

SUPPLEMENTAL PENSION FOR VICE-PRESIDENTS

Special pension provisions form part of the total compensation package for Vice-Presidents (and above) of BC Hydro.

The special pension provisions include:

- variable pay amounts included as pensionable earnings
- option to purchase up to an additional 5 years of service

These special provisions do not form part of the 'standard' pension payable from the BC Hydro Pension Plan.

Supplemental Pension Plan Description

When your pension becomes payable, you will be eligible for a 'standard' pension payable from the BC Hydro Pension Plan and an additional Supplemental Pension. These two amounts will be combined and you will receive one monthly payment. The BC Hydro Pension Plan portion will be calculated in accordance with the provisions of the registered plan as outlined in the BC Hydro Pension Plan booklet published in June 1997. The Supplemental Pension portion will be the additional amount required so that your total pension will be:

2% X Years of Service X Best Average Earnings

Years of Service:

Years of contributory service in the BC Hydro Pension Plan **plus** additional service purchased for service as a vice-president to a maximum of five years (60 months).

Best Average Earnings:

Best average earnings includes both base salary and variable pay amounts. The additional period of service purchased will be added to the end of your service history. The best average earnings will be the highest 60 consecutive months of earnings. The deemed earnings for each purchased year will be the highest average 60 consecutive months earnings prior to retirement, termination or death, or the average earnings since becoming a vice-president if that period of time is less than five years.

Contributions:

Contributions will be deemed to be made on variable pay amounts. The contribution rate will be equal to the employee contribution rate in the BC Hydro Pension Plan at the date the variable pay amount is paid. The

current employee contribution rate is 6.31%. Therefore, variable pay amounts will be paid at 93.69% (100% - 6.31%) of the gross amount.

Purchase of Service:

The additional 5 years of service can be purchased using time banks, retiring allowances or variable pay amounts. Time may be purchased quarterly or just prior to retirement or termination as a vice-president, or after variable pay amounts have been discussed.

The cost of purchase for one year of VP service is 12 days of time from the time bank or the equivalent dollar amount, deducted from retiring allowances or variable pay amounts, based on the daily rate of pay at the time of purchase.

It is understood that in return for Hydro's guarantee of payment of these supplemental pension payments, the deemed contributions made by you or on your behalf pursuant to this agreement will not be kept in a separate fund or individually accounted for.