transferred Member who is paid on a salaried basis, January 1, 2006;

- (g) **“Transferred Member”** means a former employee of the Corporation whose employment was seconded to the Purchaser pursuant to the terms of the Secondment Agreement, whose employment was transferred to the Purchaser on a Transition Date and who was accruing benefits under the Plan on the day immediately prior to such Transferred Member’s Transition Date; and
- (h) **“Secondment Agreement”** means the employee secondment agreement among the Corporation, Scars Canada Bank and the Purchaser dated as of November 15, 2005.

II.A.10.2 Determination of Benefits of Transferred Members under the Plan

On and after a Transferred Member’s Transition Date, such Transferred Member ceased to contribute to, and to accumulate service accruals under the Plan. The benefits accrued by the Transferred Member are retained in the Plan and are payable on such Transferred Member’s Date of Determination, in accordance with the terms of the Plan at the Transition Date, subject to the following conditions:

- (a) each of the lifetime benefit and the bridge benefit under the Plan, if applicable, shall be determined based on the Transferred Member’s Pensionable Service Years, Final Average 3-Year Pensionable Earnings, and Final Average 3-Year YMPE and, for Transferred Members with an entitlement under Appendix B, Pensionable Service, Contributory Service and Final Average Earnings, as at such Member’s Transition Date, save and except that such benefits shall be increased to reflect Increases in Average Industrial Wage for each year (or pro rated portion thereof) from the Transferred Member’s Transition Date to the Transferred Member’s Date of Determination; and

- (b) the Continuous Service of each Transferred Member shall include the period of employment with the Purchaser from the Member's Transition Date to the Member's Date of Determination except for the purpose of determining Pensionable Service Years, Final Average 3-Year Pensionable Earnings, and Final Average 3-Year YMPE and, for Transferred Members with an entitlement under Appendix B, Pensionable Service, Contributory Service and Final Average Earnings, which are governed by (a) above.

Section II.A.11 - Special Settlement for Certain Quebec Members

II.A.11.1 Special Settlement

A Member to whom Section I.4.1 applies on June 30, 2008, who makes an election to contribute 0% as of July 1, 2008 as provided in the DC Provisions and who is employed in Quebec when the 0% election becomes effective as of July 1, 2008 is entitled to but not required to elect:

- (a) if the Member is under age 55 on July 1, 2008,
 - (i) to transfer the Member's entitlement under the DB Provisions out of the Plan or to the Member's Account under the DC Provisions while still an Employee, determined and payable as if the Member's Continuous Service ceases on July 1, 2008 subject to the modification specified in Section II.A.11.3; or
 - (ii) to receive a deferred pension under the DB Provisions that will commence at any time after age 55 is attained and before age 65 is attained while still an Employee, determined and payable as if the Member's Continuous Service ceases immediately before the date of pension commencement.
- (b) if the Member has attained age 55 on July 1, 2008,
 - (i) to receive an immediate pension under the DB Provisions while still an Employee determined and payable as if the Member's Continuous Service ceases on July 1, 2008; or
 - (ii) to receive a deferred pension under the DB Provisions that will commence at any time before age 65 is attained while still an Employee, determined and payable as if the Member's Continuous Service ceases immediately before the date of pension commencement.

II.A.11.2 Consequences of Election

- (a) If a Member's pension under the DB Provisions commences pursuant to an election made under Section II.A.11.1, then for all purposes of the DB Provisions, including recognition of Earnings, the Member's Continuous Service is deemed to have ceased immediately before the date of pension commencement.
- (b) If a Member transfers all of his or her entitlement under the DB Provisions out of the Plan pursuant to Section II.A.11.1(a)(i) and the Member has no Account under the DC Provisions at the time of the transfer, then Membership ceases but Continuous Service is not affected or interrupted for purposes of eligibility to join the Plan.
- (c) An election under Section II.A.11.1 does not affect or interrupt a Member's Continuous Service for purposes of the DC Provisions.

II.A.11.3 Modified Commuted Value Calculation

The calculation of the Commuted Value of an entitlement under the DB Provisions for purposes of Section II.A.11.1(a)(i) shall include an earnings projection.

SEARS CANADA INC.

Sears Registered Retirement Plan

II – DB Provisions

B. Amplified Rules

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II. DB PROVISIONS

B. Amplified Rules

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Section II.B.1 - Definitions

- II.B.1.1.** *Average Industrial Wage* means the Average Weekly Earnings Industrial Aggregate published by Statistics Canada for the month of July of each calendar year.
- II.B.1.2** *Consumer Price Index* means the Consumer Price Index for Canada for All Items (Not Seasonally Adjusted) provided by Statistics Canada, or such other official measure of price movement as may be substituted therefor, for the month of July of each calendar year.
- II.B.1.3.** *Final Average 3-Year YMPE* is determined as one third of the following amount, as applicable:
- (a) for the Member who terminates on the last working day of a calendar year, the aggregate of the YMPE for the 3 full calendar years, comprised by the final 36 months of the Member's Continuous Service; or
 - (b) for the Member whose final 36 months of Continuous Service encompass 4 calendar years, the aggregate of the YMPE in the 2 full calendar years plus a pro rated portion of the YMPE for each part year contained in such period.
- II.B.1.4** *Pensionable Earnings* during periods of Disability and other leaves of absence are determined as described in Section I.7.3 rather than Section II.A.1.1.

Section II.B.2 - Final Average 3-Year Pensionable Earnings and Pensionable Service

II.B.2.1 Part-Year Pensionable Earnings

For any Plan Year during which the Member is not a Full-Time Employee and works less than 1,950 non-overtime hours, the amount of the Member's Pensionable Earnings is determined by multiplying the Member's Earnings by a part-year adjustment factor equal to 1,950 divided by the number of actual non-overtime hours worked during that Plan Year.

II.B.2.2 Period of 3 Consecutive Years

For the purposes of Section II.A.1.2, a Member's 3 consecutive years of highest Pensionable Earnings shall be comprised of:

- (a) any 3 consecutive full calendar years of highest Pensionable Earnings within the Member's last 10 years of Continuous Service while a Member of the Plan; or
- (b) if the Final Average 3-Year Pensionable Earnings is higher for this period, the 36 consecutive months that end with the Member's date of retirement, death or termination of employment, and for this purpose, the Member's Pensionable Earnings for the initial part-calendar-year period and the final part-calendar-year period are determined on a pro-rata basis,

but if the Member's period of Continuous Service while a Member of the Plan is less than 36 months, his Final Average 3-Year Pensionable Earnings is determined as 12 times the average of his monthly Pensionable Earnings while a Member of the Plan.

II.B.2.3 Inflation Adjustment on Pre-1987 Earnings for Post-86 Benefit

In calculating the pension earned by a Member for service on and after January 1, 1987, the Inflation Adjusted Career Average Earnings of an Eligible Member as defined in Section II.A.1.4 who was a Member of the Plan before January 1, 1987 is calculated as described in Section II.A.1.3 except that the

calculation includes in addition both the years of Plan membership commencing January 1, 1971 and ending December 31, 1986, as well as the "Earnings" as defined in GRIP in those years commencing January 1, 1971 and ending December 31, 1986 that are recognized as "Pensionable Service" as defined in GRIP.

II.B.2.4 Inflation Adjustment on Pre-1987 Benefit

In calculating the pension earned by an Eligible Member as defined in Section II.A.1.4 for service before January 1, 1987, the Member's Final Average Earnings as defined in GRIP, is replaced by the Member's Inflation Adjusted Career Average Earnings, if greater, which is calculated as provided in Section II.A.1.3, subject to the modifications described in Section II.B.2.3 and further modified so that the formula has the approximate effect of excluding changes in the Consumer Price Index within the last two calendar years of Continuous Service.

II.B.2.5 Part-Year Pensionable Service Years

- (a) The Pensionable Service Years before July 1, 2008 for a Member who was not deemed to be a Full-Time Employee throughout a Plan Year are determined as follows:
- (i) if a Member who is a Full-Time Employee at the end of a Plan Year or as of June 30, 2008 was enrolled as a Member during the Plan Year or half Plan Year ending June 30, 2008, the Member is credited with the appropriate fraction of a Pensionable Service Year, based on the number of days in the year or half year following the Member's enrolment in the Plan;
 - (ii) if a Member who is a Full-Time Employee terminates Continuous Service, the Member is credited with the appropriate fraction of a Pensionable Service Year, based on the number of days in the year prior to his termination date;
 - (iii) if a Member is not a Full-Time Employee at the date of a determination, the Member's Pensionable Service Years in each Plan Year of the half Plan Year ending June 30, 2008 is calculated as the ratio of the actual non-overtime hours worked in the year or

half year while a Member of the Plan, divided by 1,950 hours or 975 hours, respectively; and

- (iv) notwithstanding Section II.B.2.5 (iii) above, if a Member is not a Full-Time Employee at the date of a determination, the Member's Pensionable Service Years for any year in which the Member is on a leave of absence as described in Section I.7.1 is based on the Member's Pensionable Service Years for the immediately preceding Plan Year.
- (b) The Pensionable Service Years before July 1, 2008 for a Member who elected in accordance with Section 5.1 of the Plan as in effect before July 1, 2008 are determined in accordance with paragraph (a) of this Section II.B.2.5, but excluding the period the Member ceased to make required contribution to the Plan.

Section II.B.3 - Normal Retirement

II.B.3.1 Total Normal Retirement Benefit

The benefits described in Section II.B.3.1 are in addition to the benefits that a Member earns according to Section II.A.2.2. Together, the amount of the annual pension payable at the Member's normal retirement date shall not be less than the amount that would have been payable if the Member's Continuous Service had ceased on June 30, 2008. The benefits described in Sections II.B.3.4 or II.B.3.5, if either is applicable, are in lieu of the benefits that a Member earns according to Sections II.B.3.2 and II.A.2.2.

II.B.3.2 Pension For Service Before January 1, 1987

For service with an Employer before January 1, 1987, the amount of the annual pension at normal retirement date of a Member is determined according to the applicable normal retirement provisions of GRIP subject to the following specific modifications:

- (a) *Inflation Adjusted Career Average Earnings*
For the purpose of calculating pension amounts, the "Final Average Earnings" as defined in GRIP of an Eligible Member as defined in Section II.A.1.4 is replaced by the Member's Inflation Adjusted Career Average Earnings, if greater, as described in Section II.B.2.4;
- (b) *Modified "Pensionable Service"*
For the purpose of multiplying the percentage of the Member's Final Average Earnings in the GRIP pension formula, "Pensionable Service" as defined in GRIP is modified to include only those years prior to January 1, 1987;
- (c) *Modified Calculation of the Reduction for Benefits from the Canada/Quebec Pension Plan Act and, if Applicable, Old Age Security Act.*

The calculation of the pension reduction on account of estimated benefits under the Canada Pension Plan Act or Quebec Pension Plan Act and

where applicable, the Old Age Security Act, is modified in the following respects:

- (i) if the Member has a total of not more than 40 years when his "Pensionable Service" as otherwise defined in GRIP but prior to January 1, 1987 is added to his Pensionable Service Years, the denominator of the fraction is 40, and the numerator is determined as his years of "Pensionable Service" as otherwise defined in GRIP but prior to January 1, 1987;
- (ii) if the Member has a total of more than 40 years when his "Pensionable Service" as otherwise defined in GRIP but prior to January 1, 1987 is added to his Pensionable Service Years, the denominator of the fraction is increased to that total of more than 40, and the numerator is determined as his years of "Pensionable Service" as otherwise defined in GRIP but prior to January 1, 1987;
- (d) *Reduction On Account of the Member's Profit Sharing Annuity.* The pension reduction, if any, on account of the Member's "Profit Sharing Annuity", as defined in GRIP is applied against the sum of the pension earned by the Member on account of Continuous Service before January 1, 1987 plus the pension earned on account of Pensionable Service Years and Pensionable Service on and after that date.

II.B.3.3 Part-Year Calculation for Final Average Checklist Earnings of Pre-1972 Checklist Employee

For a Pre-1972 Checklist Employee who is not a Full-Time Employee in at least one Plan Year prior to retirement, "Final Average Checklist Earnings" are determined as:

- (a) one-third of the aggregate of the Member's Earnings in the 3 full Plan Years immediately preceding the first year in which he is not considered a Full-Time Employee; and

- (b) adjusted by the lesser of the cumulative increase in the Consumer Price Index and the Average Industrial Wage during the period beginning with the year preceding the first year which he is not considered a Full-Time Employee and ending in the year prior to pension commencement

II.B.3.4 "Grandfathered" GRIP Normal Retirement Benefit For Service Before and After January 1, 1987

For service before and after January 1, 1987 but before July 1, 2008 for a Member who was enrolled in GRIP before January 1, 1987, the normal retirement benefit is calculated according to the applicable normal retirement provisions of GRIP, without the modifications described in Section II.B.3.2, and the benefit so calculated, if greater, replaces the total benefit that a Member would earn according to Sections II.B.3.2 and II.A.2.2.

II.B.3.5 Benefit for Service Before and After January 1, 1987 for "Pre-1972 Checklist Employee"

The benefit to which a Pre-1972 Checklist Employee is entitled on his normal retirement date under the Plan shall be equal to the greater of:

- (a) the benefit determined in accordance with either Sections II.A.2.2 and II.B.3.2 or Section II.B.3.4, as applicable, based on all of the Member's Pensionable Service Years and Pensionable Service; and
- (b) the benefit determined in accordance with Sections II.C.6.3, II.D.6.3 and II.B.3.2, accrued prior to January 1, 1990 based on Continuous Service prior to that date.

Section II.B.4 - Early Retirement

II.B.4.1 Total Early Retirement Benefit

The early retirement benefits described in Sections II.B.4.3 and II.B.4.10 as applicable, are in addition to the benefits the Member earns under Section II.A.3.2, provided that the amount is at least equal to the minimum early retirement benefit as determined under Section II.B.4.4.

II.B.4.2 Total Early Retirement Benefit for "Pre-1972 Checklist Employee"

The early retirement benefit that a Pre-1972 Checklist Employee is entitled to under DB Provisions shall be equal to the greater of:

- (a) the benefit determined in accordance with Section II.B.4.1; and
- (b) the benefit determined in accordance with Sections II.C.6.4 or II.D.6.4 and II.B.3.2, accrued by the Pre-1972 Checklist Employee prior to January 1, 1990 based on his Continuous Service prior to that date.

II.B.4.3 Pension For Service Before January 1, 1987

For service with an Employer before January 1, 1987, the amount of the annual pension for a Member who retires before his normal retirement date is determined as the amount of pension determined according to the applicable early retirement provisions of GRIP modified in accordance with Section II.B.3.2.

II.B.4.4 Minimum Early Retirement Benefit

The minimum early retirement benefits are equal to the early retirement pension determined in accordance with the provisions of the Plan as in effect on December 31, 1998, as follows:

- (a) for service with an Employer before January 1, 1987, the Member's benefits are determined as provided under Section II.B.4.5

- (b) for service with an Employer on and after January 1, 1987 and before July 1, 2008, the Member's benefits are determined as described under Sections II.B.4.6, II.B.4.9, II.B.4.10

II.B.4.5 Pension For Service Before January 1, 1987 as in Effect on and Prior to December 31, 1998

For service with an Employer before January 1, 1987, the amount of the annual pension for a Member who retires before his normal retirement date is determined as the amount of pension determined according to the applicable early retirement provisions of GRIP, modified in accordance with Section II.B.3.2., except that the early retirement reduction factor as described in Sections II.C.3.1(c), II.D.3.1(b) and II.D.3.2(a) is replaced by the following early retirement reduction factor:

- (a) the early starting pension amount multiplied by the following early retirement reduction factor:
- (i) 1% for each year by which the total of the Member's years of attained age at the time of his actual retirement from the service of an Employer and his years of Pensionable Service is less than 95 years; plus
 - (ii) an additional 1% for each year by which the total of the Member's years of attained age at the time of his actual retirement from the service of an Employer and his years of Pensionable Service is less than 85 years.

II.B.4.6 Pension For Service on and after January 1, 1987 as in effect on and after December 31, 1998

For service with an Employer on and after January 1, 1987 and before July 1, 2008, the amount of the annual pension for a Member who retires before his normal retirement date is determined as the amount of pension determined according to Sections II.A.3.2 and II.A.3.3 except that the early retirement reduction factor as described under II.A.3.3 is replaced by the following early retirement factor:

- (a) 1/4% per month for each full month by which the Member's actual pension commencement date precedes his normal retirement date; plus
- (b) a further 1/4% per month for each month, if any, by which the Member's actual pension commencement date precedes the month in which he attains age 60.

In no event shall the reduction in the Member's pension under this Section II.B.4.5, be less than the minimum early retirement reduction permitted under the Income Tax Act.

II.B.4.7 "Points at January 1, 1987"

For the purpose of this Section II.B.4, a Member's "points at January 1, 1987" is determined as the total of a Member's years of attained age at January 1, 1987 plus his years of "Pensionable Service" as otherwise defined in GRIP, but prior to January 1, 1987.

II.B.4.8 Eligibility for Enhanced Early Retirement Reduction

For the purpose of determination of minimum early retirement Benefit, if the total "points at January 1, 1987" of a Member who retires before his normal retirement date is more than 55, the early retirement reduction factor under Section II.B.4.6 is modified according to Section II.B.4.9 for such Member if the modification decreases the early retirement reduction factor for the Member and thereby increases the amount of pension payable to the Member.

II.B.4.9 Enhanced Early Retirement Reduction Factor Calculation

For the purpose of determination of minimum early retirement Benefit, if the conditions of Section II.B.4.8 are satisfied, the early retirement reduction factor determined according to Section II.B.4.6 is decreased by an amount determined as the excess of (a) over (b) multiplied by (c) as follows:

- (a) the amount of the early retirement reduction factor determined according to Section II.B.4.6;

minus

- (b) the amount of the early retirement reduction factor determined according to Section II.B.4.5;

multiplied by

- (c) the transitional adjustment factor equal to 5% for each point by which the total of the Member's "points at January 1, 1987" exceeds 55, to a maximum of 20.

In no event shall the reduction in the Member's pension under this Section II.B.4.9, be less than the minimum early retirement reduction permitted under the Income Tax Act.

II.B.4.10 Enhanced GRIP Bridge Benefit

If the total "points at January 1, 1987" of a Member who retires before his normal retirement date is more than 55, the Member is also entitled to an annual enhanced GRIP bridge benefit, payable in equal monthly instalments, equal to the amount of bridge pension determined according to the applicable provision of GRIP, modified according to Section II.B.3.2, multiplied the "adjusted lifetime service factor" determined as follows:

- (a) the Pensionable Service Years of the Member after January 1, 1987 while a Member of the Plan

divided by

- (b) the number of years of "Pensionable Service" of the Member under GRIP before 1987

multiplied by

- (c) the transitional adjustment factor equal to 5% for each point by which the total of the Member's "points at January 1, 1987" exceeds 55, to a maximum of 20,

For purposes of greater certainty, this enhancement does not apply in calculating

the minimum early retirement benefits of a "Pre-1972 Checklist Employee" as described under Section II.B.4.2(b).

II.B.4.11 Québec Provision – Partial Retirement Benefit

A Québec Member who has attained at least age 55 and whose employment with the Company has been reduced pursuant to a written agreement with his Employer, shall be entitled, to elect to replace a portion of his pension under the DB Provisions by an annual lump-sum, as specified in a written agreement with the Company, equal to the lesser of the following amounts:

- (a) 70% of any reduction in the Québec Member's Earnings experienced as a result of his reduction of employment;
- (b) 40% of the YMPE for the applicable calendar year;
- (c) the Commuted Value of the benefit to which the Québec Member would be entitled to receive under Sections I.A.2 and II.B.3 determined as if the Member has terminated employment on the date that the Québec Member requests such partial retirement payment;

The lifetime pension under the DB Provisions of the Québec Member who has elected a lump sum partial retirement benefit under this Section II.B.4.11 will be reduced on an Actuarial Equivalent basis to take into account the aggregate of the lump sum partial retirement benefits paid.

In no event will the lump sum payment provided to the Québec Member under this Section II.B.4.11 be less than the Actuarial Equivalent of the reduction in the Québec Member's pension, determined as of the date of replacement of the early retirement amount described in this Section II.B.4.11.

Notwithstanding the foregoing provisions of this Section II.B.4.11, the Québec Member shall not be entitled to receive a payment under this Section II.B.4.11 if the Québec Member is entitled to receive a temporary pension under Section I.11.5 or a reduced compensation benefit under Section II.B.5.5.

Subject to Income Tax Act requirements, lump sum payments made under this Section II.B.4.11 may be transferred by the Québec Member to his registered retirement savings plan.

Section II.B.5 - Postponed Retirement

II.B.5.1 Total Postponed Retirement Benefit

The benefits described in Section II.B.5.2 are in addition to the benefits that a Member earns according to Section II.A.4.2. The benefits described in Section II.B.5.3 or II.B.5.4, if either is applicable, are in lieu of the benefits that a Member earns according to Sections II.B.5.2 and II.A.4.2.

II.B.5.2 Pension for Service Before January 1, 1987

For service with an Employer before January 1, 1987, the amount of annual pension for a Member at postponed retirement is the greater of (a) and (b) as follows:

- (a) his pension determined according to the applicable normal retirement provisions of GRIP modified in accordance with Section II.B.3.2(a), (b), and (d) and further modified such that the reduction for benefits from the Canada or Quebec Pension Plan Act and, if applicable, the Old Age Security Act, is calculated as:

"That portion which his years of Pensionable Service up to a maximum of 40, are of 40 of the total annual pension, calculated as of his actual retirement date on the basis of legislation, regulations and rules then in effect which the Member is eligible to receive at age 65 under the Canada or Quebec Pension Plan, and if applicable, under the Old Age Security Act, assuming that he was qualified to receive the amount of that entitlement without increase for any cause whatsoever and assuming that he had continued to contribute to the Canada or Quebec Pension Plan until his actual retirement date at the rate then applicable to his level of annual earnings at the time of his actual retirement from Continuous Service; and

- (b) his pension determined as his pension for service up to his normal retirement date determined in the manner described in the preceding Section II.B.5.2(a), actuarially adjusted to the date of his actual retirement.

II.B.5.3 "Grandfathered" GRIP Benefit on Postponed Retirement For Service Before and After January 1, 1987

For service before and after January 1, 1987 for a Member who was enrolled in GRIP before January 1, 1987, the postponed retirement benefit is calculated as of the Member's normal retirement date according to the applicable normal retirement provisions of GRIP without the modifications described in Section II.B.3.2, and is calculated as of actual retirement according to Section II.A.4.2 and the total benefit so calculated, if greater, replaces the benefit that a Member would earn according to Sections II.B.5.2 and II.A.4.2.

II.B.5.4 Benefit for Service Before and After January 1, 1987 For "Pre-1972 Checklist Employee"

The benefit to which a Pre-1972 Checklist Employee is entitled on his postponed retirement date under the Plan shall be equal to the greater of:

- (a) the benefit determined in accordance with the Sections II.A.4.2 and II.B.5.2 or II.B.5.3, as applicable, based on all of the Member's Pensionable Service Years and Pensionable Service; and
- (b) the benefit determined in accordance with Sections II.C.6.5, II.D.6.5 and II.B.3.2, accrued prior to January 1, 1990 based on Continuous Service prior to that date.

II.B.5.5 Reduced Compensation in Quebec

If the earnings of a Member employed in Quebec at his normal retirement date are reduced in the period following his normal retirement date, the Member may require the payment of his pension under the DB Provisions, in whole or in part, to the extent necessary to compensate for the reduction in his Earnings during the period. A Member may not apply under this Section II.B.5.5 more often than once within any 12-month period, except with the consent of the Company.

If a Member receives only part of his pension as a result of such an application, there must be corresponding reduction in the amount of retirement income which is subject to actuarial adjustment for the period after the commencement of that particular partial payment.

For the purposes of this Section II.B.5.5 "Earnings" shall take into account all items which may be prescribed in the Pension Benefits Act.

Section II.B.6 - Forms and Payment of Pensions

II.B.6.1 Total Pension Benefit

The pension payment rules described in this Section II.B.6 apply to the total benefits to which a Member is entitled under the DB Benefit Provisions .

II.B.6.2 Procedure for Electing Optional Form of Pension

In order to receive an optional form of pension, a Member must make a written election in a form prescribed by the Company which form is returned to the Company before the third calendar month preceding the Member's actual retirement date.

II.B.6.3 Optional Forms

The following optional forms of pension payment are available:

- (a) *Joint and Survivor with 10 Year Guarantee*
Under this option, pension payments are payable for the Member's lifetime. Payments may be made following the Member's death as follows:
- (i) If the Member dies before receiving 120 monthly instalments, and is survived by his Spouse, monthly instalments will continue to be paid in the same amount to his Spouse until a total of 120 payments have been made to the Member and his Spouse. Once 120 monthly payments have been made, payments to the Spouse will be reduced to either 50%, 60%, 66-2/3% or 100%, as elected by the Member, of the amount payable to the Member.
 - (ii) If the Member dies after receiving 120 monthly instalments, and is survived by his Spouse, monthly instalments will continue to be paid to the Spouse at the reduced rate of either 50%, 60%, 66-2/3% or 100%, as elected by the Member, of the amount payable to the Member.

- (iii) If the Member dies before receiving 120 monthly instalments, and is not survived by his Spouse, the Commuted Value of the balance of such 120 monthly payments will be paid to the Member's beneficiary.
 - (iv) If the Member dies after receiving 120 monthly instalments, and is not survived by his Spouse, no further amounts will be payable.
- (b) *Life - Ceasing at Death*
Under this option, pension payments are payable for the Member's lifetime, but cease with the payment immediately preceding the Member's death, regardless of the number of payments the Member has received.
- (c) *Life With A Guaranteed Period*
Under this option, pension payments are payable for the Member's lifetime with a guarantee of either 60, 120 or 180 months, as elected by the Member, and, in the event of the Member's death prior to the expiration of the guaranteed period, the Member's Beneficiary will receive:
- (i) if the Member's beneficiary is also the Member's Spouse, the monthly payments of the remaining guaranteed period; or
 - (ii) if the Member's beneficiary is not the Member's Spouse, a lump sum payment equal to the Commuted Value of the remaining guaranteed payments.
- (d) A Member may select another payment option not described in this Section II.B.6.3, provided that the Company permits the option and the option complies with the requirements under the Income Tax Act.

II.B.6.4 Revocation or Change of Option

An election to receive an optional form of pension may be revoked or changed, provided that written notification of such revocation or change is received by the Company from the Member prior to his pension commencement date.

II.B.6.5 Normal Form of Enhanced GRIP Bridge Benefit

The normal form of Enhanced GRIP Bridge Benefit described in Section II.B.4.10 for a Member whose pension is either in payment as at January 1, 2001 or which commences to be paid on or after January 1, 2001, is as follows depending on whether the Member has a Spouse:

- (a) for a Member who has no Spouse at his actual pension commencement date, monthly instalments continue until the end of the month in which he attains 65 year of age and if the Member dies before age 65 the monthly instalments cease at the end of the month in which he dies; or
- (b) for a Member who has a Spouse at his actual pension commencement date, the monthly payments continue until the end of the month in which he attains 65 year of age and if the Member dies before age 65, the surviving Spouse, if any, is eligible to receive 66-2/3% of the bridge monthly instalments until the earlier of the end of the month in which the Member would have attained 65 years of age and the end of the month in which the Spouse dies. For greater certainty, there is no reduction in the initial amount for the joint and survivor bridge benefit.

II.B.6.6 Termination of Quebec Spouse's Entitlement

- (a) The Spouse of a Member who was employed in Quebec who is the Member's joint annuitant ceases to be the joint annuitant upon separation from bed and board, divorce, annulment of marriage or cessation of conjugal relationship unless the Member notifies the Company in writing to pay the benefits to the Spouse notwithstanding the separation from bed and board, divorce, annulment of marriage or cessation of the conjugal relationship.
- (b) Where entitlement of his Spouse to a survivor pension is terminated pursuant to Section II.B.6.6(a), the Member may request a redetermination of his pension. The redetermined pension shall be in the same amount and have the same characteristics as the pension that would be payable to the Member at the date of redetermination had the Member not had a Spouse on the pension commencement date.

- (c) Unless the Company has received the notice referred to in Section II.B.6.6(b), the Company shall redetermine the Member's pension if, after the pension commencement date, there has been a division of the Member's pension pursuant to Section I.11.10.
- (d) The redetermination of a pension under this Section cannot alone operate to reduce the amount of the pension paid to the Member.

Section II.B.7 - Post-Retirement Inflation Adjustments

II.B.7.1 Base Amount Determination

The inflation adjustment amount for each eligible Member takes into account indexing on his pension under the terms of the Plan including the entitlements arising from the Retirement Security Plan and Profit Sharing Retirement Fund as incorporated in the Plan through GRIP, and including additional entitlements arising by virtue of Section II.B.10.3 in respect of contributions made before 1987 with accumulated interest (with modified dates for Manitoba as specified in that Section).

II.B.7.2 Initial Part-Year of Retirement

The inflation adjustment in the initial Plan Year of retirement for a Member who retires on a date other than December 31st (or, if later, the year in which the Member attains age 65 other than on December 31st) is calculated as the product of (a) and (b) as follows:

- (a) 1/12th of the annual adjustment declared in respect of the initial Plan Year of retirement (or attainment of age 65)

multiplied by

- (b) the number of full calendar months during which the Member was retired (or had attained age 65) in the initial Plan Year.

Section II.B.8 - Benefits on Termination

II.B.8.1 Total Termination Benefit

The termination benefits described in Section II.B.8.5 are in addition to the benefits the Member earns under Section II.A.7.3, commencing at age 65, or at an earlier date in accordance with Section II.B.8.2.

II.B.8.2 Early Commencement of Total Termination Benefit

In lieu of a deferred pension commencing at the Member's Normal Retirement Date as described under Section II.B.8.1, the Member may elect to commence receiving this pension on the first day of any calendar month coincident with or following his attainment of age 55 and prior to his Normal Retirement Date. In such event the amount of the Member's pension is calculated in accordance with Section II.B.4.1, provided that for the purposes of determining the early retirement reduction, the Member's Continuous Service is deemed to be the length of the Member's completed Continuous Service as if the Member had continued in active employment with an Employer until his pension commencement date, provided that in no event shall the reduction in the Member's pension be less than the minimum early retirement reduction permitted under the Income Tax Act.

II.B.8.3 Transfer of Total Termination Benefit

Subject to Section II.B.8.4, a Member may elect to transfer a lump-sum amount equal to the Commuted Value of his total termination benefit to an alternate retirement income funding arrangement in compliance with and subject to the requirements of the applicable Pension Benefits Act and the Income Tax Act, if any, and the Member has no further claims against the Plan following such a transfer.

II.B.8.4 Minimum Total Transfer Value

In no event shall the sum of:

- (a) the amount available for transfer in accordance with Section II.B.8.3 and

- (b) the Member's entitlement, if any, to excess contributions determined in accordance with Section II.A.9.1

be less than 150% of the Member's total required contributions made before July 1, 2008, with accumulated interest.

II.B.8.5 Termination Benefit for Service Before January 1, 1987

For service with an Employer before January 1, 1987, a Member who is eligible for the termination benefit under Section II.A.7.2 is entitled to receive a deferred pension commencing at age 65, in accordance with the formula for the Member's normal retirement pension in the applicable normal retirement provisions of GRIP as modified in this Plan.

The amount of this benefit will not be less than the minimum described in Section II.B.10.3.

II.B.8.6 Restrictions on Plan Transfers

The alternate retirement income funding arrangements for the purpose of receiving the transfer of a Member's termination benefit according to Section II.A.7.6 are as follows:

- (a) another pension plan which has been accepted for registration under the Income Tax Act, if the administrator of that plan agrees to accept the transfer;
- (b) an insurance company licensed to transact business in Canada, to purchase an annuity, provided the annuity meets the requirements of the Pension Benefits Act and the Income Tax Act;
- (c) the Member's personal registered retirement savings plan or locked-in retirement account, provided the recipient agrees to administer the amount received in accordance with the provisions of the applicable Pension Benefits Act;
- (d) the Member's life income fund, as prescribed under the applicable Pension Benefits Act; or

- (e) such other vehicle as is permissible under the applicable Pension Benefits Act,

provided that (b) and (d) above are not available to a Member employed in Alberta who is age 50 or more at the time his or her Continuous Service ceases.

II.B.8.7 Québec Provisions

(A) Temporary Pension

- (i) A Québec Member whose Continuous Service terminates while employed in the province of Québec (hereinafter referred to as a "Québec Member") and who has attained age 55 but not yet 65 or the Spouse of the Québec Member who has become entitled to a pension, and who has attained age 55 but not age 65, is entitled, under conditions prescribed by the Québec Supplemental Pension Plans Act, to replace his pension under the DB Provisions, in whole or in part, before payment begins, by a temporary pension, the amount and duration of which are fixed by him and which meets the following requirements:
 - (a) the annual amount of pension does not exceed 40% of the YMPE for the year in which payment of the pension begins, that limit being reduced, where applicable, by the annual amount of any other temporary benefit to which the Québec Member or the Spouse is entitled under the Plan;
 - (b) payment of the temporary pension ceases at the latest with the payment immediately preceding or coincident with the Québec Member's normal retirement date or the date of the Spouse's attainment of age 65;
 - (c) the temporary pension is the Actuarial Equivalent of the pension or of the part of the pension it replaces, determined on the date of the replacement.
- (ii) The Spouse of a Québec Member who elected to replace his pension by a temporary pension is entitled to a pension, payable from the death of the Québec Member to the end of the period of replacement, in monthly

instalments equal to 60% of the amount of temporary pension the Québec Member was receiving immediately before his death. The Spouse may waive the right to such pension, according to the same conditions as those applicable under Section II.A.5.3(b).

- (iii) The normal form of pension provided under Section II.A.5.2 shall not apply in respect of any part of the Québec Member's pension that is replaced by a temporary pension.
- (iv) The lifetime pension of the Québec Member or of the Spouse of the Québec Member who has elected a temporary pension under this Section II.B.8.7(A) will be reduced on an Actuarial Equivalent basis to take into account the aggregate of the temporary pension benefits paid to the Québec Member.

(B) Replacement of Pension By a Lump Sum

- (i) A Québec Member whose Continuous Service terminates and who has attained age 55 but not age 65, or the Spouse of a Québec Member who has become entitled to a pension, and who has attained age 55 but not age 65, is entitled, under conditions prescribed by the Québec Supplemental Pension Plans Act, to partially replace his pension under the DB Provisions before payment begins, by a lump sum payment, the amount of which is fixed by him and which meets the following requirements:
 - (a) the amount does not exceed 40% of the YMPE for the year in which the application is made;
 - (b) the limit in subparagraph (A) above must be reduced by the total temporary income that the Québec Member or the Spouse of the Québec Member has received or must receive during the year from any of the following sources:
 - (1) a supplemental pension plan;
 - (2) a life income fund; or
 - (3) an annuity contract which is funded by supplemental

pension plan assets;

- (c) the application can only be made once per calendar year
- (ii) The lifetime pension of the Québec Member or of the Spouse of the Québec Member who has elected a lump sum replacement benefit under this Section II.B.8.7(B) will be reduced on an Actuarial Equivalent basis to take into account the aggregate of the lump sum replacement benefits paid to the Québec Member.
- (iii) Subject to Income Tax Act requirements, lump sum payments made under this Section II.B.8.7 may be transferred by the Québec Member to his registered retirement savings plan.

II.B.8.8 Quebec Additional Benefit

A Member who is employed in Québec and whose Continuous Service ceases before he has attained age 55 is entitled to an additional benefit the value of which is equal to the difference between variables A and B, if greater than nil, where:

- A is the sum of the following amounts:
 - (i) the Commuted Value of the pension accrued to the Member pursuant to Section II.A.2.2 for service before January 1, 2001;
 - (ii) the Commuted Value of the pension accrued to the Member pursuant to Section II.A.2.2 for service after December 31, 2000 payable at normal retirement date, with "indexation" between the date the Member's Continuous Service terminates and the date he attains age 55; and
 - (iii) any excess contributions calculated pursuant to Section II.A.9.1 after applying (ii) above.
- B is the Commuted Value of the pension accrued to the Member pursuant to Section II.A.2.2 for all periods of service, increased by any excess

contributions calculated pursuant to Section II.A.9.1.

“indexation”

is 50% of the change in the seasonally unadjusted All-Items Consumer Price Index for Canada published by Statistics Canada between the month the Member’s Continuous Service ceases and the month the Member attains age 55, but not less than nil and not greater than 2%.

The additional benefit is payable to the Member in a lump sum cash payment when his Continuous Service ceases, provided that if the Member elects to transfer his entitlement under Section II.A.7.6, the additional benefit will be available in cash or may be included as part of the transfer.

Section II.B.9 - Benefits on Death

II.B.9.1 Total Death Benefit

In the event of the death of a Member who is actively employed by an Employer at the date of his death, the death benefit under the DB Provisions is the Commuted Value of the Member's total entitlement determined in accordance with Section II.B.4 or II.B.8 as if the Member had terminated employment with an Employer on the date of his death.

II.B.9.2 Total Death Benefit for Former Member Entitled to Deferred Pension at Death

The death benefit of a Member who had terminated Continuous Service prior to his death with an entitlement to a deferred pension under the DB Provisions which has not commenced and which has not been transferred out of the Plan, is determined as the Commuted Value of the deferred pension to which the Member is entitled under Section II.B.8 as at the Member's date of death.

II.B.9.3 No Death Benefit After Transfer of Deferred Pension to Alternate Retirement Income Funding Arrangement

No benefit is paid under the DB Provisions following the death of a Member who, before his death, had terminated Continuous Service and had completed the transfer of his deferred pension entitlement under the DB Provisions to an alternate retirement income funding arrangement.

II.B.9.4 Death Benefits Payable to Spouse

The Pension Benefits Acts referred to in Section I.8 that give priority to the Spouse as the Member's beneficiary are identified as follows, along with the effective date of the requirements, the portion of the death benefit affected, determined under both the Plan and GRIP, and whether the spousal benefits must be treated as locked-in on payment out of the Plan:

<u>Province</u>	<u>Effective Date</u>	<u>Application</u>	<u>Locked-In</u>
Alberta	January 1, 1987	all service	yes
British Columbia	January 1, 1993	all service	yes
Manitoba	January 1, 1985	post-1984 service	yes
New Brunswick	January 1, 1992	all service	no
Newfoundland	January 1, 1997	all service	yes
Nova Scotia	January 1, 1988	post-1987 service	no
Ontario	January 1, 1990	post-1986 service	no
Quebec	January 1, 1990	all service	no
Saskatchewan	January 1, 1994	all service	no

II.B.9.5 Form of Payment of Death Benefit to Spouse

A Spouse who is entitled to a death benefit under the DB Provisions may elect either of the following forms of payment:

- (a) cash lump sum, except as locked-in as specified in Section II.B.9.4;
- (b) transfer directly to the spouse's registered retirement savings plan or to such other plan as is acceptable under the Income Tax Act; or
- (c) an annuity payable for the spouse's lifetime in such amount as may be provided by (a) above, commencing at any time prior to the end of the calendar year in which the Spouse attains age 69 (or, if the Spouse has already attained age 69, within one year after the death of the Member) and ending with the payment of the month in which the Spouse's death occurs.

A transfer under Section II.B.9.5(b) above will be subject to the requirements under the Income Tax Act and to the locking-in requirements of the applicable Pension Benefits Act as described in Section II.B.9.4 above.

II.B.9.6 Death Benefits Payable to Beneficiary

Any portion of a death benefit under the DB Provisions which is not required to be paid to the Member's Spouse under Section II.B.9.4, will be payable to the Member's designated beneficiary or, if none, to the Member's estate in a lump sum. If the Member is not survived by a Spouse, a death benefit under the Plan will be paid to the Member's designated beneficiary or, if none, to his estate in a lump sum.

Section II.B.10 - Excess Contributions and Statutory Restrictions

II.B.10.1 Excess Contributions for Manitoba and Saskatchewan Members

The calculation of excess contributions described in Section II.A.9.1 applies to contributions made and benefits earned and granted under the DB Provisions in relation to service on and after January 1, 1987 except as specified in the following list for a Member employed in one of these provinces immediately before the calculation is performed:

<u>Province</u>	<u>Section II.A.9.1 applies to:</u>
Manitoba	contributions made and benefits earned and granted under the DB Provisions on and after January 1, 1985
Saskatchewan	contributions made on and after January 1, 1976 when GRIP was established and before July 1, 2008 and benefits earned in respect of all of a Member's years of Pensionable Service as defined in the relevant provisions of GRIP.

II.B.10.2 Method of Paying Excess Contributions

A Member's excess contributions described in Section II.A.9.1 and II.B.10.1 shall be applied as follows:

- (a) excess contributions shall first be applied to offset the Member's Profit Sharing Annuity reduction as described in Section II.B.3.2(d), if any, provided that:
 - (i) offset is based on the Actuarial Equivalent of these excess contributions;
 - (ii) offset is not greater than the portion of the Member's Profit Sharing Annuity which is applied against the Member's pension for service on and after January 1, 1987 and before July 1, 2008; and
 - (iii) Member's excess contributions shall not be re-determined under Section II.A.9.1 as a result of this procedure of offsetting the Profit Sharing Annuity; and

- (b) after the application of paragraph (a), if applicable, any excess contributions remaining shall be paid to the Member in a cash lump sum or, at the discretion of the Company, may be applied to provide the Member with an additional amount of pension from the Plan

If a Member elects to transfer the Commuted Value of his deferred pension in accordance with Sections II.A.7.6 and II.B.8.8, the value of the Member's excess contributions will not be retained within the Plan but will, at the Member's election, either be paid in the same manner as elected under Section II.A.7.6 (subject to the transfer restrictions described in Section II.11.3) or paid to the Member in a cash lump sum.

Notwithstanding II.B.10.2(b), a cash refund of the excess contribution is not available to a Member who is employed in Quebec or in Federal Employment immediately before termination of employment. The excess contributions must be used to increase the Member's pension.

A Member who is employed in New Brunswick has the option of transferring the excess contributions to a registered retirement savings plan or a registered retirement income fund to the extent permitted under the Income Tax Act.

II.B.10.3 Minimum Commuted Value of Benefit In Respect of Pre-1987 Service

The Commuted Value of the termination benefit, death benefit or retirement benefit earned before January 1, 1987, as described in Section II.B.8.5 and II.B.9.2, or the applicable retirement provisions of GRIP modified in accordance with the applicable provisions of this "II.B", must be at least equal to the Member's required contributions made before January 1, 1987 together with accumulated interest, except as specified in the following list for a Member employed in one of these provinces immediately before the calculation is performed:

<u>Province</u>	<u>Minimum Commuted Value of Termination Benefit Applies to:</u>
Manitoba	service and contributions (with interest) prior to January 1, 1985
Saskatchewan	no service because the 50% minimum employer cost applies fully retroactively to all service

II.B.10.4 Excess Contributions Where Minimum Transfer Applies

Where a Member or Beneficiary is receiving a lump-sum transfer under the DB Provisions and a portion of the transfer amount is payable as a result of Sections I.11.2 and I.11.3, the allocation of the total benefit to the Commuted Value and excess contributions shall be determined as follows:

- (a) the Commuted Value shall be set equal to the greater of the Commuted Value determined without reference to Section II.B.10.3 and the Member's required contributions made before July 1, 2008 accumulated with interest, and
- (b) the excess contributions shall be the total lump-sum less the Commuted Value determined above.

II.B.10.5 Revenue Canada Maximum Detail

For purposes of this Section II.B.10.5 the maximum amount of benefit payable under the DB Provisions, including any pension payable under GRIP and the Retirement Security Plan, as prescribed by the Income Tax Act is determined as follows:

- (a) *Maximum Pension in Respect of Lifetime Pension*
The annual lifetime pension payable to a Member in the form of pension elected and paid to the Member, including any pension payable to a Member's Spouse or former Spouse pursuant to Section II.A.11.10, determined at the time of his pension commencement, shall not exceed the Member's Pensionable Service Years (and Pensionable Service under GRIP) (limited to 35 in respect of Pensionable Service Years and Pensionable Service prior to January 1, 1992), multiplied by the lesser of:
 - (i) \$1,722.22 or such greater amount permitted under the Income Tax Act; and
 - (ii) 2% of the average of the Member's highest average Earnings in any 3 non over-lapping periods of 12 consecutive months;

The maximum pension described above, payable to a Member who retires from active employment with an Employer under Section II.A.3, shall be reduced by 1/4% for each month, if any, by which the pension commencement date precedes the earliest of the day on which:

- (iii) the Member attains age 60;
- (iv) the Member's age plus years of Continuous Service (excluding periods of temporary suspension of employment and unpaid leaves of absence before July 1, 2008 that have not been approved by the Company for purposes of Section II.A.1.5) would have equalled 80, if the Member continued in employment; and
- (v) the Member would have completed 30 years of Continuous Service (excluding periods of temporary suspension of employment and unpaid leaves of absence before July 1, 2008 that have not been approved by the Company for purposes of inclusion in Pensionable Service Years), if the Member had continued in employment.

The limit described in this Section II.B.10.5(a) shall be applicable to the amount of a Member's pension determined after adjustment for an Actuarial Equivalent form of payment, as specified in Sections II.A.5.3 and II.B.6.3, subject to the following exceptions:

- (vi) if the Member's pension is payable in a joint and survivor form, in no event will the pension exceed the Actuarial Equivalent of the maximum pension described in this Section II.B.10.5(a) payable in a joint and 66-2/3% survivor form with a 5 year guarantee; or
- (vii) if the Member's pension is payable in a single life form, in no event will the pension exceed the Actuarial Equivalent of the maximum pension described in this Section II.B.10.5(a) payable in a single life form with a 15-year guarantee.

- (b) *Post-1991 Service Combined Bridge and Pension Maximum Benefit*
The annual amount of benefits that cease to be payable when a Member

reaches age 65, in combination with the annual pension payable for the Member's lifetime, both of which are provided in respect of Pensionable Service Years after December 31, 1991, and determined at the date the Member commences his pension under the Plan, shall not exceed (i) plus (ii) as follows:

- (i) \$1,722.22, or such greater amount permitted under the Income Tax Act multiplied by the Pensionable Service Years of the Member after December 3, 1991; plus
- (ii) 1/35th of 25% of the average of the YMPE for the year of retirement, termination of employment, death or termination of the Plan, and each of the two immediately preceding years, multiplied by the Pensionable Service Years of the Member after December 31, 1991, not exceeding 35 years.

(c) *Maximum Bridge Benefit*

Effective March 28, 1988, the amount of the benefit from the Plan that ceases to be payable when a Member reaches age 65 shall not exceed the sum of the maximum benefits payable to the Member under the Canada Pension Plan or Quebec Pension Plan and the maximum Old Age Security benefit payable to individuals age 65 as at the Member's pension commencement date. The proportion of a Member's bridge benefit payable in respect of Pensionable Service Years after December 31, 1991 shall be reduced as follows:

- (i) by 10% for each year by which the Member's Pensionable Service Years are less than 10; and
- (ii) by 1/4 of 1% for each month by which the Member's pension commencement date precedes his attainment of age 60.

(d) *Increases to Pensions In Payment*

Notwithstanding Sections II.A.6.3 and II.A.6.4, the annual lifetime pension payable to a Member under the DB Provisions in any Plan Year following the year in which the pension commences shall not exceed:

- (i) the maximum pension described in Section II.B.10.5(a) above,

increased by

- (ii) the percentage increase in the Consumer Price Index since the Plan year in which the pension commenced.

(c) *Postponed Retirement and Excess Contributions*

The restrictions in this Section II.B.10.5 do not apply to additional benefits payable as a result of any Actuarial Equivalent increase due to deferral of pension commencement after age 65 nor do they apply to that portion, if any, of the pension derived from a Member's excess contributions.

SEARS CANADA INC.

Sears Registered Retirement Plan

II – DB Provisions

C. GRIP

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II. DB PROVISIONS

C. GRIP

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Section II.C.1 - Definitions

The following words and phrases for the purposes of Section II.C. have the following meanings, unless a different meaning is clearly required by the context.

- II.C.1.1** *Balance in the Profit Sharing Retirement Fund* means the total market value of a Regular Employee's account in the Profit Sharing Retirement Fund, as of the earliest of his date of retirement, death or other termination, which shall be calculated by the Company as if the Regular Employee had participated in the Profit Sharing Retirement Fund from the later of his date of eligibility or January 3, 1946, had continued as a member of the Profit Sharing Retirement Fund until the earliest of his date of retirement, death or other termination and had made no withdrawals from his account.
- II.C.1.2** *Company* means Sears Canada Inc. (formerly Simpsons-Sears Limited) and its successors.
- II.C.1.3** *Continuous Service* means the service of a Regular Employee with an Employer as shown by an Employer's records, calculated from the date that he was last hired as a Regular Employee, such service including authorized leaves of absence, periods of disability during which the Regular Employee was in receipt of payments by reason of the disability and, at the Company's discretion, service with any affiliated company.
- II.C.1.4** *Contributory Service* means that portion of Continuous Service of a Regular Employee which follows January 1, 1976 and during which he makes contributions as required by the Plan before January 1, 1987.
- II.C.1.5** *Earnings* means the total earnings of a Regular Employee from an Employer consisting of wages, salaries, payments for overtime, bonuses, overtime, commissions, vacation pay and illness allowances.
- II.C.1.6** *Final Average Earnings* means one-fifth of a Regular Employee's aggregate Earnings for the five calendar years of highest Earnings during his last ten years of Continuous Service, except that if the Regular Employee ceases to be a Regular Employee on any date other than the last day of any year, one of the years used for the calculation of his Final Average Earnings shall, if it is to the

benefit of the recipient, comprise a one year period made up of the service in the year during which the Regular Employee ceases to be a Regular Employee and the complementary fraction of a year of any year in his last ten years of Continuous Service not already used in the calculation.

- II.C.1.7** *G.R.I.P.* means the Guaranteed Retirement Income Plan of Sears Canada Inc. (formerly the Guaranteed Retirement Income Plan of Simpsons-Sears Limited) as amended from time to time.
- II.C.1.8** *Member* means a Regular Employee who has met the eligibility requirements under the Plan.
- II.C.1.9** *Pensionable Service* means
- (a) in connection with each Regular Employee who was a Member of GRIP before January 1, 1976, the period of Contributory Service of the Regular Employee and any period of Continuous Service prior to January 1, 1976 to his credit for pension purposes as shown by the Company's records; and
 - (b) in connection with each Regular Employee who becomes a Member of GRIP on or after January 1, 1976, the period of Contributory Service of the Regular Employee and one year of Continuous Service to his credit prior to the commencement of his period of Contributory Service.
- II.C.1.10** *Plan* means this Guaranteed Retirement Income Plan of Sears Canada Inc. (formerly the Guaranteed Retirement Income Plan of Simpsons-Sears Limited), as amended from time to time, known before January 1, 1976 as the Simpsons-Sears Limited Supplementary Pension Plan.
- II.C.1.11** *Profit Sharing Annuity* means
- (a) in the case of a Regular Employee who is retiring, the annual amount of pension which could be provided at actual retirement date if his Balance in the Profit Sharing Retirement Fund were applied to the purchase of a life annuity with a ten year guarantee period;

- (b) in the case of a Regular Employee whose employment is terminated other than by retirement or death, the annual amount of annuity which could be provided if his Balance in the Profit Sharing Retirement Fund were applied to the purchase of a deferred life annuity with a ten year guarantee period commencing at the date of commencement of the deferred pension.

II.C.1.12 *Profit Sharing Retirement Fund* means Sears Profit Sharing Retirement Fund as amended from time to time.

II.C.1.13 *Regular Employee* means a regular full time or a regular part time employee of an Employer as shown from time to time on the Employer's records. For purposes of eligibility and to qualify for benefits under the Plan, the employee must be performing service in a province other than Saskatchewan, or Manitoba. Furthermore, "Regular Employee" does not include any regular full-time or any regular part-time employee who is an active participant in any pension or profit sharing plan maintained by Sears, Roebuck and Co. or any affiliated company located in the U.S.A. and which plans are qualified under Section 401(a) of the U.S. Internal Revenue Code.

II.C.1.14 *Retirement Security Plan Pension* means the annual amount of life annuity with a ten year guarantee period purchased for a Regular Employee by the Company or by Simpsons, Limited under the Retirement Security Plan of Simpsons-Sears Limited and Simpsons, Limited under which benefits were accumulated until 1961, or the annual amount of life annuity which would have been purchased for a Regular Employee by the Company under the Retirement Security Plan if the Regular Employee had enrolled in that plan when eligible to do so,

- (a) commencing at actual retirement date in the case of a Regular Employee who is retiring; and
- (b) commencing at age 65 in the case of a Regular Employee whose employment is terminated other than by retirement or death.

Words importing the singular number only include the plural number and vice versa; and words importing the masculine gender extend to and include the feminine gender and vice versa, unless the context requires otherwise.

Section II.C.2 - Benefits on Normal Retirement

II.C.2.1 Each Member who retires at normal retirement date will be entitled to such annual amount of pension, payable in equal monthly instalments, as may be required when added to his "other pension benefits" (as defined in this Section II.C.2.1) to provide him with a minimum annual pension equal to 1.75% of his Final Average Earnings for each year of Pensionable Service.

For the purpose of this Section a Member's "other pension benefits" shall mean the aggregate of:

- (a) his Retirement Security Plan Pension;
- (b) his Profit Sharing Annuity; and
- (c) that proportion which his years of Pensionable Service, up to a maximum of 40, are of 40 of the total annual pension which the Member would be entitled to receive as of his normal retirement date under the Old Age Security Act and the Canada or Quebec Pension Plan.

II.C.2.2 The annual amount of Old Age Security and Canada or Quebec Pension Plan pension referred to in Section II.C.2.1 will be determined by the Company on the basis of information available from its records, assuming the Member is qualified to receive the full amount of his entitlement without reduction for any cause whatsoever or for suspension of benefits.

Section II.C.3 - Benefits on Early Retirement

II.C.3.1 A Member who retires before his normal retirement date will be entitled to receive an annual amount of pension, payable in equal monthly instalments, equal to the excess, if any, of

- (a) the product of 1.75% of his Final Average Earnings multiplied by the total number of years of his Pensionable Service (such product being hereinafter called the "early starting pension amount");

over the aggregate of the following amounts:

- (b) the amount of the Member's early starting pension amount determined in accordance with Section II.C.3.1(a) multiplied by the early retirement reduction factor described under Section II.A.3.3.
- (c) the sum of (i), (ii) and (iii) as follows:
 - (i) his Retirement Security Plan Pension;
 - (ii) his Profit Sharing Annuity; and
 - (iii) that proportion which his years of Pensionable Service, up to a maximum of 40, are of 40 of the total annual pension, calculated as of his actual retirement date on the basis of legislation, regulations and rules then in effect, which, if the Member were age 65 as of his actual retirement date, the Member would be eligible to receive under the Old Age Security Act and the Canada or Quebec Pension Plan, assuming that he was qualified to receive the full amount of his entitlement without reduction for any cause whatsoever or for suspension of benefits and assuming that he had continued to contribute to the Canada or Quebec Pension Plan until his normal retirement date at the rate then applicable to his level of annual earnings at the time of his actual retirement from the Company.

II.C.3.2 In addition to the lifetime pension under Section II.C.3.1, a Member who retires

prior to his normal retirement date will be entitled to receive an annual bridge pension, payable in equal monthly instalments, equal to the amount described in Section II.C.3.1(c)(iii).

Section II.C.4 - Benefits on Termination

II.C.4.1 A Member whose Continuous Service is terminated for any reason other than by death or retirement shall receive a deferred pension payable for the life of the Member commencing on the Member's normal retirement date, of such amount as when added to his "other pension benefits" (as defined in this Section II.C.4.1) shall provide him with an amount of pension equal to 1.75% of Final Average Earnings for each year of Pensionable Service to his date of termination.

For the purpose of this Section II.C.4.1 a Member's "other pension benefits" shall mean the aggregate of:

- (a) his Retirement Security Plan Pension;
- (b) his Profit Sharing Annuity; and
- (c) that proportion which his years of Pensionable Service, up to a maximum of 40, are of 40 of the total annual pension, calculated as of his date of termination on the basis of legislation, regulations and rules then in effect, which, if the Member were age 65 as of date of termination, the Member would be eligible to receive under the Old Age Security Act and the Canada or Quebec Pension Plan, assuming that he was qualified to receive the full amount of his entitlement without reduction for any cause whatsoever or for suspension of benefits and assuming that he had continued to contribute to the Canada or Quebec Pension Plan until his normal retirement date at the rate then applicable to his level of annual earnings at the time of the termination of his Continuous Service.

II.C.4.2 In lieu of a deferred pension provided under Section II.C.4.1 commencing at the Member's normal retirement date, the Member may elect to commence to receive this pension on the first day of any calendar month coincident with or following his attainment of age 55 and prior to his normal retirement date. The amount of this pension shall be calculated in according with Section II.C.3.1, provided that for the purposes of determining the early retirement reduction, the Member's Continuous Service is deemed to be the length of the Member's completed Continuous Service as if the Member had continued in active employment with an Employer until his pension commencement date. In addition, the Member shall be entitled to receive the bridge pension calculated in according with Section II.C.3.2.

Section II.C.5 - Benefits on Death

- II.C.5.1** The death benefit for a Member who is actively employed by an Employer immediately prior to his death shall be the Commuted Value of the Member's entitlement, determined as if the Member had terminated his Continuous Service, or retired from active service, as the case may be, as at the date of his death.
- II.C.5.2** The death benefit for a Member who had terminated Continuous Service before his death with an entitlement to a deferred pension which has not commenced and which has not been transferred out of the Plan, is determined as the Commuted Value at the date of death, of the deferred pension to which the Member is entitled under Section II.C.4.
- II.C.5.3** The death benefit described in Section II.C.5.1 or II.C.5.2 is payable to the Member's Spouse, designated beneficiary or, if neither, to his estate, in accordance with the requirements of the Pension Benefits Act and the Income Tax Act and Section I.8.1.
- II.C.5.4** No benefit is paid from the Plan following the death of a Member who, before his death, had terminated Continuous Service and had completed the transfer of his deferred pension entitlement to an alternate retirement income funding arrangement.
- II.C.5.5** The normal form of pension will be payable for life with the guarantee that if the Member dies before receiving 120 monthly payments, the outstanding payments will be made to his beneficiary. In the event that the beneficiary dies before receiving the outstanding monthly payments, the Commuted Value of any payments due under the Plan on or after the death of the beneficiary shall be payable in a single cash amount to the estate of the beneficiary. If the Member had elected an optional form of pension, the benefit on death will be calculated according to the terms of that option.
- II.C.5.6** The normal form of bridge pension for Members whose pension is either in payment as at January 1, 1999 or which commences to be paid on or after January 1, 1999 is as follows:
- (a) for a Member who does not have a Spouse at his pension commencement

date, monthly instalments continue until the earlier of the end of the month in which the Member attains age 65 and the end of the month in which he dies; or

- (b) for a Member who has a Spouse at his pension commencement date, the monthly payments continue until the end of the month in which he attains 65 years of age and, in the event that the Member dies prior to age 65, his surviving Spouse, if any, is entitled to receive monthly survivor bridge pension equal to $66\frac{2}{3}\%$ of the Member's monthly bridge pension. Such monthly survivor bridge shall be payable until the earlier of the end of the month in which the Member would have attained age 65 and the end of the month in which the surviving Spouse dies. For greater certainty, there is no reduction in the initial amount for the survivor bridge pension.

Section II.C.6 - Additional Transitional Provisions

II.C.6.1 In this Section II.C.6, the following words have the following meanings:

Pre-1972 Checklist Employee means any Member who held the rank of assistant manager, manager or higher office with the Company prior to January 1, 1972 and who at the time of his retirement has at least twenty (20) years of Continuous Service.

Final Average Checklist Earnings means one-third (1/3) of a Pre-1972 Checklist Employee's aggregate Earnings for the last thirty-six (36) months of Continuous Service which he shall have performed.

Checklist Employee means any Member as shown from time to time on the Company's records who holds the rank of assistant manager, manager or higher office with an Employer.

II.C.6.2 Only if it is to the benefit of a Pre-1972 Checklist Employee or his beneficiaries, this Section II.C.6 shall apply in lieu of any other contrary provision of the Plan except the provisions relating to the Revenue Canada maximum pension limits set out in Section II.A.9.2 of the Sears Registered Retirement Plan to which this "C. GRIP" is annexed.

II.C.6.3 A Pre-1972 Checklist Employee who retires at normal retirement date will be entitled, in lieu of his entitlement under Section II.C.2.1 to such annual amount of pension as may be required when added to his "other pension benefits" (as defined in this Section II.C.6.3) provide him with a minimum annual pension equal to fifty percent (50%) of his Final Average Checklist Earnings.

For purposes of this Section, a Pre-1972 Checklist Employee's "other pension benefits" shall mean the aggregate of:

- (a) his Retirement Security Plan Pension;
- (b) his Profit Sharing Annuity; and

- (c) the total annual pension which the Pre-1972 Checklist Employee would be entitled to receive as of his normal retirement date under the Old Age Security Act and the Canada or Quebec Pension Plan, it being understood that the annual amount of Old Age Security and Canada or Quebec Pension Plan pension will be determined by the Company on the basis of information available from its records, assuming the Pre-1972 Checklist Employee is qualified to receive the full amount of his entitlement without reduction for any cause whatsoever or for suspension of benefits.

II.C.6.4 A Pre-1972 Checklist Employee who retires before his normal retirement date will be entitled, in lieu of his entitlement under Section II.C.2.1 to such annual amount of pension equal to the excess, if any, of:

- (a) an amount (the "starting Checklist pension amount") equal to fifty percent (50%) of his Final Average Checklist Earnings;

over the aggregate of

- (b) three percent (3%) of the starting Checklist pension amount for each year by which the total of his years of attained age at the time of his actual retirement from Continuous Service is less than 65 years;
- (c) his Retirement Security Plan Pension;
- (d) his Profit Sharing Annuity; and
- (e) the total annual pension, calculated as of his actual retirement date on the basis of legislation, regulations and rules then in effect which the Pre-1972 Checklist Employee will be eligible to receive at age 65 under the Old Age Security Act and the Canada or Quebec Pension Plan, assuming that he was qualified to receive the full amount of his entitlement without reduction for any cause whatsoever or for suspension of benefits and assuming that he had continued to contribute to the Canada or Quebec Pension Plan until his normal retirement date at the rate then applicable to his level of annual earnings at the time of his actual retirement from Continuous Service.

II.C.6.5 Where a Pre-1972 Checklist Employee continues his employment with an Employer past his normal retirement date, if it is to the benefit of a Pre-1972 Checklist Employee, Section II.C.6.3 shall apply in determining the rate of accrual of his pension benefit in lieu of Section II.C.2.1.

SEARS CANADA INC.

Sears Registered Retirement Plan

II – DB Provisions

D. GRIP

For Saskatchewan and Manitoba

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Section II.D.1 Definitions

The following words and phrases for the purposes of Section II.D have the following meanings, unless a different meaning is clearly required by the context.

- II.D.1.1** *Balance in the Profit Sharing Retirement Fund* means the total market value of a Regular Employee's account in the Profit Sharing Retirement Fund, as of the earliest of his date of retirement, death or other termination, which shall be calculated by the Company as if the Regular Employee had participated in the Profit Sharing Retirement Fund from the later of his date of eligibility or January 3, 1946, had continued as a member of the Profit Sharing Retirement Fund until the earliest of his date of retirement, death or other termination and had made no withdrawals from his account.
- II.D.1.2** *Company* means Sears Canada Inc. (formerly Simpsons-Sears Limited) and its successors.
- II.D.1.3** *Continuous Service* for Members employed in Saskatchewan means the service of a Regular Employee with an Employer as shown by the Employer's records, calculated from the date that he was last hired as a Regular Employee, such service including authorized leaves of absence, periods of disability during which the Regular Employee was in receipt of payments by reason of the disability and, at the Company's discretion, service with any affiliated company.
- II.D.1.4** *Continuous Service* for Members employed in Manitoba has the meaning set out in Section II.D.1.3 and also includes temporary suspensions of employment of up to 52 consecutive weeks except where an actual termination of employment has
- II.D.1.5** *Contributory Service* for Members employed in Saskatchewan means that portion of Continuous Service of a Regular Employee as a Member of the Plan or as a member of G.R.I.P. prior to July 1, 1981 and during which he makes contributions as required by the Plan, or by G.R.I.P., respectively.

- II.D.1.6** *Contributory Service* for Members employed in Manitoba means that portion of Continuous Service of a Regular Employee as a Member of the Plan or as a member of G.R.I.P. prior to January 1, 1984 and during which he makes contributions as required by the Plan, or by G.R.I.P., respectively.
- II.D.1.7** *Earnings* means the total earnings of a Regular Employee from an Employer consisting of wages, salaries, payments for overtime, bonuses, overwrite, commissions, vacation pay and illness allowances.
- II.D.1.8** *Final Average Earnings* means one-fifth of a Regular Employee's aggregate Earnings for the five calendar years of highest Earnings during his last ten years of Continuous Service, except that if the Regular Employee ceases to be a Regular Employee on any date other than the last day of any year, one of the years used for the calculation of his Final Average Earnings shall, if it is to the benefit of the recipient, comprise a one year period made up of the service in the year during which the Regular Employee ceases to be a Regular Employee and the complementary fraction of a year of any year in his last ten years of Continuous Service not already used in the calculation.
- II.D.1.9** *Final Average Year's Maximum Pensionable Earnings* means one-fifth of the aggregate of the Year's Maximum Pensionable Earnings for the last five calendar years of a Regular Employee's Continuous Service.
- II.D.1.10** *G.R.I.P.* means the Guaranteed Retirement Income Plan of Sears Canada Inc. (formerly the Guaranteed Retirement Income Plan of Simpsons-Sears Limited) as amended from time to time.
- II.D.1.11** *Member* means a Regular Employee (subject to the provisions of Section II.D.1.13 in respect of Manitoba employees) who has met the eligibility requirements under the Plan.
- II.D.1.12** *Pensionable Service* means
- (a) in connection with each Regular Employee who was a Member of GRIP before July 1, 1981 if employed in Saskatchewan, and before January 1, 1984 if employed in Manitoba, the period of Contributory Service of the Regular Employee, any period of Continuous Service prior to January 1, 1976, and where his Contributory Service commenced after

January 1, 1976, one year of Continuous Service prior to the commencement of his Contributory Service, to his credit for pension purposes as shown by the Company's records; and

- (b) in connection with each Regular Employee who becomes a Member of GRIP on or after January 1, 1976, the period of Contributory Service of the Regular Employee and one year of Continuous Service to his credit prior to the commencement of his period of Contributory Service.

II.D.1.13 *Plan* means this Guaranteed Retirement Income Plan of Sears Canada Inc. for Saskatchewan and Manitoba Employees (formerly the Guaranteed Retirement Income Plan of Simpsons-Sears Limited for Saskatchewan Employees).

II.D.1.14 *Profit Sharing Annuity* means

- (a) in the case of a Regular Employee who is retiring, the annual amount of pension which could be provided at actual retirement date if his Balance in the Profit Sharing Retirement Fund were applied to the purchase of a life annuity with a ten year guarantee period;
- (b) in the case of a Regular Employee whose employment is terminated other than by retirement or death, the annual amount of annuity which could be provided if his Balance in the Profit Sharing Retirement Fund were applied to the purchase of a deferred life annuity with a ten year guarantee period commencing at the date of commencement of the deferred pension.

II.D.1.15 *Profit Sharing Retirement Fund* means Sears Profit Sharing Retirement Fund as amended from time to time.

II.D.1.16 *Regular Employee* for provisions in respect of employees employed in Saskatchewan means a regular full time or a regular part time employee of an Employer as shown from time to time on the Employer's records. In respect of employees employed in Manitoba, "Regular Employee" is deemed to include any part-time, temporary or contingent employee excepting an employee who is enrolled in a full-time course of study or who is precluded by religious principles from being a member of a pension plan. For purposes of eligibility and to qualify for benefits under the Plan, the employee must be performing service in Saskatchewan or in Manitoba. However, "Regular Employee" does not include any

regular full-time or any regular part-time employee who is an active participant in any pension or profit sharing plan maintained by Sears, Roebuck and Co. or any affiliated company located in the U.S.A. and which plans are qualified under Section 401(a) of the U.S. Internal Revenue Code.

II.D.1.17 *Retirement Security Plan Pension* means the annual amount of life annuity with a ten year guarantee period purchased for a Regular Employee by the Company or by Simpsons, Limited under the Retirement Security Plan of Simpsons-Sears Limited and Simpsons, Limited under which benefits were accumulated until 1961, or the annual amount of life annuity which would have been purchased for a Regular Employee by the Company under the Retirement Security Plan if the Regular Employee had enrolled in that plan when eligible to do so,

- (a) commencing at actual retirement date in the case of a Regular Employee who is retiring; and
- (b) commencing at age 65 in the case of a Regular Employee whose employment is terminated other than by retirement or death.

Words importing the singular number only include the plural number and vice versa; and words importing the masculine gender extend to and include the feminine gender and vice versa, unless the context requires otherwise.

Section II.D.2 Benefits on Normal Retirement

II.D.2.1 Each Member who retires at normal retirement date will be entitled to such annual amount of pension as may be required when added to his "other pension benefits" (as defined in this Section II.D.2.1) to provide him with a minimum annual pension equal to the sum of (i) and (ii) as follows:

- (a) 1.25% of that portion of his Final Average Earnings which is less than or equal to the Final Average Year's Maximum Pensionable Earnings; plus
- (b) 1.75% of that portion of his Final Average Earnings which exceeds the Final Average Year's Maximum Pensionable Earnings;

multiplied by the Member's Years of Pensionable Service.

For the purpose of this Section, a Member's "other pension benefits" shall mean the aggregate of:

- (a) is Retirement Security Plan Pension;
- (b) his Profit Sharing Annuity; and
- (c) that proportion which his years of Pensionable Service, up to a maximum of 40, are of 40 of the total annual pension which the Member would be entitled to receive as of his normal retirement date under the Canada or Quebec Pension Plan.

II.D.2.2 The annual amount of Canada or Quebec Pension Plan pension referred to in Section II.D.2.1 will be determined by the Company on the basis of information available from its records, assuming the Member is qualified to receive the full amount of his entitlement without reduction for any cause whatsoever or for suspension of benefits.

Section II.D.3 Benefits on Early Retirement

II.D.3.1 A Member who retires before his normal retirement date will be entitled to receive an annual amount of pension, payable in equal monthly instalments, equal to the excess, if any, of

- (a) the sum of (i) and (ii):
 - (i) 1.25% of that portion of his Final Average Earnings which is less than or equal to the Final Average Year's Maximum Pensionable Earnings; plus
 - (ii) 1.75% of that portion of his Final Average Earnings which exceeds the Final Average Year's Maximum Pensionable Earnings;

multiplied by the Member's Years of Pensionable Service (such product being hereinafter called the "early starting pension amount");

over the aggregate of the following amounts:

- (b) the amount of the Member's early starting pension amount determined in accordance with Section II.D.3.1(a) multiplied by the early retirement reduction factor described under Section II.A.3.3.
- (c) the sum of (i), (ii) and (iii) as follows:
 - (i) his Retirement Security Plan Pension;
 - (ii) his Profit Sharing Annuity; and

- (iii) that proportion which his years of Pensionable Service, up to a maximum of 40, are of 40 of the total annual pension, calculated as of his actual retirement date on the basis of legislation, regulations and rules then in effect, which, if the Member were age 65 as of his actual retirement date, the Member would be eligible to receive under the Canada or Quebec Pension Plan, assuming that he was qualified to receive the full amount of his entitlement without reduction for any cause whatsoever or for suspension of benefits and assuming that he had continued to contribute to the Canada or Quebec Pension Plan until his normal retirement date at the rate then applicable to his level of annual earnings at the time of his actual retirement from Continuous Service.

II.D.3.2 In addition to the lifetime pension under Section II.D.3.1, a Member who retires prior to his normal retirement date will be entitled to receive an annual bridge pension, payable in equal monthly instalments, equal to the sum of (a) and (b):

- (a) 0.5% of that portion of his Final Average Earnings which is less than or equal to the Final Average Year's Maximum Pensionable Earnings, multiplied by the Member's Years of Pensionable Service and, multiplied by the early retirement reduction factor described under Section II.A.3.3.
- (b) the amount described in Section II.D.3.1(c)(iii).

Section II.D.4 Benefits on Termination

II.D.4.1 A Member whose Continuous Service is terminated for any reason other than by death or retirement shall receive a deferred life annuity commencing at age 65, of such amount as when added to his "other pension benefits" (as defined in Section II.D.4.1) shall provide him with an annual amount of pension equal to the sum of (i) and (ii) as follows:

- (a) 1.25% of that portion of his Final Average Earnings which is less than or equal to the Final Average Year's Maximum Pensionable Earnings; plus
- (b) 1.75% of that portion of his Final Average Earnings which exceeds the Final Average Year's Maximum Pensionable Earnings;

multiplied by the Member's Years of Pensionable Service.

For the purpose of this Section II.D.4.1 a Member's "other pension benefits" shall mean the aggregate of:

- (i) his Retirement Security Plan Pension;
- (ii) his Profit Sharing Annuity; and
- (iii) that portion which his years of Pensionable Service, up to a maximum of 40, are of 40 of the total annual pension, calculated as of his date of termination on the basis of legislation, regulations and rules then in effect, which the Member would be entitled to receive at his normal retirement date under the Canada or Quebec Pension Plan, assuming that he was qualified to receive the full amount of his entitlement without reduction for any cause whatsoever or for suspension of benefits and assuming that he had continued to contribute to the Canada or Quebec Pension Plan until his normal retirement date at the rate then applicable to his level of annual earnings at the time of the termination of his Continuous Service.

II.D.4.2 In lieu of a deferred pension provided under Section II.D.4.1 commencing at the Member's normal retirement date, the Member may elect to commence to receive this pension on the first day of any calendar month coincident with or following his attainment of age 55 and prior to his normal retirement date. The amount of this pension shall be calculated in according with Section II.D.3.1, provided that for the purposes of determining the early retirement reduction, the Member's Continuous Service is deemed to be the length of the Member's completed Continuous Service as if the Member had continued in active employment with an Employer until his pension commencement date. In addition, the Member shall be entitled to receive the bridge pension calculated in according with Section II.D.3.2.

Section II.D.5 Benefits on Death

- II.D.5.1** The death benefit for a Member who is actively employed by an Employer immediately prior to his death shall be the Commuted Value of the Member's entitlement, determined as if the Member had terminated his Continuous Service, or retired from active service, as the case may be, as at the date of his death.
- II.D.5.2** The death benefit for a Member who had terminated Continuous Service before his death with an entitlement to a deferred pension which has not commenced and which has not been transferred out of the Plan, is determined as Commuted Value at the date of death, of the deferred pension to which the Member is entitled under Section II.D.4.
- II.D.5.3** The death benefit described in Section II.D.5.1 or II.D.5.2 is payable to the Member's Spouse, designated beneficiary or, if neither, to his estate, in accordance with the requirements of the Pension Benefits Act and the Income Tax Act and Section I.8.1.
- II.D.5.4** No benefit is paid following the death of a Member who, before his death, had terminated Continuous Service and had completed the transfer of his deferred pension entitlement to an alternate retirement income funding arrangement.
- II.D.5.5** The normal form of pension will be payable for life with the guarantee that if the Member dies before receiving 120 monthly payments, the outstanding payments will be made to his beneficiary. In the event that the beneficiary dies before receiving the outstanding monthly payments, the Commuted Value of any payments due under the Plan on or after the death of the beneficiary shall be payable in a single cash amount to the estate of the beneficiary. If the Member had elected an optional form of pension, the benefit on death will be calculated according to the terms of that option.
- II.D.5.6** The normal form of bridge pension for Members whose pension is either in payment as at January 1, 1999 or which commences to be paid on or after January 1, 1999 is as follows:
- (a) for a Member who does not have a Spouse at his pension commencement date, monthly instalments continue until the earlier of the end of the month in which the Member attains age 65 and the end of the month in which he dies;

- (b) for a Member who has a Spouse at his pension commencement date, the monthly payments continue until the end of the month in which he attains 65 year of age and, in the event that the Member dies prior to age 65, his surviving Spouse, if any, is entitled to receive monthly survivor bridge pension equal to $66\frac{2}{3}\%$ of the Member's monthly bridge pension. Such monthly survivor bridge pension shall be payable until the earlier of the end of the month in which the Member would have attained age 65 and the end of the month in which the surviving Spouse dies. For greater certainty, there is no reduction in the initial amount for the survivor bridge pension.

Section II.D.6 Additional Transitional Provisions

II.D.6.1 In this Section II.D.6., the following words have the following meanings:

Pre-1972 Checklist Employee means any Member who held the rank of assistant manager, manager or higher office with the Company prior to January 1, 1972 and who at the time of his retirement has at least twenty (20) years of Continuous Service.

Final Average Checklist Earnings means one-third (1/3) of a Pre-1972 Checklist Employee's aggregate Earnings for the last thirty-six (36) months of Continuous Service which he shall have performed.

Checklist Employee means any Member as shown from time to time on the Company's records who holds the rank of assistant manager, manager or higher office with an Employer.

II.D.6.2 Only if it is to the benefit of a Pre-1972 Checklist Employee or his beneficiaries, this Section 0 shall apply in lieu of any other contrary provision of the Plan except the provisions relating to the Revenue Canada maximum pension limits set out in Section II.A.9.2 of the Sears Registered Retirement Plan to which this "D. GRIP for Saskatchewan and Manitoba" is annexed.

II.D.6.3 A Pre-1972 Checklist Employee who retires at normal retirement date will be entitled, in lieu of his entitlement under Section II.D.2.1 to such annual amount of pension as may be required when added to his "other pension benefits" (as defined in this Section II.D.6.3) provide him with a minimum annual pension equal to fifty percent (50%) of his Final Average Checklist Earnings.

For purposes of this Section, a Pre-1972 Checklist Employee's "other pension benefits" shall mean the aggregate of:

- (a) his Retirement Security Plan Pension;
- (b) his Profit Sharing Annuity; and
- (c) the total annual pension which the Pre-1972 Checklist Employee would be

entitled to receive as of his normal retirement date under the Canada or Quebec Pension Plan, it being understood that the annual amount of universal government benefits and Canada or Quebec Pension Plan pension will be determined by the Company on the basis of information available from its records, assuming the Pre-1972 Checklist Employee is qualified to receive the full amount of his entitlement without reduction for any cause whatsoever or for suspension of benefits.

II.D.6.4 A Pre-1972 Checklist Employee who retires before his normal retirement date will be entitled, in lieu of his entitlement under Section II.D.2.1 to such annual amount of pension equal to the excess, if any, of:

- (a) an amount (the "starting Checklist pension amount") equal to fifty percent (50%) of his Final Average Checklist Earnings;

over the aggregate of

- (b) three percent (3%) of the starting Checklist pension amount for each year by which the total of his years of attained age at the time of his actual retirement from Continuous Service is less than 65 years;
- (c) his Retirement Security Plan Pension;
- (d) his Profit Sharing Annuity; and
- (e) the total annual pension, calculated as of his actual retirement date on the basis of legislation, regulations and rules then in effect which the Pre-1972 Checklist Employee will be eligible to receive at age 65 as universal government benefits and under the Canada or Quebec Pension Plan, assuming that he was qualified to receive the full amount of his entitlement without reduction for any cause whatsoever or for suspension of benefits and assuming that he had continued to contribute to the Canada or Quebec Pension Plan until his normal retirement date at the rate then applicable to his level of annual earnings at the time of his actual retirement from Continuous Service.

II.D.6.5 Where a Pre-1972 Checklist Employee continues his employment with an Employer past his normal retirement date, if it is to the benefit of a Pre-1972 Checklist Employee, Section II.D.6.3 shall apply in determining the rate of accrual of his pension benefit in lieu of Section II.D.2.1.

SEARS CANADA INC.

Sears Registered Retirement Plan

II – DB Provisions

E. Hudson’s Bay and Simpsons

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Section II.E.1 - Establishment of the Plan

II.E.1.1 Background

In 1991, Sears purchased certain existing Simpsons and The Bay store locations in Ontario. As part of that purchase, some employees at those locations were offered and accepted employment with Sears. The transferred employees were promised pension benefits at least equivalent to those currently provided to each transferred employee under the pension plan of his prior employer.

II.E.1.2 Pension Benefit Promises

The pension benefit promises are delivered by granting the transferred employees pension and other benefits under Sears' pension arrangements as if their employment with The Bay or Simpsons had been employment with Sears. The value of the pension benefits for each transferred employee under the Sears pension arrangements is guaranteed to be not less than the value of the benefits accrued by transferred employees with the prior employer to the employee's date of transfer.

II.E.1.3 Assumption of Past Service Liabilities and Acceptance of Asset Transfer

Sears assumes the liability for pension benefits accrued before the employees' dates of transfer; assets to provide those benefits are transferred from the pension plans of the prior employer, as specified in the Pension Plans Agreement. The transferred assets in respect of liabilities accrued under the pension plans of the prior employers are maintained in a separate sub-account within the SRRP trust fund.

II.E.1.4 General Purpose of Section II.E in Relation to SRRP

This Section II.E describes the method of determining eligibility and benefits for those Members of SRRP who are Transfer (Non-Member) Employees and Transfer Members, and their beneficiaries.

II.E.1.5 Purpose of Section II.E in Relation to the Purchase and Sale Transaction

SRRP as amended by this Section II.E constitutes the “Replacement Plan” which is required to be established by Sears pursuant to the terms of the Pension Plans Agreement.

Section II.E.2 - Definitions

Any capitalized words and phrases used in Section II.E have the same meaning as specified in the provisions of SRRP and the other sections of the DB Provisions unless otherwise noted, and the following additional definitions apply for the purposes of Section II.E:

- II.E.2.1** *Fund Rate of Interest* means the rate of interest which can reasonably be identified as the rate of interest earned by the investments of the Pension Fund during the period.
- II.E.2.2** *HBC Defined Benefit Plan* means the provisions of the Hudson's Bay Company Pension Plan (As Amended and Restated As At January 1, 1988) (dated January 1992) relevant to a member's participation in the defined benefit pension regime under that plan, without regard to any amendments made to such pension plan after July 8, 1991. For reference purposes, the full text of the HBC Defined Benefit Plan, as supplied by Hudson's Bay Company, is included in a set of supplementary documents which Sears shall maintain for SRRP.
- II.E.2.3** *HBC Defined Benefit Plan Member* means a Transfer Member who was a member of the HBC Defined Benefit Plan immediately before joining Sears.
- II.E.2.4** *HBC Defined Contribution Plan* means the provisions of the Hudson's Bay Company Pension Plan (As Amended and Restated As At January 1, 1988) (dated January 1992) relevant to a member's participation in the defined contribution pension regime under that plan, without regard to any amendments made to such plan after July 8, 1991. For reference purposes, the full text of the HBC Defined Contribution Plan, as supplied by Hudson's Bay Company is included in a set of supplementary documents which Sears shall maintain for SRRP.
- II.E.2.5** *HBC Defined Contribution Plan Member* means a Transfer Member who was a member of the HBC Defined Contribution Plan immediately before joining Sears.
- II.E.2.6** *Past Service Account Balance* means the account balance of an HBC Defined Contribution Plan Member, which is determined as:
- (1) the account balance, as at the Transfer Date, of the HBC Defined Contribution Plan Member derived from Transferred Required

Contributions and the related contributions made to that account balance by the Prior Employer;

- (2) accumulated with interest (compounded annually) from the Transfer Date until the date of determination with interest at the Fund Rate of Interest.

- II.E.2.7** *Past Service Guarantee* means the benefit entitlement for service before the Transfer Date under the pension plan of the Prior Employer, described more particularly in relation to each such pension plan in Sections II.E.9.1, II.E.9.2 and II.E.9.3 within this Section II.E.
- II.E.2.8** *Pension Plans Agreement* means the agreement concerning the details of the pension plan arrangements made the 8th day of July, 1991 between the Hudson's Bay Company, Simpsons Limited and Sears Canada Inc. For reference purposes, the full text of the Pension Plans Agreement is included in a set of supplementary documents which Sears shall maintain for SRRP.
- II.E.2.9** *Prior Employer* for each Transfer (Non-Member) Employee and for each Transfer Member means Simpsons Limited or the Hudson's Bay Company, as the case may be, whichever was the employer of the individual immediately before the Transfer Date.
- II.E.2.10** *Simpsons Plan* means the Simpsons Limited Employees' Pension Plan (Amended and Restated Effective January 1, 1988) (dated January 1992), without regard to any amendments passed after July 8, 1991. For reference purposes, the full text of the Simpsons Plan, as supplied by Hudson's Bay Company, is included in a set of supplementary documents which Sears shall maintain for SRRP.
- II.E.2.11** *Simpsons Plan Member* means a Transfer Member who was a member of the Simpsons Plan immediately before joining Sears.
- II.E.2.12** *Sears* means Sears Canada Inc., according to the definition of "Company" provided in the basic rules of SRRP; this terminology is substituted to avoid confusion with other companies referenced in this Section II.E.

- II.E.2.13** *SRRP* means the Sears Canada Inc. Registered Retirement Plan, according to the definition of “Plan” provided in the basic rules of SRRP; this terminology is substituted to avoid confusion with other pension plans referenced in this Section II.E. Although the definition of SRRP technically includes its predecessor plans, express reference is made to the predecessor plans in certain instances for greater certainty.
- II.E.2.14** *Transfer Date* means July 31, 1991.
- II.E.2.15** *Transfer (Non-Member) Employee* means an Employee who:
- (1) joined the Company immediately after ceasing employment with the Hudson’s Bay Company or Simpsons Limited following Sears’ acquisition in 1991 of 7 retail locations in Ontario from the Hudson’s Bay Company and Simpsons Limited; and
 - (2) was not a member of the pension plan of his Prior Employer at the Transfer Date.
- II.E.2.16** *Transfer Member* means an Employee who:
- (1) joined the Company immediately after ceasing employment with the Hudson’s Bay Company or Simpsons Limited following Sears’ acquisition in 1991 of 7 retail locations in Ontario from the Hudson’s Bay Company and Simpsons Limited; and
 - (2) was a member of the pension plan of his Prior Employer at the Transfer Date.
- II.E.2.17** *Transferred Additional Voluntary Contributions* means contributions (together with interest accumulated up to the Transfer Date) made by the Transfer Member to the pension plan of the Prior Employer for which the Prior Employer made no related contribution, and does not necessarily include contributions termed “additional contributions” under the pension plan of the Prior Employer.

II.E.2.18 *Transferred Required Contributions* means contributions (together with interest accumulated up to the Transfer Date) made by the Transfer Member to the pension plan of the Prior Employer for which the Prior Employer made a related contribution, and may include contributions termed “additional contributions” under the pension plan of the Prior Employer.

Section II.E.3 – Effective Date

II.E.3.1 Effective Date

The effective date of this Section II.E, except where otherwise specified, is the Transfer Date; which is July 31, 1991.

Section II.E.4 – Rules of Interpretation

II.E.4.1 Relation of this Section II.E to SRRP

The provisions of this Section II.E further amend SRRP in relation to the basic rules, the amplified rules set out in Section II.B; and the extracts from the Guaranteed Retirement Income Plan set out in Section II.C.

Section II.E.5 – Enrolment

II.E.5.1 Scope of Enrolment Provisions of Section II.E

The enrolment provisions of this Section II.E apply to both Transfer (Non Member) Employees and Transfer Members.

II.E.5.2 Voluntary Enrolment for a Transfer (Non-Member) Employee

Notwithstanding the provisions of SRRP, a Transfer (Non-Member) Employee may enroll as a Member of SRRP under the service and earnings conditions for voluntary membership. For this purpose, the SRRP enrolment conditions are modified to recognize the Transfer (Non-Member) Employee's service, earnings or hours, as the case may be, with the Prior Employer, as follows:

- (1) the Continuous Service of the Transfer (Non-Member) Employee is deemed to include continuous service with the Prior Employer;
- (2) the Earnings of the Transfer (Non-Member) Employee are deemed to include earnings from the Prior Employer; and
- (3) the hours of employment of the Transfer (Non-Member) Employee are deemed to include hours of employment with the Prior Employer.

II.E.5.3 Compulsory Enrolment for a Transfer (Non-Member) Employee

Notwithstanding the provisions of SRRP, a Transfer (Non-Member) Employee shall enroll as a Member of SRRP if the service and earnings conditions for compulsory membership are satisfied by:

- (1) the Continuous Service of the Transfer (Non-Member) Employee with Sears; and
- (2) the Earnings of the Transfer (Non-Member) Employee from Sears.

II.E.5.4 Compulsory Enrolment for a Transfer Member

Notwithstanding the provisions of SRRP, a Transfer Member becomes a Member of SRRP immediately as of the Transfer Date.

Section II.E.6 – Member Contributions

II.E.6.1 Member Required Contributions After Transfer Date

Upon becoming a Member of SRRP before July 1, 2008, the Transfer (Non-Member) Employee or the Transfer Member; as the case may be, begins making required contributions to SRRP, according to the provisions of SRRP, and these required contributions are deposited to the separate sub-account maintained within the SRRP trust fund for the purpose of receiving the asset transfer required under the Pension Plans Agreement.

II.E.6.2 Interest on Required Contributions Made After the Transfer Date

A Transfer (Non-Member) Employee or a Transfer Member's required contributions made on and after the Transfer Date and before July 1, 2008 earn interest according to the provisions of SRRP.

II.E.6.3 Interest on Transferred Required Contributions

Notwithstanding Section II.E.6.2, the Transferred Required Contributions of a Transfer Member earn interest at the applicable rate of interest specified as follows:

- (1) for an HBC Defined Contribution Plan Member, the applicable rate of interest is the Fund Rate of Interest; and
- (2) for an HBC Defined Benefit Plan Member and for a Simpsons Plan Member, the applicable rate of interest is the same rate of interest applied according to the provisions of Section I.5.3 of SRRP;

which rate of interest is applied commencing at the Transfer Date, in the same manner as followed for calculating interest pursuant to Section I.5.35.3 of SRRP.

Section II.E.8 – Benefits on Normal, Early and Postponed Retirement

II.E.8.1 Application of Retirement Benefit Determination Provisions to Transfer Members

The provisions of this Section II.E.8 apply in calculating the benefits on normal, early and postponed retirement of a Transfer Member. For a Transfer (Non Member) Employee, the benefits on normal, early and postponed retirement are determined according to the provisions of SRRP that apply to any Employee who becomes a Member of SRRP at the date that the Transfer (Non-Member) Employee becomes a Member and as amended thereafter.

II.E.8.2 General Description of Retirement Benefit Determination for a Transfer Member

The benefit entitlements on normal, early and postponed retirement for a Transfer Member, as described in more detail in the following provisions, are calculated in the first instance as if Sears had employed the Transfer Member both before and after the Transfer Date, and then, if necessary, the benefit is actuarially increased with respect to service before the Transfer Date in order to preserve the value of benefits accrued by the Transfer Member before the Transfer Date under the pension plan of the Prior Employer.

II.E.8.3 Special Features of SRRP Retirement Benefit Determination for Transfer Members

The retirement benefit of a Transfer Member in respect of service both before and after the Transfer Date is determined according to the applicable provisions of SRRP (and its predecessor plans), as modified in accordance with the following assumptions for the Transfer Member:

- (1) *Continuous Service* under SRRP (and its predecessor plans) is deemed to include the Transfer Member's most recent period of continuous service with the Prior Employer (the "period of included Continuous Service");

- (2) **Earnings** under SRRP (and its predecessor plans) for the “period of included Continuous Service” are deemed to be comprised of the earnings during that period of continuous service with the Prior Employer, as shown on the records of the Prior Employer;
- (3) **Pensionable Earnings** under SRRP (and its predecessor plans) for the “period of included Continuous Service” are deemed to be comprised of the pensionable earnings during that period of continuous service with the Prior Employer, as shown on the records of the Prior Employer;
- (4) **Pensionable Service Years** and “Pensionable Service” under SRRP (and its predecessor plans) for the “period of included Continuous Service” are deemed to be comprised of the pensionable service years during that period of continuous service with the Prior Employer, as shown on the records of the Prior Employer and as communicated to Scars;
- (5) **Profit Sharing Annuity** under the Guaranteed Retirement Income Plan, the immediate predecessor to SRRP, is determined for a Transfer Member from the Simpsons Plan (and for a Transfer Member from the HBC Defined Benefit Plan who had formerly been a member of the Simpsons Plan) in the same manner as the Profit Sharing Annuity is determined under the Simpsons Plan; and
- (6) **Retirement Security Plan Pension** under the Guaranteed Retirement Income Plan, the immediate predecessor to SRRP, is determined for a Transfer Member from the Simpsons Plan (and for a Transfer Member from the HBC Defined Benefit Plan who had formerly been a member of the Simpsons Plan) in the same manner as the Retirement Security Plan Pension is determined under the Simpsons Plan; and
- (7) **Inflation Adjusted Career Average Earnings** are calculated for a Transfer Member only in respect of years of SRRP membership on and after January 1, 1992.

II.E.8.4 Comparison of Past Service Guarantee and SRRP Retirement Benefit for Pre-Transfer Service

The retirement benefit entitlement of a Transfer Member described in Section II.E.8.3 will be actuarially increased, as described in Section II.E.8.5 if, and to the extent that:

- (1) the value of the Past Service Guarantee for the retirement benefit (whether normal, early or postponed, as appropriate) under the pension plan of the Prior Employer

exceeds
- (2) the value of the Transfer Member's retirement benefit (whether normal, early or postponed, as appropriate) under SRRP (and its predecessor plans) for service before the Transfer Date, as such entitlement is determined in accordance with Section II.E.8.3.

II.E.8.5 Provision of Increased Retirement Benefit under SRRP

The Transfer Member's retirement benefit entitlement under SRRP for service before the Transfer Date will be increased, if required pursuant to Section II.E.8.4, to be the Actuarial Equivalent of the Past Service Guarantee, and that increased retirement benefit entitlement will be provided in the same form of payment (that is, as to guarantee periods and/or joint annuitants) as the Transfer Member's retirement benefit entitlement under SRRP.

Section II.E.9 – Past Service Guarantee Details

II.E.9.1 Past Service Guarantee for a Simpsons Plan Member

The Past Service Guarantee for the Simpsons Plan Member is calculated according to the relevant provisions of the Simpsons Plan, modified as follows, regardless of the Transfer Date:

- (1) for the purpose of calculating the Simpsons Plan Member's normal or early retirement benefit under Section 6.1 or 6.2 respectively of the Simpsons Plan, "earnings" under the Simpsons Plan do not cease at the Transfer Date, and are deemed to include Earnings with Sears after the Transfer Date, but only up to and including December 31, 1991, and "final average earnings" under the Simpsons Plan are calculated accordingly;
- (2) for the purpose of calculating the Simpsons Plan Member's normal or early retirement benefit under Section 6.1 or 6.2 respectively of the Simpsons Plan, "pensionable service" under the Simpsons Plan is deemed to cease at the Transfer Date;
- (3) for the purposes of determining any applicable early retirement reduction under Section 6.2 of the Simpsons Plan, the "pensionable service" of the Simpsons Plan Member is deemed to include Pensionable Service Years with Sears up to the Simpsons Plan Member's date of early retirement from Sears;
- (4) for the purpose of determining the Simpsons Plan Member's entitlement to a vested locked-in or non-locked-in termination benefit under Section 9.1 of the Simpsons Plan, the Simpsons Plan Member's "continuous service" and "Plan membership" is deemed to include Continuous Service under SRRP and Plan membership in SRRP;
- (5) for the purpose of determining the Simpsons Plan Member's entitlement to
 - (a) the death benefits, or

- (b) the surviving spouse or surviving dependent child or children's allowance

under Section 10.2 of the Simpsons Plan, the Simpsons Plan Member's "continuous service" is deemed to include Continuous Service under SRRP; and

- (6) for the purpose of determining the amount of the surviving spouse or surviving dependent child or children's allowance under Section 10.2 (b) or (c) of the Simpsons Plan, the provisions of clauses (1), (2) and (3) of this subsection shall be applied as appropriate.

The relevant provisions of the Simpsons Plan, as listed below, are set out in full in Section II.E.16:

2.17	-	Final Average Earnings
2.23	-	Pensionable Service
6.1	-	Normal Retirement Benefit
6.2	-	Early Retirement Benefits
6.3(a)	-	Postponed Retirement Benefit (other than for Member employed in Quebec)
9.1	-	Termination With Ontario Service
10.2	-	Pre-Retirement Death Benefit

II.E.9.2 Past Service Guarantee for HBC Defined Benefit Plan Member

The Past Service Guarantee for the HBC Defined Benefit Plan Member is calculated according to the relevant provisions of the HBC Defined Benefit Plan, modified as follows for an HBC Defined Benefit Plan Member, regardless of the Transfer Date:

- (1) for the purpose of calculating the retirement benefit of an HBC Defined Benefit Plan Member in respect of future service pension under Section 5.1 (a) of the HBC Defined Benefit Plan, "continuous service" ceases at the Transfer Date, and his required contributions also cease at the Transfer Date;
- (2) for the purpose of calculating the retirement benefit of an HBC Defined Benefit Plan Member in respect of the supplementary pension under Section 5.2 (a) or (b),

- (a) “employee’s annual earnings” under the HBC Defined Benefit Plan do not cease at the Transfer Date, and are deemed to include Earnings with Scars after the Transfer Date, but only up to and including December 31, 1991, and “member’s average earnings” under the HBC Defined Benefit Plan are calculated accordingly;
 - (b) “continuous service” ceases no later than the Transfer Date, if the effective 30 year maximum for continuous service has not been achieved earlier;
 - (c) “old age benefit” is determined as at December 31, 1991; and
 - (d) “other pension benefits” in respect of the HBC Defined Benefit Plan Member’s Profit Sharing Annuity as defined in the Simpsons Plan and his Retirement Security Plan Pension as defined in the Simpsons Plan are determined in the same manner as under the Simpsons Plan, and are determined as at the early, normal or postponed retirement date of the HBC Defined Benefit Plan Member;
- (3) for the purposes of determining any applicable early retirement reduction and eligibility therefor under Section 5.3 (b), the “continuous service” of the HBC Defined Benefit Plan Member is deemed to include Continuous Service with Sears up to the HBC Defined Benefit Plan Member’s date of early retirement from Sears;
- (4) for the purpose of determining the HBC Defined Benefit Plan Member’s entitlement to a vested locked-in or non-locked-in termination benefit under Section 7.1 of the HBC Defined Benefit Plan, the HBC Defined Benefit Plan Member’s “continuous service” and “Plan membership” are deemed to include, respectively, Continuous Service under SRRP and Plan membership in SRRP;
- (5) for the purpose of determining the HBC Defined Benefit Plan Member’s eligibility for the surviving dependent pension under Section 8.1 of the HBC Defined Benefit Plan, the “Member’s years of continuous service as a regular full-time employee” is deemed to include Continuous Service as a regular full-time Employee under SRRP;

- (6) for the purpose of calculating the amount of the surviving dependent pension under Section 8.1 of the HBC Defined Benefit Plan, the HBC Defined Benefit Member is deemed to have retired early as of his date of death while in the employ of Sears, and the provisions of clauses (1) (2) and (3) of this subsection shall be applied as appropriate; and
- (7) for the purpose of determining the HBC Defined Benefit Plan Member's eligibility for the death benefit under Section 8.2 (d) III, the HBC Defined Benefit Plan Member's "Plan membership" is deemed to include his Plan membership under SRRP.

The relevant provisions of the HBC Defined Benefit Plan, as listed below, are set in full in Section II.E.17:

Part B:

- | | | |
|-----------|---|---|
| 1.1 | - | Average Earnings |
| 1.2 | - | Old Age Benefit |
| 1.3 | - | Other Pension Benefits |
| 5.1(a) | - | Pension at Normal Retirement Date – Future Service Pension |
| 5.1(b)(i) | - | Pension at Normal Retirement Date - Past Service Pension for Members Who Were Employees of the Hudson's Bay Company on July 1, 1961 |
| 5.2(a) | - | Supplementary Pension Benefit at Normal Retirement for Regular Full-Time Employees |
| 5.2(b) | - | Supplementary Pension Benefit at Normal Retirement for Members Who Were Employees of Simpsons Limited |
| 5.3 | - | Pension at Early Retirement Date |
| 5.4(a)(b) | - | Pension at Postponed Retirement Date (Other Than Quebec) |
| 7.1 (e) | - | Vesting and Locking In - Termination with Manitoba, New Brunswick or Ontario Service |
| 8.1 | - | Surviving Dependent Pension |
| 8.2(d)III | - | Death Prior to Pension Commencement Date- Ontario Service |

II.E.9.3 Past Service Guarantee for HBC Defined Contribution Plan Member

The Past Service Guarantee for the HBC Defined Contribution Plan Member is calculated as the value of the annuity which can be purchased under SRRP as determined by Sears on the advice of the Actuary, with the Past Service Account Balance of the HBC Defined Contribution Plan Member.

Section II.E.10 – Benefits on Termination of Employment

II.E.10.1 Application of Termination Benefit Provisions to Transfer Members

The provisions of this Section II.E.10 apply in determining for a Transfer Member both:

- (1) the eligibility for termination benefits; and
- (2) the amount of the termination benefit.

For a Transfer (Non-Member) Employee, eligibility for and the amount of the termination benefit are determined according to the provisions of SRRP that apply to any Employee who becomes a Member of SRRP at the date that the Transfer (Non-Member) Employee becomes a Member and as amended thereafter.

II.E.10.2 Eligibility for Vested Termination Benefit Based on Combined “Plan Membership”

For the purposes of determining eligibility for a SRRP termination benefit, the “Plan membership” of the Transfer Member is deemed to include his period of membership in the pension plan of his Prior Employer.

II.E.10.3 Requirement for Locking-In of Vested Termination Benefit Based on Continuous Service with Sears

In determining whether the termination benefit under SRRP in respect of pre-1987 service for a vested Transfer Member is locked-in, locking-in will occur at the earlier of the date on which the Transfer Member:

- (1) satisfies the statutory locking-in requirement (that is, attaining age 45 and completing 10 years of Continuous Service, based on combined service with Sears and the Prior Employer); or
- (2) completes two years of Plan membership with Sears.

II.E.10.4 General Description of Termination Benefit Determination

The benefit entitlements on termination of employment other than by death or retirement of a Transfer Member, as described in more detail in the following provisions, are calculated in the first instance as if Sears had employed the Transfer Member both before and after the Transfer Date, and then, if necessary, the benefit is actuarially increased with respect to service before the Transfer Date in order to preserve the value of benefits accrued by the Transfer Member before the Transfer Date under the pension plan of the Prior Employer.

II.E.10.5 Special Features of SRRP Termination Benefit for Transfer Members

The amount of the termination benefit for a vested Transfer Member in respect of service both before and after the Transfer Date is determined according to the applicable provisions of SRRP modified in accordance with the assumptions for the Transfer Member listed in Section II.E.8.3.

II.E.10.6 Comparison of Past Service Guarantee and SRRP Termination Benefit for Pre-Transfer Service

The termination benefit of a Transfer Member described in section II.E.10.5 will be actuarially increased, as described in Section II.E.10.7 if, and to the extent that:

- (1) the value of the Past Service Guarantee for the termination benefit under the pension plan of the Prior Employer

exceeds
- (2) the value of the Transfer Member's termination benefit under SRRP (and its predecessor plans) for service before the Transfer Date, as such entitlement is determined in accordance with Section II.E.10.5.

II.E.10.7 Provision of Increased Termination Benefit Under SRRP

The Transfer Member's termination benefit entitlement under SRRP for service before the Transfer Date will be increased to be the Actuarial Equivalent of the Past Service Guarantee, and that increased termination benefit entitlement will be provided in the same form of payment (that is, as to guarantee periods and/or joint annuitants in the case of a deferred annuity, or as a Commuted Value) as elected by the Transfer Member for his basic termination benefit entitlements under SRRP (and its predecessor plans).

Section II.E.11 – Benefits on Death

II.E.11.1 Application of Death Benefit Provisions to Transfer Members

The provisions of this Section II.E.11 apply in determining for a Transfer Member both:

- (1) the eligibility for death benefits; and
- (2) the amount of the death benefit.

For a Transfer (Non-Member) Employee, eligibility for and the amount of the death benefit is determined according to the provisions of SRRP that apply to any Employee who becomes a Member of SRRP at the date that the Transfer (Non-Member) Employee becomes a Member and as amended thereafter.

II.E.11.2 Eligibility for Surviving Spouse or Dependent Allowance Benefit Based on Combined Continuous Service

For the purposes of determining eligibility for a death benefit which for pre-1987 service under SRRP is an optional spousal or dependent's allowance, the Continuous Service of the Transfer Member is deemed to include his period of membership in the pension plan of his Prior Employer.

II.E.11.3 General Description of Death Benefit Determination

The death benefit entitlements of a Transfer Member, as described in more detail in the following provisions, are calculated in the first instance as if Sears had employed the Transfer Member both before and after the Transfer Date, and then, if necessary, the death benefit is actuarially increased with respect to service before the Transfer Date in order to preserve the value of benefits accrued by the Transfer Member before the Transfer Date under the pension plan of the Prior Employer.

II.E.11.4 Special Features of SRRP Death Benefit Determination for Transfer Members

The amount of the death benefit for a vested Transfer Member in respect of service both before and after the Transfer Date is determined according to the applicable provisions of SRRP modified in accordance with the assumptions for the Transfer Member listed in Section II.E.8.3.

II.E.11.5 Comparison of Past Service Guarantee and SRRP Death Benefit for Pre-Transfer Service

The death benefit of a Transfer Member described in Section II.E.11.4 will be actuarially increased, as described in Section II.E.11.6 if, and to the extent that:

- (1) the value of the Past Service Guarantee for the death benefit under the pension plan of the Prior Employer

exceeds
- (2) the value of the Transfer Member's death benefit under SRRP (and its predecessor plans) for service before the Transfer Date, as such entitlement is determined in accordance with Section II.E.11.4.

II.E.11.6 Provision of Increased Death Benefit Under SRRP

The Transfer Member's death benefit entitlement under SRRP for service before the Transfer Date will be increased to be the Actuarial Equivalent of the Past Service Guarantee, and that increased death benefit entitlement will be provided in the same form of payment (that is, as to the life annuity payable to a surviving Spouse, or the lump sum payment) as elected by the Transfer Member for his basic death benefit entitlements under SRRP (and its predecessor plans).

Section II.E.12 – Excess Member Required Contributions and Statutory Restrictions

II.E.12.1 Special Features of SRRP Excess Contributions for Transfer Members

For purposes of performing the test for excess contributions as described in Section II.A.9.1 of SRRP, the “value of the Member’s required contributions with interest” is deemed to include the Transferred Required Contributions of the Transfer Member, with interest credited thereon pursuant to Section II.E.6.3 from the Transfer Date to the date of determination, and “the value of the deferred or immediate pension for the Member” is deemed to include any actuarial increase provided in connection with the Past Service Guarantee of the Transfer Member.

II.E.12.2 Special Features of SRRP Minimum Value of Benefit for Pre-1987 Service for Transfer Members

For purposes of performing the test for the minimum value of the termination benefit, death benefit or retirement benefit as described in Section II.B.10.3; the “value of the Member’s termination benefit, death benefit or retirement benefit” is deemed to include any actuarial increase (or appropriate portion thereof) provided in connection with the Past Service Guarantee of the Transfer Member, and “value of the Member’s required contributions with interest” is deemed to include the Transferred Required Contributions of the Transfer Member, with interest credited thereon pursuant to Section II.E.6.3 from the Transfer Date to the date of determination.

II.E.12.3 Special Feature of SRRP Revenue Canada Maximum Calculation for Transfer Members

For purposes of calculating the Revenue Canada maximum under Section II.B.10.5:

- (1) for a Simpsons Plan Member, the calculation includes the value of the Simpsons Plan Members’s benefit, if any, from the “Retirement Security Plan” of Simpsons, Limited;

- (2) for any Transfer Member, “the Member’s Pensionable Service Years” includes pensionable service of the Transfer Member with the Prior Employer; and
- (3) for any Transfer Member, the “highest average Earnings in any 3 non-overlapping periods of 12 consecutive months” includes remuneration of the Transfer Member paid by the Prior Employer.

Section II.E.13 – Trust Fund

II.E.13.1 Funding Arrangements - Asset Transfer Arrangements Collectively

In accordance with the terms of the Pension Plans Agreement, the asset transfer is conditional on regulatory approval. Subject to such approval, assets shall be transferred to the Pension Fund, the value of such assets being determined in accordance with the provisions of the Pension Plans Agreement as sufficient to support the liabilities assumed by SRRP in respect of the Transfer Members, which liabilities are described more fully in the preceding provisions of this Section II.E.

II.E.13.2 Predecessor Plans under the Simpsons Plan for Which No Asset Transfer is Made

For purposes of greater certainty, it is noted that assets are not transferred in respect of the Profit Sharing Retirement Annuity amounts and the Retirement Security Pension Plan amounts as identified in the Simpsons Plan.

Section II.E.14 – Future of the Plan

II.E.14.1 Restrictions on Termination of SRRP Coverage for Transfer (Non-Member) Employees and Transfer Members

As required under the terms of the Pension Plans Agreement, Sears shall not adversely amend or terminate the application of the provisions of this Section II.E at any time before January 1, 1994.

II.E.14.2 Recognition of Compliance Amendments

Notwithstanding the provisions of Section II.E.14.1, Sears shall recognize and give effect to any amendments relating to this Section II.E and the pension plans of the Prior Employers, as may be required to achieve minimum compliance with legislation as in effect at July 8, 1991.

Section II.E.15 – Supplementary Documents

II.E.15.1 Maintenance and Access to Supplementary Documents

Sears shall maintain a set of supplementary documents for purposes of this Section II.E, comprised of the following:

- (1) Agreement made the 8th day of July, 1991 between the Hudson's Bay Company, Simpsons Limited and Sears Canada Inc. (the "Pension Plans Agreement");
- (2) Hudson's Bay Company Pension Plan (Amended and Restated As At January 1, 1988) dated January 1, 1992; and
- (3) Simpsons Limited Pension Plan (Amended and Restated Effective January 1, 1988) dated January, 1992.

II.E.15.2 The plan texts maintained in the set of supplementary documents as the Hudson's Bay Company Pension Plan (Amended and Restated As At January 1, 1988) and the Simpsons Limited Pension Plan (Amended and Restated Effective January 1, 1988) were provided to Sears on behalf of Hudson's Bay Company and Simpsons Limited respectively pursuant to Section 2 (a) of the Pension Plans Agreement which specifies that:

"the copies of the text of the Pension Plans, as provided to Sears, are true and correct copies thereof and there have been no amendments or modifications thereto except as reflected in the documents provided to Sears and there have been no written commitments made by HBC or Simpsons to any of the Transferred Employees to provide pension benefits otherwise than those reflected in the documents provided to Sears".

Section II.E.16 – Relevant Provisions Extracted from the Simpsons Plan

For purposes of interpreting the Past Service Guarantee in Section II.E.9.1, the following Definitions and benefit provisions have been extracted from the Simpsons Plan:

- “2.17 ***Final Average Earnings*** means one-fifth of an Employee’s Aggregate Earnings for the five consecutive calendar years of highest Earnings during his last ten years of Continuous Service, except that if the Employee ceases to be an Employee on any day other than the last day of any year, one of the years used for the calculation of his Final Average Earnings shall, if it is to the benefit of the recipient, comprise a twelve-month period made up of the number of completed months of service in the year during which the Employee ceases to be an Employee and the complementary number of months of the year at the commencement of the five-year period. If the Employee has less than ten years of Continuous Service, his Final Average Earnings shall be computed as one-fifth of his five consecutive calendar years of highest Earnings in his period of Continuous Service. If the Employee has less than five years of Continuous Service, his Final Average Earnings shall be computed as the total of his Earnings in his period of Continuous Service divided by his period of Continuous Service.”
- “2.23 ***Pensionable Service*** means the period of Contributory Service of an employee and any period of Continuous Service prior to January 1, 1976 to his credit for pension purposes as shown by the Company’s records.”
- “6.1 **Normal Retirement Benefit**
Each Member who retires on his Normal Retirement Date shall receive an annual benefit determined on his Normal Retirement Date which is the sum of (a) and (b):
- (a) ***For Service To December 31, 1986***
1.75% of his Final Average Earnings multiplied by his Pensionable Service to December 31, 1986, minus (i) and (ii) and (iii):
- (i) his Retirement Security Plan Pension,
- (ii) his Profit Sharing Annuity,

- (iii) the annual amount of Old Age Security and Canada or Quebec Pension Plan pension that the Member would be entitled to receive as of his Normal Retirement Date multiplied by the ratio that his Pensionable Service to December 31, 1986, which is limited to a maximum of 40 years, bears to 40 years.

(b) ***For Service On And After January 1, 1987***

1% of his Final Average Earnings that exceed 25% of the Final Average YMPE but are less than or equal to the Final Average YMPE plus 1.75% of his Final Average Earnings that exceed the Final Average YMPE, multiplied by his Pensionable Service on and after January 1, 1987.

The annual amount of Old Age Security and Canada or Quebec Pension Plan pension referred to in Section 6.1(a)(iii) will be determined on the date of retirement, death or termination by the Company on the basis of available information, assuming the Member is qualified to receive the full amount of his entitlement without reduction for any cause whatsoever or for suspension of benefits.”

“6.2

Early Retirement Benefits

Each Member who retires on his Early Retirement Date shall receive an annual benefit commencing on his Early Retirement Date which is the sum of (a) and (b):

(a) ***For Service To December 31, 1986***

1.75% of his Final Average Earnings multiplied by his Pensionable Service to December 31, 1986, reduced by 1% for each year by which the total of his years of attained age and years of Pensionable Service is less than 95 years, and an additional 1% for each year by which the total of his years of attained age and years of Pensionable Service is less than 85 years, minus (i) and (ii) and (iii):

- (i) his Retirement Security Plan Pension,
- (ii) his Profit Sharing Annuity
- (iii) the annual amount of Old Age Security and Canada or Quebec Pension Plan pension that the Member would be entitled to receive

as of his Normal Retirement Date multiplied by the ratio that his Pensionable Service to December 31, 1986, which is limited to a maximum of 40 years, bears to 40 years.

(b) ***For Service On And After January 1, 1987***

1% of his Final Average Earnings that exceed 25% of the Final Average YMPE but are less than or equal to the Final Average YMPE plus 1.75% of his Final Average Earnings that exceed the Final Average YMPE, multiplied by his Pensionable Service on and after January 1, 1987, reduced by 1% for each year by which the total of his years of attained age and years of Pensionable Service is less than 95 years, and an additional 1% for each year by which the Total of his years of attained age and years of Pensionable Service is less than 85 years.

(c) ***Bridge Benefit***

During the period commencing on the later of his actual retirement date and the end of the month in which he attains age 60 years of age and ending on the earlier of the end of the month in which he attains 65 years of age and the end of the month in which he dies, there shall be a bridge benefit paid which is an annual amount equal to the sum of (i) and (ii):

(i) ***For Service To December 31, 1986***

The annual amount of Old Age Security and Canada or Quebec Pension Plan pension that the Member would be entitled to receive as of his Normal Retirement Date multiplied by the ratio that his Pensionable Service to December 31, 1986, which is limited to a maximum of 40 years, bears to 40 years; plus

(ii) ***For Service On And After January 1, 1987***

1.75% of his Final Average Earnings that are less than 25% of the Final Average YMPE plus .75% of his Final Average Earnings that exceed 25% of the Final Average YMPE but are less than or equal to the Final Average YMPE, multiplied by his Pensionable Service on and after January 1, 1987.

- (d) The annual amount of Old Age Security and Canada or Quebec Pension Plan pension referred to in Section 6.2(a)(iii) and Section 6.2(c)(i) will be determined by the Company on the basis of available information, assuming the Member is qualified to receive the full amount of his entitlement without reduction for any cause whatsoever or for suspension of benefits.”

“6.3 **Postponed Retirement Benefit**

- (a) A Member, other than a Member employed in Quebec, whose retirement is postponed pursuant to Section 5.3 shall continue to contribute to the Plan in accordance with Section 4.1 after his Normal Retirement Date and at his Postponed Retirement Date shall receive a benefit determined under Section 6.1.”

“9.1 **Termination With Ontario Service**

A Member whose Continuous Service is terminated other than by death, disability or retirement and who has a period of Plan membership in the province of Ontario, shall be vested in respect of such period of Plan membership:

- (a) in respect of pension benefits accrued prior to January 1, 1987, upon the completion of at least 5 years of Continuous Service; and
- (b) in respect of pension benefits accrued on and after January 1, 1987, while employed in the province of Ontario upon completion of at least 24 months of Plan membership.

The vested pension benefits of such Member shall be locked-in for the purposes of the Plan, except that in respect of pension benefits accrued prior to January 1, 1987, the Member’s vested pension benefit shall be locked-in only upon the Member’s completion of at least 10 years of Continuous Service or plan membership and his attainment of age 45.”

“10.2 **Pre-Retirement Death Benefit**

- (a) If a Member dies while in employ of the Employer prior to his completion of ten years of Continuous Service or after ten years of Continuous Service under circumstances where neither Section 10.2(b) nor Section 10.2(c) applies or if a Member who has terminated

employment and who is entitled to deferred pension under Section 9 dies before his pension commences, his Beneficiary will receive a refund of the Member's required contributions made to the Plan with Credited Interest.

- (b) If a Member dies while in the employ of the Employer after completion of ten years of Continuous Service under circumstances where the Member leaves a Spouse surviving him, and such Member has not waived the application of this Section 10.2(b) by written notice to the Employer in the form prescribed by the Employer, the Spouse may elect to receive a refund of the Member's contributions with Credited Interest or, in lieu thereof, an annual allowance. The annual allowance shall be payable monthly from the first day of the month following the Member's death, and shall be the sum of (i) and (ii):
- (i) 1.75% of the Member's Final Average Earnings multiplied by the Member's Pensionable Service to December 31, 1986, adjusted to a 100% joint and last survivor form of pension on an Actuarial Equivalent basis, reduced by 1% for each year by which the total of the Member's years of attained age and years of Pensionable Service is less than 95 years, and an additional 1% for each year by which the total of the Member's years of attained age and years of Pensionable Service is less than 85 years, minus (A) and (B) and (C):
- (A) his Profit Sharing Annuity,
- (B) up to and including the month in which the Spouse attains age 65, the annual Spouse's pension payable to the Spouse under the Canada or Quebec Pension Plan, and
- (C) commencing with the month following the Spouse's attainment of age 65, the annual Spouse's pension payable to the Spouse under the Canada or Quebec Pension Plan and the annual amount to which the Spouse is entitled from Old Age Security; plus
- (ii) 1% of the Member's Final Average Earnings that exceed 25% of his Final Average YMPE but are less than or equal to his Final Average YMPE plus 1.75% of the Member's Final Average Earnings that

exceed his Final Average YMPE, multiplied by the Member's Pensionable Service on and after January 1, 1987.

- (c) If a Member dies while in the employ of the Employer after completion of ten years of Continuous Service under circumstances where the Member leaves no Spouse surviving him but leaves one or more Dependent Children surviving him, and such Member has not waived the application of this Section 10.2(c) by written notice to the Employer in the form prescribed by the Employer, an annual dependent's allowance shall be paid. The annual dependent's allowance shall be payable monthly from the first day of the month following the Member's death, shall be divided equally among the Dependent Children and shall cease on the first day of the month preceding the date each such child ceases to qualify as a Dependent Child, as defined pursuant to Section 2.12, and shall be determined as the sum of (i) and (ii):
- (i) 1.75% of the Member's Final Average Earnings multiplied by the Member's Pensionable Service to December 31, 1986, reduced by 1% for each year by which the total of the Member's years of attained age and years of Pensionable Service is less than 95 years, and an additional 1% for each year by which the total of the Member's years of attained age and years of Pensionable Service is less than 85 years, minus (A) and (B) and (C):
- (A) his Profit Sharing Annuity,
 - (B) his Retirement Security Plan Pension,
 - (C) the annual amount of Old Age Security and Canada or Quebec Pension Plan pension that the Member would have been entitled to receive at age 65, had he lived, multiplied by the ratio that his Pensionable Service to December 31, 1986, which is limited to a maximum of 40 years, bears to 40 years; plus
- (ii) 1% of the Member's Final Average Earnings that exceed 25% of his Final Average YMPE but are less than or equal to his Final Average YMPE plus 1.75% of the Member's Final Average Earnings that

exceed his Final Average YMPE, multiplied by the Member's Pensionable Service on and after January 1, 1987.

- (d) Notwithstanding Section 10.2(a), (b) and (c), where a Member dies while in the employ of the Employer and after his Normal Retirement Date, he shall be considered to have retired on the first day of the month coincident with or immediately prior to his death and his Beneficiary or estate will receive a benefit in respect of service prior to January 1, 1987, calculated in accordance with Section 6 and payable in the applicable normal or optional form of pension elected by the Member in accordance with Section 8."

Section II.E.17 – Relevant Provisions Extracted from the HBC Defined Benefit Plan

For purposes of interpreting the Past Service Guarantee in Section II.E.9.2, the following definitions and benefit provisions have been extracted from the HBC Defined Benefit Plan:

- “1.1 *Average Earnings* means the average of the Employee’s Annual Earnings received from the Company in the 5-year period immediately preceding his Normal Retirement Date, death or termination of employment, whichever first occurs. In the event that an Employee has not completed 5 years of Continuous Service, then the Average Earnings means the average of the Employee’s Annual Earnings received from the Company over such lesser period of Continuous Service.”
- “1.2 *Old Age Benefit* means the monthly amount of government benefits payable under the Old Age Security Act and the Canada or Quebec Pension Plan, as in effect on the Part B Member’s termination or retirement from Continuous Service, or death.”
- “1.3 *Other Pension Benefits* means the sum of the following:
- (a) the Part B Member’s Retirement Security Plan Pension as defined in the Simpsons Plan; plus
 - (b) the Part B Member’s Profit Sharing Annuity as defined in the Simpsons Plan; plus
 - (c) the proportion of the Part B Member’s Old Age Benefit which will be payable to him or should be payable to him if he applies for and is entitled to receive it, based on the ratio that his years of pensionable service, as defined in the Simpsons Plan, is to 40, and calculated on the basis of applicable legislation in effect at his date of transfer and
- assuming that the Part B Member had continued to contribute to the Canada or Quebec Pension Plan until age 65 at the same rate as he was contributing immediately prior to his transfer of employment.”

"5.1

Pension At Normal Retirement Date

Subject to Articles 5.2, 5.6 (*the Maximum Pension provision which has not been reproduced*) and 5.7 (*the Maximum Value provision which has not been reproduced*) of Part B, each Part B Member who retires from Continuous Service on his Normal Retirement Date, shall receive an annual pension, payable in equal monthly instalments, commencing on his Normal Retirement Date, the annual amount of which shall be equal to the sum of the following Sections (a) and (b):

(a) *Future Service Pension*

Each Part B Member shall receive a future service pension based on his years of Continuous Service (completed months to be computed as twelfths of a year) while a Member, including prior years of Continuous Service purchased by the Member with his additional contributions made in accordance with the terms of the Plan as constituted prior to January 1, 1988, if applicable, equal to the sum of the following:

- (i) 40% of the Part B Member's required contributions made to the Plan pursuant to Article 3.1 of Part B; plus
- (ii) 40% of the Part B Member's additional contributions made to the Plan prior, to January 1, 1988 in respect of such prior years of Continuous Service, if any.

Plus**(b) *Past Service Pension***

Each Part B Member other than a Regular Part-Time Employee who joined the Plan by January 1, 1988, shall receive a past service pension based on his years of Continuous Service while not a Member, equal to one of the following sub-Sections (i), (ii), (iii) or (iv), as is applicable:

- (i) **Past Service Pension For Members Who Were Employees Of The Hudson's Bay Company On July 1, 1961**
Each Part B Member who was an Employee of the Hudson's Bay Company on July 1, 1961, shall receive a past service benefit equal to 1.125% of his Annual Earnings as at July 1, 1961, multiplied by

the number of completed years of his Continuous Service prior to July 1, 1961;”

(SubSections (ii), (iii) and (iv) are not applicable and have not been reproduced).

“5.2

Supplementary Pension Benefit At Normal Retirement Date

Each Part B Member who retires from Continuous Service on his Normal Retirement Date shall be eligible to receive, in addition to the pension benefits payable under Article 5.1 of Part B, a supplementary pension benefit determined in accordance with one of the following Sections (a), (b), or (c), as is applicable:

(a) ***Supplementary Pension Benefit For Regular Full-Time Employees***

Each Part B Member who is a Regular Full-Time Employee and who retires from Continuous Service at his Normal Retirement Date shall receive a supplementary annual pension benefit equal to the amount by which:

- (i) 2% of the Part B Member’s Average Earnings multiplied by the number of years of Continuous Service as a Regular Full-Time

Employee (completed months to be computed as twelfths of a year), to a maximum of 60% of the Member’s Average Earnings, less the Part B Member’s Old Age Benefit; exceeds

- (ii) the portion of the Part B Member’s future service pension that is attributable to his required contributions pursuant to Article 5.1(a) of Part B and the Part B Member’s past service pension pursuant to Article 5.1(b) of Part B,

or

(b) ***Supplementary Pension Benefit for Members Who Were Employees of Simpsons Limited***

Each Part B Member who was a full-time regular employee of Simpsons Limited, whose full-time regular employment was transferred from Simpsons Limited to the Hudson's Bay Company after December 31, 1979 and who retires without interruption of his Continuous Service to his Normal Retirement Date shall receive a supplementary annual pension benefit equal to the amount by which:

- (i) 2% of the Part B Member's Average Earnings multiplied by the number of years of Continuous Service as a Regular Full-Time Employee of the Hudson's Bay Company (completed months to be computed as twelfths of a year), to a maximum of 60% of the Member's Average Earnings, less the Part B Member's Other Pension Benefits; exceeds
- (ii) the portion of the Part B Member's future service pension that is attributable to his required contributions pursuant to Article 5.1(a) of Part B."

(Section (c) is not applicable and has not been reproduced).

"5.3

Pension At Early Retirement Date

- (a) Subject to Articles 5.3(b), (c) and (d) of Part B, each Part B Member who elects to retire early from Continuous Service pursuant to Article 4.1 of Part B shall receive an annual pension, payable in equal monthly instalments, commencing on his early retirement date, the amount of which shall be equal to the vested portion of the pension benefit and any supplementary pension benefit accrued to the Member pursuant to Articles 5.1 and 5.2 of Part B to the Member's early retirement date and then reduced to its Actuarial Equivalent amount to reflect early commencement of his pension.
- (b) Notwithstanding the foregoing provisions of Article 5.3(a) of Part B, each Part B Member who elects to retire early from Continuous Service pursuant to Article 4.1 of Part B and who has completed 20 years of Continuous Service at his early retirement date shall have his pension

benefit calculated in accordance with Article 5.3(a) of Part B but reduced by 1/4 of 1% for each complete month by which the Member's early retirement date precedes his Normal Retirement Date.

- (c) In no event shall the early retirement pension payable to a Part B Member under this Article 5.3 of Part B be less than that permitted under applicable laws.
- (d) For the purpose of this Article 5.3 of Part B, the vested portion of the pension benefit shall be determined in accordance with the provisions of Article 7 of Part B, assuming that the Member terminates his Continuous Service on his early retirement date."

"5.4

Pension At Postponed Retirement Date

- (a) Subject to Articles 5.4(b) and (c) of Part B, a Part B Member who postpones his retirement from Continuous Service after his Normal Retirement Date pursuant to Article 5.3 of Part A, shall cease making contributions to the Plan on his Normal Retirement Date and shall thereby cease to accrue further benefits under the Plan. Such a Member shall receive an annual pension, payable in equal monthly instalments commencing on his Normal Retirement Date, equal to the pension accrued to him pursuant to Articles 5.1. and 5.2 of Part B to his Normal Retirement Date.
- (b) A Part B Member employed in the province of Alberta, Manitoba, Ontario or Nova Scotia, who postpones his retirement from Continuous Service after his Normal Retirement Date pursuant to Article 5.3 of Part A and who does not elect to commence payment of his pension benefit, may elect, subject to Articles 5.6 and 5.7 of Part B, to continue making contributions and accruing further benefits under the provisions of Part B of the Plan until the earlier of:
 - (i) the first day of the month coincident with or next following his retirement date;
 - (ii) the last day of the month immediately preceding the Part B Member's 71st birthday; or

- (iii) the date on which the Part B Member has accrued the maximum pension payable under the Plan pursuant to Article 5.6 of Part B.

Provided such Member continues contributing to the Plan after his Normal Retirement Date, he shall receive an annual pension, payable in equal monthly instalments commencing on his postponed retirement date, equal to the pension accrued to him pursuant to Articles 5.1 and 5.2 of Part B, to his postponed retirement date. If such Member does not continue contributing to the Plan after his Normal Retirement Date he shall receive the benefits described in Article 5.4(a) of Part B.”

(Section (c) is not applicable and has not been reproduced).

“7.1 **Vesting And Locking-In**

(e) ***Termination With Manitoba, New Brunswick or Ontario Service***

Where the Continuous Service of a Part B Member is terminated other than by death, disability or retirement and he has to his credit a period of Plan membership while employed in the province of Manitoba, New Brunswick or Ontario, then only in respect of that period of membership, he shall be vested and locked-in to his pension benefits in accordance with the following provisions, in lieu of the vesting and locking-in provisions provided under Article 7.1(a) to (d) inclusive, and regardless of where his Continuous Service terminates:

(Descriptions of the Manitoba and New Brunswick provisions are not applicable and have not been reproduced).

Termination With Ontario Service

A Part B Member whose Continuous Service is terminated other than by death, disability or retirement and who has a period of Plan membership in the province of Ontario, shall be vested, in respect of such period of Plan membership:

- (i) in respect of pension benefits accrued prior to January 1, 1987, upon the completion of at least 10 years of Continuous Service; and

- (ii) in respect of pension benefits accrued on and after January 1, 1987 while employed in the province of Ontario, upon the completion of at least 24 months of Plan membership.

The vested pension benefits of such Part B Member shall be locked-in for purposes of the Plan, except that in respect of pension benefits accrued prior to January 1, 1987, the Part B Member's vested pension benefit shall be locked-in only upon the Part B Member's completion of at least 10 years of Continuous Service or Plan membership and his attainment of age 45."

"8.1

Surviving Dependent Pension

If a Part B Member who is a Regular Full-Time Employee dies while in Continuous Service and prior to his actual retirement date, there shall be payable to such Member's Surviving Dependent a Surviving Dependent pension calculated and payable as hereinafter described, provided that:

- (a) no person other than the Surviving Dependent has been designated by the Part B Member as Beneficiary under the Plan; and
- (b) the sum of the Part B Member's age and years of Continuous Service as a Regular Full-Time Employee (completed months to be computed as twelfths of a year) at such Member's date of death totals at least 75.

For the purpose of Article 8 of Part B, a Surviving Dependent means:

- (a) the Spouse of the Part B Member, or
- (b) if there is no surviving Spouse, one or more children of the Part B Member who, in the opinion of the Company, satisfies the definition of dependent children as prescribed pursuant to the provisions of the Canada or Quebec Pension Plan.

In calculating the amount of pension payable to such Member's Surviving Dependent pursuant to this Article 8.1 of Part B, the Part B Member shall be deemed to have retired early and to have elected an Actuarial Equivalent form of his early retirement pension, as calculated in accordance with Article 5.3(a) or (b)

of Part B as applicable, under which the Surviving Dependent receives 75% of the reduced pension the Part B Member would have been entitled to receive had he retired early on the first day of the month immediately preceding his date of death and:

- (a) where the Surviving Dependent is the Part B Member's Spouse, the pension payable to such Spouse under this Article 8.1 of Part B shall cease on the first day of the month immediately preceding the Spouse's death; and
- (b) where the Surviving Dependent is one or more children of the Part B Member, the amount of pension shall:
 - (i) be computed as if there was a Spouse of the same age as the Part B Member on his date of death;
 - (ii) be divided equally among the dependent children; and
 - (iii) cease for each dependent child on the first day of the month immediately preceding the date each such child ceases to qualify as a dependent child, as defined pursuant to this Article 8.1 of Part B.

A Part B Member who is a Regular Full-Time Employee who dies while in Continuous Service and prior to his actual retirement date and who does not meet the condition under this Article 8.1 of Part B will be subject to the provisions of Article 8.2 of Part B."

"8.2

Death Pilot To Pension Commencement Date

(d) ***Death With Manitoba, New Brunswick Or Ontario Service***

Where a Part B Member who is actively employed by the Company and has to his credit a period of Plan membership while employed in the province of Manitoba, New Brunswick or Ontario or a Terminated Member entitled to a deferred pension in respect of such membership under Article 7.1(c) of Part B dies and prior to the commencement of his pension benefit, then only in respect of that period of membership, such Part B Member's or Terminated Member's Spouse, Beneficiary or estate, as applicable, shall receive, in lieu of the benefits provided under Article

8.2(a) to (c) of Part B inclusive, and regardless of where the Part B Member or Terminated Member dies, the following benefit, as applicable:

(Clauses I and II are not applicable and have not been reproduced).

III. Ontario Service

If the Part B Member or Terminated Member who has completed at least 24 months of P membership at his date of death, dies prior to the commencement of his pension benefit his Spouse, or if the Part B Member or Terminated Member does not have a Spouse or the Spouse's entitlement to a death benefit under the Plan was waived in the manner prescribed under the Act, his Beneficiary or estate shall receive a pre-retirement death benefit equal to the sum of (i) and (ii) below:

- (i) the Part B Member's or Terminated Member's required and any additional contributions made to the Plan to December 31, 1986 with Credited Interest thereon; plus
- (ii) 100% of the Commuted Value of the pension benefit accrued to the Part B Member or Terminated Member in respect of his period of Plan membership while employed in the province of Ontario on and after January 1, 1987."

SEARS CANADA INC.
SEARS REGISTERED RETIREMENT PLAN
DC PROVISIONS

SEARS CANADA INC.

Sears Registered Retirement Plan

III – DC Provisions

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III. DC Provisions

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Section III.1 - Contributions

III.1.1 Member Contributions

- (1) Subject to Section III.1.3:
 - (a) each Member who is an Employee may contribute to the Plan, by payroll deduction, any whole percentage from 1% to 7% of Earnings, as elected by the Member; and
 - (b) each Member who is an Employee and has an entitlement under the DB Provisions as of June 30, 2008, except those employed in Manitoba and Nova Scotia, may elect 0% contribution but only as of July 1, 2008.
- (2) An election is made by filing with the Company a written notice in the manner prescribed by the Company within the time prescribed by the Company. A Member who fails to make an election under (1) above within the time prescribed is deemed to have elected to contribute 1% of his or her Earnings.
- (3) Contributions made under Section III.1.1(1) shall be allocated to the Member's Account.
- (4) The initial election of a Member who has an entitlement under the DB Provisions to contribute under (1) above will be made effective July 1, 2008. The initial election of other Members to contribute under Section (1) above will be made at the time the Member enrolls in the Plan. Thereafter, a Member may change the percentage of Earnings contributed effective in January of any subsequent year.
- (5) An exception to the annual re-election of contribution rate set out in (4) above will apply so that a Member may change his or her contribution rate with effect within 31 days after:
 - (a) change in employment classification as defined by the Company;

- (b) marriage;
 - (c) one year in a common-law relationship;
 - (d) end of common-law relationship;
 - (e) divorce or legal separation;
 - (f) birth or adoption of a child;
 - (g) change of child custody arrangements;
 - (h) death of a Spouse;
 - (i) change in base earnings as defined by the Company in excess of 10%;
 - (j) commencement of an unpaid leave of absence under Section I.7.1(a) in which case the Member is also able to cease contributing;
 - (k) return from an unpaid leave of absence under Section I.7.1(a) in which case contributions must resume if they were being made before the absence and had not been made during the absence;
 - (l) commencement or return from an approved leave of absence expected to exceed one month in duration, if the leave of absence is not included in Section I.1.7(a);
 - (m) commencement or termination of a period of Disability.
- (6) An exception to the annual re-election of contribution rate set out in (4) above applies if a Member employed in Alberta elects 0% under (1)(b) above, in which case every 6 months from July 1, 2008 the Alberta Member may confirm the 0% or elect to contribute. If the Member elects to contribute, the January re-election schedule again applies to the Member.

- (7) Notwithstanding the foregoing, in order to comply with Section III.3.1, a Member shall cease to make contributions as of the end of the payroll period immediately before December 1 of the calendar year in which the Member attains age 71.
- (8) The Company reserves the right to allow, at its sole discretion, other exceptions to the timing of re-election in circumstances it considers appropriate.
- (9) A Member may transfer funds from another registered pension plan that are locked-in under the Pension Benefits Act or funds that the Member is eligible to transfer under Section II.A.11.1 to his or her Account.

III.1.2 Employer Contributions

- (1) Subject to Sections III.1.3, an Employer will make contributions on behalf of Members who are its Employees in an amount equal to the sum of the amounts determined under Row A and B below:

	Member Contributions:	Employer Contribution as Percentage of Member's Contribution:
Row A	From 1% to 4%	100%
Row B	From 5% to 7% of Earnings	50%

- (2) Contributions by an Employer shall be allocated to the respective Member's Account.
- (3) An Employer's contributions will be made directly by the Employer or in accordance with Section I.6.

III.1.3 Maximum Contributions

- (1) The total contributions made by and on behalf of a Member in any Plan Year will not exceed the lesser of:
- the money purchase limit, as defined under the Income Tax Act; and
 - 18% of the Member's Earnings.

- (2) If a contribution is made which would cause the Plan's registration to be revocable under the Income Tax Act, then, subject to conditions or approval procedures under the Pension Benefits Act, such contributions shall be returned to the contributor.

Section III.2 - Accounts

III.2.1 Member Accounts

The Trustee or appointed record keeper shall maintain an individual Account with respect to each Member who makes contributions under the DC Provisions.

III.2.2 Investment of Accounts

- (1) Each Member's Account shall be invested pursuant to the directions provided by the Member, in the investment options made available under the terms of the Trust Agreement.
- (2) An investment direction shall be made in writing in the manner prescribed by the Company.
- (3) Where a Member fails to make an investment direction the Member's Account shall be invested in a manner established by the Company until an investment direction is obtained from the Member.
- (4) Where a Member whose Continuous Service has terminated fails to make an election for payment of his or her Account under Section III.4.1 that Member's Account shall be invested in a manner established by the Company until an election for payment is obtained from the Member.

Section III.3 - Entitlement to Benefits

III.3.1 Cessation of Continuous Service

- (1) If the Continuous Service of a Member who has an Account terminates for any reason other than death, the Member is entitled to the distribution of his or her Account. The distribution shall be in accordance with the election made by the Member under Section III.4.1.
- (2) Notwithstanding (1) above, a Member's Continuous Service is deemed to have ceased as of the end of the payroll period immediately before December 1 of the calendar year in which the Member attains age 71 and his or her Account shall be distributed before the end of that calendar year. The distribution shall be in accordance with the election made by the Member under Section III.4.1.

III.3.2 Death

- (1) If a Member dies prior to the distribution of the Member's Account under any other of the DC Provisions and the Member does not have a Spouse, the Member's Beneficiary shall receive the Account in the form of a Lump Sum Payment as soon as practicable of the Member's death.
- (2) If a Member dies prior to the distribution of the Member's Account under any other of the DC Provisions and the Member has a Spouse, the Spouse shall receive the Account in the form elected by the Spouse under Section III.4.2.
- (3) A Member's Spouse may waive the Spouse's entitlement under (2) above as prescribed by the Pension Benefits Act, in which event the death benefit is payable to the Member's Beneficiary.

Section III.4 - Payment of Benefits

III.4.1 Payment to a Member

- (1) For distribution of a Member's Account under Section III.3.1, the Member must elect to have his or her Account transferred in accordance with the Pension Benefits Act to:
 - (a) another registered pension plan, provided that the administrator of that pension plan accepts the transfer and agrees to administer the sum as required by the Pension Benefits Act;
 - (b) a Locked-In Retirement Contract; or
 - (c) purchase an annuity from a Licensed Annuities Provider that commences no later than the end of the calendar year in which the Member attains age 71.
- (2) At the time a Member enrolls in the Plan or first makes a contribution under the DC Provisions, the Company may require the Member to elect that his or her Account will be transferred to a Locked-In Retirement Contract when the Member terminates Continuous Service. If a Member fails to make a new election under (1) above after Termination of Continuous Service within the time limit required by the Company and under the Pension Benefits Act, if applicable, then payment shall be made in accordance with the Member's existing election.
- (3) The annuity to which a Member is entitled from his or her Account may be paid in any one of the following forms, to the extent that the form is available from the Licensed Annuities Provider, each of which is payable in equal monthly instalments:
 - (a) a life pension ending with the payment for the month in which the Member's death occurs;
 - (b) a life pension guaranteed for up to 15 years in favour of the Member's Beneficiary;

- (c) a life pension continuing after the death of the Member to the Member's Spouse or former Spouse who shall be named at the time the pension commences, in any percentage of the amount that would have been paid to the Member if the Member had lived up to 100%;
- (d) a life pension combining the features of (b) and (c) above; or
- (e) any of the forms above increased in accordance with any index of economic change that is acceptable for this purpose under the Income Tax Act,

provided that a Member who has a Spouse when the annuity commences must elect the benefit under (c) and provide at least the minimum percentage required under the Pension Benefits Act unless there is a valid waiver by the Spouse as prescribed by the Pension Benefits Act.

In addition, a Member may elect to receive a bridge benefit commencing at the same time the life pension commences and ending on the earlier of the Member's death and the Member attaining age 65, except that for a Member who was employed in Quebec and has a Spouse at pension commencement, 60% of the bridge must continue after the Member's death until the Member would have attained age 65 unless the Spouse waives that entitlement as permitted by the Pension Benefits Act.

III.4.2 Payment to a Spouse

- (1) For distribution of a Member's Account under III.3.2 the Spouse may elect to receive the Account:
 - (a) in the form of a Lump Sum Payment; or
 - (b) to have the Account transferred to a Licensed Annuities Provider for an annuity payable for the lifetime of the Spouse commencing either immediately or deferred until no later than December 1 of the calendar year in which the Spouse attains age 71, or, if later, within one year after the death of the Member,

subject to any requirement as set out in Section III.5.2 of the Pension Benefits Act that (b) must apply.

- (2) The Spouse must elect within the period of time prescribed by the Company or, if applicable, under the Pension Benefits Act. If the Spouse fails to elect, payment shall be made under (a) or unless the Pension Benefits Act requires the distribution to be in accordance with (b).
- (3) If a Spouse is entitled to payment and dies prior to payment, the amount otherwise payable to the Spouse shall be paid as a Lump Sum Payment to the Spouse's estate.

Section III.5 - Requirements of the Pension Benefits Act

III.5.1 Spouse Waiver of Death Benefit

- (1) Notwithstanding Section III.3.2(3) a Spouse cannot waive the entitlement to a pre-retirement death benefit in Section III.3.2(2) if the Member was employed in Manitoba, New Brunswick, Newfoundland or Nova Scotia.
- (2) The Spouse of a Member employed in Alberta who waives the entitlement to a pre-retirement death benefit as provided in Section III.3.2(3) also waives any entitlement to receive benefits as the Member's Beneficiary.

III.5.2 Lump Sum Death Benefit to Spouse

For purposes of Section III.4.2(1) the Pension Benefits Act requires the Spouse to take the benefit under (1)(b) and prohibits payment under (1)(a) in Alberta, British Columbia, Manitoba and, if the death occurs after the Member attains age 65, in Quebec.

III.5.3 Percentage for Joint and Survivor Pension

For purposes of Section III.4.1(3) the percent of survivor pension for a Spouse required by the Pension Benefits Act is:

60%	All jurisdictions except Manitoba
66 2/3 %	Manitoba

III.5.4 Time Limit for Member Election

For purposes of Section III.4.1(2) the time limit prescribed by the Pension Benefits Act for a Member to elect payment is:

90 days from receipt of the election form	Alberta, British Columbia, Manitoba, New Brunswick
90 days from termination of Continuous Service	Quebec
60 days from termination of Continuous Service	Newfoundland
Not specified	Saskatchewan, Ontario, Nova Scotia

III.5.5 Time Limit for Spouse Election

For purposes of Section III.4.2(2) the time limit prescribed by the Pension Benefits Act for a Spouse to elect payment is:

90 days from receipt of the election form	Alberta, British Columbia, Ontario, Nova Scotia
Not specified	Saskatchewan, Manitoba, New Brunswick, Newfoundland , Quebec

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Financial Services
Pension Plans Branch

**CERTIFICATE OF AMENDMENT OF
SEARS CANADA INC.**

WHEREAS Sears Canada Inc. (the “**Company**”) maintains the Sears Canada Inc. Registered Retirement Plan (the “**Plan**”), which is registered with the Financial Services Commission of Ontario and the Canada Revenue Agency (Registration Number 0360065);

AND WHEREAS the Company has reserved the right to amend the Plan pursuant to Section I.12.1 of the Plan (Right to Amend or Terminate);

AND WHEREAS the Company wishes to amend the Plan to:

- a) permit the commutation of small benefits in respect of deferred members as permitted under the *Pension Benefits Act* (Ontario);
- b) replace the existing post-retirement indexation formula with an alternative formula that is at least actuarially equivalent;
- c) permit those who terminate employment after their early retirement date to exercise portability;
- d) change the way in which “Continuous Service” (as defined in the Plan) is determined for purposes of benefits on termination of employment; and
- e) make certain housekeeping amendments;

NOW THEREFORE BE IT RESOLVED THAT:

1. Effective December 18, 2005:

- a. Section II.A.10.2 of the Plan (Determination of Benefits of Transferred Members under the Plan) is amended to add “ and as subsequently amended from time to time,” immediately after “at the Transition Date” as it appears in the second sentence of that provision.

2. Effective January 29, 2011:

- a. Section II.A.12.2 of the Plan (Determination of Benefits of Transferred Members under the Plan) is amended to add “ and as subsequently amended from time to time,” immediately after “at the Transition Date” as it appears in the second sentence of that provision.

3. Effective July 1, 2012:

- a. Section I.11.1 of the Plan (Small Pension Amounts) is amended by adding the following paragraph immediately following the table in that section:

"With respect to a Member employed in Ontario who terminated employment with the Company prior to July 1, 2012, and who is entitled to a deferred pension under the Plan, the Company shall pay the Commuted Value of the pension to the Member in a lump-sum cash payment if such pension is eligible for commutation in accordance with the above table. For greater certainty, the YMPE in the year that the Member's employment with the Company terminated shall be used in determining the small pension threshold. In lieu of receiving the lump-sum cash payment, the Member may elect to transfer his or her entitlement in accordance with Section I.11.16 (Transfer to RRSP)."

4. Effective March 2, 2013:

- a. Section II.A.13.2 of the Plan (Determination of Benefits of Transferred Members under the Plan) is amended to add " and as subsequently amended from time to time," immediately after "at the Transition Date" as it appears in the second sentence of that provision.

5. Effective January 1, 2014:

- a. Section II.A.6.1 of the Plan (Annual Review of CPI) shall be deleted in its entirety and replaced with the following:

"II.A.6.1 General

The annual inflation adjustment made to the pensions in payment which are subject to such increases shall be made in accordance with this Section II.A.6."

- b. Section II.A.6.2 of the Plan (Application of Inflation Adjustment) is amended to replace the word "declared" with the word "made" wherever it appears in this section.
- c. Section II.A.6.3 of the Plan (Maximum Inflation Adjustment Calculation) is deleted in its entirety and replaced with the following:

"II.A.6.3 Inflation Adjustment Calculation

The annual inflation adjustment made to pensions in payment in any particular year shall, subject to the Income Tax Act, be 0.5% of the pension benefit of the immediately preceding year."

- d. Section II.A.6.4 of the Plan (Supplementary Inflation Adjustment) is deleted in its entirety.
- e. Section II.A.7.1 of the Plan is amended to add the following at the end of that paragraph:

“Notwithstanding any other provision in this Plan, for purposes of determining the early retirement reduction factor under Section II A.3.3, a Member’s Continuous Service is deemed to be the length of the Member’s completed Continuous Service as if the Member had continued in active employment until his pension commencement date.”

6. Effective March 1, 2014:

- a. Section II.A.7.1 of the Plan (Eligibility for Immediate Pension) is deleted in its entirety and replaced with the following:

“II.A.7.1 Termination after Early Retirement Date

A Member whose Continuous Service ceases for any reason after he is eligible for an early retirement pension is entitled to either:

- (a) an immediate pension calculated according to the formula in Section II.A.3.2; or
- (b) transfer a lump-sum amount equal to the Commuted Value of his pension in accordance with Section II.A.7.6.

For greater certainty, for purposes of determining the early retirement reduction factor under Section II.A.3.3 to be applied to either paragraph (a) or (b), above, as applicable, a Member’s Continuous Service shall be deemed to cease as of such Member’s pension commencement date.

In addition to the foregoing, the Member shall have an immediate entitlement to his excess contributions, if any, calculated and payable in accordance with Section II.A.9.1, including accumulated interest.”

- b. Section II.A.7.2 of the Plan (Eligibility for Termination Benefit) is renamed “Termination Before Early Retirement Date”.
- c. Section II.A.7.6 of the Plan (Transfer of Deferred Pension Termination Benefit) is deleted in its entirety and replaced with the following:

“II.A.7.6 Transfer of Benefits on Termination

A Member who is entitled to an immediate pension according to Section II.A.7.1 or a deferred pension according to Section II.A.7.2 may elect to transfer a lump-sum amount equal to the Commuted Value of his pension to an alternate retirement income funding arrangement subject to and in compliance with the requirements of the applicable Pension Benefits Act and the Income Tax Act, if any and, if such an election to transfer

benefits is made by the Member, the Member has no further claims against the Plan following such a transfer.”

d. Section II.C.4.1 of the Plan is amended to replace “shall” as it appears in the first sentence of that section with the word “may”.

e. The following is added as new Section II.C.4.3 of the Plan:

“II.C.4.3 Notwithstanding the foregoing, a Member whose Continuous Service has ceased and who is entitled to an immediate or deferred pension under the Plan may elect to transfer a lump-sum amount equal to the Commuted Value of his pension to an alternate retirement income funding arrangement in accordance with Section II.A.7.6.”

f. The following is added as new Section II.D.4.3 of the Plan:

“II.D.4.3 Notwithstanding the foregoing, a Member whose Continuous Service has ceased and who is entitled to an immediate or deferred pension under the Plan may elect to transfer a lump-sum amount equal to the Commuted Value of his pension to an alternate retirement income funding arrangement in accordance with Section II.A.7.6.”

7. Effective January 1, 2015:

a. Section II.A.3.3 of the Plan (Early Retirement Reduction Factor) is amended to add the following as the first paragraph in that section:

“The following early retirement reduction factors apply to Members (i) who terminate employment after attaining age 55 or (ii) whose employment has been terminated involuntarily without cause prior to attaining age 55.

b. Section II.A.3.3 of the Plan (Early Retirement Reduction Factor) is amended to add the following at the end of that section:

“The foregoing early retirement reduction factors do not apply to Members who have not attained age 55 and who either (i) terminate employment voluntarily or (ii) are terminated from employment involuntarily with cause. The amount of such Member’s pension shall be the Actuarial Equivalent of the deferred pension otherwise commencing on his or her normal retirement date.

c. Section II.A.7.4 of the Plan (Early Commencement of Termination Benefit) shall be deleted in its entirety and replaced with the following:

“II.A.7.4 Early Commencement of Termination Benefit

In lieu of a deferred pension commencing at the Normal Retirement Date as described in Section II.A.7.2, the Member

may elect to commence receiving a pension on the first day of any calendar month coincident with or following his attainment of age 55 and prior to his Normal Retirement Date. The amount of this pension is calculated in accordance with Sections II.A.3.2 and II.A.3.3, provided that, for the purposes of determining the early retirement reduction factor under Section II.A.3.3, the Member's Continuous Service shall be deemed to cease:

- (a) on the date of pension commencement, for Members who terminate employment involuntarily without cause; and
- (b) on the date of termination of employment, for Members who terminate employment (i) voluntarily or (ii) involuntarily with cause.

- d. Section II.B.8.2 of the Plan (Early Commencement of Totally Termination Benefit) shall be deleted and replaced with the following:

“II.B.8.2 Early Commencement of Total Termination Benefit

In lieu of a deferred pension commencing at the Member's Normal Retirement Date as described under Section II.B.8.1, the Member may elect to commence receiving a pension on the first day of any calendar month coincident with or following his attainment of age 55 and prior to his Normal Retirement Date. The amount of this pension is calculated in accordance with Section II.B.4.1, provided that, for the purposes of determining the early retirement reduction factor, the Member's Continuous Service shall be deemed to cease:

- (c) on the date of pension commencement, for Members who terminate employment involuntarily without cause; and
- (d) on the date of termination of employment, for Members who terminate employment (i) voluntarily or (ii) involuntarily with cause.

Notwithstanding the foregoing, in no event shall the reduction in the Member's pension be less than the minimum early retirement reduction required under the Income Tax Act.”

- e. Section II.C.4.2 of the Plan is deleted in its entirety and replaced with the following:

“II.C.4.2 In lieu of a deferred pension provided under Section II.C.4.1 commencing at the Member's normal retirement date, the Member may elect to commence receiving a pension on the first day of any calendar month coincident with or following his attainment of age 55 and prior to his normal retirement date. The amount of this pension

shall be calculated in accordance with Section II.C.3.1, provided that for the purposes of determining the early retirement reduction, the Member's Continuous Service shall be deemed to cease:

- (e) on the date of pension commencement, for Members who terminate employment involuntarily without cause; and
- (f) on the date of termination of employment, for Members who terminate employment (i) voluntarily or (ii) involuntarily with cause.

In addition to the foregoing, the Member shall be entitled to receive the bridge pension calculated in accordance with Section II.C.3.2"

f. Section II.D.4.2 of the Plan is deleted in its entirety and replaced with the following:

"II.D.4.2 In lieu of a deferred pension provided under Section II.D.4.1 commencing at the Member's normal retirement date, the Member may elect to commence to receive this pension on the first day of any calendar month coincident with or following his attainment of age 55 and prior to his normal retirement date. The amount of this pension shall be calculated in accordance with Section II.D.3.1, provided that for the purposes of determining the early retirement reduction factor, the Member's Continuous Service shall be deemed to cease:

- (g) on the date of pension commencement, for Members who terminate employment involuntarily without cause; and
- (h) on the date of termination of employment, for Members who terminate employment (i) voluntarily or (ii) involuntarily with cause.

In addition to the foregoing, the Member shall be entitled to receive the bridge pension calculated in accordance with Section II.D.3.2."


8. The proper officers of the Company are hereby authorized and directed to file this resolution with the Canada Revenue Agency and the Financial Services Commission of Ontario, together with any other documentation required by such regulatory authorities, and to make such minor revisions as are necessary or desirable to give effect thereto, and to do all acts and things necessary to accomplish the foregoing resolution.

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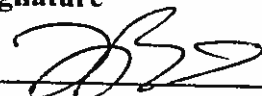
CERTIFIED to be a true and complete copy of an amendment to the Sears Canada Inc. Registered Retirement Plan.

DATED this 20th day of JAN, 2014.

SEARS CANADA INC.

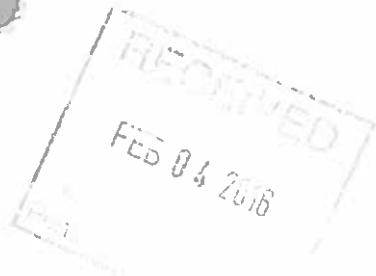


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CERTIFICATE OF AMENDMENT OF SEARS CANADA INC.

WHEREAS Sears Canada Inc. (the "Company") maintains the Sears Canada Inc. Registered Retirement Plan (the "Plan") which is registered with the Financial Services Commission of Ontario and the Canada Revenue Agency (Registration Number 0360065);

AND WHEREAS the Company has reserved the right to amend the Plan pursuant to Section I.12.1 of the Plan (Right to Amend or Terminate);

AND WHEREAS the Company wishes to amend the Plan to reflect changes to the Pension Benefits Standards Act (British Columbia) and the Pension Benefits Act (Nova Scotia);

AND WHEREAS the Company wishes to make other housekeeping amendments;

NOW THEREFORE BE IT RESOLVED THAT:

1. Effective March 1, 2014:

- a) Section II.A.7.1 (b) (Termination after Early Retirement Date) is amended to add the following at the beginning of that Section:

"where permitted by the applicable Pension Benefits Act,"

- b) Sections II.A.7.6 (Transfer Benefits on Termination), II.C.4.3 and II.D.4.3 are amended to add the following to the end of those sections:

"where permitted by the applicable Pension Benefits Act."

2. Effective June 1, 2015:

- a) Section I.2.30 is amended by deleting the definition provided for "Spouse" in Nova Scotia and replacing it with the following:

"In Nova Scotia, "Spouse" means, a person who, at the relevant time:

- (a) is legally married to the Member;
- (b) is married to the Member by a marriage that is voidable and has not been annulled by a declaration of nullity;

- (c) has gone through a form of marriage with the Member, in good faith, which marriage is void and who has been cohabiting with the Member or, if the person has ceased to cohabit, has cohabited within the twelve-month period immediately preceding the date of determination of marital status;
 - (d) are domestic partners within the meaning of Section 52 of the Vital Statistics Act (Nova Scotia); or
 - (e) has cohabited with the Member in a conjugal relationship for a period of at least one (1) year if neither of them is married, or at least three (3) years if either of them is married.
- b) Section I.11.1 of the Plan (Small Pension Amounts) is amended by deleting the 7th row (Nova Scotia) of the table setting out the legislative requirements and replacing it with the following:

7. Nova Scotia	Annual pension payable is not more than four percent (4%) of the YMPE in the year the Member attains his or her Normal Retirement Date or the Commuted Value of the pension benefit is less than twenty percent (20%) of the YMPE in the year of retirement or termination
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- c) Section I.11.1 is amended to add the following at the end of that Section:
- “Where a Member who was employed in Nova Scotia commenced his or her pension under Part II (DB Provisions) on or after June 1, 2015, and, as a consequence of the Member’s death, the Member’s Spouse is entitled to a survivor pension under Section II.A.5.2(b) or Section II.A.5.3(b), and:
- (a) The annual pension to which the Spouse is entitled is not more than 4% of the YMPE in the year of the Member’s death; or
 - (b) The Commuted Value of the pension benefit to which the Spouse is entitled is less than 20% of the YMPE in the year of the Member’s death,
- The survivor pension shall be paid to the Spouse in a single lump-sum cash payment. In lieu of receiving the survivor pension as a lump-sum cash payment, the Spouse may elect to transfer his or her entitlement in accordance with Section I.11.16 (Transfer to RRSP).”
- d) Section I.11.7 of the Plan (Short Life Expectancy) is deleted in its entirety and replaced with the following:

“Notwithstanding any provisions in the Plan, in accordance with the applicable Pension Benefits Act, if a Member, Former Member or Spouse, has an illness or disability that is terminal or to likely shorten the Member’s, Former Member’s or Spouse’s life considerably, he or she may elect to withdraw as a lump sum, or as a series of lump sums, an amount equal to the Commuted Value of the benefit, less applicable withholding tax, or any lesser amount that the Member or Spouse may select, subject to the requirements set out in the applicable Pension Benefits Act, including requirements relating to the filing of a spousal waiver.”

3. Effective September 30, 2015, the Plan is amended as follows:

- a) Section I.2.30 is amended by deleting the definition provided for “Spouse” in British Columbia and replacing it with the following:

“In British Columbia, “**Spouse**” means:

- (a) a person who, at the relevant time, is married to the Member and has not been living separate and apart from the Member for a continuous period longer than two (2) years; or
- (b) a person who has been living with the Member in a marriage-like relationship for a period of at least two (2) years immediately preceding the date.

- b) Section I.11.1 of the Plan (Small Pension Amounts) is amended by deleting the 1st row (British Columbia) of the table setting out the legislative requirements and replacing it with the following:

1. British Columbia	Commuted Value does not exceed 20% of the YMPE in the year the Commuted Value is determined
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- c) Section I.11.1 is amended to add the following immediately after the table in that Section:

“Where permitted by applicable legislation, a Member may transfer any amount under this section to another alternative retirement savings arrangement directly from the Plan.”

- d) Section I.11.1 of the Plan (Small Pension Amounts) is amended by adding the following to the end of that Section:

“Where a Member who was employed in British Columbia or Alberta commenced his or her pension under Part II (DB Provisions) on or after September 1, 2014 (for Alberta Members) or September 30, 2015 (for British Columbia Members), and, as a consequence of the Member’s death, the Member’s Spouse is entitled to a survivor pension under Section II.A.5.2(b) or Section II.A.5.3(b), and the Commuted Value of the pension benefit to which the Spouse is entitled is less than 20% of the YMPE in the year of the Member’s death, the survivor pension shall be paid to the Spouse in a single lump-sum cash payment. In lieu of receiving the survivor pension as a lump-sum cash payment, the Spouse may elect to transfer his or her entitlement in accordance with Section I.11.16 (Transfer to RRSP).”

- e) Section I.11.6 of the Plan (Non-Resident) is amended to delete the reference to British Columbia and add the following as the last paragraph:

“Notwithstanding any other provisions of the Plan, where a Member or Former Member who was employed in British Columbia or a Spouse who is entitled to receive a benefit under the Plan (and such benefit has not yet commenced), has become a non-resident of Canada for purpose of the Income Tax Act, as confirmed in writing by the Canada Revenue Agency, such Member, Former Member or Spouse may elect to have the benefit paid to him or her in a lump sum cash payment, less applicable withholding tax.

Where such non-resident Member or Former Member has a Spouse, the Spouse shall sign a waiver in the form and manner prescribed by the applicable Pension Benefits Act.

A payment under this section shall be made in full and final satisfaction of the rights of that Member, Former Member or Spouse under this Plan.”

- f) Section II.B.9.5 of the Plan (Form of Payment of Death Benefit to Spouse) is amended to add the following at the end of that section:

“Where required by applicable Pension Benefits Act, a Spouse who is entitled to a death benefit may opt to receive such benefit as an immediate or deferred pension.”

- g) Section III.4.2 (Payment to a Spouse) is amended to add the following at the end of that section:


“Unless otherwise permitted under the applicable Pension Benefits Act, all payments made under this Section shall be made on a locked-in basis.”

4. The proper officers of the Company are hereby authorized and directed to file this resolution with the Canada Revenue Agency and the Financial Services Commission of Ontario, together with any other documentation required by such regulatory authorities, and to make such minor revisions as are necessary or desirable to give effect thereto, and to do all acts and things necessary to accomplish the foregoing resolution.

CERTIFIED to be a true and complete copy of an amendment to the Sears Canada Inc. Registered Retirement Plan.

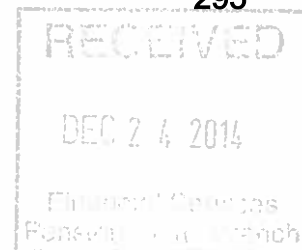
DATED this 12th day of January, 2016

SEARS CANADA INC.



Signature

Signature



CERTIFICATE OF AMENDMENT OF
SEARS CANADA INC.

WHEREAS Sears Canada Inc. (the “**Company**”) maintains the Sears Canada Inc. Registered Retirement Plan (the “**Plan**”) which is registered with the Ontario Superintendent of Financial Services and the Canada Revenue Agency (Registration Number 0360065);

AND WHEREAS the Company has reserved the right to amend the Plan pursuant to Section I.12.1 of the Plan (Right to Amend or Terminate);

AND WHEREAS the Company wishes to amend the Plan to reflect changes to the *Employment Pension Plans Act* (Alberta);

NOW THEREFORE BE IT RESOLVED THAT:

1. Effective September 1, 2014, the Plan is amended as follows:

- a) Section I.2.30 is amended by deleting the third section related to “Spouse” in Alberta and replacing it with the following:

“In Alberta, “**Spouse**” means:

- (a) a person who is married to the Member and has not been living separate and apart from the Member for a continuous period longer than 3 years; or
- (b) if paragraph (a) does not apply, has been living with the Member in a marriage-like relationship:
- (i) for a continuous period of at least three (3) years preceding the relevant time; or
- (ii) of some permanence, if there is a child of the relationship by birth or adoption.

- b) Section I.11.1 of the Plan (Small Pension Amounts) is amended by deleting the 2nd row (Alberta) of the table setting out the legislative requirements and replacing it with the following:

2. Alberta	Commuted Value does not exceed 20% of the YMPE in the year of retirement, termination or death, as the case may be, or, where the request for the Commuted Value is deferred, at the date that the request for commutation is made.
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- c) Section I.11.2 of the Plan (Required Transfers) is amended by:
- (i) deleting the reference to “Alberta,” in the first paragraph; and
 - (ii) deleting the reference to “is less than 20%” in the second paragraph and replacing it with “does not exceed 20%”.
- d) The second last paragraph of Section I.11.6 of the Plan (Non-Resident) is deleted in its entirety and replaced with the following:

“A Member who was employed in Alberta, whose Continuous Service has ceased and who is a non-resident of Canada for tax purposes, is entitled to the Commuted Value of his entitlement from the Plan in a lump sum upon providing written evidence to the Company that the Canada Revenue Agency has confirmed the Member’s status as a non-resident for purposes of the Income Tax Act and any other requirements set out in the Pensions Benefits Act.”

- e) Section 1.11.7 of the Plan (Short Life Expectancy) is amended by adding the following as the last paragraph:

“If a Member or former Member of the Plan who is or was employed in Alberta, other than a retired member in receipt of benefits under the Plan, and who has a current entitlement to receive a benefit under the Plan, has an illness or a disability that is certified by a medical practitioner to be terminal or to likely shorten the Member or former Member’s life considerably, he may, subject to the applicable requirements of the Pension Benefits Act, elect to convert all or part of the benefit to a series payments for a fixed term or elect to withdraw as a lump sum an amount equal to the commuted value of the benefit or any lesser amount that the Member or former Member may select, and such amounts shall be determined without taking into consideration the shortened life expectancy of the former Member.”

- f) The following is added as new Section I.11.10 (c) of the Plan (Assignability of Benefits on Marriage Breakdown):

“(c) Transfer of Property

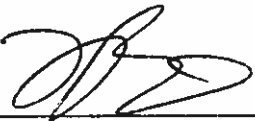
Upon breakdown of a Member’s spousal relationship, where permitted by the applicable Pension Benefits Act, the Member’s former Spouse may transfer his or her share to an alternative retirement savings arrangement in accordance with the applicable Pension Benefits Act.”

3. The proper officers of the Company are hereby authorized and directed to file this resolution with the Canada Revenue Agency and the Financial Services Commission of Ontario, together with any other documentation required by such regulatory authorities, and to make such minor revisions as are necessary or desirable to give effect thereto, and to do all acts and things necessary to accomplish the foregoing resolution.

CERTIFIED to be a true and complete copy of an amendment to the Sears Canada Inc. Registered Retirement Plan.

DATED this 17 day of DEC, 2014

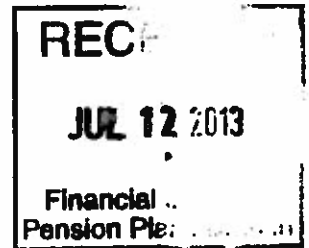
SEARS CANADA INC.



Signature



Signature



**CERTIFICATE OF AMENDMENT OF
SEARS CANADA INC.**

WHEREAS Sears Canada Inc. (the "Company") maintains the Sears Canada Inc. Registered Retirement Plan (the "Plan"), which is registered with the Financial Services Commission of Ontario and the Canada Revenue Agency (registration number 0360065);

AND WHEREAS the Company reserved the right to amend the Plan pursuant to Section I.12.1 (Right to Amend or Terminate) of the Plan;

AND WHEREAS the Company wishes to amend the Plan to permit the commutation of post-retirement survivor benefits as permitted under the Ontario *Pension Benefits Act*;

NOW THEREFORE BE IT RESOLVED THAT:

1. Effective July 1, 2012, Section I.11.1 (Small Pension Amounts) is amended by adding the following to the end of the section:

"Where a Member who was employed in Ontario commenced his or her pension under Part II (DB Provisions) on or after July 1, 2012, and, as a consequence of the Member's death, the Member's Spouse is entitled to a survivor pension under Section II.A.5.2(b) or Section II.A.5.3(b), and:

- (a) the annual pension to which the Spouse is entitled is less than or equal to 4% of the YMPE in the year of the Member's death; or
- (b) the Commuted Value of the pension to which the Spouse is entitled is less than 20% of the YMPE in the year of the Member's death,

the survivor pension shall be paid to the Spouse in a single lump-sum cash payment. In lieu of receiving the survivor pension as a lump-sum cash payment, the Spouse may elect to transfer his or her entitlement in accordance with Section I.11.16 (Transfer to RRSP).


Where a Member who was employed in Ontario commenced his or her pension under Part II (DB Provisions) prior to July 1, 2012, the foregoing paragraph shall not apply unless the Member's Spouse consents to receive his or her entitlement as a lump-sum cash payment. Such consent shall be in writing, signed by the Spouse, in the form and manner specified by the Company from time to time."

2. The proper officers of the Company are hereby authorized and directed to file this resolution with the Canada Revenue Agency and the Financial Services Commission of Ontario, together with any other documentation required by such regulatory authorities, and to make such minor revisions as are necessary or desirable to give effect thereto, and to do all acts and things necessary to accomplish the foregoing resolutions.

CERTIFIED to be a true and complete copy of an amendment to the Sears Canada Inc. Registered Retirement Plan.

DATED this 19 day of June, 2013.

SEARS CANADA INC.

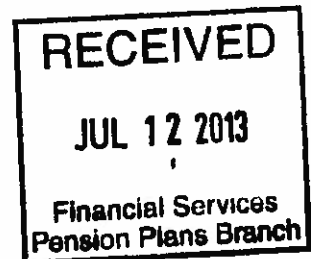


Signature



Signature

**CERTIFICATE OF AMENDMENT OF
SEARS CANADA INC.**



WHEREAS Sears Canada Inc. (the "Company") maintains the Sears Canada Inc. Registered Retirement Plan (the "Plan"), which is registered with the Financial Services Commission of Ontario and the Canada Revenue Agency (registration number 0360065);

AND WHEREAS the Company reserved the right to amend the Plan pursuant to Section I.12.1 (Right to Amend or Terminate) of the Plan;

AND WHEREAS the Company wishes to amend the Plan to update the definition of "Spouse", and to clarify the provisions relating to the division of a member's pension on marriage breakdown or separation;

NOW THEREFORE BE IT RESOLVED THAT:

1. Effective January 1, 2012, Section I.11.10 (Assignability of Benefits on Marriage Breakdown) is deleted in its entirety and replaced with the following:

"Division of Pension on Relationship Breakdown"

Subject to the provisions of the Pension Benefits Act, a Member may, pursuant to the terms of a court order, domestic contract or family arbitration award, assign part of his or her pension benefit under the Plan to his or her Spouse or former Spouse on relationship breakdown.

Notwithstanding the above, where a Member is subject to the laws of a jurisdiction other than Ontario, any assignment or division of the Member's entitlement under the Plan shall be subject to applicable provincial property law and/or pension standards legislation."

2. Effective January 1, 2013, Section I.2.30 (Spouse) is deleted in its entirety and replaced with the following:

"Spouse" in respect of a Member employed in Ontario, means, at the time a determination of marital status is required, a person to whom the Member is:

- (a) married; or
- (b) not married, but with whom the Member is living in a conjugal relationship,
 - (i) continuously for a period of not less than one (1) year, or

(ii) in a relationship of some permanence, if the Member and that person are the natural or adoptive parents of a child, both as defined in the *Family Law Act* (Ontario).

Notwithstanding the above, if a Member and his or her Spouse are living separate and apart on the Member's date of death or date of pension commencement, as applicable:

- (a) the Spouse is not entitled to a pre-retirement death benefit under Section II.A.8 (Benefits on Death), Section II.B.9 (Benefits on Death), Section II.C.5 (Benefits on Death), Section II.D.5 (Benefits on Death), Section II.E.11 (Benefits on Death), or Section III.3.2 (Death); and
- (b) the Member is not required or permitted to elect a joint and survivor annuity under paragraph (b) of Section II.A.5.2 (Normal Form of Pension), paragraph (a) of Section II.B.6.3 (Optional Forms) or paragraph (3) of Section III.4.1 (Payment to a Member).

In addition, the following definitions of "Spouse" apply at the date a determination is required according to the jurisdiction in which the Member is considered to be employed:

In the Federal jurisdiction, "**Spouse**" means:

- (a) if there is no person described in (b), a person who is married to the Member, including a person who is a party to a void marriage with the Member; or
- (b) a person who has been living with the Member in a conjugal relationship for at least one year, provided the Member is not living with a Spouse as described under paragraph (a) above.

In Alberta, "**Spouse**" means:

- (a) a person who is married to the Member and has not been living separate and apart from the Member for a period of three (3) or more consecutive years, or
- (b) if there is no person to whom (a) applies, the person who has lived with the Member in a conjugal relationship
 - (i) for a continuous period of at least three (3) years, or
 - (ii) of some permanence, if there is a child of the relationship by birth or adoption.

In British Columbia, "**Spouse**" means:

- (a) a person who is married to the Member and who has not been living separate and apart from the Member for more than two (2) years immediately preceding the relevant time, or
- (b) if paragraph (a) does not apply, the person who is living and cohabitating with the Member in a marriage-like relationship for the two (2) year period immediately preceding the relevant time, including a relationship between people of the same gender.

Notwithstanding the above:

- (a) where a Spouse has received a share of the Member's pension pursuant to Section II.11.10, that Spouse is not entitled to a pre-retirement death benefit under Section II.A.8 (Benefits on Death), Section II.B.9 (Benefits on Death), Section II.C.5 (Benefits on Death), Section II.D.5 (Benefits on Death), Section II.E.11 (Benefits on Death), or Section III.3.2 (Death); and
- (b) where the Company has received notice of an entitlement to a pension division pursuant to Section II.11.10, the Member is not required or permitted to elect a joint and survivor annuity under paragraph (b) of Section II.A.5.2 (Normal Form of Pension), paragraph (a) of Section II.B.6.3 (Optional Forms) or paragraph (3) of Section III.4.1 (Payment to a Member).

In Manitoba, "**Spouse**" means:

- (a) a person who is legally married to the Member and is not living separate and apart from the Member;
- (b) a person who not being married to the Member, has, with the Member, registered a common-law relationship under section 13.1 of *The Vital Statistics Act*;
- (c) a person who not being married to the Member, has cohabited with the Member in a conjugal relationship:
 - (i) for a period of at least three (3) years, if either of them is married; or
 - (ii) for a period of at least one (1) year, if neither of them is married.

In New Brunswick, "**Spouse**" means:

- (a) a person who is legally married to the Member;
- (b) a person who married to the Member by a marriage that is voidable and has not been annulled by a declaration of nullity;
- (c) a person who has gone through a form of marriage with the Member, in good faith, which marriage is void and who has been cohabiting with the Member within the preceding year; or
- (d) a person who has cohabited with the Member in a conjugal relationship continuously for at least two (2) years, immediately preceding the relevant time.

If the Member has a Spouse as described under paragraph (a), (b) or (c) above, that Spouse shall take precedence over any Spouse described under paragraph (d) unless a valid decree, order or judgment bars that Spouse's claim.

In Newfoundland and Labrador, "**Spouse**" means:

- (a) a person who is not married to the Member and who is cohabitating or has cohabitated continuously with the Member in a conjugal relationship for a period of not less than one (1) year, provided the Member is not married;
- (b) a person who is not married to the Member and who is cohabiting or has cohabited continuously with the Member in a conjugal relationship for a period of not less than three (3) years, if the Member is married;
- (c) if there is no person described in (a) or (b) above, a person who:
 - (i) is married to the Member;
 - (ii) is married to the Member by a marriage that is voidable and has not been annulled by a declaration of nullity; or
 - (iii) has gone through a form of marriage with the Member, in good faith, which marriage is void, and is cohabiting or has cohabited with the Member within the preceding year.

In Nova Scotia, "**Spouse**" means:

- (a) is legally married to the Member;
- (b) is married to the Member by a marriage that is voidable and has not been annulled by a declaration of nullity;

- (c) has gone through a form of marriage with the Member, in good faith, which marriage is void and:
 - (i) who has been cohabiting with the Member; or,
 - (ii) if the person has ceased to cohabit with the Member, has cohabited with the Member within the twelve-month period immediately preceding the relevant time;
- (d) is not married to the Member, and has cohabited with the Member in a conjugal relationship for a period of at least two (2) years, neither of them is married to another person pursuant to (a), (b) or (c) above.

Notwithstanding the above, where a Member and Spouse are living separate and apart:

- (a) the Spouse is not entitled to a pre-retirement death benefit under Section II.A.8 (Benefits on Death), Section II.B.9 (Benefits on Death), Section II.C.5 (Benefits on Death), Section II.D.5 (Benefits on Death), Section II.E.11 (Benefits on Death), or Section III.3.2 (Death), if the Spouse has received a share of the Member's pension pursuant to Section II.11.10; and
- (b) the Member is not required or permitted to elect a joint and survivor annuity under paragraph (b) of Section II.A.5.2 (Normal Form of Pension), paragraph (a) of Section II.B.6.3 (Optional Forms) or paragraph (3) of Section III.4.1 (Payment to a Member).

In Prince Edward Island, "**Spouse**" has the same meaning as for Members who are employed in Ontario.

In Quebec, "**Spouse**" means:

- (a) a person who is married to, or in a civil union with, the Member; or
- (b) a person who has been living in a conjugal relationship with the unmarried Member, whether they are of opposite or same sex, for at least three (3) years, or, in the following cases, for at least one (1) year:
 - (i) at least one child is born, or to be born, of their union;
 - (ii) they have adopted, jointly, at least one child while living together in a conjugal relationship; or
 - (iii) one of them has adopted at least one child who is the child of the other, while living together in a conjugal relationship.

A person is not eligible for Spouse status if the Spouse and member divorce, annul their marriage, separate from bed and board or end their conjugal relationship, as applicable, unless the Member notifies the plan administrator that the Spouse's entitlement is to continue.

In Saskatchewan, "Spouse" means:

- (a) the person who is married to the Member; or
- (b) if the Member is not married, the person with whom the Member has been cohabiting continuously as a spouse for at least one (1) year prior to the relevant time.

For greater certainty, the foregoing definitions of "Spouse" apply in determining death benefits payable under GRIP for service prior to January 1, 1987."

3. Effective January 1, 2013, Section I.2.31 (Spouse) is deleted in its entirety, and the remaining provisions of Section I.2 (Definitions) are renumbered accordingly.
4. The proper officers of the Company are hereby authorized and directed to file this resolution with the Canada Revenue Agency and the Financial Services Commission of Ontario, together with any other documentation required by such regulatory authorities, and to make such minor revisions as are necessary or desirable to give effect thereto, and to do all acts and things necessary to accomplish the foregoing resolutions.

CERTIFIED to be a true and complete copy of an amendment to the Sears Canada Inc. Registered Retirement Plan.

DATED this 19 day of June, 2013.

SEARS CANADA INC.



Signature



Signature

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MAY 14 2013

Financial Services
Pension Plans Branch

**CERTIFICATE OF AMENDMENT OF
SEARS CANADA INC.**

WHEREAS Sears Canada Inc. (the "Company") maintains the Sears Canada Inc. Registered Retirement Plan (the "Plan"), Canada Revenue Agency registration number 0360065;

AND WHEREAS the Company reserved the right to amend the Plan pursuant to Section I.12.1 (Right to Amend or Terminate) of the Plan;

AND WHEREAS pursuant to the applicable provisions of the agreement entered into between the Company and SHS Services Management Inc., certain members of the Plan ("Affected Members") commenced employment with SHS Services Management Inc. effective March 3, 2013;

AND WHEREAS such Affected Member commenced participation in the SHS Services Management Inc. Retirement Savings Plan (registration number 1254119) (the "SHS Plan") effective March 3, 2013;

AND WHEREAS the Company desires to amend the Plan to permit the transfer of defined contribution account balances of Affected Members from the Plan to the SHS Plan;

AND WHEREAS the Company also desires to amend the Plan to confirm the treatment of Affected Members' defined benefit pension entitlement (if applicable) earned while a member of the Plan;

NOW THEREFORE BE IT RESOLVED THAT:

1. Effective March 2, 2013, no further contributions were made to the defined contribution portion of the Plan on behalf of the Affected Members. Effective March 3, 2013, Affected Members of the Plan commenced participation in the SHS Plan. The account balances of Affected Members of the Plan as of March 2, 2013 continued to be invested in accordance with the Affected Members' investment elections.
2. Subject to the approval of the applicable regulatory authorities, effective as of March 3, 2013, Affected Members' defined contribution account balances relating to participation in the defined contribution provisions of the Plan determined as of March 2, 2013, (plus investment earnings or losses thereon) shall be transferred from the fund of the Plan to the fund of the SHS Plan.

3. Effective March 3, 2013, the following new Section II.A.13 (Pension Benefits of Members Who Participated in the Defined Benefit Provisions and Who Transferred to SHS Services Management Inc.) shall be added immediately following Section II.A.12 (Pension Benefits of Members Who Participated in the Defined Benefit Provisions and Who Transferred to Thomas Cook):

“Section II.A.13 – Pension Benefits of Members Who Participated in the Defined Benefit Provisions and Who Transferred to SHS Services Management Inc.

II.A.13.1 Definitions

The following capitalized terms shall have the meanings respectively for purposes of this Section II.A.13.

- (a) **“Average Industrial Wage”** means the average Canadian weekly wages and salaries, defined as the Industrial Aggregate, as published from time to time by Statistics Canada under the *Statistics Act* (Canada) as measured by CANSIM II Series VI558664.
- (b) **“Average Wage”** for a calendar year, means the Average Industrial Wage for each month over the 12-month period ending on June 30 of the immediately preceding calendar year, divided by 12.
- (c) **“Date of Determination”** means the earlier of a Transferred Member’s eventual retirement, death or termination of employment with the Purchaser.
- (d) **“Increase in Average Industrial Wage”** for the calendar year, means the percentage by which the Average Wage in the calendar year exceeds the Average Wage in the immediately preceding calendar year, calculated to the nearest decimal place, subject to a minimum of 0.00%. If the increase is to apply for only part of the calendar year, the increase shall be determined as described but prorated for that part of the calendar year, as applicable.
- (e) **“Purchaser”** means SHS Services Management Inc.
- (f) **“Transition Date”** means March 2, 2013, with respect to each Transferred Member.

Notwithstanding the above, Transferred Members who were on a Company approved leave of absence on the Transition Date shall have a transition date determined at such later time and shall be determined based upon the date the Transferred Member returns from his or her leave of absence or the date his or her employment with the Company ends and he or she is transferred to SHS Services Management Inc.

- (g) **“Transferred Member”** means a former employee of the Company with an entitlement under the DB Provisions of the Plan and whose employment was transferred to the Purchaser pursuant to the terms and provisions of the applicable agreement on the Transition Date and who was accruing benefits

under the DC Provisions of the Plan on the day immediately prior to such Transferred Member's Transition Date.

II.A.13.2 Determination of Benefits of Transferred Members Under the Plan

On and after a Transferred Member's Transition Date, such Transferred Member retained an entitlement under the DB Provisions with respect to Pensionable Service Years prior to July 1, 2008. The benefits accrued by the Transferred Members are retained in the Plan and are payable on such Transferred Member's Date of Determination, in accordance with the terms of the Plan at the Transition Date, subject to the following conditions:

- (a) each of the lifetime benefit and the bridge benefit under the Plan, if applicable, shall be determined based on the Transferred Member's Pensionable Service Years, Final Average 3-Year Pensionable Earnings, and Final Average 3-Year YMPE as at such Member's Transition Date, save and except that such benefits shall be increased to reflect increases in Average Industrial Wage for each year (or pro rated portion thereof) from the Transferred Member's Termination Date to the Transferred Member's Date of Determination; and
 - (b) the Continuous Service of each Transferred Member shall include the period of employment with the Purchaser from the Member's Transition Date to the Member's Date of Determination except for the purpose of determining Pensionable Service Years, Final Average 3-Year Pensionable Earnings, and Final Average 3-Year YMPE.
 - (c) Notwithstanding paragraph (a) above, in the event a Transferred Member terminates his or her employment with the Purchaser prior to September 30, 2013, then the retained entitlement of such Transferred Member under the DB Provisions shall not be increased in accordance with paragraph (a)."
4. The proper officers of the Company are hereby authorized and directed to file this resolution with the Canada Revenue Agency and the Financial Services Commission of Ontario, together with any other documentation required by such regulatory authorities, and to make such minor revisions as are necessary or desirable to give effect thereto, and to do all acts and things necessary to accomplish the foregoing resolutions.


CERTIFIED to be a true and complete copy of an amendment to the Sears Canada Inc. Registered Retirement Plan.

DATED this 7 day of MAY, 2013.

SEARS CANADA INC.



Franco Perugini



Curt Newman

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AUG 19 2011

Financial Services
Pension Plans Branch

**CERTIFICATE OF AMENDMENT OF
SEARS CANADA INC.**

WHEREAS Sears Canada Inc. (the "Company") maintains the Sears Canada Inc. Registered Retirement Plan (the "Plan"), Canada Revenue Agency registration number 0360065;

AND WHEREAS the Company reserved the right to amend the Plan pursuant to Section I.12.1 (Right to Amend or Terminate) of the Plan;

AND WHEREAS pursuant to the applicable provisions of the agreement entered into between the Company and Thomas Cook Canada Inc., certain members of the Plan ("Affected Members") commenced employment with Thomas Cook Canada Inc. effective January 30, 2011;

AND WHEREAS such affected Member commenced participation in the Thomas Cook Canada Registered Pension Plan for Sears Travel Employees (registration number 1235100) (the "Thomas Cook Plan") effective January 30, 2011;

AND WHEREAS the Company desires to amend the Plan to permit the transfer of defined contribution account balances of Affected Member's from the Plan to the Thomas Cook Plan;

AND WHEREAS the Company also desires to amend the Plan to confirm the treatment of Affected Members' defined benefit pension entitlement earned while a member of the Plan;

NOW THEREFORE BE IT RESOLVED THAT:

1. Effective January 29, 2011, no further contributions were made to the defined contribution portion of the Plan on behalf of those members whose employment was transferred to Thomas Cook Canada Inc. ("Affected Members"). Effective January 30, 2011, Affected Members of the Plan commenced participation in the Thomas Cook Canada Registered Pension Plan for Sears Travel Employees (registration number 1235100) (the "Thomas Cook Plan"). The account balances of Affected Members of the Plan as of January 29, 2011 continued to be invested in accordance with members' investment elections.
2. Subject to the approval of the applicable regulatory authorities, effective as of January 30, 2011, Affected Members' defined contribution account balances relating to participation in the defined contribution provisions of the Plan determined as of January 29, 2011, (plus investment earnings or losses thereon) shall be transferred from the fund of the Plan to the fund of the Thomas Cook Plan.
3. Effective January 30, 2011, the following new Section II.A.12 (Pension Benefits of Members Who Participated in the Defined Benefit Provisions and Who Transferred to Thomas Cook) shall be added immediately following Section II.A.11 (Special Settlement for Certain Quebec Members):

“Section II.A.12 – Pension Benefits of Members Who Participated in the Defined Benefit Provisions and Who Transferred to Thomas Cook

II.A.12.1 Definitions

The following capitalized terms shall have the meanings respectively for purposes of this Section II.A.12.

- (a) **“Average Industrial Wage”** means the average Canadian weekly wages and salaries, defined as the Industrial Aggregate, as published from time to time by Statistics Canada under the *Statistics Act* (Canada) as measured by CANSIM II Series VI558664.
- (b) **“Average Wage”** for a calendar year, means the Average Industrial Wage for each month over the 12-month period ending on June 30 of the immediately preceding calendar year, divided by 12.
- (c) **“Date of Determination”** means the earlier of a Transferred Member's eventual retirement, death or termination of employment with the Purchaser.
- (d) **“Increase in Average Industrial Wage”** for the calendar year, means the percentage by which the Average Wage in the calendar year exceeds the Average Wage in the immediately preceding calendar year, calculated to the nearest decimal place, subject to a minimum of 0.00%. If the increase is to apply for only part of the calendar year, the increase shall be determined as described but prorated for that part of the calendar year, as applicable.
- (e) **“Purchaser”** means Thomas Cook Canada Inc.
- (f) **“Transition Date”** means January 29, 2011, with respect to each Transferred Member.

Notwithstanding the above, Transferred Members who were on a Company approved leave of absence on the Transition Date shall have a transition date determined at such later time and shall be determined based upon the date the Transferred Member returns from his or her leave of absence or the date his or her employment with the Company ends and he or she is transferred to Thomas Cook Canada Inc.

- (g) **“Transferred Member”** means a former employee of the Company with an entitlement under the DB Provisions of the Plan and whose employment was transferred to the Purchaser pursuant to the terms and provisions of the applicable agreement on the Transition Date and who was accruing benefits under the DC Provisions of the Plan on the day immediately prior to such Transferred Member's Transition Date.

II.A.12.2 Determination of Benefits of Transferred Members Under the Plan

On and after a Transferred Member's Transition Date, such Transferred Member retained an entitlement under the DB Provisions with respect to Pensionable Service Years prior to July 1, 2008. The benefits accrued by the Transferred Members are retained in the Plan and are payable on such Transferred Member's Date of Determination, in accordance with the terms of the Plan at the Transition Date, subject to the following conditions:

- (a) each of the lifetime benefit and the bridge benefit under the Plan, if applicable, shall be determined based on the Transferred Member's Pensionable Service Years, Final Average 3-Year Pensionable Earnings, and Final Average 3-Year YMPE as at such Member's Transition Date, save and except that such benefits shall be increased to reflect Increases in Average Industrial Wage for each year (or pro rated portion thereof) from the Transferred Member's Termination Date to the Transferred Member's Date of Determination; and
 - (b) the Continuous Service of each Transferred Member shall include the period of employment with the Purchaser from the Member's Transition Date to the Member's Date of Determination except for the purpose of determining Pensionable Service Years, Final Average 3-Year Pensionable Earnings, and Final Average 3-Year YMPE.
 - (c) Notwithstanding paragraph (a) above, in the event a Transferred Member terminates his or her employment with the Purchaser prior to September 30, 2011, then the retained entitlement of such Transferred Member under the DB Provisions shall not be increased in accordance with paragraph (a)."
4. The proper officers of the Company are hereby authorized and directed to file this resolution with the Canada Revenue Agency and the Financial Services Commission of Ontario, together with any other documentation required by such regulatory authorities, and to make such minor revisions as are necessary or desirable to give effect thereto, and to do all acts and things necessary to accomplish the foregoing resolutions.

CERTIFIED to be a true and complete copy of the July 25, 2011 Amendment to the Sears Canada Inc. Registered Retirement Plan, of July 1, 2008.

DATED this 25th day of July, 2011



Ismat Mirza, Senior Vice-President
Business Capability and Human Resources



Franco Perugini, Divisional Vice-President
and Corporate Secretary

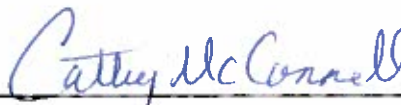
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MAR 18 2009
Financial Services
Pension Plans Branch

**Amendment to the
Sears Canada Inc.
Registered Retirement Plan**

February 24, 2009

CERTIFIED to be a true and complete copy of the February 24, 2009 Amendment to the Sears Canada Inc. Registered Retirement Plan of July 1, 2008.

DATED this 24th day of February, 2009



Cathy McConnell
Vice-President, Business Capability and Human Resources



Franco Perugini
Divisional Vice-President and Corporate Secretary

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Financial Services
Pension Plans Branch

SEARS CANADA INC.

REGISTERED RETIREMENT PLAN

WHEREAS Sears Canada Inc. (the "Corporation") maintains the Sears Canada Inc. Registered Retirement Plan, as amended (the "Plan") and has reserved the right to amend the Plan in accordance with the provisions of Section I.12.1 thereof;

AND WHEREAS the Corporation wishes to change the rate of Employer contributions under the DC Provisions of the Plan and increase the opportunity for members to change their contribution rate election;

NOW THEREFORE the Plan is hereby amended effective as of the beginning of the payroll cycle coincident with or next following April 1, 2009, as applicable to affected Members of the Plan,

1. by deleting Section III.1.1 and replacing it with the following:

Member Contributions

- (1) Subject to Section III.1.3:
 - (a) each Member who is an Employee may contribute to the Plan, by payroll deduction, any whole percentage from 1% to 7% of Earnings, as elected by the Member; and
 - (b) each Member who is an Employee and has an entitlement under the DB Provisions as of June 30, 2008, except those employed in Manitoba and Nova Scotia, may elect 0% contribution but only as of July 1, 2008.
- (2) An election is made by filing with the Company a written notice in the manner prescribed by the Company within the time prescribed by the Company. A Member who fails to make an election under (1) above within the time prescribed is deemed to have elected to contribute 1% of his or her Earnings.
- (3) Contributions made under Section III.1.1(1) shall be allocated to the Member's Account.
- (4) The initial election of a Member who has an entitlement under the DB Provisions to contribute under (1) above will be made effective July 1, 2008. The initial election of other Members to contribute under Section (1) above will be made at

the time the Member enrolls in the Plan. Thereafter, a Member may change the percentage of Earnings contributed effective at any time.

- (5) Upon commencement of an unpaid leave of absence under Section I.7.1(a) a Member may cease contributing.
- (6) Notwithstanding the foregoing, in order to comply with Section III.3.1, a Member shall cease to make contributions as of the end of the payroll period immediately before December 31 of the calendar year in which the Member attains age 71.
- (7) A Member may transfer funds from another registered pension plan that are locked-in under the Pension Benefits Act or funds that the Member is eligible to transfer under Section II.A.11.1 to his or her Account.

2. by deleting Section III.1.2(1) and replacing it with the following:

- (1) Subject to Section III.1.3, an Employer will make contributions on behalf of Members who are its Employees in the amount determined below:

Member Contributions:	Employer Contribution as Percentage of Member's Contribution:
From 1% to 7%	50%

DATED this 24th day of February, 2009

**CERTIFIED COPY OF A RESOLUTION OF THE
BOARD OF DIRECTORS OF SEARS CANADA INC.**



WHEREAS the Corporation established a defined benefit pension plan, known as the Sears Registered Retirement Plan (the "SRRP") and a supplementary retirement plan providing additional pension benefits to certain members of the SRRP, known as the Sears Canada Inc. Supplementary Retirement Plan (the "SRP");

WHEREAS the Sears Canada Inc. Health and Welfare Plan (the "Health and Welfare Plan") provides certain post-retirement and short term disability benefits for eligible members and their beneficiaries;

WHEREAS pursuant to Section 21.1 of the SRRP, Section 7.01 of the SRP, and Section 12.1 of the Health and Welfare Plan, the Corporation has the authority to amend the SRRP, the SRP and the Health and Welfare Plan respectively;

WHEREAS by Resolution made on February 5, 2007 (the "Resolution") the Board of Directors of the Corporation (the "Board") authorized:

- (i) amendments to the SRRP effective July 1, 2008 to stop the accrual of Pensionable Service Years and to continue Pensionable Earnings recognition (as such terms are defined in the SRRP) in the defined benefit component of the SRRP, and to add a defined contribution component to the SRRP;
- (ii) amendments to the SRP effective July 1, 2008 to reflect the changes made to the SRRP except that the defined contribution component of the SRRP shall not apply to the SRP; and
- (iii) amendments to the Health and Welfare Plan to provide that a Regular Employee (as such term is defined in the Health and Welfare Plan) must satisfy the eligibility requirements on or before December 31, 2008, in order to receive post-retirement benefits, upon retirement, in accordance with the provisions of the Health and Welfare Plan;

AND WHEREAS Management, with the assistance of external consultants and legal advisors, has prepared amended plan texts of the SRRP, the SRP and the Health and Welfare Plan which implement the changes authorized by the Resolution;

AND WHEREAS the Resolution requires that the amended plan texts of the SRRP, the SRP and the Health and Welfare Plan shall be subject to approval by the Human Resources and Compensation Committee and the Board;

AND WHEREAS Management recommends the approval of the amended plan texts as presented at this meeting;

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- 2 -

AND WHEREAS at its meeting held on March 24, 2008, the Human Resources and Compensation Committee approved the amended texts as presented at the meeting and recommended that the amended plan texts be approved by the Board.

ON MOTION, duly made and seconded, it was unanimously resolved:

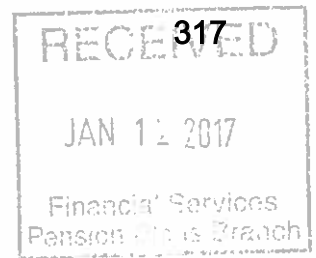
- (a) **THAT** the SRRP as amended and restated as at July 1, 2008 in the form presented at the meeting, be approved;
- (b) **THAT** the SRP as amended and restated as at July 1, 2008 in the form presented at the meeting, be approved;
- (c) **THAT** the tenth amendment to the Health and Welfare Plan in the form presented at the meeting, be approved; and
- (d) **THAT** proper signatories of the Corporation be authorized to execute and deliver all such documents as may be necessary or desirable or may be required by federal or provincial statute or regulation or by related regulatory authorities to give effect to the foregoing resolution.

Certified to be a true copy of a Resolution passed by the Board of Directors of Sears Canada Inc. at a meeting duly called and held on the 24th day of March, 2008, at which a quorum was present and acting throughout, which Resolution is in full force and effect and is unamended as at the date hereof.

DATED this 9th day of April, 2008



Secretary
Sears Canada Inc.



**CERTIFICATE OF AMENDMENT OF
SEARS CANADA INC.**

WHEREAS Sears Canada Inc. (the “**Company**”) maintains the Sears Canada Inc. Registered Retirement Plan (the “**Plan**”) which is registered with the Financial Services Commission of Ontario and the Canada Revenue Agency (Registration Number 0360065);

AND WHEREAS the Company has reserved the right to amend the Plan pursuant to Section I.12.1 of the Plan (Right to Amend or Terminate);

AND WHEREAS the Company wishes to amend the Plan to reflect changes to the *Supplemental Pension Plans Act* (Quebec);

NOW THEREFORE BE IT RESOLVED THAT:

1. Effective January 1, 2017:

- a) Section II.B.8.3 (Transfer of Total Termination Benefit), is amended to add the following to the end of that Section:

“Notwithstanding any other provision in this Plan, where a Member who was employed in Quebec makes an election in accordance with this Section, the Commuted Value of the benefit shall not be reduced to reflect the degree of solvency of the Plan and transferred as a single full and final payment. In the event that the Plan’s degree of solvency is less than 100% and the transfer of 100% of the Commuted Value of the benefit would require an additional contribution to the Plan by the Company, the Company may immediately transfer an amount equal to the Commuted Value of the benefit in proportion to the degree of solvency of the Plan, with the remainder transferred within not more than 5 years after the date of the initial transfer or, if earlier, the Member’s Normal Retirement Date.

The Company reserves the sole right to amend the Plan in the future to require the amount of a Commuted Value transferred to a Member who was employed in Quebec to be reduced to reflect the degree of solvency of the Plan in accordance with the applicable Pension Benefits Act.”

- b) Section II.B.8.8 (Quebec Additional Benefit) is amended to delete the last paragraph in that Section.

2. The proper officers of the Company are hereby authorized and directed to file this resolution with the Canada Revenue Agency and the Financial Services Commission of Ontario, together with any other documentation required by such regulatory authorities, and to make such minor revisions as are necessary or desirable to give effect thereto, and to do all acts and things necessary to accomplish the foregoing resolution.

CERTIFIED to be a true and complete copy of an amendment to the Sears Canada Inc. Registered Retirement Plan.

DATED this 4 day of January, 2017

SEARS CANADA INC.




Signature



Signature

TAB D

This is **Exhibit "D"** referred to in the
Affidavit of Hamish Dunlop affirmed August 24, 2018



Commissioner for Taking Affidavits (or as may be)

KIRAN PATEL

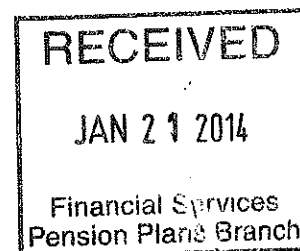


Actuarial Report

Sears Canada Inc.

Sears Canada Inc. Registered Retirement Plan

Funding Valuation as of December 31, 2010



Preparation of this Actuarial Report

Sears Canada Inc.
Sears Canada Inc. Registered Retirement Plan (the "Plan")
Registration Number: 0360065

This report has been prepared by Aon Hewitt for Sears Canada Inc. (the "Company") to present to management the funded status of the benefits accrued under the Defined Benefit Component of the Plan as of December 31, 2010 and the funding requirements for the 2011, 2012, and 2013 plan years, unless superseded by a subsequent valuation. In addition, this report may serve as a source document for information to meet regulatory filing requirements. More specifically, the purposes of the valuation are to:

- determine the financial position of the Plan on a going concern basis at the valuation date;
- determine the financial position of the Plan on a solvency and hypothetical wind up basis at the valuation date;
- determine the funding requirements of the Plan for the period covered by this report; and
- provide the necessary actuarial certification required under the *Pension Benefits Act* (Ontario) and the *Income Tax Act* (Canada).

The results of this report may not be appropriate for accounting purposes or any other purposes not listed above.

Under the *Pension Benefits Act* (Ontario) and its Regulations, the next funding valuation must have an effective date no later than December 31, 2013, unless superseded by a subsequent valuation. In conducting this valuation; we have used member data and plan design information provided by the Company at December 31, 2010, audited financial statements of the pension fund for 2008, 2009, and 2010 prepared by Deloitte & Touche LLP, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report.

The following assumptions and methods will be used in this valuation based on the terms of this engagement and the funding policy developed for this plan:

- use of the Unit Credit (Prorated-on-Service) Cost Method;
- use of the market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date;
- exclusion of indexing in the Solvency Liabilities, as permitted by Ontario law;
- adjustment to the Solvency Assets to reflect impact of using an asset valuation method that recognizes gains/losses over five years;
- adjustment to the Solvency Liabilities to reflect impact of using a discount rate that is an average of prescribed rates over five years; and
- funding on the basis of minimum requirements by the Company.

Preparation of this Actuarial Report (continued)

The Company has elected to take advantage of Option 1, under the 2009 Ontario Temporary Solvency Relief Measures ("Temporary Relief"). This option allows for the following on the first effective date of an actuarial valuation on or after September 30, 2008 and before September 30, 2011 ("Temporary Relief Valuation Date"):

- deferral of commencement of new special payments identified in that valuation by one year from the valuation date;

For the purposes of this valuation, it is our opinion that:

- the membership and asset data on which the valuation is based are sufficient and reliable;
- the assumptions used are appropriate; emerging experience differing from the assumptions will result in gains or losses which will be revealed in future valuations;
- the methods employed in the valuation are appropriate.

This report has been prepared, and our opinion is given, in accordance with accepted actuarial practice in Canada.

Aon Hewitt

William da Silva
Fellow of the Canadian Institute of Actuaries

Claire Norville-Buckland
Fellow of the Canadian Institute of Actuaries

September 2011

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Summary

Following is a summary of the results of this valuation.

Company Funding Requirements

- The table below presents the Minimum Required Company Contribution and Maximum Deductible Company Contribution for each of the plan years covered by this report, after application of Solvency Funding Relief in the Regulation.

	2011	2012	2013
Minimum Required Company Contribution	\$ 0	\$ 29,342,000	\$ 29,342,000
Maximum Deductible Company Contribution ¹	\$ 307,330,000	\$ 321,252,000	\$ 305,805,000

- The Plan does not have a Prior Year Credit Balance at December 31, 2010.

Funded Status of Plan Benefits

- The Plan has an Unfunded Accrued Liability of \$68,039,000 at December 31, 2010 on a going concern basis.
- The Plan has a Solvency Deficiency of \$205,788,000 and a Statutory Solvency Deficiency of \$96,059,000 at December 31, 2010 on a solvency basis.
- The Company has elected to defer commencement of the amortization of the Unfunded Accrued Liability and Statutory Solvency Deficiency until December 31, 2011 in accordance with Option 1 of the Temporary Solvency Funding Relief measures contained in the Regulation.
- The assets of the Plan would not have been sufficient to cover the liabilities of the Plan if it had been wound up on the valuation date.
- If the Plan had been wound up at December 31, 2010, the Plan would have had a deficiency of \$307,330,000.
- The Plan had a Transfer Ratio of 0.80 at December 31, 2010. As such, restrictions may be placed on lump-sum transfers from the pension fund. The restrictions vary by the provincial jurisdiction of the member.
- The ratio of Solvency Liabilities to Solvency Assets is 0.86 at December 31, 2010 and Solvency Liabilities exceed Solvency Assets by \$205,788,000. As such, the next valuation must have an effective date no later than December 31, 2013.
- This report does not reflect the impact, if any, of the Supreme Court of Canada's decision in the Monsanto case regarding partial plan Wind Ups. As of the filing date of this report, notice has not been received from the Financial Services Commission of Ontario regarding any partial plan Wind Up (if any) in respect of the Plan.

¹ For a given plan year, the Maximum Deductible Company Contribution is calculated assuming that the Company makes the Minimum Required Company Contribution for each of the prior plan years covered by this report

Summary (continued)

- The Canadian Institute of Actuaries (CIA) revised the Practice-Specific Standards for Pension Plans effective December 31, 2010. Among other things, the CIA Standards require that additional information be disclosed in the valuation report regarding:
 - the effect on the Accrued Liability and the Total Normal Cost of using a discount rate 1% lower than that used for the Going Concern Valuation;
 - effect on the Solvency Liability, of using a discount rate 1% lower than that used for the Solvency Valuation;
 - incremental cost on a Solvency Valuation due to the accrual of benefits in the Plan between December 31, 2010 and December 31, 2013

Subsequent Events

- The Canadian Institute of Actuaries adopted Revised Standards of Practice for Pension Commuted Values for effective dates on or after February 1, 2011. The Revised Standards have not been reflected in the results of the Solvency Valuation or the Hypothetical Wind Up Valuation contained herein. These Revised Standards of Practice will be reflected in the next actuarial valuation.
- This report does not reflect the impact of the amendment to the Plan with respect to members affected by the transfer to Thomas Cook travel, since the amendment does not have a material impact on the results of the valuation.
- To our knowledge, there have been no other events from December 31, 2010 (the effective date of this valuation) to the date of this report that would have had a material impact on the information provided in this report.

Summary (continued)

	At December 31, 2007	At December 31, 2010
Company Funding Requirements (Annual)—Defined Benefit Component (in 000's)		
Minimum Required Company Contribution ¹		
Year 1	\$ 0	\$ 0
Year 2	\$ 0	\$ 29,342
Year 3	\$ 0	\$ 29,342
Maximum Required Company Contribution ²		
Year 1	\$ 0	\$ 307,330
Year 2	\$ 0	\$ 321,252
Year 3	\$ 0	\$ 305,805
Prior Year Credit Balance	\$ 0	\$ 0
Going Concern Valuation Results—Defined Benefit Component (in 000's)		
<i>Past Service</i>		
Actuarial Value of Assets	\$ 1,516,353	\$ 1,242,732
Less: Accrued Liability	<u>1,402,281</u>	<u>1,310,771</u>
Equals: Surplus (Unfunded Accrued Liability)	\$ 114,072	\$ (68,039)
Less: Prior Year Credit Balance	<u>0</u>	<u>0</u>
Equals: Statutory Surplus (Unfunded Accrued Liability)	\$ 114,072	\$ (68,039)
Market Value of Assets	\$ 1,516,353	\$ 1,242,732
Current Service—Defined Benefit Component (in 000's)		
Total Normal Cost	\$ 23,150	\$ 0 ³
Less: Required Member Contributions	<u>7,225</u>	<u>0</u>
Equals: Company Normal Cost	\$ 15,925	\$ 0
Defined Contribution Component (in 000's)		
Market Value of Assets	N/A	\$ 103,674

¹ After the application of Solvency Funding Relief

² For a given plan year, the Maximum Deductible Company contribution is calculated assuming that the Company makes the Minimum Required Company Contribution for each of the prior plan years covered by this report

³ The Defined Benefit Component of the Plan ceased service accrual effective July 1, 2008. As such there is no Normal Cost as of the valuation date.

Summary (continued)

	At December 31, 2007	At December 31, 2010
Solvency Valuation Results (in 000's)		
Solvency Assets ¹	\$ 1,512,353	\$ 1,238,732
Less: Solvency Liability	<u>1,504,728</u>	<u>1,444,520</u>
Equals: Solvency Surplus (Deficiency)	\$ 7,625	\$ (205,788)
Plus: Solvency Asset Adjustment	0	68,732 ²
Less: Solvency Liability Adjustment ³	0	40,997
Less: Prior Year Credit Balance	<u>0</u>	<u>0</u>
Equals: Statutory Solvency Surplus (Deficiency)	\$ 7,625	\$ (96,059)
Solvency Ratio	1.00	0.86
Hypothetical Wind Up Valuation Results (in 000's)		
Hypothetical Wind Up Assets ¹	\$ 1,512,353	\$ 1,238,732
Less: Hypothetical Wind Up Liability	<u>1,548,184</u>	<u>1,546,062</u>
Equals: Hypothetical Wind Up Surplus (Deficiency)	\$ (35,831)	\$ (307,330)
Transfer Ratio	0.98	0.80
Personnel Information		
Number of Members		
Active Members	16,013	10,959
JP Morgan Members	319	167
Suspended Members	1,423	244
Deferred Vested Members	259	694
Retired Members	<u>13,247</u>	<u>13,914</u>
Total	31,261	25,978

¹ Net of estimated wind up expenses of \$4,000,000

² Adjustment to Solvency Assets to reflect impact of using an asset valuation method that recognizes gains/losses over five years; also reflects present value of special payments in respect of pre-existing special payments, and any going concern unfunded liability scheduled for payment between the valuation date and five years from the start of the liquidation period after the one year deferral in accordance with option 1 under Temporary Relief

³ Adjustment to Solvency Liability to reflect impact of using an interest rate that is a five-year average of solvency valuation interest rates over the 60 months immediately preceding the valuation date

Assets and Liabilities

Going Concern Valuation

A **Going Concern Valuation** is performed to determine the funded status of the Plan and the funding requirements for the Plan treating the plan as a going concern. Following are definitions of some of the key terms used in reference to the Going Concern Valuation results.

- The **Actuarial Value of Assets** is the asset value used for valuation purposes. Smoothing methods are sometimes used to smooth investment gains and losses over a certain period.
- The **Accrued Liability** is the actuarial present value of benefits earned in respect of service prior to the valuation date. The actuary may choose to omit indexing liabilities (i.e. "escalated adjustments") from the Accrued Liability as per section 11(1) of the *Pension Benefits Act* (Ontario). However, if escalated adjustments are omitted from the Accrued Liability, the amount of payment of an escalated adjustment that is made from the pension fund, to the extent that it has not been refunded, must be included in the Normal Cost pursuant to section 11(2) of the Regulation to the *Pension Benefits Act* (Ontario). The Accrued Liability is calculated using the Going Concern Valuation assumptions and methods summarized in the Actuarial Assumptions section of this report.
- The **Surplus (Unfunded Accrued Liability)** is the difference between the Actuarial Value of Assets and the Accrued Liability. Escalated adjustments may be omitted from the determination of the Surplus (Unfunded Accrued Liability) pursuant to section 11(3) of the Regulation to the *Pension Benefits Act* (Ontario).
- The **Prior Year Credit Balance** is
 - the Prior Year Credit Balance stated in the last report or actuarial cost certificate filed or submitted in respect of the Plan under the Regulation; plus
 - the total amount of contributions made to the Plan by the plan sponsor after the valuation date of the last report or actuarial cost certificate filed or submitted in respect of the Plan and before the valuation date for the report or actuarial cost certificate being prepared; less
 - the total minimum amount of contributions required to have been made after the valuation date of the last report or actuarial cost certificate filed or submitted in respect of the Plan and before the valuation date for the report or actuarial cost certificate being prepared if the contributions had been calculated without reference to any Prior Year Credit Balance.

The plan sponsor may choose to set the Prior Year Credit Balance between nil and the amount as calculated above, but may not recapture the amount forfeited at any time.

- The **Statutory Surplus (Unfunded Accrued Liability)** is the difference between the Actuarial Value of Assets and the sum of the Accrued Liability and the Prior Year Credit Balance.
- The **Total Normal Cost** is the actuarial present value of benefits expected to be earned in respect of service for each year starting on the valuation date. **Required Member Contributions** (if any) are deducted from the Total Normal Cost to determine the **Company Normal Cost**. The Total Normal Cost is calculated using the Going Concern Valuation assumptions and methods summarized in the Actuarial Assumptions section of this report.
- **Valuation Compensation** represents pensionable earnings for all active members under the last assumed retirement age projected to the year following the valuation date.

Assets and Liabilities (continued)

Going Concern Valuation Results (in 000's)

The table below presents a summary of the Going Concern Valuation results for the Defined Benefit Component, including a breakdown of the Accrued Liability by member group.

	At December 31, 2007	At December 31, 2010
Past Service—Defined Benefit Component		
Actuarial Value of Assets		
Defined Benefit Provision	\$ 1,516,353	\$ 1,242,732
Less: Accrued Liability		
Defined Benefit Provision		
Active Members	\$ 706,216	\$ 511,730
JP Morgan Members	9,850	5,244
Suspended Members	13,733	7,746
Deferred Vested Members	16,258	28,087
Retired Members	<u>656,224</u>	<u>757,964</u>
Total	\$ 1,402,281	\$ 1,310,771
Equals: Surplus (Unfunded Accrued Liability)	\$ 114,072	\$ (68,039)
Less: Prior Year Credit Balance	<u>0</u>	<u>0</u>
Equals: Statutory Surplus (Unfunded Accrued Liability)	\$ 114,072	\$ (68,039)
Adjusted Market Value of Assets	\$ 1,516,353	\$ 1,242,732
Current Service—Defined Benefit Component		
Total Normal Cost	\$ 23,150	\$ 0
Less: Required Member Contributions	<u>7,225</u>	<u>0</u>
Equals: Company Normal Cost	\$ 15,925	\$ 0

Assets and Liabilities (continued)

Going Concern Valuation Sensitivity Results (in 000's)

In accordance with the CIA Standards of Practice, the table below presents the sensitivity of the Accrued Liability and the Total Normal Cost to using a discount rate of 1% lower than that used for the Going Concern Valuation.

	At December 31, 2010
Accrued Liability	
Accrued Liability at Going Concern Valuation discount rate	\$ 1,310,771
Accrued Liability at Going Concern Valuation discount rate decreased 1%	\$ 1,479,375
Effect of 1% decrease in discount rate	\$ 168,604
Effect of 1% decrease in discount rate (As a percent of Accrued Liability)	12.9%

Note that using a discount rate 1% higher than that assumed could result in a comparable reduction in the Accrued Liability.

The Defined Benefit Component of the Plan ceased service accrual effective July 1, 2008. As such there is no Normal Cost.

Assets and Liabilities (continued)

Solvency Valuation

A **Solvency Valuation** is performed to determine the funded status of the Plan as of the valuation date on a Wind Up basis reflecting market settlement rates as of the valuation date, but with certain benefits permitted to be omitted from the liabilities, and the associated additional funding requirements (if any). Following are definitions of some of the key terms used in reference to the Solvency Valuation results.

- **Solvency Assets** are the market value of pension fund assets adjusted to reflect contributions, benefit payments, transfers and expenses in-transit at the valuation date.
- The **Estimated Wind Up Expenses** is an estimate of the administrative and other expenses expected to be charged against the pension fund if the Plan were to terminate on the valuation date.
- The **Solvency Liability** is the actuarial present value of benefits earned in respect of service prior to the valuation date determined as if the Plan were wound up on the valuation date and taking into account Section 74 of the *Pension Benefits Act* (Ontario) (i.e. grow-in). In calculating the Solvency Liability, which includes plant closure benefits or permanent layoff benefits that would be immediately payable if the plan sponsor's business was discontinued on the valuation date, the *Pension Benefits Act* (Ontario) and its Regulations permit the exclusion of the following benefits:
 - any escalated adjustments;
 - "excluded plant closure benefits" that the Company elected on November 26, 1992 to exclude;
 - "excluded permanent layoff benefits" that the Company elected on November 26, 1992 to exclude;
 - special allowances other than those where the member has met all age and service eligibility requirements;
 - consent benefits other than those where the member has met all eligibility requirements except the consent of the employer, or in the case of a jointly sponsored pension plan, the consent of the employer or the administrator;
 - prospective benefit increases;
 - potential early retirement window benefit values; and
 - pension and ancillary benefits payable under a qualifying annuity contract.

The Solvency Liability is determined using benefit entitlements on the assumption that the Plan has neither a surplus nor a deficit. The Solvency Liability is calculated using the Solvency Valuation assumptions summarized in the Actuarial Assumptions section of this report.

- The **Solvency Surplus (Deficiency)** is the difference between the Solvency Assets (net of Estimated Wind Up Expenses) and the Solvency Liability.

Assets and Liabilities (continued)

Solvency Valuation (continued)

- The **Solvency Asset Adjustment** is an adjustment that may be made to the Solvency Assets to reflect:
 - the impact of using an averaging method that stabilizes short-term fluctuations in the market value of the plan assets calculated over a period of not more than five years; plus
 - the present value of any remaining Special Payments required to liquidate any Statutory Unfunded Accrued Liability (for service not previously recognized for benefit determination purposes) established after December 31, 1987; plus
 - the present value of any remaining Special Payments other than those above that are scheduled for payment within five years after the valuation date.

- The **Solvency Liability Adjustment** is an adjustment that may be made to the Solvency Liability to reflect the impact of using a Solvency Valuation discount rate for discounting the liability that is the average of market discount rates calculated over the same period of time as that used in the calculation of the Solvency Asset Adjustment.

- The **Statutory Solvency Surplus (Deficiency)** is the Solvency Surplus (Deficiency), increased by the Solvency Asset Adjustment, decreased by the Solvency Liability Adjustment, and decreased by the Prior Year Credit Balance.

- The **Transfer Ratio** compares the Solvency Assets, minus the lesser of the Prior Year Credit Balance and the required Company contribution until the next required valuation (before application of the Prior Year Credit Balance), to the Solvency Liability and the liability of any excluded benefits (except for pension benefits and ancillary benefits payable under a qualifying annuity contract). If the Transfer Ratio is less than 1.00, lump-sum transfers from the pension fund under Section 42 of the *Pension Benefits Act* (Ontario) are limited to the commuted value of the member's pension multiplied by the Transfer Ratio. The administrator may transfer the entire commuted value if:
 - the administrator is satisfied that an amount equal to the transfer deficiency has been remitted to the pension fund; or
 - the aggregate of transfer deficiencies for all transfers made since the last valuation date does not exceed 5% of the plan assets at that time.

In June 2009, subsection 19 of the Regulations of the *Pension Benefits Act* (Ontario) was amended and Policy T800-402 was released. The Policy imposes additional restrictions for payment of commuted values under certain circumstances.

- The **Solvency Ratio** compares the Market Value of Assets to the Solvency Liability for purposes of subsections 14(2) and (3) of the Regulations of the *Pension Benefits Act* (Ontario) to determine the latest effective date of the next required valuation.

Assets and Liabilities (continued)

Solvency Concerns

Except for certain exclusions which do not apply to this Plan, a report indicates solvency concerns under the *Pension Benefits Act* (Ontario) where,

- the ratio of the Solvency Assets to the Solvency Liabilities is less than 0.8; or
- the Solvency Liabilities exceed the Solvency Assets by more than \$5,000,000 and the ratio of the Solvency Assets to the Solvency Liabilities is less than 0.9; or
- the employer has elected to exclude plant closure benefits or permanent layoff benefits and this election has not been rescinded.

Effective December 31, 2012, a report indicates solvency concerns under the *Pension Benefits Act* (Ontario) if the ratio of the Solvency Assets to Solvency Liabilities is less than 0.85. The *Pension Benefits Act* (Ontario) allows for early adoption of the above noted test effective immediately.

Where a report indicates solvency concerns, the effective date of the next valuation required to be filed under the *Pension Benefits Act* (Ontario) is one year from the valuation date of the valuation that gave rise to the solvency concerns.

Since the ratio of Solvency Assets to Solvency Liabilities is equal to 0.86, this report does not indicate solvency concerns.

Assets and Liabilities (continued)

Solvency Valuation Results (in 000's)

The table below presents a summary of the Solvency Valuation results, including a breakdown of the Solvency Liability by member group.

	At December 31, 2007	At December 31, 2010
Solvency Assets		
Defined Benefit Provision	\$ 1,516,353	\$ 1,242,732
Estimated Wind Up Expenses	<u>(4,000)</u>	<u>(4,000)</u>
Total	\$ 1,512,353	\$ 1,238,732
Less: Solvency Liability		
Active Members	Solvency Liability	\$ 593,879
JP Morgan Members	split by status	5,625
Suspended Members	not shown in	10,138
Deferred Vested Members	prior actuary's	32,806
Retired Members	<u>valuation report</u>	<u>802,072</u>
Total	<u>\$ 1,504,728</u>	<u>\$ 1,444,520</u>
Equals: Solvency Surplus (Deficiency)	\$ 7,625	\$ (205,788)
Plus: Solvency Asset Adjustment ²	0	68,732
Less: Solvency Liability Adjustment ³	0	(40,997)
Less: Prior Year Credit Balance	<u>0</u>	<u>0</u>
Equals: Statutory Solvency Surplus (Deficiency)	\$ 7,625	\$ (96,059)
Solvency Ratio	1.00	0.86

² Adjustment to Solvency Assets to reflect impact of using an asset valuation method that recognizes gains/losses over five years. The above Solvency Asset adjustment also includes the Special Payments in respect of the going concern unfunded liability scheduled for payment between the valuation date and five years from the start of the liquidation period after the one year deferral in accordance with option 1 under Temporary Relief

³ Adjustment to Solvency Liability to reflect impact of using an interest rate that is a five year average of solvency valuation interest rates over the 60 months immediately preceding the valuation date

Assets and Liabilities (continued)

Solvency Valuation Sensitivity Results (in 000's)

In accordance with the CIA Standards, the table below presents the sensitivity of the Solvency Liability to using a discount rate of 1% lower than that used for the Solvency Valuation.

	As of December 31, 2010	
Solvency Liability		
Solvency Liability at Solvency discount rates	\$	1,444,520
Solvency Liability at Solvency discount rates decreased 1%	\$	1,606,964
Effect of 1% decrease in Solvency discount rates	\$	162,444
Effect of 1% decrease in Solvency discount rates (As a percent of Solvency Liability)		11.3%

Note that using a discount rate 1% higher than that assumed could result in a comparable reduction in the Solvency Liability.

Assets and Liabilities (continued)

Solvency Valuation Incremental Cost

The incremental cost on a solvency basis represents the present value at December 31, 2010 of the expected aggregate change in the Solvency Liability between December 31, 2010 and December 31, 2013. The Actuarial Assumptions section of this report provides detail regarding the calculation methodology and assumptions. An educational note was published in December 2010 by the Canadian Institute of Actuaries to provide guidance to actuaries for this calculation. A detailed description of the methodology is shown in the Justification of Actuarial Assumptions section of this report.

The main purpose of this new disclosure requirement is to provide insight regarding the expected growth in the Solvency Liability.

Based on accepted actuarial methodology and on these assumptions, the incremental cost on a Solvency Basis for the period from January 1, 2011 to December 31, 2013 is \$(67,417,000).

Assets and Liabilities (continued)

Hypothetical Wind Up Valuation

A **Hypothetical Wind Up Valuation** is performed to determine the funded status of the Plan as of the valuation date on a Wind Up basis, reflecting market settlement rates as of the valuation date. Unlike the Solvency Valuation, all benefits are included that would be payable under the postulated scenario that would maximize benefits. The Hypothetical Wind Up Valuation is determined using benefit entitlements on the assumption that the Plan has neither a surplus nor a deficit. Contingent benefits are included in the liabilities that would be payable under the postulated scenario. Assets are set equal to market value net of estimated wind up expenses. All assumptions for the Hypothetical Wind Up Valuation are listed in the Actuarial Assumptions section of the report.

Hypothetical Wind Up Valuation Results

The table below presents a summary of the Hypothetical Wind Up Valuation results including a breakdown of the Hypothetical Wind Up Liability by member group.

	At December 31, 2007	At December 31, 2010
Hypothetical Wind Up Assets		
Defined Benefit Provision	\$ 1,516,353	\$ 1,242,732
Estimated Wind Up Expenses	<u>(4,000)</u>	<u>(4,000)</u>
Total	\$ 1,512,353	\$ 1,238,732
Less: Hypothetical Wind Up Liability		
Defined Benefit Provision		
Active Members	\$ 786,276 ¹	\$ 620,553
JP Morgan Members	(included above)	5,822
Suspended Members	13,733	10,658
Deferred Vested Members	18,826	34,054
Retired Members	<u>729,349</u>	<u>874,975</u>
Total	<u>\$ 1,548,184</u>	<u>\$ 1,546,062</u>
Equals: Hypothetical Wind Up Surplus (Deficiency)	\$ (35,831)	\$ (307,330)
Transfer Ratio	0.98	0.80

¹ Includes Active and JP Morgan Members

Assets and Liabilities (continued)

Asset Data

The Plan assets are held by RBC Dexia Investor Services Trust. The asset information presented in this report is based on the audited financial statements of the pension fund for 2008, 2009, and 2010 prepared by Deloitte & Touche LLP.

Tests of the sufficiency and reliability of the asset data were performed and the results were satisfactory. The tests included:

- a reconciliation of actual cash flow with expected cash flow from the previous actuarial report; and
- a reconciliation of any stated benefit payments in 2008, 2009, and 2010 (for retirees, and terminated and deceased employees) against the financial statements of the pension fund for confirmation of payments.

Assets and Liabilities (continued)

Statement of Market Value of Assets (in 000's)

The table below presents a breakdown of the Market Value of Assets as of December 31, 2010.

Asset Category	Market Value	
Cash and Short-Term	\$ 31,588	(2.54%)
Equities		
Canadian Equities	\$ 73,854	(5.94%)
Foreign Equities	<u>316,301</u>	<u>(25.45%)</u>
Total	\$ 390,155	(31.39%)
Fixed Income		
Canadian Bonds and Mortgages	\$ 445,019	(35.82%)
Foreign Bonds	<u>209,632</u>	<u>(16.87%)</u>
Total	\$ 654,651	(52.69%)
Other	<u>\$ 166,338</u>	<u>(13.38%)</u>
Total	\$ 1,242,732	(100.00%)

Assets and Liabilities (continued)

Reconciliation of Changes in Market Value of Assets—Defined Benefit Provision (in 000's)

The table below reconciles changes in the Market Value of Assets between December 31, 2007 and December 31, 2010 for the Defined Benefit Component of the Plan.

	2008	2009	2010
Market Value of Assets, Beginning of Plan Year	\$ 1,520,571 ¹	\$ 1,283,702	\$ 1,256,465
Plus: Contributions During Plan Year			
Member	\$ 8,099 ²	\$ 0	\$ 0
Company	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 8,099	\$ 0	\$ 0
Less: Benefit Payments During Plan Year			
Non-Retired Members ³	\$ 75,197	\$ 41,438	\$ 35,440
Retired Members	<u>64,021</u>	<u>68,112</u>	<u>69,788</u>
Total	\$ 139,218	\$ 109,550	\$ 105,228
Less: Transfers Out to Fund Employer Required Contributions to the Defined Contribution Component of the Plan	\$ 11,022	\$ 16,061	\$ 0
Less: Investment Management Fees, Administrative Fees, and Other Expenses	\$ 2,724	\$ 1,904	\$ 2,549
Plus: Investment Gains (Losses) ⁴	<u>(92,004)</u>	<u>100,278</u>	<u>94,044</u>
Equals: Market Value of Assets, End of Plan Year	<u>\$ 1,283,702</u>	<u>\$ 1,256,465</u>	<u>\$ 1,242,732</u>
Rate of Return (Net of Expenses)	-6.54%	8.06%	7.60%

¹ The market value of assets reported in the audited financial statements at December 31, 2007 of \$1,520,571,000 includes an adjustment for amount receivable of \$4,218,000

² Member contributions ceased June 30, 2008

³ Includes members who have terminated employment or died

⁴ Realized and unrealized

Assets and Liabilities (continued)

Development of Adjusted Market Value of Assets—Defined Benefit Provision (in 000's)

The Adjusted Market Value of Assets is equal to the Market Value of Assets adjusted to reflect any contributions, benefit payments transfers and fees in-transit as of the valuation date. The Adjusted Market Value of Assets as at December 31, 2010 equals \$1,242,732,000.

Development of Actuarial Value of Assets—Defined Benefit Provision (in 000's)

The Actuarial Value of Assets is equal to the Adjusted Market Value of Assets as of the valuation date.

Assets and Liabilities (continued)

Development of Asset Gain—Defined Benefit Provision (in 000's)

The asset gain (loss) is determined by writing up the prior year's Actuarial Value of Assets and cash flow at the assumed discount rate from the prior valuation and comparing the resulting value to the actual Actuarial Value of Assets.

	2008	2009	2010
Calculation of Expected Actuarial Value of Assets			
Actuarial Value of Assets, Beginning of Plan Year	\$ 1,516,353 ¹	\$ 1,461,777	\$ 1,416,607
Plus: Adjustment for Amounts Receivable	\$ 4,218	\$ 0	\$ 0
Plus: Contributions In Respect of Plan Year			
Member	\$ 8,099	\$ 0	\$ 0
Company	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 8,099	\$ 0	\$ 0
Less: Benefit Payments In Respect of Plan Year			
Non-Retired Members ²	\$ 75,197	\$ 41,438	\$ 35,440
Retired Members	<u>64,021</u>	<u>68,112</u>	<u>69,788</u>
Total	\$ 139,218	\$ 109,550	\$ 105,228
Less: Transfers Out to Fund Employer Required Contributions to Defined Contribution Component of the Plan	\$ 11,022	\$ 16,061	\$ 0
Plus: Expected Investment Return	<u>\$ 83,347</u>	<u>\$ 80,441</u>	<u>\$ 78,430</u>
Equals: Expected Actuarial Value of Assets, End of Plan Year	\$ 1,461,777	\$ 1,416,607	\$ 1,389,809
Calculation of Asset Gain (Loss)			
Actuarial Value of Assets, End of Plan Year			\$ 1,242,732
Less: Expected Actuarial Value of Assets, End of Plan Year			<u>\$ 1,389,809</u>
Equals: Asset Gain (Loss)			\$ (147,077)

¹ Reported by prior actuary in the actuarial valuation as of December 31, 2007. Based on unaudited financial statements as of December 31, 2007

² Includes members who have terminated employment or died

Assets and Liabilities (continued)

Adjustment to Solvency Assets

The adjustment to Solvency Assets reflects an asset valuation method that recognizes asset gains (losses) over five years. The development of this adjustment to the Solvency Assets is shown below:

Year Ending	Original Amount of (Gain) Loss	(Gain) Loss Admitted in Prior Years	(Gain) Loss Admitted in 2010	(Gain) Loss to be Admitted in Future Years
December 31, 2007	13,100	7,860	2,620	2,620
December 31, 2008	178,075	71,230	35,615	71,230
December 31, 2009	(28,172)	(5,634)	(5,634)	(16,904)
December 31, 2010	(22,273)	N/A	(4,455)	(17,818)
			\$ 28,146	\$ 39,128

Assets and Liabilities (continued)

Development of Pension Benefits Guarantee Fund Assessment Base

The development of the Pension Benefits Guarantee Fund (PBGF) liability and PBGF assessment base as of December 31, 2010 is shown below:

Total Solvency Liability, December 31, 2010	\$ 1,444,520,000
Times: Ratio of Solvency Liability for Ontario Members to Total Solvency Liability	<u>0.61</u>
Equals: PBGF Liability, December 31, 2010	\$ 880,705,000
Less: Adjusted Market Value of Assets in Respect of Ontario Members, December 31, 2010	<u>757,677,000</u>
Equals: PBGF Assessment Base, December 31, 2010	\$ 123,028,000

Development of the Guarantee Fund Assessment

Number of Ontario Plan Members and Ontario Former Members
and Other Beneficiaries

13,186

Plus: 0.5% of any portion of the applicable PBGF assessment base that is less than 10% of the PBGF Liability	\$ 440,352.50
Plus: 1.0% of any portion of the applicable PBGF assessment base that is 10% or more but less than 20% of the PBGF Liability	349,575.00
Plus: 1.5% of any portion of the applicable PBGF assessment base that is 20% or more of the PBGF Liability	<u>0</u>
Total	\$ 803,113.50

The above amount will not exceed \$100 per Number of Ontario Plan Members, Former Members and Other Beneficiaries totalling \$1,318,600.

The Guarantee Fund Assessment may be adjusted to the extent that contributions during the plan year are in excess of the Minimum Required Company Contribution.

New legislation regarding the PBGF fee structure is expected in the near future. Once proclaimed, the Guarantee Fund Assessment fees are expected to increase.

Contributions

Excess Surplus

Excess Surplus is defined in Section 147.2(2)(d) of the *Income Tax Act* (Canada). The *Income Tax Act* (Canada) requires that any Excess Surplus first be applied to reduce or eliminate the Company contribution requirements. Since the calculation of Excess Surplus impacts the development of the Company contribution requirements, we first show the development of Excess Surplus.

Excess Surplus is defined under the *Income Tax Act* (Canada), as the portion of Surplus (if any) that exceeds 25% of the Accrued Liability (i.e. going concern basis).

Development of Excess Surplus

There is no Excess Surplus in the Plan as of the valuation date.

Contributions (continued)

Minimum Required Company Contribution

For a plan year, the minimum required company contribution is equal to:

- the Company Normal Cost; plus
- Special Payments toward amortizing any Statutory Unfunded Accrued Liability over 15 years from the date on which the Statutory Unfunded Accrued Liability was established; plus
- Special Payments toward amortizing any Statutory Solvency Deficiency over five (5) years from the date on which the Statutory Solvency Deficiency was established; less
- required application of Excess Surplus; less
- permitted application of Surplus; less
- permitted application of Prior Year Credit Balance.

Timing of Contributions

In order to satisfy the requirements of the *Pension Benefits Act (Ontario)* and its Regulations, contributions to the fund must be made in accordance with the following rules:

- Required member contributions (if any) must be remitted to the pension fund within 30 days following the month in which the contributions were received from the member or deducted from his or her remuneration.
- Company Current Service contributions must be remitted to the pension fund within 30 days after the end of the month for which the contributions are payable.
- Special Payments must be remitted to the pension fund in the month for which they are payable.

Contributions (continued)

Development of Minimum Required Company Contribution (in 000's)

The table below presents the development of the Minimum Required Company Contribution for each of the plan years covered by this report, after application of Solvency Funding Relief.

Plan Year:	2011	2012	2013
Company Normal Cost	\$ 0	\$ 0	\$ 0
Plus: Special Payments Toward Amortizing Statutory Unfunded Accrued Liability	0	6,977	6,977
Plus: Special Payments Toward Amortizing Statutory Solvency Deficiency	0	22,365	22,365
Less: Required Application of Excess Surplus	0	0	0
Less: Permitted Application of Surplus	<u>0</u>	<u>0</u>	<u>0</u>
Equals: Minimum Required Company Contribution, Prior to Application of Prior Year Credit Balance	\$ 0	\$ 29,342	\$ 29,342
Less: Permitted Application of Prior Year Credit Balance	<u>0</u>	<u>0</u>	<u>0</u>
Equals: Minimum Required Company Contribution	\$ 0	\$ 29,342	\$ 29,342

Contributions (continued)

Maximum Deductible Company Contribution

Under Subsection 8502(b) of the Regulations to the *Income Tax Act* (Canada), (the "ITA") each Company contribution made after 1991 in respect of a defined benefit provision of a registered pension plan must be an eligible contribution pursuant to Section 147.2(2) of the *Income Tax Act* (Canada).

In a Company's fiscal year, the following contributions are eligible under Section 147.2 of the *Income Tax Act* (Canada).

- the Company Normal Cost, eligible under Section 147.2(2) subject to certification by the actuary and approval by the Canada Revenue Agency; plus
- special Payments eligible under Section 147.2(2) up to the amount of the Unfunded Accrued Liability, the Solvency Deficiency, or the Hypothetical Wind Up Deficiency, whichever is greater, subject to certification by the actuary and approval by the Canada Revenue Agency; less
- required application of Excess Surplus.

The Company Normal Cost and Special Payments for this Plan will be deductible under Section 147.2(2) of the *Income Tax Act* (Canada), subject to the approval of the Canada Revenue Agency.

Note that contributions to a Plan are still permissible and deductible if there is an Excess Surplus, providing there is simultaneously a Solvency or Hypothetical Wind Up Deficiency in the Plan or the contributions are required as minimum contributions under provincial or federal Pension Benefits Standards Act legislation, pursuant to subsections 8516(2) and (3) of the Regulations to the *Income Tax Act* (Canada).

One restriction under the *Income Tax Act* (Canada) is that if there is an Excess Surplus, and a Solvency or Hypothetical Wind Up Deficiency, the maximum deductible contribution is restricted to the full amount of the deficiency without allowance for interest or any other contributions such as Company Normal Cost and/or transfer deficiency payments.

Timing of Contributions

In order to be deductible in a given fiscal year, Company contributions must be made not later than 120 days after the end of the fiscal year.

Contributions (continued)

Development of Maximum Deductible Company Contribution (in 000's)

The table below presents the development of the Maximum Deductible Company Contribution for each of the plan years covered by this report.

The Maximum Deductible Company Contribution presented in the table below for a given plan year is calculated assuming that the Company makes the Minimum Required Company Contribution for each of the prior plan years covered by this report.

Plan Year:	2008	2009	2010
Company Normal Cost	\$ 0	\$ 0	\$ 0
Plus: Special Payments Toward Liquidating Hypothetical Wind Up Deficiency ^{1,2}	307,330	321,252	305,805
Less: Required Application of Excess Surplus	<u>0</u>	<u>0</u>	<u>0</u>
Equals: Maximum Deductible Company Contribution	\$ 307,330	\$ 321,252	\$ 305,805

If the Company wishes to make the Maximum Deductible Company Contribution, it is advisable to contact the plan actuary before making such contribution to ensure that the contribution will be permissible and deductible and that any regulatory requirements are considered.

¹ Assumes payment at the beginning of the year. The payment will be adjusted for interest based on the actual payment date

² Assumes the Company makes the Minimum Required Company contribution for each of the prior years covered by this report

Contributions (continued)

Schedule of Special Payments (in 000's)

The Special Payments to amortize the Statutory Unfunded Accrued Liability before application of Solvency Relief are as follows:

Effective Date	Present Value as of December 31, 2010 (at 5.50% per year)	Annual Special Payment	Remaining Years	Present Value as of December 31, 2010 of Special Payments Prior to December 31, 2016 (at 4.53% per year)
December 31, 2010	\$ 68,039	\$ 6,613	15	\$ 29,604

The Special Payments to amortize the Statutory Solvency Deficiency, including amounts in the Solvency Asset Adjustment, before application of Solvency Relief are as follows:

Effective Date	Present Value as of December 31, 2010 (at 4.53% per year)	Annual Special Payment	Remaining Years
December 31, 2010	\$ 96,059	\$ 21,458	5

Option 1 of the Solvency Funding Relief Measures under the Regulations of the *Pension Benefits Act* (Ontario), allows the Company to defer the payment of any new Special Payments for twelve months from its establishment. The Company has chosen to exercise this option.

The Special Payments to amortize the Statutory Accrued Liability and the Statutory Solvency Deficiency, respectively, after application of Solvency Relief are as follows:

Effective Date	Original Amount at December 31, 2010	Annual Special Payment	Remaining Years	Balance as of December 31, 2011	Present Value as of December 31, 2011 of Payments Prior to December 31, 2016 (at 4.53% per year)
December 31, 2011	\$ 68,039	\$ 6,977	15	\$ 71,781	\$ 31,234

Effective Date	Original Amount at December 31, 2010	Annual Special Payment	Remaining Years	Balance as of December 31, 2011
December 31, 2011	\$ 96,059	\$ 22,365	5	\$ 100,121

Experience

Analysis of Experience (in 000's)

The table below presents a reconciliation of the change in Surplus (Unfunded Accrued Liability) from December 31, 2007 to December 31, 2010:

Surplus (Unfunded Accrued Liability), December 31, 2007	\$ 114,072
Plus: Actual Company Contributions During Intervaluation Period	0
Plus: Actual Employee Contributions During Intervaluation Period	8,099
Less: Transfers Out to Defined Contribution Component of the Plan During Intervaluation Period to Fund Employer Required Contributions	27,083
Less: Total Company Service Costs to the DB Component of the Plan During Intervaluation Period	23,834
Plus: Interest at 5.75% Per Year	<u>16,163</u>
Equals: Expected Surplus (Unfunded Accrued Liability), December 31, 2007	\$ 87,417
Plus: Increase (Decrease) Attributable to Actuarial Gains (Losses) Arising from:	
Investment Return	\$ (147,077)
Salary and YMPE Increases	35,441
Postretirement Inflation Adjustments	34
Québec Cash Outs on Plan Conversion	(13,644)
Retirement	(4,046)
Turnover	(16,129)
Mortality	(1,736)
Data Corrections and Other Miscellaneous	<u>9,327</u>
Total	\$ (137,830)
Plus: Increase (Decrease) Attributable to Opening Position of Prior Actuary	\$ 18,157
Plus: Increase (Decrease) Attributable to Changes in Assumptions	<u>\$ (35,783)</u>
Equals: Surplus (Unfunded Accrued Liability), December 31, 2010	\$ (68,039)

Experience (continued)

Discussion of Actuarial (Gains) Losses

Investment Return

The annualized rate of return earned by the pension fund based on the prior method of calculating the Actuarial Value of Assets for the three-year period from December 31, 2007 to December 31, 2010 was 8.7% per year. The year-by-year returns are shown in the table below:

Plan Year	Rate of Return
2008	-6.54%
2009	8.06%
2010	7.60%

The assumed rate of return for Going Concern Valuation purposes was 5.75% per year. An actual rate of return lower than the assumed rate resulted in a net actuarial loss of \$147,077,000.

Salary and YMPE Increases

The annualized rate of salary increase for members active at both December 31, 2007 and December 31, 2010 for the three-year period from December 31, 2007 to December 31, 2010 was 1.64% per year. The assumed rate of salary increase for Going Concern Valuation purposes is 4.60% (3.00% plus merit scale) per year. An actual rate of increase lower than the assumed rate resulted in a net actuarial gain of \$42,127,000.

The annualized rate of increase in Year's Maximum Pensionable Earnings for the three-year period from December 31, 2007 to December 31, 2010 was 2.60% per year. The assumed rate of increase for Going Concern Valuation purposes was 3.50% per year. An actual rate of increase lower than the assumed rate resulted in a net actuarial loss of \$6,686,000.

The overall impact of Salary and YMPE increases was a net actuarial gain of \$35,441,000.

Postretirement Inflation Adjustments

Postretirement inflation adjustments granted to eligible members (see Plan Provisions section of this report) during the inervaluation period were lower than expected based on the assumed increase in Consumer Price Index during the period. This resulted in a net actuarial gain of \$34,000.

Québec Cash Outs on Plan Conversion

Upon closure of the Defined Benefit Provision of the Plan as of June 30, 2008, Québec Members were allowed to transfer out the commuted value of their Defined Benefit entitlement pension from the Plan. There were 478 Québec Members who elected to transfer out their commuted value or to convert it to a Defined Contribution account balance. The interest rates used to determine these pensions commuted values and conversion values were lower than the assumed long term rate of valuing their benefits for Going Concern Valuation purposes. This resulted in a net actuarial loss of \$13,644,000.

Experience (continued)

Turnover

On termination, members retain their eligibility for early retirement subsidies, including bridge benefits. The large difference between the long term assumption on Going Concern and the interest rates on termination prescribed by the CIA Standards of Practice during the intervaluation period exacerbated the losses on termination. There was an overall loss on turnover of \$16,129,000.

Retirement

The provisions of the Plan provide incentives to retire early for members with long service. A loss is revealed each time a member retires earlier than assumed. The effect of the large number of retirements at earlier ages than expected was a net actuarial loss of \$4,046,000.

Discussion of Changes to Assumptions

Effective December 31, 2009, the following assumptions were changed:

- The mortality table was updated from the 1994 Uninsured Pensioner Mortality Table with projected mortality improvements to 2015 using Scale AA to the 1994 Uninsured Pensioner Mortality Table with generational projected mortality improvements.
- The rate of salary increases was decreased from 3.50% plus merit scale to 3.00% plus merit scale.
- The assumed rate of increase in the Average Industrial Wage was decreased from 3.50% to 3.00% per year.
- The assumed rates of retirement were updated to reflect plan experience (see Actuarial Assumptions section of this report).
- The withdrawal table was updated to reflect actual plan experience (see Actuarial Assumptions section of this report). In addition, the interest rates used to determine the termination liabilities for Going Concern Valuation purposes have been changed to reflect the interest rates for determining pension commuted values, in accordance with the Canadian Institute of Actuaries Standards of Practice.
- The interest rate for Going Concern Valuation purposes was decreased from 5.75% to 5.50%.

The combined effect of these changes in assumptions increased the Accrued Liability by \$35,783,000.

Personnel Information

Member Data

This funding valuation was based on member data provided by the Company as of December 31, 2010. Tests of the sufficiency and reliability of the member data were performed and the results were satisfactory. The tests included:

- a reconciliation of membership status against the membership status at the last valuation. This test was performed to ensure that all members were accounted for. A summary of this reconciliation follows on the next page.
- a reconciliation of birth, hire, and participation dates against the corresponding dates provided for the last valuation to ensure consistency of data.
- a reconciliation of credited service against the corresponding amount provided for the last valuation to ensure that no member accrued more than 0.5 years of credited service from January 1, 2008 to June 30, 2008 (when members ceased service accrual in the Plan). This test also revealed any members who accrued less than 0.5 years of credited service.
- a reconciliation of pensionable earnings against the corresponding amounts provided for the last valuation to identify any unusual increases or decreases (more than 20%).
- a reconciliation of accrued benefits against the corresponding amounts provided for the last valuation to identify any unusual benefit accruals.
- a reconciliation of any stated benefit payments in 2008, 2009, and 2010 (for retirees, terminated or deceased employees) against the financial statements of the pension fund for confirmation of the payments.
- a reconciliation of inactive member benefit amounts against the corresponding amounts provided for the last valuation to ensure consistency of data.

There was no information missing from the data, so no assumptions were required with respect to such data.

A copy of a letter from the Company certifying the accuracy and completeness of the member data (and the plan provisions summarized in this report) is included at the end of this report.

Personnel Information (continued)

Reconciliation of Membership Status

The table below reconciles the number of members as of December 31, 2007 with the number of members as of December 31, 2010 and the changes due to experience in the period.

	Active	JP Morgan	Suspended	Deferred Vested	Retired	Total
Members, December 31, 2007	16,013	319	1,423	259	13,247	31,261
Changes Due To:						
New Entrants	966	-	-	-	-	966
Termination of Membership						
Non-Vested	-	-	-	-	-	-
Vested-Pending	(171)	(63)	234	-	-	-
Vested-Deferred Pension	(308)	(5)	(182)	495	-	-
Vested-Lump-Sum Paid Out	(3,470)	(70)	(1,161)	(1)	-	(4,702)
Québec Cash Out on Conversion	(66)	-	-	-	-	(66)
Québec Conversion to DC Account Balance	(412)	-	-	-	-	(412)
Death						
No Further Benefits	-	-	-	-	(968)	(968)
Lump-Sum Paid Out	(79)	(4)	-	(1)	(22)	(106)
Surviving Spouse or Beneficiary	-	-	-	-	(197)	(197)
New Surviving Spouse or Beneficiary	-	-	-	-	197	197
Retirement	(1,520)	(11)	(67)	(56)	1,654	-
Data Corrections	6	1	(3)	(2)	3	5
Net Change	<u>(5,054)</u>	<u>(152)</u>	<u>(1,179)</u>	<u>435</u>	<u>667</u>	<u>(5,283)</u>
Members, December 31, 2010	10,959	167	244	694	13,914	25,978

Personnel Information (continued)

Active Members

Following are some relevant characteristics of the active members' data as of December 31, 2010. Both age and service have been determined using completed years and months as of December 31, 2010. Corresponding data as of December 31, 2007 are shown for comparison purposes.

	As of December 31, 2010		
	Full-Time	Part-Time	Total
Number	7,243	3,716	10,959
Average Age	49.9	54.8	51.6
Average Credited Service	12.0	6.9	10.3
Average Continuous Service	17.2	16.4	16.9
Average Age at Hire	32.7	38.4	34.7
Average 2010 Valuation Pay ¹	\$ 44,434	\$ 28,191	\$ 38,926

	As of December 31, 2007		
	Full-Time	Part-Time	Total
Number	9,583	6,430	16,013
Average Age	47.2	51.2	48.8
Average Credited Service	12.6	6.3	10.1
Average Continuous Service	15.1	12.9	14.2
Average Age at Hire	32.1	38.3	34.6
Average 2007 Pensionable Earnings	\$ 44,753	\$ 27,284	\$ 37,738

¹ Valuation pay includes pensionable earnings plus three-year average bonus

Personnel Information (continued)

JP Morgan, Suspended, Deferred Vested and Retired Members

Following are some relevant characteristics of the JP Morgan, Suspended, Deferred Vested, and Retired members' data as of December 31, 2010. Age has been determined using completed years and months as of December 31, 2010. Corresponding data as of December 31, 2007 are shown for comparison purposes.

	As of December 31, 2010		
	Number	Average Age	Average Annual Pension
JP Morgan Members	167	43.8	\$ 3,292
Suspended Members	244	50.7	\$ 11,919 ¹
Deferred Vested Members	694	46.8	\$ 4,088
Retired Members	13,914	73.6	\$ 5,059

	As of December 31, 2007		
	Number	Average Age	Average Annual Pension
JP Morgan Members	319	N/A	\$ N/A
Suspended Members	1,423	41.7	\$ 4,621 ¹
Deferred Vested Members	259	48.9	\$ 5,563
Retired Members	13,247	72.9	\$ 4,720

¹ Contributions with interest at valuation date.

Personnel Information (continued)

Distribution of Active Members by Age and Service

The following page shows a distribution of active members by age and service from date of hire (both determined using completed years and months at December 31, 2010). A key showing the contents of the age and service breakdown is shown in the upper right-hand corner of the page. All members hired at the same age lie along the same diagonal line.

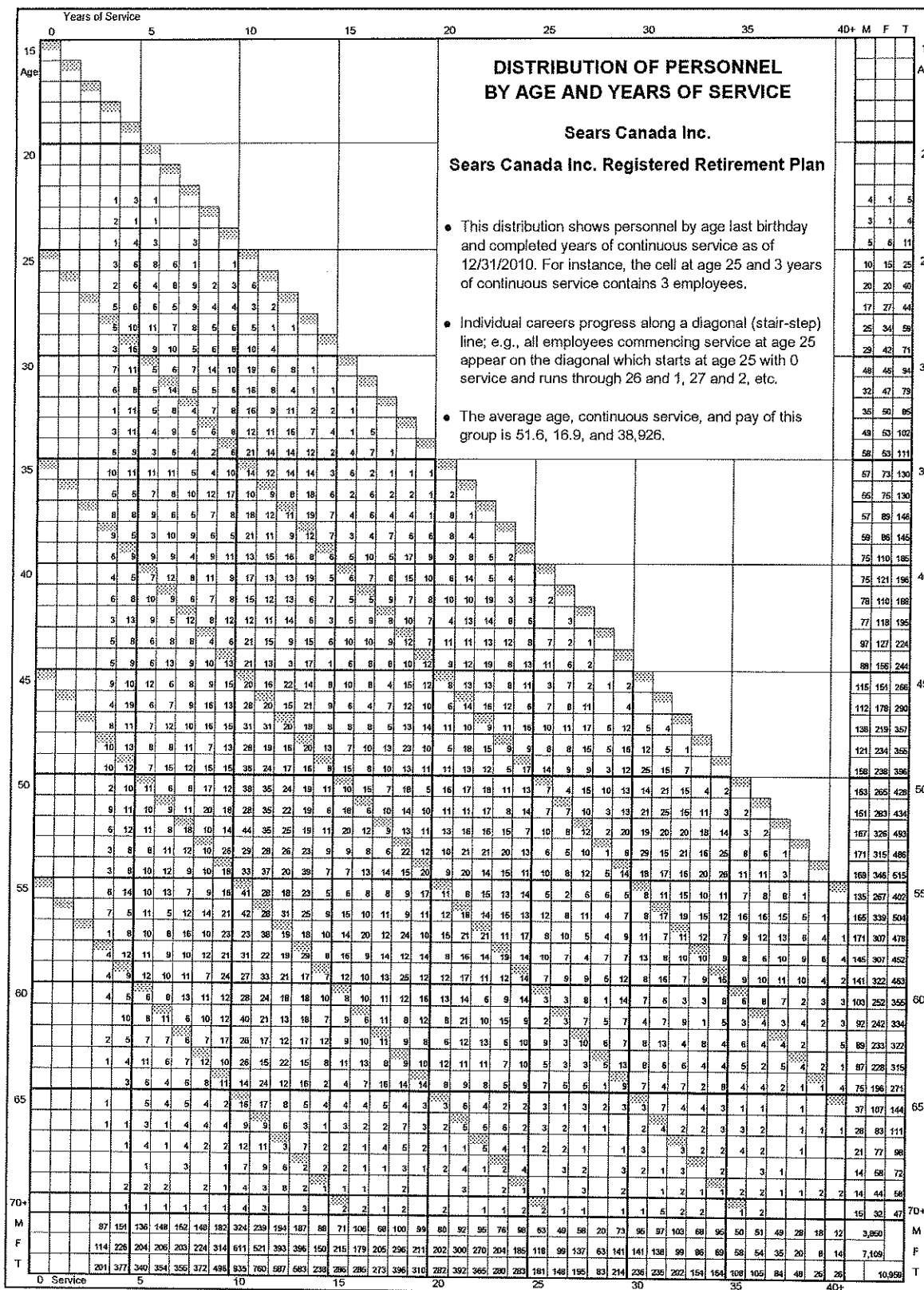
Several observations can be made by the user of this distribution, including:

- the number of active members who will become eligible for early or normal retirement benefits in the next few years;
- the number of active members who continue to work past age 65;
- the number of active members affected by changes in other benefits related to service;
- the number of hires per year for all past years who have remained with the Company, and hiring patterns by age of hire; and
- the distribution of active members by age and service around the median age and median service.

Supplementing this age/service distribution are two graphs. The first graph (Distribution of Personnel by Age) illustrates the distribution of all active members by five-year age groups, showing average service and compensation for each group, and indicates separately for each age 55 and over the number of members, average service, and average compensation.

The second graph (Distribution of Personnel by Expected Service at Age 65) shows the percentage of active members age 55 and over by expected service at age 65. This second graph can assist in reviewing the level of retirement benefits these individuals will receive at retirement.

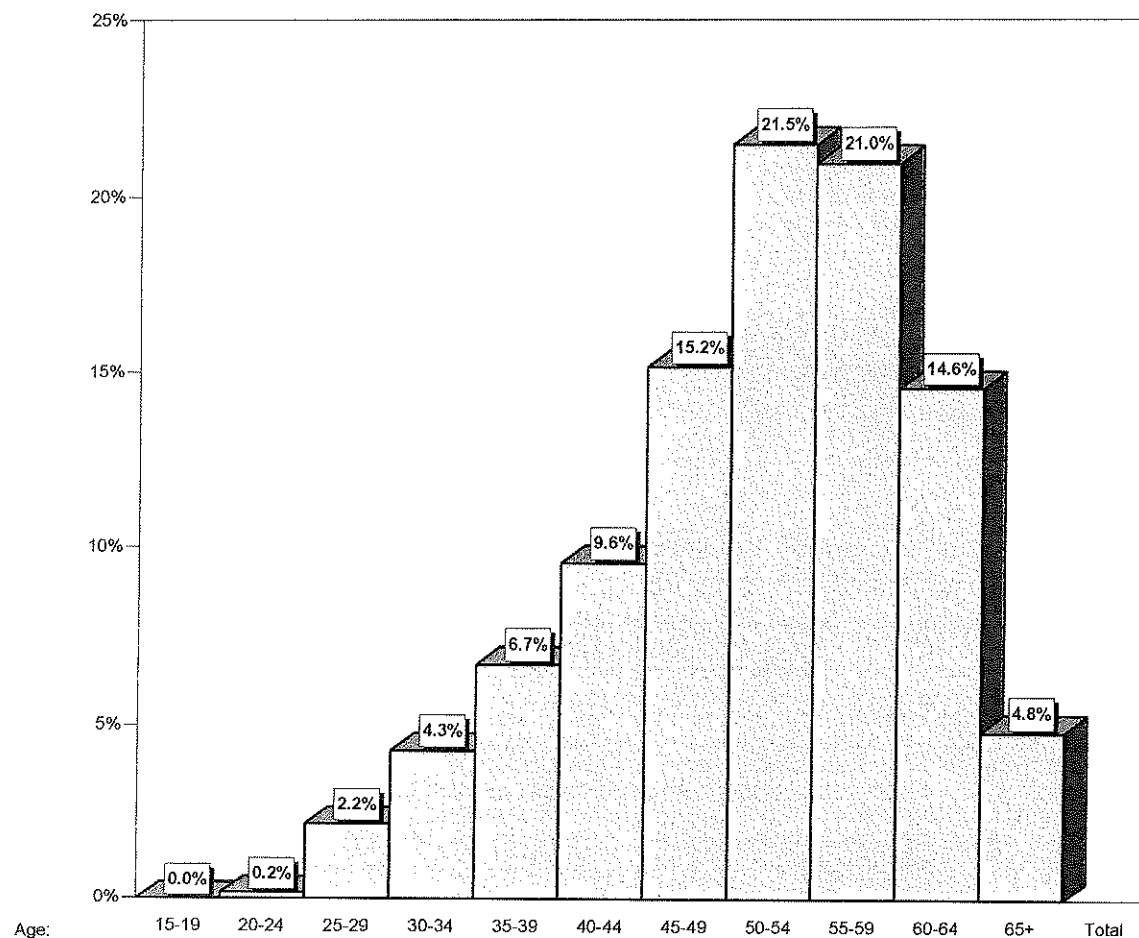
Personnel Information (continued)



Personnel Information (continued)

Distribution of Personnel by Age

Sears Canada Inc.
Sears Canada Inc. Registered Retirement Plan



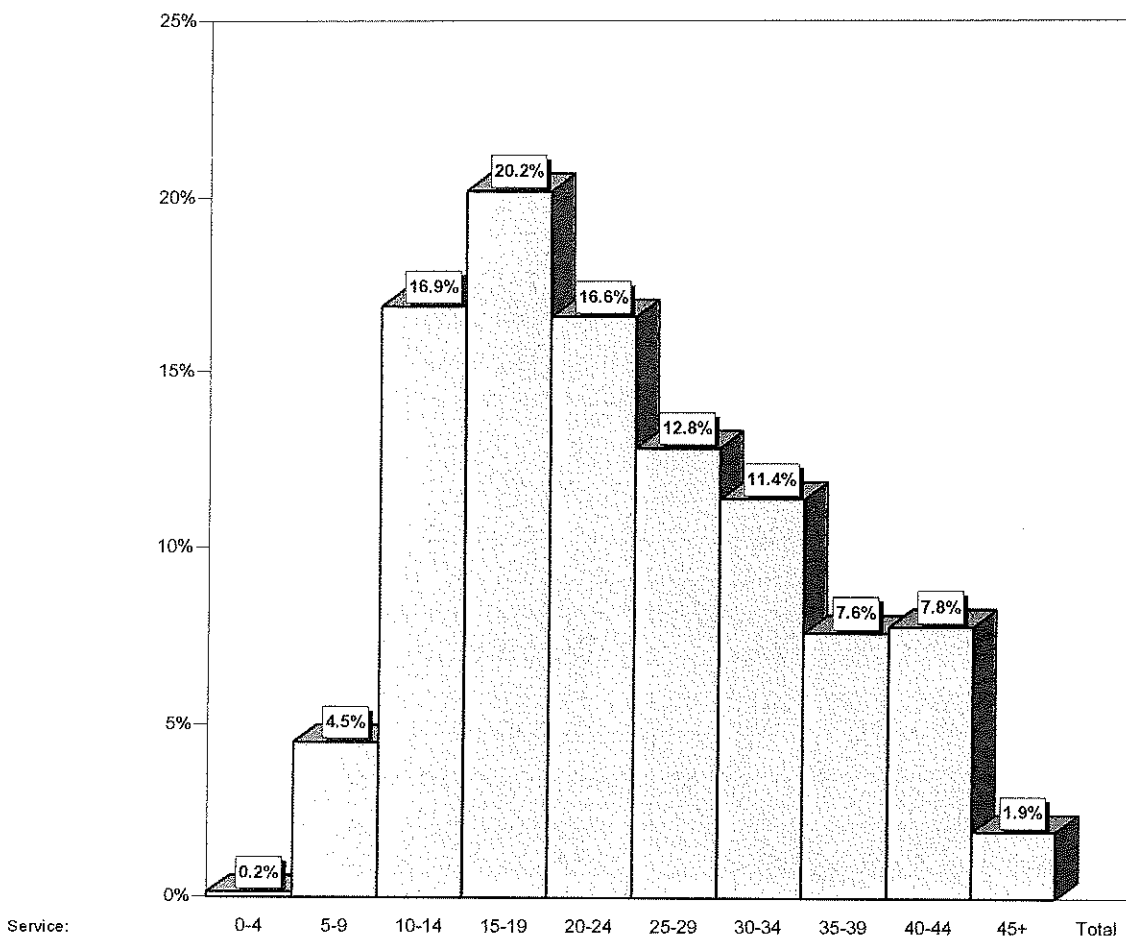
Number	0	20	239	471	736	1,047	1,664	2,356	2,299	1,597	530	10,959
Average Pay	0	32,125	35,794	41,691	41,665	41,903	40,708	41,755	38,311	33,322	29,844	38,926
Average Service	0.0	5.0	6.8	9.2	11.4	14.4	16.1	19.0	19.5	18.7	18.8	16.9

Detail of Employees 55 & Over												
Age	55	56	57	58	59	60	61	62	63	64	65	66+
Number	402	504	478	452	463	355	334	322	315	271	144	386
Average Pay	38,224	39,041	40,663	36,235	37,191	34,120	34,462	33,157	32,162	32,416	31,070	29,386
Average Service	18.4	20.0	19.6	19.4	19.9	18.6	17.9	19.2	18.5	19.1	17.8	19.2

Personnel Information (continued)

Distribution of Personnel By Expected Service At Age 65 (Based Upon Personnel Age 55 And Over)

Sears Canada Inc.
Sears Canada Inc. Registered Retirement Plan



Number	7	199	748	895	735	568	504	338	346	86	4,426
Average Pay	34,028	32,087	32,958	32,311	32,582	33,425	35,356	40,407	52,152	51,869	35,497
Average Service At Age 65*	4.2	7.9	12.5	17.5	22.3	27.4	32.3	37.4	42.3	46.0	24.0

* Or Current
Age if Older

Plan Provisions—Defined Benefit Plan

History

Sears Canada Inc., formerly Simpsons-Sears Limited, established the Supplementary Pension Plan on January 1, 1971.

The Supplementary Pension Plan was incorporated into the Guaranteed Retirement Income Plan from January 1, 1976.

The Guaranteed Retirement Income Plan was incorporated into and superseded by the Sears Canada Inc. Registered Retirement Plan on January 1, 1987.

The Sears Canada Inc. Registered Retirement Plan (the "SRRP") ceased defined benefit service accrual and introduced a defined contribution provision with effect on and after July 1, 2008.

Eligibility

Effective July 1, 2008, no new employees may join the Defined Benefit component of the Plan.

Member Contributions

Members ceased contributions to the defined benefit plan effective July 1, 2008.

Interest is credited on members contributions to the plan prior to July 1, 2008 according to:

Non-Quebec Members

The average of the yields on 5-year trust company guaranteed investment certificates, published in the Bank of Canada Review as CANSIM Series B14080, over the most recent twelve month period.

Quebec Members

The average annual rate of return of the fund, less investment expenses and administrative costs, over the 36 month period ending at the end of each calendar year quarter.

Plan Provisions—Defined Benefit Plan (continued)

Normal Retirement

Eligibility The last day of the month in which the member attains age 65.

Benefit

Benefit With Respect to SRRP Service on and after January 1, 1987

The sum of a) and b) multiplied by the Pensionable Service on and after January 1, 1987 until July 1, 2008:

- a) 1% of the Three-Year Final Average Earnings up to the Three-Year Final Average YMPE, minus 20% of the Three-Year Final Average YMPE; PLUS
- b) 1.75% of the Three-Year Final Average Earnings in excess of the Three-Year Final Average YMPE.

Benefit With Respect to GRIP Service before January 1, 1987 For Members not employed in Saskatchewan or Manitoba:

1.75% of the Five-Year Final Average Earnings per year of GRIP Pensionable Service; MINUS

the "other pension benefits" defined as the sum of a), b) and c) below:

- a) the Member's Retirement Security Plan Pension;
- b) the Member's Profit Sharing Annuity; and
- c) the sum of Old Age Security Benefit plus the Canada (Quebec) Pension Plan Benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

For Members employed in Saskatchewan or Manitoba:

1.25% of the Five-Year Final Average Earnings up to the Five-Year Final Average YMPE, per year of GRIP Pensionable Service; PLUS

1.75% of the Five-Year Final Average Earnings in excess of the Five-Year Final Average YMPE, per year of GRIP Pensionable Service; MINUS

the "other pension benefits" defined as the sum of a), b) and c) below:

- a) the Member's Retirement Security Plan Pension;
- b) the Member's Profit Sharing Annuity; and
- c) the Canada (Quebec) Pension Plan benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

Plan Provisions—Defined Benefit Plan (continued)

Normal Form of Pension

Members Without a Spouse at Retirement:

Life Annuity guaranteed for 120 months.

Members With a Spouse at Retirement:

Joint and 2/3 Survivor Pension, guaranteed for 120 months. The benefit is actuarially equivalent to the pension payable to a member without a spouse at retirement.

Early Retirement

Eligibility

The last day of any month after the member has attained age 55.

Benefit

The Normal Retirement Benefit accrued to the early retirement date, and reduced by:

Continuous Service	Reduction
Service < 10	¼% for each month before NRD; plus ¼% for each month before age 60
10 ≤ Service < 25	¼% for each month before age 62; plus ¼% for each month before age 60
25 ≤ Service < 30	½% for each month before age 60
Service ≥ 30	¼% for each month before age 60

In calculating the Early Retirement Benefit with respect to the GRIP service, the above reduction is not applied to the "other pension benefits".

Bridge Benefit

Benefit

For Members not employed in Saskatchewan or Manitoba:

The sum of Old Age Security Benefit plus the Canada (Quebec) Pension Plan Benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

For Members employed in Saskatchewan or Manitoba:

0.50% of the Five-Year Final Average Earnings up to the Five-Year Final Average YMPE, per year of GRIP Pensionable Service, reduced by the above Early Retirement Factor; PLUS

The Canada Pension Plan Benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

Plan Provisions—Defined Benefit Plan (continued)

Bridge Benefit (continued)

Form of Payment

Members Without A Spouse At Retirement:

Temporary annuity payable for the member's lifetime, until age 65.

Members With A Spouse At Retirement:

Temporary annuity payable for the member's lifetime, until age 65. If the member dies prior to age 65, the surviving spouse will continue to receive 2/3 of the Bridge Benefit for his/her lifetime, until the deceased member would have turned age 65.

Postponed Retirement

A member may retire on the last day of any month up to November 30 of the year he turns age 71.

The Retirement Benefit is the greater of a) and b) below:

- a) Normal Retirement Benefit calculated to Actual Retirement Date.
- b) Normal Retirement Benefit calculated using Service to NRD, and actuarially increased to Actual Retirement Date.

Termination Benefit

Benefit

A member who terminates prior to age 55 is entitled to either his accrued retirement benefit deferred to age 65, or to transfer a lump-sum value of his deferred pension to a locked-in retirement income equal to the sum of a) and b) below:

- (a) the Commuted Value of his deferred pension.
- (b) the Member's excess contributions including accumulated interest.

Minimum Transfer Value

The lump-sum value calculated above can not be less than 150% of the Member's required contributions made before July 1, 2008, with accumulated interest.

Early Commencement

The Termination Benefit is calculated in the same manner as the Early Retirement Benefit provided that the early retirement reduction is determined based on the Member's Continuous Service being deemed to be the length of the Member's completed Continuous Service as if the Member had continued in active employment until his pension commencement date.

Plan Provisions—Defined Benefit Plan (continued)

Death Benefit

Before Retirement

The Commuted Value of benefit entitlement for SRRP service on and after January 1, 1987 and before July 1, 2008, and for GRIP service before January 1, 1987, determined as if the member had terminated immediately prior to death.

After Retirement

Based on the form of pension elected by the member at retirement.

Postretirement Inflation Adjustment

Eligibility

- a) Any Member who retired prior to January 1, 2001 and was eligible for an immediate pension at the time of retirement.
- b) Any Member who terminated after December 31, 2000 and was eligible for either an immediate or deferred pension on termination.
- c) Any Beneficiary of a Member under a) or b) above.

Commencement

The postretirement inflation adjustments commence on the January 1 immediately following the Member's 65th birthday.

Amount of Adjustment

The inflation adjustment equals 75% of the increase in the CPI over 2%.

The inflation adjustment cannot exceed the lesser of 12% and the estimated average base pay increases to active employees in the prior year.

Supplementary Inflation Adjustment

If the inflation adjustment has been restricted for one or more years to the maximum, the Company may declare a supplementary inflation adjustment in any subsequent year, if, and to the extent that the "maximum percentage increase" for that year exceeds the percentage increase calculated according to the maximum formula, with the further restriction that such supplementary inflation adjustment when added together with all previous inflation adjustments, shall not exceed the total cumulative allowable percentage increases calculated according to the maximum formula.

Plan Provisions—Defined Benefit Plan (continued)

Definitions

Pensionable Earnings	The total earnings consisting of wages, salaries, overtime, bonuses, overwrites, commissions, vacation pay and illness allowances. It excludes the value of an Employee's taxable benefits and any long-term incentives and other elements of compensation that the Company expressly excludes.
3-Year Final Average Earnings	The average of the three consecutive years of highest Pensionable Earnings during the last ten years of Continuous Service.
5-Year Final Average Earnings	The average of the five years of highest Pensionable Earnings during the last ten years of Continuous Service.
3-Year Final Average YMPE	The average of the Year's Maximum Pensionable Earnings in the last three years of Continuous Service.
5-Year Final Average YMPE	The average of the Year's Maximum Pensionable Earnings in the last five calendar years of Continuous Service.
Inflation Adjusted Career Average Earnings	<p>The average of the Pensionable Earnings on or after January 1, 1987, with each year of earnings adjusted based on the cumulative change in the Consumer Price Index, excluding the change in the CPI in the previous calendar year.</p> <p>Each inflation adjustment can not exceed the increase in the Average Industrial Wage during the same period.</p>

Plan Provisions—JP Morgan Transferred Members

Transition Date

Hourly Transferred Members: December 18, 2005

Salaried Transferred Members: January 1, 2006

Retirement Benefit

The lifetime and bridge benefits determined based on Pensionable Service, Earnings, and YMPE at the Transition Date. Continuous Service continues while employed by the Purchaser.

The benefits are increased based on Increases in the Average Industrial Wage from the Transition Date to the date of retirement/termination/death, measured by CANSIM II Series VI558664.

Plan Provisions—Defined Contribution Plan

Effective Date	Effective July 1, 2008, the DC component was added to the Plan.
Eligibility	All defined benefit members under the Plan automatically joined DC plan.
Member Contributions	Members may contribute 1% to 7% of earnings. Members with defined benefit entitlement as of June 30, 2008 (except Manitoba and Nova Scotia) may elect a 0% contribution. The "default" member contribution if a member does not elect a contribution level is 1% of earnings.
Employer Contributions	The Company matches Member Contributions according to the following table:

Employee	Employer
0.0%	0.0%
1.0%	0.5%
2.0%	1.0%
3.0%	1.5%
4.0%	2.0%
5.0%	2.5%
6.0%	3.0%
7.0%	3.5%

Actuarial Assumptions

Going Concern Valuation Assumptions

The table below summarizes the actuarial assumptions and methods used for the Going Concern Valuation. Based on the terms of this engagement, best estimate assumptions were used. Any margin for adverse deviations is explained in the "Justification for Actuarial Assumptions" section following this section.

	At December 31, 2007	At December 31, 2010
Demographic Assumptions		
Retirement Age		
Active, Disabled, JP Morgan, and Suspended Members	Table A ^{old} following.	Table A ^{new} following.
Retired Members	Not applicable.	Not applicable.
Deferred Vested Members	Age Member elected at Termination.	Age Member elected at Termination.
Mortality Rates		
	1994 Uninsured Pensioner Mortality Table with projected mortality improvements to 2015 using Scale AA (sex-distinct rate).	1994 Uninsured Pensioner Mortality Table with fully generational projected mortality improvements (sex-distinct rate).
Withdrawal Rates		
Full-Time	Table B ^{old} following.	Table B ^{new} following.
Part-Time	Table C ^{old} following.	Table C ^{new} following.
Marital Status		
Non-Retired Members	80% with spouse at retirement; male spouses assumed to be three years	80% with spouse at retirement; male spouses assumed to be three years
Retired Members	Actual marital status and ages are used.	Actual marital status and ages are used.

Actuarial Assumptions (continued)

Going Concern Valuation Assumptions (continued)

	At December 31, 2007	At December 31, 2010
Economic Assumptions		
Discount rate	5.75% per year (net of fees and expense).	5.50% ¹ per year (net of fees and expense, and margin for adverse deviations).
Salary Increases		
Full-Time Active, Disabled, JP Morgan and Suspended Members	3.50% per year plus merit. See Table D following.	3.00% per year plus merit. See Table D following.
Part-Time Active Members	3.50% per year plus merit. See Table E following.	3.00% per year plus merit. See Table E following.
Increases in Year's Maximum Pensionable Earnings	3.50% per year	3.00% per year
Increases in ITA Maximum Pension	Actual to 2007, 3.50% per year thereafter.	Actual to 2010, 3.00% per year thereafter.
Increases in Consumer Price Index	2.50% per year.	2.50% per year.
Postretirement Benefit Increases	0.375% per year.	0.375% per year.
Methods		
Actuarial Cost Method	Unit Credit Cost Method (Prorated on Service).	Unit Credit Cost Method (Prorated on Service).
Asset Valuation Method	Market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date.	Market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date.
Miscellaneous		
Expenses	None (included as a deduction from the discount rate).	Included as a deduction from the discount rate.
Margin for adverse deviations	None	0.35%
Contingent Benefits	None.	None.
Benefits Excluded	None.	None.

¹ The value of the termination benefits is determined using the rates prescribed for calculating pension commuted values in the CIA Standards of Practice. As of the Valuation date, these rates are 3.30% per year for ten years, and 5.00% per year thereafter.

Actuarial Assumptions (continued)

Solvency and Hypothetical Wind Up Valuations Assumptions

The table below summarizes the actuarial assumptions and methods used for the Solvency and Hypothetical Wind Up Valuations.

The postulated scenario is of a complete plant shut-down and termination of employment of all members, and with the Company giving consent for all special early retirement benefits where consent is needed.

	At December 31, 2007	At December 31, 2010
Demographic Assumptions		
Retirement Age		
Active, Disabled, JP Morgan, and Suspended Members	Integral age between ages 55 and 65 that generates the highest lump-sum value.	Integral age between ages 55 and 65 that generates the highest lump-sum value ¹ .
Retired Members	Not applicable.	Not applicable.
Deferred Vested Members	Age Member elected at termination.	Age Member elected at termination.
Mortality Rates		
	1994 Uninsured Pensioner Mortality Table with projection scale AA to 2015 (sex-distinct rates).	1994 Uninsured Pensioner Mortality Table with projection scale AA to 2020 (sex-distinct rates).
Withdrawal Rates		
	Not applicable.	Not applicable.
Marital Status		
Non-Retired Members	80% with spouse at retirement; male spouses assumed to be three years	80% with spouse at retirement; male spouses assumed to be three years
Retired Members	Actual marital status and ages are used.	Actual marital status and ages are used.

¹ As the Plan already gives benefits on termination similar to grow-in (continuous service is deemed to be the length of time as if the Member has continued to pension commencement date), we have valued grow-in benefits for all members.

Actuarial Assumptions (continued)

Solvency and Hypothetical Wind Up Valuations Assumptions (continued)

	At December 31, 2007	At December 31, 2010
Economic Assumptions		
Discount rate for Solvency Liability		
Members in Receipt of or Eligible for Immediate Pension	4.50% per year.	4.48% per year.
Deferred Vested Members	4.10% per year.	4.48% per year.
All Other Members	4.75% per year for ten years; 5.00% per year thereafter.	3.30% per year for ten years; 5.00% per year thereafter.
Discount rate of Solvency Liability Adjustment		
Members in Receipt of or Eligible for Immediate Pension	Not Applicable.	4.58% per year.
All Other Members	Not Applicable.	4.34% per year for ten years; 5.36% per year thereafter.
Postretirement Benefit Increases		
Members in Receipt of or Eligible for Immediate Pension	0.375% per year.	1.00% per year.
All Other Members	0.25% per year.	0.000% per year for ten years; 0.525% per year thereafter.

Based on the Canadian Institute of Actuaries' Guidance and information such as pension legislation, Plan provisions and Plan experience, we have made the following assumptions regarding how the Plan's benefits would be settled on Plan Wind Up:

	Percent of Liability Assumed to be Settled By Purchase of Annuities	Percent of Liability Assumed to be Settled By Lump-Sum Transfer
Members Not Retirement Eligible at Valuation Date:		
Active, Disabled, JP Morgan, Suspended, and Deferred Vested Members	20%	80%
Members Currently Retirement Eligible at Valuation Date:		
Active, Disabled, JP Morgan, Suspended, and Deferred Vested Members	100%	0%
Retired Members and Beneficiaries	100%	0%

Actuarial Assumptions (continued)

Solvency and Hypothetical Wind Up Valuations Assumptions (continued)

	At December 31, 2007	At December 31, 2010
Methods		
Actuarial Cost Method	Unit Credit Cost Method (Prorated on Service)	Unit Credit Cost Method (Prorated on Service)
Asset Valuation Method	Market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date.	Market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date. Market gains and losses (i.e., the difference between the actual investment return and the assumed rate of 5.50% per year) are phased in over five years.
Miscellaneous		
Wind Up Expenses	\$4,000,000.	\$4,000,000.
Contingent Benefits	None.	None.

Actuarial Assumptions (continued)

Table A^{new}
Retirement Rates

Age	Credited Service < 20 years	Credited Service > 20 years
54	0%	0%
55	5%	12%
56	5%	10%
57	10%	10%
58	10%	15%
59	10%	15%
60	20%	25%
61	15%	20%
62	15%	20%
63	15%	25%
64	20%	100%
65	100%	100%
66	100%	100%
67	100%	100%
68	100%	100%
69	100%	100%

Table A^{old}
Retirement Rates

Age	Credited Service < 20 years	Credited Service > 20 years
54	0%	0%
55	10%	15%
56	10%	12%
57	10%	12%
58	10%	15%
59	10%	15%
60	15%	25%
61	15%	15%
62	15%	15%
63	15%	15%
64	20%	25%
65	35%	35%
66	20%	20%
67	20%	20%
68	20%	20%
69	100%	100%

Actuarial Assumptions (continued)

Table B^{new}

Full-Time Withdrawals Per 1,000 Members

Present			Present		
Age	Male	Female	Age	Male	Female
15	235	233	35	134	145
16	235	233	36	138	140
17	235	233	37	122	135
18	235	233	38	116	130
19	229	228	39	110	124
20	223	223	40	104	119
21	217	218	41	98	114
22	211	212	42	93	109
23	205	207	43	87	104
24	199	202	44	81	99
25	193	197	45	75	93
26	187	192	46	69	88
27	181	187	47	63	83
28	176	181	48	57	78
29	170	176	49	51	73
30	164	171	50	45	67
31	158	166	51	39	62
32	152	161	52	33	57
33	146	156	53	27	52
34	140	150	54	21	47
			55 and over	0	0

Actuarial Assumptions (continued)

Table B^{old}

Full-Time Withdrawals Per 1,000 Members

Present Age	Male	Female	Present Age	Male	Female
15	117	117	35	67	73
16	117	117	36	64	70
17	117	117	37	61	67
18	117	117	38	58	65
19	114	114	39	55	62
20	111	111	40	52	60
21	109	109	41	49	57
22	106	106	42	46	54
23	103	104	43	43	52
24	100	101	44	40	49
25	97	98	45	37	47
26	94	96	46	34	44
27	91	93	47	31	42
28	88	91	48	29	39
29	85	88	49	26	36
30	82	86	50	23	34
31	79	83	51	20	31
32	76	80	52	17	29
33	73	78	53	14	26
34	70	75	54	11	23
			55 and over	0	0

Actuarial Assumptions (continued)

Table C^{new}

Part-Time Withdrawals Per 1,000 Members

Present Age	Male	Female	Present Age	Male	Female
15	294	285	35	200	189
16	294	285	36	194	183
17	294	285	37	189	178
18	294	285	38	183	172
19	288	279	39	177	166
20	283	273	40	172	161
21	277	268	41	166	155
22	272	262	42	161	149
23	266	257	43	155	144
24	261	251	44	150	138
25	255	245	45	144	133
26	250	240	46	139	127
27	244	234	47	133	121
28	239	228	48	128	116
29	233	223	49	122	110
30	227	217	50	116	104
31	222	211	51	111	99
32	216	206	52	105	93
33	211	200	53	100	87
34	205	195	54	94	82
			55 and over	0	0

Actuarial Assumptions (continued)

Table C^{old}

Part-Time Withdrawals Per 1,000 Members

Present Age	Male	Female	Present Age	Male	Female
15	196	190	35	133	126
16	196	190	36	129	122
17	196	190	37	126	118
18	196	190	38	122	115
19	192	186	39	118	111
20	189	182	40	115	107
21	185	179	41	111	103
22	181	175	42	107	100
23	177	171	43	104	96
24	174	167	44	100	92
25	170	164	45	96	88
26	166	160	46	92	85
27	163	156	47	89	81
28	159	152	48	85	77
29	155	148	49	81	73
30	152	145	50	78	70
31	148	141	51	74	66
32	144	137	52	70	62
33	141	133	53	67	58
34	137	130	54	63	55
			55 and over	0	0

Actuarial Assumptions (continued)

Table D
Full-Time Merit Increases

Present Age	Unisex	Present Age	Unisex
15	5.60%	35	2.50%
16	5.60%	36	2.36%
17	5.60%	37	2.22%
18	5.60%	38	2.08%
19	5.60%	39	1.94%
20	5.60%	40	1.80%
21	5.60%	41	1.64%
22	5.60%	42	1.48%
23	5.60%	43	1.32%
24	5.60%	44	1.16%
25	5.00%	45	1.00%
26	4.74%	46	0.90%
27	4.48%	47	0.80%
28	4.22%	48	0.70%
29	3.96%	49	0.60%
30	3.70%	50	0.50%
31	3.46%	51 and over	0.00%
32	3.21%		
33	2.97%		
34	2.73%		

Actuarial Assumptions (continued)

Table E
Part-Time Merit Increases

Present Age	Unisex	Present Age	Unisex
15	2.06%	40	1.71%
16	2.06%	41	1.69%
17	2.06%	42	1.67%
18	2.06%	43	1.64%
19	2.06%	44	1.62%
20	2.06%	45	1.60%
21	2.06%	46	1.57%
22	2.06%	47	1.55%
23	2.06%	48	1.53%
24	2.06%	49	1.50%
25	2.06%	50	1.48%
26	2.04%	51	1.46%
27	2.01%	52	1.43%
28	1.99%	53	1.41%
29	1.97%	54	1.39%
30	1.94%	55	1.41%
31	1.92%	56	1.37%
32	1.90%	57	1.34%
33	1.87%	58	1.30%
34	1.85%	59	1.27%
35	1.83%	60	1.23%
36	1.80%	61	1.20%
37	1.78%	62	1.16%
38	1.76%	63	1.13%
39	1.73%	64	1.09%
		65	1.06%
		66	1.02%
		67 and over	1.00%

Actuarial Assumptions (continued)

Justification of Actuarial Assumptions—Going Concern Valuation

Retirement Age

Retirement rates are typically developed taking into account the past experience of the Plan. Accordingly, the rates of retirement have been developed as our expectation of the best-estimate rates of retirement based on the plan provisions and plan experience in recent years.

The Plan has heavily subsidized early retirement provisions, especially for members with long service. The Plan also provided a temporary bridge pension. Accordingly, pension commencement age is an important factor in Plan costs. Plan experience between 2008 and 2010 indicates that the old retirement table may have been too weak at earlier ages. The experience also indicated that a large number of members were choosing to defer retirement past age 65. We expect to see this trend continue as members with a larger portion of their total retirement benefit under the Defined Contribution Component of the Plan approach retirement.

Based on plan experience we have increased the expected rates of retirement at the earlier ages, and have extended the table past age 65. The new retirement age table is shown in the Actuarial Assumptions section of this report.

Mortality Table

The 1994 Uninsured Pensioner Mortality Table reflects the mortality experience as of 1994 for a large sample of North American pension plans. Applying generational projection, using scale AA provides allowance for improvements in mortality after 1994 and is generally considered reasonable for projecting mortality experience into the future. This table is commonly used for valuations where the mortality experience of the membership of a plan is insufficient to assess plan specific experience and where there is no reason to expect the mortality experience of the plan to differ significantly from that of other pension plans. Both of these are true for this plan and, therefore, the use of this mortality table is considered reasonable.

Termination of Employment

On termination, members retain their eligibility for early retirement subsidies, including the temporary bridge benefit. Plan experience between 2008 and 2010 indicates the old termination assumption was too weak at all ages. Actual plan termination experience was 2-3 times more than expected for full-time members, and somewhat less pronounced for part-time members.

Based on the plan experience, we have increased the expected rates of termination at all ages for both full-time and part-time members. The new termination table is shown in the Actuarial Assumptions section of this report.

Option Elections on Termination

We have assumed 100% of members will elect a deferred annuity on termination.

Percentage with Spouse and Spousal Age Difference

This assumption is only relevant to the valuation of benefits payable for retirements, if there is a subsidized Joint and Survivor benefit available for members with a spouse. The Plan does not subsidize the Joint and Survivor lifetime benefit payable to members on retirement. The temporary bridge benefit has a Joint and Survivor subsidy but makes up a small portion of a member's overall benefit. The spousal age difference was based on broad population statistics.

The spousal partner assumption has very little impact on the valuation results.

Actuarial Assumptions (continued)

Justification of Actuarial Assumptions—Going Concern Valuation (continued)

Discount Rate

The discount rate reflects the best estimate of the rate of return on the pension fund assets, net of investment expenses and Plan fees of 0.20%, less a 0.35% margin for adverse deviations. The resulting rate of return is 5.50%, when rounded to the nearest quarter percent.

The best-estimate rate of return was developed using best-estimate returns for each major asset class in the Plan's target asset mix and then using a building block approach, based on the plan's investment policy, to develop an overall best-estimate rate of return for the entire pension fund. Any active management gains are assumed to be offset by active management expenses.

The rate of return has been established based on the Company's investment policy, funding policy and objectives. There may be some barriers to achieving this return such as inflation higher than expected, asset returns lower than expected, and assets and liabilities that are mismatched. The discount rate reflects the Company's investment policy combined with a margin for adverse deviations so as to account for the variables mentioned above.

Non-Investment Expenses

The discount rate was established with an adjustment of 0.20% for investment and non-investment expenses.

Inflation

The assumption reflects a rate of approximately 2.50% implicit in the market yields of Government of Canada real return and nominal return bonds as at the valuation date.

Productivity Growth

We have assumed productivity growth in the Canadian economy will be 0.50% per annum. The assumption reflects our best estimate, which is consistent with historical productivity growth.

Increases in the YMPE

We have assumed future increases to the YMPE will be 3.00% per annum. The assumption reflects an assumed rate of inflation of 2.50% per annum plus an allowance of 0.50% per annum for the effect of productivity growth in the Canadian economy.

Increases in the Income Tax Act (Canada) Maximum Pension

The *Income Tax Act (Canada)* maximum pension is scheduled to increase from its 2010 level of \$2,494.44 per year of service to \$2,552.22 per year of service in 2011, after which we have assumed future increases of 3.00% per annum. The assumption reflects an assumed rate of inflation of 2.50% per annum plus an allowance of 0.50% per annum for the effect of productivity growth in the Canadian economy.

Salary Increases

We have assumed future salary increases will be 3.00% per annum plus merit and promotion increases. The assumption reflects an assumed rate of inflation of 2.50% per annum plus an allowance of 0.50% per annum for the effect of productivity growth. In addition to the base rate, we assume rates of increase as a result of individual employee merit and promotion based on a scale which varies by age as shown in Tables D and E of the Actuarial Assumptions section of this report. The merit and promotion scale is based on plan experience, as developed by the prior actuary. We will continue to monitor the plan experience in the next few years to determine if these rates remain appropriate.

Actuarial Assumptions (continued)

Justification of Actuarial Assumptions—Going Concern Valuation (continued)

Interest Credited on Member Contributions

Interest is credited on member contributions at 5.50%. The assumption reflects the expected long term return on assets.

Margin for Adverse Deviations

The actuary has discussed the Plan's experience with the Company and compared it to the expected experience. This review indicates that there is a need for use of margin for adverse deviations. The margin for adverse deviations incorporated in the assumptions reflects this review. The actuary has discussed with the Company the implications of incorporating margin for adverse deviations and the Company is fully cognizant and supports incorporating margin for adverse deviations.

The discount rate assumption reflects an explicit margin for adverse deviations of 0.35%.

Asset Valuation Method Considerations

Market Value, adjusted for in-transit cash flows, was used as the actuarial value of assets for this valuation. This method is unchanged from the previous valuation.

Actuarial Assumptions (continued)

Justification of Actuarial Assumptions—Solvency and Hypothetical Wind Up Valuations Benefits Valued

	Solvency Valuation	Hypothetical Wind Up Valuation
Vesting	We have treated all accrued benefits as vested on Plan Wind Up.	We have treated all accrued benefits as vested on Plan Wind Up.
Consent Benefits	None.	None.
Grow-In Benefits	As the Plan already gives benefits on termination similar to grow-in (continuous service is deemed to be the length of time as if the Member has continued to pension commencement date), we have valued grow-in benefits for all members.	As the Plan already gives benefits on termination similar to grow-in (continuous service is deemed to be the length of time as if the Member has continued to pension commencement date), we have valued grow-in benefits for all members.
Exclusions	None.	None.
Indexing	We have not valued indexation, in accordance with legislation.	Post-retirement indexation has been valued on hypothetical wind up.

Method of Benefit Settlement

We have assumed that all Plan benefits would be settled on Plan Wind Up either by purchase of single premium annuities or by lump-sum transfer (including payment in cash).

We have set the following assumptions based on guidance prepared by the Canadian Institute of Actuaries Committee on Pension Plan Financial Reporting ("PPFRC") in the Educational Note *Assumptions for Hypothetical Wind Up and Solvency Valuations with Effective Dates Between December 31, 2010 and December 30, 2011* ("CIA Guidance") released on May 10, 2011.

- For benefit entitlements that are expected to be settled by purchase of annuities, we based the assumptions on information compiled by the PPFRC from insurance companies active in the group annuity market. For this purpose, we have assumed a total premium of at least \$15 million.
- For benefit entitlements that are expected to be settled by lump-sum transfer, we based the assumptions on the Canadian Institute of Actuaries Standards of Practice for Determining Pension Commuted Values, effective April 1, 2009, using rates corresponding to a valuation date of December 31, 2010.

Actuarial Assumptions (continued)

Justification of Actuarial Assumptions—Solvency and Hypothetical Wind Up

Valuations (continued)

Assumptions

Members in receipt of, or eligible for, immediate pension:

Discount rate:

4.48% per year

We have assumed these benefits would be settled by purchase of immediate non-indexed annuities.

Postretirement Mortality:

1994 Uninsured Pensioner Mortality Table with projection scale AA to 2020 (sex-distinct rates)

The CIA Guidance states that the combination of the discount rate and mortality assumption are believed to provide a reasonable proxy of annuity purchase rates on the valuation date.

Discount rate for Solvency Liability Adjustment:

4.58% per year

The discount rate used to calculate the Solvency Liability Adjustment is a smoothed discount rate, being the average of the monthly discount rates of the past five years.

Pension Commencement Age:

Age on valuation date

All other members for whom benefits are assumed to be settled by purchase of annuities:

Discount rate:

4.48% per year

We have assumed these benefits would be settled by purchase of deferred non-indexed annuities.

Postretirement Mortality:

1994 Uninsured Pensioner Mortality Table with projection scale AA to 2020 (sex-distinct rates)

The CIA Guidance states that the combination of the discount rate and mortality assumption are believed to provide a reasonable proxy of annuity purchase rates on the valuation date.

Discount rate for Solvency Liability Adjustment:

4.58% per year

The discount rate used to calculate the Solvency Liability Adjustment is a smoothed discount rate, being the average of the monthly discount rates of the past five years.

Pension Commencement Age:

Integer age between 55 and 65 that produces the highest value

Actuarial Assumptions (continued)

Justification of Actuarial Assumptions—Solvency and Hypothetical Wind Up Valuations (continued)

Assumptions (continued)

All members for whom benefits are assumed to be settled by lump-sum transfer or cash:

Discount rate:

first 10 years: 3.30% per year
thereafter: 5.00% per year

Postretirement Mortality:

1994 Uninsured Pensioner Mortality Table with projection scale AA to 2020 (sex-distinct rates)

Discount rate for Solvency Liability Adjustment:

first 10 years: 4.34% per year
thereafter: 5.36 % per year

The discount rate used to calculate the Solvency Liability Adjustment is a smoothed discount rate, being the average of the discount rates over the 60 months ending December 31, 2010.

Pension Commencement Age:

Active members and disabled members accruing benefits: Integer age between 55 and 65 that produces the highest value

Deferred Vested members: Age 65

Retired members and surviving spouses: age on valuation date

Assumptions Not Needed

The following are not relevant to the Solvency or Hypothetical Wind up Valuation:

- Disability Rates

Plan Wind Up Expenses

Plan Wind Up expenses would normally include such items as fees related to preparation of the actuarial Wind Up report, fees imposed by a pension supervisory authority, legal fees, administration, custodial and investment management expenses. We have assumed these fees would be \$4,000,000. We have not made an allowance for expenses related to surplus or deficit resolution. We have assumed that the Company will still be solvent on the wind up of the plan.

Calculation of Special Solvency Payments

We used a discount rate of 4.53% to calculate the special payments necessary to liquidate the solvency deficiency. This rate is a weighted average based on the relative proportions of benefit entitlements that are expected to be settled by purchase of annuities and lump-sum transfer.

Actuarial Assumptions (continued)

Justification of Actuarial Assumptions—Solvency and Hypothetical Wind Up Valuations (continued)

Calculation of Solvency Valuation Incremental Cost

The Solvency Incremental Cost represents the present value, at the valuation date (time 0), of the expected aggregate change in the Solvency Liability between time 0 and the next valuation date (time t), adjusted upwards for expected benefit payments between time 0 and time t.

The detailed calculation methodology is as follows:

A projected Solvency Liability at time t, discounted to time 0, allowing for, if applicable to the pension plan being valued:

- expected decrements and related changes in membership status between time 0 and time t,
- accrual of service to time t,
- expected changes in benefits to time t,
- a projection of pensionable earnings to time t,

Minus

The Solvency Liability at time 0.

Plus

The present value at time 0 of expected benefit payments between time 0 and time t, discounted to time 0,

The projection calculation takes into account the following assumptions and additional considerations:

- The assumptions for the expected benefit payments and decrement probabilities, service accruals, and projected changes in benefits and/or pensionable earnings would be consistent with the assumptions used for the pension plan's Going Concern Valuation as recommended by the Canadian Institute of Actuaries guidance.
- The assumptions used to calculate the projected liability at time t are consistent with the assumptions for the Solvency Liability at time 0, assuming that discount rates remain at the levels applicable at time 0, that the select period is reset at time t for discount rate assumptions that are select and ultimate and that the Standards of Practice for the calculation of commuted values and the guidance for estimated annuity purchase costs in effect at time 0 remain in effect at time t.
- Active and inactive plan members as of time 0 are considered in calculating the incremental cost.

Actuarial Assumptions (continued)

Justification of Actuarial Assumptions—Solvency and Hypothetical Wind Up Valuations (continued)

Methods

Actuarial Cost Method

Unit Credit (Prorated on Service) Cost Method.

Asset Valuation Method

Market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date. Market gains and losses (i.e., the difference between the actual investment return and the assumed Going Concern Valuation discount rate) are phased in over five years.

Actuarial Assumptions (continued)

Discussion of Actuarial Assumptions and Methods

Ultimate Cost

The ultimate cost of a pension plan can be measured only when the obligation to all members has been fully discharged. The cost will then be:

The benefits paid from the plan
 plus
 administrative expenses
 less
 investment gains
 plus
 investment losses.

The actuarial process assigns pension costs to the current year by estimating, based on both current and future service, the benefits to be paid to current Plan members. These estimates are determined through an actuarial valuation which uses three basic elements to project payments from the Plan:

- Benefit provisions of the Plan;
- Data on the present workforce, terminated vested, and retired members; and
- Credit predictions (i.e., actuarial assumptions) about the future as it applies to this workforce.

Actuarial Assumptions

The first step in the actuarial process is to determine the magnitude of the pension liability by determining the benefits expected to be paid. To determine how many members will become eligible for benefits, what benefits will be paid, and how long benefits will be paid, it is necessary to make some economic and demographic predictions (usually called actuarial assumptions) such as:

- An assumed retirement age predicting when members will begin to receive retirement benefits;
- A mortality rate predicting the number of members who will die before retirement and the duration of benefit payments after retirement;
- A withdrawal rate predicting the number of members who will leave the workforce before retirement (sometimes certain kinds of withdrawals, such as disabilities, are predicted separately); and
- If the benefits are based on compensation, an assumed rate of pay increases predicting members' compensation in future years.

Actuarial Assumptions (continued)

These assumptions are applied to the data for each member to predict the amount of benefits expected to be paid each year in the future. The total future benefit payments in each year are then discounted at a selected discount rate to determine the current amount which, with future investment return, will be sufficient to pay the expected benefits as they become payable. The discounted payments are usually called the present value of future benefits.

Total Future Benefit Payments	
Future Investment Return	Present Value of Future Benefits

Actuarial Cost Method

The actuarial method is the mathematical process which determines the contributions required to pay for the present value of future benefits, by allocating costs to the years of a member's career. Some costs are allocated to future years in a member's career (*future service liability*) and other costs are allocated to past years (*past service liability*).

Total Future Benefit Payments			
Future Investment Return	Present Value of Future Benefits		
	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Future Service Liability</td> <td style="text-align: center;">Past Service Liability</td> </tr> </table>	Future Service Liability	Past Service Liability
Future Service Liability	Past Service Liability		

There is a fair amount of flexibility in this allocation of costs between future and past. Some methods assign relatively little cost to past years in a member's career, others assign a more significant portion to the past. All methods produce allocations of contributions which will accumulate to an amount sufficient to provide the benefits at retirement. However, the various methods produce widely different allocation of contributions to past and future employment.

Usual terminology refers to the future allocation as the *present value of future Normal Costs* and the past allocation as the *accrued liability*.

Actuarial Assumptions (continued)

The portion of the accrued liability which is not covered by the assets of the Plan is called the *unfunded accrued liability*. The value of the assets used in the actuarial process must take into account fair market value, but this may be done in a way which eliminates much of the short-term fluctuation of market value from one valuation to the next.

Total Future Benefit Payments		
Future Investment Return	Present Value of Future Benefits	
	Future Service Liability	Past Service Liability
	Present Value of Future Normal Costs	Unfunded Accrued Liability
		Assets

For the current year, the method produces a *Normal Cost*. Payment of the Normal Cost each year would eventually discharge all future service liability.

The unfunded accrued liability must also be discharged, and this is done by an *amortization payment*. The amortization payment is flexible, and may be increased or decreased within certain allowable bounds. The sum of both the normal cost and the amortization payment is the current year's pension cost.

Total Future Benefit Payments				
Future Investment Return	Present Value of Future Benefits			
	Future Service Liability	Past Service Liability		
	Present Value of Future Normal Costs	Unfunded Accrued Liability		
		Assets		
Current Service Cost	<table border="1" style="width: 100px; height: 30px;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;"></td> </tr> </table>			Amortization Payment
	Current Year's Contribution			

Actuarial Assumptions (continued)

Valuations to determine contributions to the Plan use either the **Unit Credit Cost Method** or the **Unit Credit (Prorated-on-Service) Cost Method** or the **Unit Credit (Prorated-on-Benefits) Cost Method**. All of these methods are described below.

Unit Credit Cost Method

Under this actuarial cost method, the cost attributed to past service/membership is based on the period of service/membership actually earned to the valuation date. The cost attributable to the current year's service/membership is based on the period of service/membership expected to be earned for the year starting from the valuation date.

- The **Total Normal Cost** is determined equal to the present value of the benefit expected to be earned in the year starting from the valuation date.
- The **Accrued Liability, Solvency Liability, and Hypothetical Plan Wind Up Liability** are determined equal to the present value of the benefit actually earned to the valuation date, based on the assumptions used for the going concern, solvency, and hypothetical plan Wind Up valuations respectively.
- The sum of such values for all members determines the Total Normal Cost, the Accrued Liability, the Solvency Liability, and the Hypothetical Plan Wind Up for the Plan.
- Future assumed pay increases are reflected in the Accrued Liability and Total Normal Cost for final average pay plans.
- Where member contributions are required, the calculation of the Total Normal Cost and the Accrued Liability reflect the application of the "100% rule" and/or "50% rule" as appropriate.

The calculations for any disability, termination or death benefits take into consideration that the entitlement to benefits may begin at various future times. Each age prior to retirement has associated with it appropriate probabilities of disability, termination, and death.

Actuarial Assumptions (continued)

Unit Credit (Prorated-on-Service) Cost Method

Under this actuarial cost method, the cost attributed to past service/membership and the current year's service/membership are determined by prorating over all years of service/membership the benefits expected to be paid upon normal retirement under this method.

- The expected pension benefit (based on past and future service/membership) at normal retirement is determined for each member.
- The **Total Normal Cost** is determined equal to the present value of the current year's portion of the member's expected pension benefit. The current year's portion is equal to the expected pension benefit times the ratio of one (1) to the number of years of service/membership from the member's date of hire to his Normal Retirement Date.
- The **Accrued Liability** is determined equal to the present value of the past year's portion of the member's expected pension benefit. The past year's portion is equal to the expected pension benefit times the ratio of the number of years of service/membership from the member's date of hire to the valuation date to the number of years of service/membership from the member's hire date to his Normal Retirement Date.
- The sum of such values for all members determines the Total Normal Cost and the Accrued Liability for the Plan.
- Future assumed pay increases are reflected in the Accrued Liability and Total Normal Cost for final average pay plans.
- Where member contributions are required, the calculation of the Total Normal Cost and the Accrued Liability reflect the application of the "100% rule" and/or "50% rule" as appropriate.

The calculations for any disability, termination, or death benefits take into consideration that the entitlement to benefits may begin at various future times. Each age prior to retirement has associated with it appropriate probabilities of disability, termination, and death.

Actuarial Assumptions (continued)

Unit Credit (Prorated-on-Benefits) Cost Method

Under this actuarial cost method, the cost attributed to past benefits and the current year's benefit are determined by prorating over the total benefits expected to be paid upon normal retirement under this method.

- The expected pension benefit (based on past and future benefits) at normal retirement is determined for each member.
- The **Total Normal Cost** is determined equal to the present value of the current year's portion of the member's expected pension benefit. The current year's portion is equal to the expected pension benefit times the ratio of the benefit expected to be earned in the year starting from the valuation date to the total benefits earned from the member's date of hire to his Normal Retirement Date.
- The **Accrued Liability** is determined equal to the present value of the past year's portion of the member's expected pension benefit. The past year's portion is equal to the expected pension benefit times the ratio of the benefits earned from the member's date of hire to the valuation date to the benefits earned from the member's hire date to his Normal Retirement Date.
- The sum of such values for all members determines the Total Normal Cost and the Accrued Liability for the Plan.
- Future assumed pay increases are reflected in the Accrued Liability and Total Normal Cost for final average pay plans.
- Where member contributions are required, the calculation of the Total Normal Cost and the Accrued Liability reflect the application of the "100% rule" and/or "50% rule" as appropriate.

The calculations for any disability, termination, or death benefits take into consideration that the entitlement to benefits may begin at various future times. Each age prior to retirement has associated with it appropriate probabilities of disability, termination, and death.

Cost Certificate

**Sears Canada Inc.
Sears Canada Inc. Registered Retirement Plan (the "Plan")
Registration Numbers: 0360065**

This cost certificate is intended to cover the period from December 31, 2010 to December 31, 2013, unless superseded by a subsequent valuation.

On the basis of data that we consider sufficient and reliable, we have prepared a valuation as of December 31, 2010, and we hereby certify that:

- Since the Defined Benefit Component of the Plan ceased service accrual effective July 1, 2008, the estimated Company cost of benefits for current service in the plan year beginning December 31, 2010 is nil.
- The Plan has an Unfunded Accrued Liability of \$68,039,000 at December 31, 2010 on a Going Concern Valuation basis.
- The Statutory Unfunded Accrued Liability will be amortized according to the following schedule and will be commenced on December 31, 2011, after application of Option 1 of the Temporary Solvency Relief Measures:

Effective Date of Commencement of Payment	Original Amount at December 31, 2010	Annual Special Payment	Remaining Years	Balance as of December 31, 2011
December 31, 2011	\$ 68,039,000	\$ 6,977,000	15	\$ 71,781,000

- The Plan has a Solvency Deficiency of \$205,788,000 and a Statutory Solvency Deficiency of \$96,059,000 at December 31, 2010.
- The Solvency Deficiency will be amortized according to the following schedule and will be commenced on December 31, 2011, after application of Option 1 of the Temporary Solvency Relief Measures:

Effective Date of Commencement of Payment	Original Amount at December 31, 2010	Annual Special Payment	Remaining Years	Balance as of December 31, 2010
December 31, 2011	\$ 96,059,000	22,365,000	5	\$ 100,121,000

- The Plan has a Hypothetical Wind Up Deficiency of \$307,330,000 at December 31, 2010.

Cost Certificate (continued)

- The Plan does not have a Prior Year Credit Balance as of December 31, 2010 as defined under Subsection 5(13) to (16) of the Regulations of the *Pension Benefits Act* (Ontario).
- The Transfer Ratio under the *Pension Benefits Act* (Ontario) and its Regulations is 0.80. As such, restrictions may be placed on lump-sum transfers from the pension fund.
- The assessment base determined for the Pension Benefits Guarantee Fund is \$123,028,000 at December 31, 2010.
- The pre-1990 maximum pension restrictions in Subsection 8504(6) of the Regulations to the *Income Tax Act* (Canada) do not apply to any members of the Plan.
- To our knowledge, there have been no events from December 31, 2010 (the effective date of this valuation) to the date of this report that would have a material impact on the information provided in this report.

For all the purposes of this valuation, it is our opinion that:

- the data on which the valuation is based are sufficient and reliable;
- the assumptions used are appropriate; emerging experience differing from the assumptions will result in gains or losses which will be revealed in future valuations;
- the methods employed in this valuation are appropriate.

This report has been prepared, and our opinion is given, in accordance with accepted actuarial practice.

Aon Hewitt

William da Silva
Fellow of the Canadian Institute of Actuaries

Claire Norville-Buckland
Fellow of the Canadian Institute of Actuaries

September 2011