

(1) contracts for professional services for less than \$10 000;

(2) contracts for auxiliary services for less than \$10 000;

(3) lease contracts for less than \$10 000;

(4) supply contracts for less than \$10 000.

19. This Regulation replaces the Regulation respecting the signing of certain deeds, documents or writings of the Ministère de l'Industrie, du Commerce et de la Technologie, made by Order in Council 856-91 dated 19 June 1991.

20. This Regulation comes into force on the date of its publication in the *Gazette officielle du Québec*.

3305

Gouvernement du Québec

O.C. 1453-99, 15 December 1999

Hydro-Québec Act
(R.S.Q., c. H-5)

Hydro-Québec — Pension plan

Approval of Hydro-Québec By-law No. 681 respecting the pension plan

WHEREAS section 49 of the Hydro-Québec Act (R.S.Q., c. H-5) stipulates that the Corporation is authorized to establish a retirement plan by by-law;

WHEREAS section 55 of the Hydro-Québec Act stipulates that every by-law passed under the division on the retirement plan shall be subject to the Supplemental Pension Plans Act (R.S.Q., c. R-15.1) and shall not come into force until approved by the Government;

WHEREAS the board of directors of Hydro-Québec passed Hydro-Québec By-law No. 679 respecting the pension plan on 11 June 1999 and the Government approved that by-law by Order in Council 776-99 dated 23 June 1999, in accordance with those sections;

WHEREAS Hydro-Québec By-law No. 681 respecting the pension plan, which replaces By-law No. 679, was passed on 13 December 1999 by the board of directors of Hydro-Québec;

WHEREAS paragraph 1 of section 3 of the Regulations Act (R.S.Q., c. R-18.1) stipulates that that Act does not apply to Hydro-Québec By-law No. 681 respecting the pension plan;

WHEREAS it is expedient to approve the By-law;

IT IS ORDERED, therefore, on the recommendation of the Minister of Natural Resources:

THAT Hydro-Québec By-law No. 681 respecting the pension plan, attached to this Order in Council, be approved.

MICHEL NOËL DE TILLY,
Clerk of the Conseil exécutif

By-law no. 681 Hydro-Québec Pension Plan

(Effective Date — January 1, 2000)

TABLE OF CONTENTS

PART I

GENERAL PROVISIONS

Section 1 DEFINITIONS

Section 2 MEMBERSHIP

Section 3 CONTRIBUTIONS

Section 4 CALCULATION OF PENSION

Section 5 RETIREMENT

Section 6 DEATH BENEFITS

Section 7 TERMINATION BENEFITS

Section 8 TRANSFER OF BENEFITS BETWEEN SPOUSES

Section 9 INTEREST CALCULATION

Section 10 REDEMPTION OF YEARS OF CONTRIBUTORY SERVICE

Section 11 REHIRING

Section 12 MAXIMUM BENEFITS

Section 13 INDEXATION

Section 14 OPTIONAL FORMS OF PENSION

Section 15 ADMINISTRATION OF THE PLAN

PART II
SUPPLEMENTARY PROVISIONS

Section 16 DEFINITIONS

Section 17 CONTRIBUTIONS

Section 18 RETIREMENT BENEFIT GUARANTEE
FORMULASection 19 RETIREMENT BENEFIT GUARANTEE
FORMULA — POSTPONED
RETIREMENT

Section 20 MINIMUM RETIREMENT BENEFIT

Section 21 SPECIAL PROVISIONS

PART III
PROVISIONS REGARDING THE SUBSIDIARIES'
MERGED PLANSSection 22 PENSION PLAN FOR EMPLOYEES
OF THE COMPAGNIE D'ÉLECTRICITÉ
DU SUD DU CANADA LTÉESection 23 PENSION PLAN FOR EMPLOYEES OF
THE COMPAGNIE D'ÉLECTRICITÉ
DU NORD DU QUÉBEC LIMITÉESection 24 PENSION PLAN FOR EMPLOYEES OF
THE COMPAGNIE ÉLECTRIQUE
DU SAGUENAYSection 25 PENSION PLAN FOR EMPLOYEES OF
THE COMPAGNIE DE POUVOIR DU
BAS ST-LAURENT

Section 26 CONTRIBUTIONS

PART IV
MISCELLANEOUS PROVISIONS

Section 27 PAYMENT OF BENEFITS

Section 28 TRANSFER AGREEMENT

Section 29 PLAN MEMBERSHIP AGREEMENT

Section 30 ACQUIRED BENEFITS

Section 31 SPECIAL PROVISIONS

Section 32 EFFECTIVE DATE

HYDRO-QUÉBEC PENSION PLAN

PART I
GENERAL PROVISIONS

In this By-law, unless the context indicates otherwise, terms written in the masculine gender include the feminine and shall mean:

SECTION 1
DEFINITIONS

1.1 “Actuarial equivalence”: determination by the actuary of an amount which is equivalent in value to another amount, based on generally accepted actuarial assumptions which have been communicated by Hydro-Québec to the appropriate government authorities, in accordance with the requirements of applicable laws and regulations; (1.16)

1.2 “Actuary”: a person qualified to fulfil this function in accordance with the Supplemental Pension Plans Act; (1.2)

1.2 A) “Adjusted earnings”: the member’s earnings expressed as a weekly amount to which is added, if applicable, the earnings which correspond to the weekly earnings rate, expressed as a weekly amount, shown on the employer’s payroll during a temporary leave of absence that the member redeems as a year of contributory service;

Adjusted earnings shall also include, if applicable, the total or partial difference, expressed as a weekly amount, between the earnings rate shown on the employer’s payroll before and after the reduction in workweek, for which the employer has contributed, for:

i. the member at January 1, 1997 that has continued to be a member since such date; and

ii. the person that, had it not been for his termination of employment, would have been eligible to contribute at January 1, 1997 and is entitled to recall rights at such date; [1.40A)]

1.3 “Basic exemption”: Basic exemption established for the year in question under the Québec Pension Plan Act; (1.17)

1.4 “By-law no. 83”: By-law no. 83 in respect of the Hydro-Québec Pension Plan, as amended by By-laws nos. 106, 119, 123, 258, 259, 260 and 265; (1.35)

1.5 “By-law no. 278”: By-law no. 278 in respect of the Hydro-Québec Pension Plan, as amended by By-laws nos. 362, 416 and 447; (1.36)

1.6 “By-law no. 534”: By-law no. 534 in respect of the Hydro-Québec Pension Plan; (1.37)

1.6 A) “By-law no. 582”: By-law no. 582 in respect of the Hydro-Québec Pension Plan; (1.37A)

1.6 B) “By-law no. 653”: By-law no. 653 in respect of the Hydro-Québec Pension Plan; (1.37B)

1.6 C) “By-law no. 676”: By-law no. 676 in respect of the Hydro-Québec Pension Plan; (1.37C)

1.6 D) “By-law no. 679”: By-law no. 679 in respect of the Hydro-Québec Pension Plan; (1.37D)

1.7 “Child”: a child of a member, a former member or a pensioner, whatever the relationship, who meets one of the following conditions:

(a) is under 18 years of age;

(b) is between 18 and 25 years of age, and is a full-time student at an educational institution;

(c) regardless of his age, became mentally or physically disabled before reaching his 18th birthday, and has remained totally disabled ever since;

(d) regardless of his age, became mentally or physically disabled between 18 and 25 years of age, while a full-time student at an educational institution, and has remained totally disabled ever since; (1.15)

1.8 “Committee”: the Hydro-Québec Pension Committee; (1.11)

1.9 “Compensation”: earnings plus any additional payments, including bonuses, premiums, lump sum amounts, overtime pay, allowances of any type excluding the reimbursement of expenses, and any other similar payments; (1.38)

1.10 “Consumer price index for the year”: the arithmetical average, for the 12-month period ending October 31 for the year in question, of the monthly consumer price indices for all goods in Canada, as published by Statistics Canada; (1.19)

1.11 “Defined benefit limit”: the greater of the following amounts:

(a) \$1,722.22;

(b) one ninth of the money purchase limit for the year in question as defined by the Income Tax Act; (1.32)

1.12 “Earnings”: the member’s basic hourly, daily, weekly, monthly or annual pay, which is stated on the employer’s payroll, with the exception of any additional payments, such as bonuses, premiums, benefits, lump sum amounts, gratuities, allowances of any type, overtime pay or any other similar payments. Notwithstanding the foregoing, for a member concerned, earnings include any lump sum payment made under the Incentive Plan of the company when only this plan is applicable. For any other member concerned, earnings include any lump sum payment resulting from performance and provided for under a company program or plan (including the Incentive Plan of the company, if applicable), the amount of such lump sum payment being limited to 2/3 of the maximum provided for under such program or plan (including the Incentive Plan of the company, if applicable).

Any portion of the member’s earnings received during a year and which represents a retroactive payment of earnings for a previous year, as well as, for a member concerned, any lump sum payment identified before and received during a year, but for a previous year, shall be deducted from the earnings in the year of payment and added to the earnings for the year for which the payment is made; (1.40)

1.13 “Employee”: any person working for Hydro-Québec or one of its subsidiaries as a trainee or as a permanent, regular or temporary employee and who is shown on the employer’s payroll, with the exception of any person governed by the Construction decree, R.R.Q., 1981, c. R-20, r. 5; (1.13)

1.14 “Employer”: Hydro-Québec, located at 75 René-Lévesque Blvd. West, Montréal, Québec H2Z 1A4, or Hydro-Québec International, located at 800 de Maisonneuve Blvd. East, Montréal, Québec H2L 4M8, or any other subsidiary bound by a plan membership agreement as described under Section 29; (1.14)

1.15 “Five-year average earnings”: the member’s average adjusted earnings, expressed as an annual amount, for the five years of contributory service for which the adjusted earnings were the greatest, or, if the member has less than five years of contributory service, for his actual years of contributory service. If one or more fractions of years of contributory service are taken into account, the complementary fraction and corresponding adjusted earnings are determined on the basis of the years in which the adjusted earnings, expressed as an annual amount, were the greatest. The years of contributory service recognized pursuant to a transfer agreement and the related earnings are not taken into account for the purposes of establishing the five-year average earnings; (1.41)

1.16 “Former member”: a former employee, who is not a pensioner, but is entitled to benefits under By-law no. 83, By-law no. 278, By-law no. 534, By-law no. 582, By-law no. 653, By-law no. 676, By-law no. 679 or the plan; (1.3)

1.17 “Hydro-Québec Act”: the Hydro-Québec Act, R.S.Q., c. H-5; (1.25)

1.18 “Income Tax Act”: the Income Tax Act, S.C., 1985 (5th suppl.) c.1 and any amendments made thereto; (1.24)

1.19 “Interest”: simple interest at the rate of 4 % per annum for the period of January 1, 1966 to December 31, 1979, interest at the rate of 7.5 % compounded annually between January 1, 1980 and December 31, 1989, and for each year from January 1, 1990, at the rate obtained monthly on personal five-year term deposits for chartered banks as reported by the Bank of Canada; (1.21)

1.20 “Member”: an employee who is eligible to contribute to the plan or an employee who has postponed his retirement or a person who is entitled to recall rights following his termination of employment and to whom the provisions in 7.5 apply; (1.30)

1.20 A “Member concerned”: a member who is a management employee, a non-unionized employee, an engineer who is a member of the Syndicat professionnel des ingénieurs d’Hydro-Québec or, beginning at the effective date provided for in the agreement, a unionized employee whose union has signed an agreement in principle with Hydro-Québec on the application of the special provisions of the plan for members concerned which has been ratified by the members of the union.

Shall also be considered a member concerned, at the effective date of this By-law, an employee for whom an application for union certification is pending at the effective date of this By-law and who is not excluded by such application; (1.30A)

1.21 “Old Age Security Act”: the Old Age Security Act, R.S.C., 1985, c. O-9; (1.23)

1.22 “Pay period”: a period of time, or a fraction thereof, as determined by the employer’s payroll system; (1.31)

1.23 “Pension index”: the ratio expressed as a percentage of the consumer price index for the year, to that of the previous year; (1.20)

1.24 “Pensioner”: a former employee who receives pension benefits under By-law no. 83, By-law no. 278,

By-law no. 534, By-law no. 582, By-law no. 653, By-law no. 676, By-law no. 679 or the plan. Any employee who receives his total pension benefit after the normal retirement date while remaining in the service of the employer is considered a pensioner; (1.39)

1.25 “Physician”: a physician authorized to practice medicine by the applicable legislation; (1.29)

1.26 “Plan”: all the provisions of the present By-law and any amendments made thereto; the plan is designated as the Hydro-Québec Pension Plan; (1.33)

1.27 “Present value”: the value of a benefit as established at a given date on an actuarial equivalence basis; (1.43)

1.28 “Québec Pension Plan Act”: the Québec Pension Plan Act, R.S.Q., c. R-9; (1.27)

1.28 A “Rate of return”: the rate of return net of all expenses earned by the pension fund during the period in question and calculated according to the fair market value of assets, as established by the actuary; (1.42A)

1.28 B “Reduction in workweek”: the decrease in the average full-time workweek as a result of measures to reduce total compensation, as applied to a member effective January 1, 1997, with the exception of any decrease in the average workweek granted at the employee’s request; (1.32A)

1.29 “Spouse”: any person who:

(a) is married to a member, a former member, or a pensioner;

(b) has been living in a conjugal relationship with an unmarried member, an unmarried former member, or an unmarried pensioner, whether the person is of the opposite sex or of the same sex, for a period of not less than three years, or for a period of not less than one year, if one of the following conditions is met:

— a child has been conceived from the relationship;

— they have jointly adopted at least one child while living together in a conjugal relationship;

— one of them has adopted at least one child who is the child of the other during this period; (1.12)

1.30 “Subsidiary”: a company of which Hydro-Québec owns a minimum of 90 % of the shares, including, for the purposes of this plan, any electricity cooperative of which Hydro-Québec has acquired the assets; (1.18)

1.31 “Supplemental Pension Plans Act”: the Supplemental Pension Plans Act, R.S.Q., c. R-15.1; (1.26)

1.32 “Supplemental plan”: any pension plan of a subsidiary in which the member, former member or pensioner has participated; (1.34)

1.33 “Temporary leave of absence”: any absence from employment authorized by the employer; (1.1)

1.34 “Termination of employment”: any interruption in the years of continuous service not due to retirement or death; (1.10)

1.35 “Three-year average earnings”: the member’s average adjusted earnings, expressed as an annual amount, for the three years of contributory service for which the adjusted earnings were the greatest, or, if the member has less than three years of contributory service, for his actual years of contributory service. If one or more fractions of years of contributory service are taken into account, the complementary fraction and corresponding adjusted earnings are determined on the basis of the years in which the adjusted earnings, expressed as an annual amount, were the greatest. The years of contributory service recognized pursuant to a transfer agreement and the related earnings are not taken into account for the purposes of establishing the three-year average earnings; (1.42)

1.36 “Total and permanent disability”: any physical or mental disability certified in writing by a physician, preventing a member from occupying a position for which he is reasonably qualified by his education, training or experience, and which continues until his death; (1.22)

1.37 “Year”: calendar year; (1.4)

1.38 “Year of allowable service”: a year during which the member participated in a pension plan of a company with which a transfer agreement was signed, which is not a year of contributory service for the purposes of the plan and which is recognized for the sole purpose of establishing the entitlement to a retirement benefit, any fraction of year being considered proportionately; (1.5)

1.39 “Year of certified service”: a year during which the member has participated in a supplemental plan, any fraction of year being considered proportionately; (1.7)

1.40 “Year of contributory service”: a year during which the member contributed to the Hydro-Québec Pension Fund, or a year recognized as such pursuant to the plan or to a transfer agreement, or a year during which the member is entitled to a partial or total reduc-

tion of his contribution pursuant to the provisions of 3.4A, any fraction of year being considered proportionately; (1.6)

1.41 “Year’s maximum pensionable earnings”: the maximum earnings recognized for the year in question under the Québec Pension Plan Act; (1.28)

1.42 “Years of continuous service”: the total number of years during which a person has remained without interruption in the employ of the employer, a subsidiary, or who has fulfilled a function with one of the preceding, or has had no interruption of employment in a company with which a transfer agreement has been signed, but including any temporary leave of absence and the 24-month period provided for in 7.5, any fraction of year, being considered proportionately; (1.8)

1.43 “Years of credited service”: the total number of years of contributory service, years of certified service, and years of allowable service. (1.9)

Note: The numbers in parentheses correspond to the definitions of the French version.

SECTION 2 MEMBERSHIP

2.1 Any employee who, as at December 31, 1999, was participating in the Hydro-Québec Pension Plan under By-law no. 679, shall participate in the plan as of January 1, 2000.

2.2 Any person hired after December 31, 1999 as a trainee or as a permanent employee shall participate in the plan as of the date he begins his employment, if he is under 65 years of age at the time.

2.3 As of June 1, 1990, any temporary employee, with the exception of any person governed by the Construction decree, R.R.Q., 1981, c. R-20, r. 5, shall participate in the plan if, in the year preceding the one during which he joins the plan, he received from the employer compensation at least equal to 35 % of the year’s maximum pensionable earnings, as established for the said year, or has been in the employment of the employer for a minimum of 700 hours and if, at the time his membership begins, he has not reached the age of 65.

2.4 Any person working for a subsidiary as an employee shall participate in the plan as of the date provided for in the plan membership agreement concluded under Section 29, if he is under 65 years of age at the time and subject to the provisions set out in 2.3 in respect of temporary employees.

SECTION 3 CONTRIBUTIONS

3.1 Employee contributions:

(a) At each pay period, a member contributes, through payroll deduction, an amount equal to the sum of:

- i. 6.3 % of the earnings up to the basic exemption;
- ii. 4.5 % of that portion of earnings between the basic exemption and the year's maximum pensionable earnings;
- iii. 6.3 % of that portion of earnings above the year's maximum pensionable earnings.

(b) A member who receives earnings during temporary leave of absence shall continue to make contributions.

(c) A member shall cease to make contributions on the last day of the month during which he attains age 65.

3.2 Employer contributions

For each member contributing to the plan, the employer shall pay, before the 15th day following the end of each pay period, a contribution equal to the sum of:

(a) 11.34 % of the earnings up to the basic exemption;

(b) 9.54 % of that portion of earnings between the basic exemption and the year's maximum pensionable earnings;

(c) 11.34 % of that portion of earnings above the year's maximum pensionable earnings.

3.3 Adjustment of contributions

(a) The contributions provided for in 3.1 and 3.2 above are adjusted in accordance with the actuarial valuation report prepared by the actuary and filed with the Régie des rentes du Québec. This report sets out recommendations to Hydro-Québec as to the percentages for employee and employer contributions, in such a way that at the date of the actuarial valuation, the percentage of employer contributions when applied to the total of the earnings of the contributing members represents 180 % of the percentage of the employee contributions on the members' total earnings. The percentage of employee and employer contributions thus obtained is reduced by 1.8 percentage point for that portion of earn-

ings between the basic exemption and the year's maximum pensionable earnings. However, for the purpose of determining the percentage of employee contributions and the percentage of employer contributions according to the 100 % 180 % ratio stipulated above, the said 1.8 percentage point reduction is not taken into account.

(b) The percentages of employee contributions and the percentages of employer contributions determined according to *a* above are reduced, where applicable, by the utilization of any surplus in respect of part I of the plan as shown in the report mentioned in *a* above.

(c) Following the adjustments as set out in *a* and *b* above, the resulting percentages of employee and employer contributions shall not exceed those set out in 3.1 and 3.2, nor be less than:

i. Employee contributions:

- (1) 5.82 % of the earnings up to the basic exemption;
- (2) 4.02 % of that portion of earnings between the basic exemption and the year's maximum pensionable earnings;
- (3) 5.82 % of that portion of earnings above the year's maximum pensionable earnings.

ii. Employer contributions:

- (1) 10.48 % of the earnings up to the basic exemption;
- (2) 8.68 % of that portion of earnings between the basic exemption and the year's maximum pensionable earnings;
- (3) 10.48 % of that portion of earnings above the year's maximum pensionable earnings.

iii. notwithstanding the foregoing, from January 1, 1997 to December 31, 2000:

Employer contributions:

- (1) 5.82 % of the earnings up to the basic exemption;
- (2) 4.02 % of that portion of earnings between the basic exemption and the year's maximum pensionable earnings;
- (3) 5.82 % of that portion of earnings above the year's maximum pensionable earnings.

(d) The percentages of employee and employer contributions resulting from the application of 3.3 shall be applied during the period set out in the report mentioned in *a* above. However, the percentages of contributions provided for in 3.1 and 3.2 shall apply for the period between the end of the period covered by an actuarial valuation report and the date on which a new actuarial valuation report is filed with the Régie des rentes du Québec.

(e) An overpayment of contributions resulting from the adjustments provided for in 3.3 shall be returned to the members and the employer in the form of a contribution holiday according to terms and conditions determined by Hydro-Québec and subject to the Supplemental Pension Plans Act and any regulations adopted by the Government of Québec pursuant to this Act. In the event that a contribution holiday cannot be granted, such as in the case of a termination of employment, a death entitling the spouse or children to a survivor pension, where applicable, an unpaid temporary leave or a retirement, or in the event that the member has ceased to contribute to the plan, the overpayment of employee contributions shall be considered as additional voluntary contributions and, as such, shall be reimbursed with interest unless they are included in the excess contributions.

(f) If, following the adjustments provided for in 3.3, the contributions made are insufficient, the difference between the contributions made and the contributions payable shall be paid by the contributing members and the employer. The payment thereof, with interest, shall be according to the terms and conditions determined by Hydro-Québec and pursuant to the Supplemental Pension Plans Act and any regulations adopted by the Government of Québec pursuant to this Act. In the event that no earnings are paid, such as in the case of a termination of employment, a death entitling the spouse or children to a survivor pension, an unpaid temporary leave or a retirement, or in the event that the member has ceased to contribute to the plan, the difference shall be returned to the pension fund with interest.

3.4 Equalization contributions

The employer shall make up any unfunded actuarial liability of the plan through one or more payments, the terms and conditions of which shall be determined by the employer, in accordance with the provisions then in force of the Hydro-Québec Act and the Supplemental Pension Plans Act.

The employer shall also pay any amount required to ensure the solvency of the plan pursuant to the provisions of the Supplemental Pension Plans Act.

Any technical actuarial deficiency resulting from the experience of the plan in relation to the improvements made to Part I of the plan after December 31, 1985 shall be made up through special contributions shared by the employer and the contributing members, with the employer's share being equal to 180 % of the member's share, provided, however, that the percentages of employee contributions, as increased by this special contribution and expressed as percentages of earnings, does not exceed the percentages set out in 3.1.

3.4 A) Adjustment of contributions for members concerned

(a) Notwithstanding the foregoing, the employee contributions of members concerned and employer contributions made on their behalf shall be suspended until the effective date of an actuarial valuation report for the plan filed with the Régie des rentes du Québec and which shows a funding rate of less than 110 %.

(b) The plan's actuarial valuation report filed with the Régie des rentes du Québec showing a funding rate of less than 110 % specifies the rate of employee contributions for members concerned and the rate of employer contributions made on their behalf in effect until a new actuarial valuation report for the plan is filed with the Régie des rentes du Québec. Employee contributions cannot be increased by more than 1 % of earnings per year and employer contributions are equal to 180 % of employee contributions, until they respectively reach the employee contributions set out in accordance with 3.1.

(c) The filing with the Régie des rentes du Québec of an actuarial valuation report of the plan showing a funding rate which is equal to or more than 110 % will, on the effective date of the actuarial valuation report, result in the suspension of employee contributions for members concerned and employer contributions on their behalf.

(d) The plan's actuarial valuation report filed with the Régie des rentes du Québec also specifies the employer contributions required to cover the current service cost for members concerned taking into account employee contributions and employer contributions resulting from the application of 3.4Ab, the funding surplus and the excess employer contributions.

(e) Employer contributions made in accordance with 3.4Ad that exceed those resulting from the application of 3.4Ab are deemed to be excess employer contributions made and are recorded and credited using the pension fund's rate of return. Any equalization contribution made in accordance with 3.4 for members concerned shall be

considered an excess employer contribution. The plan's actuarial valuation report filed with the Régie des rentes du Québec indicates the excess employer contributions.

Excess employer contributions shall be remitted in priority to the employer as soon as a sufficient funding surplus is declared. This rebate shall take the form of a reduction in the employer contribution. The plan's actuarial valuation report filed with the Régie des rentes du Québec indicates the reduction in employer contributions.

3.5 Excess contributions

(a) Excess contributions are equal to employee contributions for the years of contributory service after December 31, 1989, accrued with interest, in excess of 50 % of the present value of the benefits provided for in Part I of the plan and resulting from the years of contributory service after December 31, 1989.

(b) Excess contributions are calculated at the date of termination of employment, death or retirement of the member, whichever comes first, provided that, in the case of termination of employment or death, the member has at least 2 years of continuous service.

3.6 Contributions for periods of temporary leave of absence or reduction in workweek

(a) A member who receives compensation from the employer during a temporary leave of absence due to maternity shall continue to make contributions. These shall be calculated on the earnings rate shown on the employer's payroll during the temporary leave of absence.

(b) i. A member who receives an indemnity from the employer during a temporary leave of absence resulting from a preventive leave under the Act Respecting Occupational Health and Safety, R.S.Q., c. S-2.1, or an occupational accident under the Act Respecting Industrial Accidents and Occupational Diseases, R.S.Q., c. A-3.001, shall continue to make contributions. These shall be calculated on the basis of the earnings rate shown on the employer's payroll during the temporary leave of absence.

ii. However, when the indemnity provided for above is paid by the "Commission de la santé et de la sécurité du travail", the member shall, after December 31, 1989, have the option of continuing to make his contributions. For the purposes of this paragraph, his contributions shall be calculated on the basis of his earnings rate shown on the employer's payroll during the temporary leave of absence.

(c) A member who receives payments under a supplementary earnings security plan of the employer shall continue to make contributions based on such payments. Contributions shall be calculated on the basis of these payments even though they may be reduced by payments from a government plan. Benefits shall be calculated, where applicable, on the basis of such earnings.

(d) Subject to the provisions of Section 10, and to the following, no contributions shall be payable during periods of temporary leave of absence without pay, and such periods shall not be considered in the calculation of benefits under the plan. However;

i. from January 1, 1997 to December 31, 2000 and from January 1, 1997 to December 31, 2003 for a member concerned:

(1) during any temporary leave of absence without pay under an unpaid leave plan, the member may, for each pay period, make contributions calculated on the basis of the earnings rate shown on the employer's payroll during the temporary leave of absence. Such contributions shall correspond to the current service cost applicable to the pay period in question, expressed as a percentage, as determined in the actuarial valuation report prepared by the actuary and filed with the Régie des rentes du Québec;

(2) during any temporary leave of absence without pay under a deferred salary leave plan, the member may, for each pay period, make contributions calculated on the basis of the earnings rate shown on the employer's payroll during the temporary leave of absence. Such contributions shall be equal to the sum of the employee contributions and the employer contributions applicable to the pay period in question;

(3) during any period of temporary leave of absence partially compensated under an equally distributed remuneration plan, the member may, for each pay period, make contributions calculated on the basis of the difference between the earnings rate, expressed as a weekly amount, shown on the employer's payroll during the temporary leave of absence and the weekly earnings paid during the periods in question. Such contributions shall be equal to the sum of the employee contributions and the employer contributions applicable to the pay period in question;

(4) during any period of temporary leave of absence without pay under a job sharing arrangement, the member may, for each pay period, make contributions calculated on the basis of the earnings rate shown on the employer's payroll during the temporary leave of absence.

sence. Such contributions shall be equal to the sum of the employee contributions and the employer contributions applicable to the pay period in question;

(5) during any temporary leave of absence without pay under a tutorial plan, the member may, for each pay period, make his employee contributions as applicable to the pay period in question and calculated on the basis of the earnings rate shown on the employer's payroll during the temporary leave of absence;

ii. effective January 1, 1997:

(1) during any temporary leave of absence without pay resulting from a voluntary reduction in the workweek from 33.5 hours to 32 hours, approved by the employer, the member may, for each pay period, make contributions calculated on the basis of the earnings rate shown on the employer's payroll in effect during the temporary leave of absence and equal to the sum of the employee contributions and the employer contributions for the one hour and one half per week which corresponds to the difference between the actual schedule and the normal full-time schedule. However, if the sum of the hours paid and redeemed is less than 32, the one hour and one half shall be reduced by the proportion of the number of these hours on 32.

A member may exercise this option on the first pay period of the year, with this choice being valid for the entire year, unless his schedule changes during the year;

(2) during any temporary leave of absence without pay under a parental benefits plan, the member may, for each pay period, make his employee contributions calculated on the basis of the earnings rate shown on the employer's payroll during the temporary leave of absence.

iii. an absence due the strike which occurred between May 5, 1999 and September 27, 1999 inclusively, including periods of absence owing to administrative and disciplinary measures subject, with respect to the recognition of these periods, to any applicable arbitration decision, is considered, for the purposes herein, as a temporary leave of absence without pay during which the member made, for each pay period, his employee contributions applicable to the pay period in question and calculated on the basis of the earnings rate shown on the employer's payroll during the temporary leave of absence.

(e) Effective January 1, 1997, the employer shall make, within the period set out in 3.2 above, for the member at January 1, 1997 or for the person referred to in 1.2A *ii* who has had his earnings reduced as a result of

a reduction in workweek, contributions equal to the sum of the employee contributions and the employer contributions calculated on the basis of the difference between the earnings rate, expressed as a weekly amount, before the reduction in workweek and the earnings rate, expressed as a weekly amount, after said reduction in workweek. Such contributions shall cease as soon as the earnings rate, expressed as a weekly rate, is once again equal to the rate in effect before the reduction in workweek. Such contributions do not increase the number of years of contributory service and serve solely for the purposes of calculating benefits.

(f) The payment of the full amount of the contributions pursuant to *e* above is subject to the payment, by the member, of the contributions provided for in *b ii* and *d* above or to the redemption of the years of contributory service as provided for in Section 10. Where applicable, the employer only makes contributions in proportion to the contributions made by the member. However, the employer shall pay the full amount of such contributions if the member's only non-contributory leave of absence is the one provided for in *d ii* 1 above.

(g) A member who avails himself of the provisions set out in *b ii* and *d* above, shall have the total or part of his temporary leave of absence counted as a year of contributory service.

When a member has all or part of his temporary leave of absence counted as a year of contributory service, the years of contributory service so recognized shall be presumed to be those closest to his return to work.

The provisions regarding the payment of the contributions provided for in *b ii*, *d i* and *d ii* 2 above are set out in Section 10.

A member who avails himself of the provisions set out in *b ii* and *d* above and in Section 10 cannot have adjusted earnings nor a contribution period which is greater than those obtained had he not taken the temporary leaves of absence.

Contributions made in accordance with 3.6 shall be deemed as employee contributions, with the exception of those resulting from *e* and *f* above, which shall be deemed as employer contributions.

3.7 If, during a year, the member receives a retroactive payment of earnings for a previous year, such member shall pay a contribution equal to the difference between the employee contribution based on the contribution rate in effect for the said year and applied to the earnings increased by the retroactive payment and the employee contribution actually paid during the appropriate previous year.

3.8 For the purposes of this Section only, the earnings used to determine contributions shall be limited to the sum of the following amounts:

(a) the defined benefit limit for the year;

(b) the year's maximum pensionable earnings multiplied by the rate stipulated in 4.3c,

the whole divided by the rate provided for in 4.1d.

3.9 All contributions paid under this Section shall be subject to the Income Tax Act and to any regulations adopted by the Government of Canada pursuant to this Act.

SECTION 4 CALCULATION OF PENSION

4.1 The annual retirement benefit is equal to the sum of the following:

(a) 2 % of the five-year average earnings multiplied by the number of years of contributory service prior to January 1, 1966;

(b) 2.25 % of the five-year average earnings multiplied by the number of years of contributory service after December 31, 1965 and prior to January 1, 1990;

(c) 2.25 % of the five-year average earnings multiplied by the number of years of contributory service after December 31, 1989 and prior to January 1, 1992;

(d) 2 % of the five-year average earnings, reduced by the positive difference between:

i. 0.7 % of the five-year average earnings, up to the average of the year's maximum pensionable earnings for the five years preceding the date of termination of employment, death, retirement or normal retirement if the member takes a postponed retirement; and

ii. 0.25 % of the five-year average earnings;

multiplied by the number of years of contributory service after December 31, 1991.

4.1 A) The bridging benefit ending on the 1st day of the month immediately following the 65th birthday shall be equal to the greater of the following:

(a) 0.7 % of the five-year average earnings, up to the average of the year's maximum pensionable earnings for the five years preceding the date of termination of employment, death, retirement or normal retirement if

the member takes a postponed retirement, multiplied by the number of years of contributory service after December 31, 1991; and

(b) 0.25 % of the five-year average earnings, multiplied by the number of years of contributory service after December 31, 1991.

4.2 The annual pension calculated in 4.1a and 4.1b above and increased, where applicable, by retirement benefits payable under 5.2c shall not exceed, prior to indexing as provided for in Section 13, 80 % of the five-year average earnings.

However, for the calculation of this maximum, the additional pension provided for in 4.4 and the adjustment provided for in 5.5c *ii* shall not be taken into account.

4.3 Beginning on the 1st day of the month immediately following the 65th birthday, the retirement benefit provided for in 4.1 and 4.2 shall be reduced by the sum of the following:

(a) 0.7 % of the five-year average earnings, up to the average of the year's maximum pensionable earnings for the five years preceding the date of termination of employment, death, retirement or normal retirement if the member takes a postponed retirement, multiplied by the number of years of contributory service after December 31, 1965 and prior to January 1, 1990;

(b) 0.7 % of the five-year average earnings, up to the average of the year's maximum pensionable earnings for the five years preceding the date of termination of employment, death, retirement or normal retirement if the member takes a postponed retirement, multiplied by the number of years of contributory service after December 31, 1989 and prior to January 1, 1992;

4.4 An additional retirement benefit from excess contributions, as established in 3.5, shall be added, where applicable, to the retirement benefit calculated in 4.1, 4.1A, 4.2 and 4.3.

This additional retirement benefit shall be determined on an actuarial equivalence basis.

4.5 Notwithstanding any provisions to the contrary, if the pension calculated in accordance with 4.1, 4.1A, 4.2, 4.3 and 4.4 results in the present value of the pension for years of contributory service after December 31, 1991 and prior to January 1, 1999, being lower than the present value of such pension calculated as if the provisions of 4.1d were replaced by the provisions of *a* below, the provisions of *b* below were added to the provisions of 4.3 and the provisions of 4.1A were not applied:

(a) 2 % of the three-year average earnings, multiplied by the number of years of contributory service after December 31, 1991 and prior to January 1, 1999;

(b) 0.3 % of the three-year average earnings, up to the average of the year's maximum pensionable earnings for the three years preceding the date of termination of employment, death, retirement or normal retirement if the member takes a postponed retirement, multiplied by the number of years of contributory service after December 31, 1991 and prior to January 1, 1999,

the pension calculated in 4.1*d* is replaced with the pension calculated in *a* above, the pension calculated in *b* above is added to the pension calculated in 4.3 and the provisions of 4.1A were not applied.

4.6 To the pension calculated in 4.1, 4.1A, 4.2, 4.3, 4.4 and 4.5 for a member concerned is added an additional bridging benefit equal to 0.2 % of the five-year average earnings, up to the average of the year's maximum pensionable earnings for the five years preceding the date of termination of employment, death, retirement or normal retirement if the member takes a postponed retirement, multiplied by the number of years of contributory service before January 1, 2004. This bridging benefit is reviewed in accordance with Section 13 and ends on the 1st day of the month immediately following the 65th birthday.

SECTION 5 RETIREMENT

5.1 Normal retirement

(a) The normal retirement date is the 1 day of the month immediately following the 65th birthday.

(b) A member who retires on the normal retirement date shall receive a retirement benefit pursuant to Section 4 and, where applicable, to Section 14.

5.2 Voluntary retirement

(a) Any member who has at least 15 years of credited service may retire on the 1st day of any month following his 60th birthday. However, a female member who was working on December 31, 1979, and who, on that date, was a member of the plan in accordance with By-law no. 83 may, once she has at least 10 years of credited service, retire on the 1st day of any month following her 60th birthday.

In addition, any member who has at least 15 years of credited service may retire on the 1st day of any month following his 55th birthday, if:

i. the sum of the member's age and years of credited service equals at least 85; or

ii. the sum of the member's age and years of continuous service as of the date he began working, as recognized by Hydro-Québec for the purposes of the plan, equals at least 85, excluding however any period of non-membership in the plan of a company with which there is a transfer agreement and any period of non-contribution to the Hydro-Québec Pension Plan in accordance with the plan, By-law no. 679, By-law no. 676, By-law no. 653, By-law no. 582, By-law no. 534, By-law no. 278, By-law no. 83 and By-law no. 12, of Hydro-Québec and amendments thereto, with years of service with a subsidiary not being considered as periods of non-contribution for the purposes of this subsection.

From January 1, 1997 to December 31, 2000, and from January 1, 1997 to December 31, 2003 for members concerned, a member who has at least 15 years of credited service may retire on the 1st day of any month following the date on which one of the following requirements is fulfilled:

i. the sum of the member's age and years of credited service equals at least 80; or

ii. the sum of the member's age and years of continuous service as of the date he began working, as recognized by Hydro-Québec for the purposes of the plan, equals at least 80, excluding however any period of non-membership in the plan of a company with which there is a transfer agreement and any period of non-contribution to the Hydro-Québec Pension Plan in accordance with the plan, By-law no. 679, By-law no. 676, By-law no. 653, By-law no. 582, By-law no. 534, By-law no. 278, By-law no. 83 and By-law no. 12 of Hydro-Québec and amendments thereto, with years of service with a subsidiary not being considered as periods of non-contribution for the purposes of this subsection.

(b) The member shall be entitled to a retirement benefit pursuant to Section 4 and, where applicable, to Section 14.

(c) If the retirement date of a member who chooses retirement under this Section is prior to the normal retirement date of a supplemental plan in which he participated, under Part III of By-law no. 676, under Part III of By-law no. 679, or under Part III of the plan, he shall be entitled, under the following circumstances, to a pension supplement, as of the date of his voluntary retirement, equal to:

i. in the case of a member who takes early retirement under a supplemental plan, under Part III of By-law

no. 676, under Part III of By-law no. 679 or under Part III of the plan, the amount of the pension supplement is equal to the reduction in the retirement benefit accrued under the supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under the applicable provisions of Part III of the plan as a result of early retirement;

ii. in the case of a member who is not entitled to early retirement under a supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan, the amount of the pension supplement is equal to the amount of the pension accrued under the supplemental plan or to the amount of pension established under the applicable provisions of Part III of By-law no. 676, Part III of By-law no. 679 or Part III of the plan and is paid until the pension accrued under the supplemental plan or the amount of pension established under the applicable provisions of Part III of By-law no. 676, Part III of By-law no. 679 or Part III of the plan becomes payable.

The pension supplement resulting from the application of this Section is allocated proportionally to the years of credited service prior to January 1, 1990 and years of credited service after December 31, 1989 over the total number of years of credited service.

5.3 Retirement at the request of the employer

(a) The employer may retire a member under the following conditions:

i. the member has at least 10 years of credited service; and

ii. retirement is based on:

(1) appropriate administrative requirements with the consent of the member; or

(2) a physical or mental disability such that the member is unable to work for the employer.

Under such circumstances, the member shall retire on the date determined by the employer.

(b) When retirement precedes or coincides with the normal retirement date, the member shall be entitled to a retirement benefit pursuant to Section 4 and, where applicable, to Section 14. In the case of retirement pursuant to 5.3a *ii* 2, the reduction pursuant to 4.3 shall apply as soon as the pensioner receives a disability pension under the Québec Pension Plan Act and the pension set out under 4.1A and 4.6 does not apply or, as the case may be, ceases to apply.

Except in the case of the retirement of a member who is affected of a total and permanent disability, the annual pension payable from the 1st day of the month immediately following age 65, credited on the retirement date for the years of credited service after December 31, 1991 shall be reduced by 0.25 % per month for each month included between the effective retirement date and the 1st day of the month coinciding with or immediately following the earliest of these dates:

i. the date on which the member would have reached his 60th birthday;

ii. the date on which the member would have completed 30 years of continuous service;

iii. the date on which the years of continuous service and the member's age would have totalized 80.

However, the retirement benefit accrued for years of credited service after December 31, 1989 must not be less than the retirement benefit determined by the present value of the retirement benefit the member was entitled to before his retirement date for years of credited service after December 31, 1989, or, failing that, for the same years of credited service, the present value of the deferred retirement benefit the member would have been entitled to if he had ceased to be a member on the day preceding his retirement for any reason other than retirement.

(c) If the retirement date is after the normal retirement date, the pension shall be calculated pursuant to 5.5c.

5.4 Early retirement at the request of the member

(a) Any member with a minimum of 2 years of credited service or continuous service but less than 10 may retire on the 1st day of any month following his 55th birthday, based on the following terms and conditions:

i. the member shall be entitled to a retirement benefit determined pursuant to 4.1c, 4.1d, 4.1A and 4.6, but reduced on an actuarial equivalence basis, with such reduction not being less than the one determined pursuant to 12.1.3, for the period between the retirement date and the normal retirement date;

ii. the reduction provided for in 4.3b shall apply as of the 1st day of the month immediately following the 65th birthday;

iii. the provisions of 4.4, 4.5 and 14 shall apply, where applicable;

iv. to this retirement benefit shall be added the reimbursement of the member's contributions paid during the years of contributory service prior to January 1, 1990, plus interest.

(b) A member with a minimum of 10 years of credited service or continuous service and less than 15 years of credited service may retire on the 1st day of any month following his 55th birthday, based on the following terms and conditions:

i. the member shall be entitled to a retirement benefit determined pursuant to 4.1, 4.1A and 4.6, but reduced on an actuarial equivalence basis, with such reduction not being less than the one determined pursuant to 12.1.3, for the period between the retirement date and the voluntary retirement date or the normal retirement date, whichever is the earliest;

ii. the reduction provided for in 4.3 shall apply as of the 1st day of the month immediately following the 65th birthday;

iii. the provisions of 4.4, 4.5 and 14 shall apply, where applicable.

(c) A member with a minimum of 15 years of credited service may retire as of the 1st day of any month following his 55th birthday, based on the following terms and conditions:

i. the member shall be entitled to a retirement benefit pursuant to 4.1, 4.1A, 4.2 and 4.6. However, the pension set out in 4.1, 4.2 and 4.6 is reduced by an amount equal to 0.25 % of the pension set out under 4.1, 4.1A, 4.2 and 4.6, multiplied by the number of months preceding the date on which he would have been entitled to voluntary retirement, based on the years of credited service or years of continuous service at his termination date and on his age at the time of voluntary retirement. However, such reduction shall not exceed the reduction calculated on an actuarial equivalence basis for the period between the retirement date and the voluntary retirement date, whichever method gives the highest amount;

ii. the reduction provided for in 4.3 shall apply as of the 1st day of the month immediately following the 65th birthday;

iii. the provisions of 4.4, 4.5 and 14 shall apply, where applicable.

(d) A member with a minimum of 15 years of credited service may also retire on the 1st day of any month after January 1, 1997, but before December 31, 2000 and, for a member concerned, on the 1st day of any

month after January 1, 1997, but before December 31, 2003, provided that one of the requirements set out in sub-paragraphs *i* or *ii* of the 3rd paragraph of 5.2a is met during this period. The pension shall be based on the following terms and conditions:

i. the member shall be entitled to a retirement benefit determined pursuant to 4.1, 4.1A, 4.2 and 4.6, but reduced on an actuarial equivalence basis, with such reduction not being less than the one determined pursuant to 12.1.3, for the period between the retirement date and the voluntary retirement date or the normal retirement date, whichever is the earliest;

ii. the reduction provided for in 4.3 shall apply as of the 1st day of the month immediately following the 65th birthday;

iii. the provisions of 4.4, 4.5 and 14 shall apply, where applicable.

(e) If, from January 1, 1997 to December 31, 2000, and from January 1, 1997 to December 31, 2003 for a member concerned, a member is entitled to retire pursuant to *c* and *d* above, his benefits are determined in accordance with the more generous provisions provided in said subsections, it being understood that the calculation in *c i* above is made for a voluntary retirement pursuant to the provisions of the first paragraph of 5.2a.

5.5 Postponed retirement

(a) A member who remains in the employer's service after his normal retirement date may retire as of the 1st day of any month following this date. The retirement benefit of the member shall be postponed until his actual retirement date, but no later than December 1 of the year in which the member reaches the age limit provided for in applicable legislation, even if he remains in the employer's service after this date.

(b) During the postponement period, the member may request the payment of his retirement benefit, in whole or in part, but only insofar as is necessary to compensate for any reduction in earnings during this period, including the reduction in earnings as a result of a transfer during this period from a full-time to a part-time schedule, or from the reduction of a part-time schedule. The member may not make such request more than once per 12-month period.

(c) The amount of the postponed retirement benefit payable on the date of retirement or at the latest on December 1st of the year in which the member reaches the age limit provided for in applicable legislation, shall be equal to the sum of the following:

i. the retirement benefit determined as at the normal retirement date pursuant to Section 4;

ii. the retirement benefit calculated on an actuarial equivalence basis resulting from the adjustment made to offset the decrease in the value of the benefits by reason of the deferral, during the postponement period, of the retirement benefit provided for in *i* above, reduced, where applicable, by any payments made under *b* above.

(*d*) Accumulation of retirement benefits shall take place from the normal retirement date until the actual retirement date, but no later than December 1 of the year in which the member reaches the age limit provided for in applicable legislation, based on an interest rate compounded annually equal to the rate submitted by Hydro-Québec to the appropriate government authorities in accordance with the Supplemental Pension Plans Act.

(*e*) The provisions pursuant to 14.1 shall apply, where applicable.

5.6 Progressive retirement

A member whose earnings are reduced due to a reduction in the workweek and in application of an agreement entered into with the employer may, in the 10 years preceding the normal retirement date, request payment of a lump sum benefit, in each year covered by the agreement, the amount of which is limited by the applicable legislation. The member's residual rights resulting from the payment of such benefit are established pursuant to applicable legislation.

SECTION 6 DEATH BENEFITS

6.1 For the purposes of Section 6, spousal status shall be determined on the day preceding the death of the member or pensioner.

6.2 Death prior to retirement

6.2.1 If a member with less than 2 years of credited service and less than 2 years of continuous service dies before his normal retirement date, his spouse, failing which his estate, receive a refund of the employee's contributions paid for the years of contributory service after December 31, 1989, plus interest; in addition, his estate shall receive a refund of the employee's contributions paid for the years of contributory service prior to January 1, 1990, plus interest.

6.2.2 If a member with at least 2 years of credited service or continuous service but less than 10 years of credited service dies before his normal retirement date,

his spouse, failing which his estate, shall receive a refund equal to the present value of the benefits the member was entitled to prior to his death for the years of credited service after December 31, 1989, or, if not applicable, for the same years of credited service, the present value of the deferred retirement benefit the member would have been entitled to if he had ceased to be a member on the day of his death for any reason other than death. In addition, his estate shall receive a refund of the employee's contributions paid for the years of contributory service prior to January 1, 1990, plus interest.

6.2.3 (a) If a member with at least 10 years of credited service dies before the normal retirement date, his spouse shall receive a survivor benefit payable for life equal to the sum of the following:

i. 50 % of the retirement benefit to the member at the date of his death, established pursuant to 4.1*a*, 4.1*b* and 4.2, and reduced, pursuant to 4.3*a*, as soon as a survivor benefit is payable to the spouse under the Québec Pension Plan Act;

ii. the survivor benefit determined as the greater of the following amounts:

(1) the present value of the survivor benefit payable to the spouse. This survivor benefit payable to the spouse is equal to 50 % of the retirement benefit accrued to the member at the date of his death, pursuant to 4.1*c*, 4.1*d*, 4.1*A*, 4.5 and 4.6. The reduction pursuant to 4.3*b* shall apply as soon as a pension is payable to the spouse under the Québec Pension Plan Act and the pension set out under 4.1*A* and 4.6 does not apply or, as the case may be, ceases to apply.

and

(2) the present value of the retirement benefits the member was entitled to prior to his death for years of credited service after December 31, 1989, or, if not applicable, for the same years of credited service, the present value of the deferred retirement benefit the member would have been entitled to if he had ceased to be a member on the day of his death for any reason other than death.

(*b*) i. If a member referred to in 6.2.3*a* dies without a spouse, the pension provided for in 6.2.3*a* *i* shall be paid to the children. If the member referred to in 6.2.3*a* dies without a spouse and without children, the employee contributions for the years of contributory service prior to January 1, 1990, plus interest, shall be paid to his estate.

ii. However, in the two cases referred to in *i* above, the estate shall be paid the present value of the pension

to which the member would have been entitled before his death for the years of credited service after December 31, 1989 or, failing this, for the same years of credited service, the value of the deferred pension to which the member would have been entitled if he had ceased to be a member on the day of his death for any reason other than death.

6.2.4 (a) If a member whose retirement benefit was fully or partially postponed dies, his spouse shall be entitled to a survivor benefit, the present value of which shall be equal to the greater of the following amounts:

i. the sum of the following:

(1) the present value of the survivor benefit payable to the spouse. This survivor benefit payable to the spouse is equal to 60 % or, where applicable, to 50 %, of the retirement benefit, pursuant to 5.5c *i*, to which the member would have been entitled if he had ceased to be a member on the day of his death for any reason other than death;

(2) the value of the pension pursuant to 5.5c *ii*, the entire amount reduced, where applicable, by the payments already made pursuant to 5.5b;

and

ii. the sum of the following:

(1) the present value of the survivor benefit payable to the spouse. This survivor benefit to the spouse is equal to 50 % of the retirement benefit on normal retirement date pursuant to 4.1a, 4.1b, 4.2 and 4.3a;

(2) the present value of the retirement benefit on normal retirement date to which the member was entitled prior to his death for the years of credited service after December 31, 1989;

(3) the value of the pension pursuant to 5.5c *ii*, the entire amount reduced, where applicable, by the payments already made pursuant to 5.5b.

(b) i. If a member referred to in 6.2.4a dies without a spouse, 50 % of the retirement benefit pursuant to 5.5c, but only for the years of credited service prior to January 1, 1990, shall be paid to the children. If the member referred to in 6.2.4a dies without a spouse and without children, the employee contributions for the years of contributory service prior to January 1, 1990, plus interest, shall be paid to his estate.

ii. However, in the two cases referred to in *i* above, the estate shall receive the present value of the pension

to which the member was entitled before his death for the years of credited service after December 31, 1989.

6.2.5 (a) Subject to the provisions of subsections *b* and *c* below, the entitlement to benefits accorded to the spouse in 6.2.1, 6.2.2, 6.2.3 and 6.2.4 shall terminate as a result of a legal separation, a divorce, a marriage annulment or a termination of the conjugal relationship.

(b) The legally separated spouse shall retain his entitlement to benefits pursuant to 6.2.3a *i*.

(c) For benefits pursuant to 6.2.4, if there has been no division of benefits accrued by the member under the plan following a legal separation, a divorce, a marriage annulment or a termination of the conjugal relationship, the member may notify the committee in writing to pay the survivor benefit to his legally separated spouse or to his former spouse despite a legal separation, a divorce, a marriage annulment or a termination of the conjugal relationship.

6.3 Death after retirement

6.3.1 Subject to 6.3.2, on the death of a pensioner, his spouse shall be paid a lifetime pension equal to 50 % of the pension established according to provisions of By-law no. 83 before application of Sections 38 and following, or according to provisions of Part I of By-law no. 278, or according to provisions of Part I of By-law no. 534, before application of 4.4, or according to provisions of Part I of By-law no. 582 or of By-law no. 653, before application of 14.1, or before application of 14.1 according to the provisions of Part I of By-law no. 679, of Part I of By-law no. 676 or Part I of the plan.

The reduction set out in Section 7 of By-law no. 83 or in Section 4.3 of By-law no. 278, of By-law no. 534, of By-law no. 582, of By-law no. 653, of By-law no. 676, of By-law no. 679 or of the plan, shall apply as soon as a survivor benefit is payable to the spouse under the Québec Pension Plan Act and the pension set out under 4.1A and 4.6 does not apply or, as the case may be, ceases to apply.

6.3.2 On the death of a pensioner whose retirement commenced after December 31, 1989, if the spouse has not renounced the right to a 60 % pension under 4.4 of By-law no. 534 or 14.1 of By-law no. 582, of By-law no. 653, of By-law no. 676, of By-law no. 679 or of the plan, the spouse shall be paid a lifetime pension equal to 60 % of the pension paid to the pensioner in accordance with Part I of By-law no. 534 of By-law no. 582, of By-law no. 653, of By-law no. 676, of By-law no. 679 or of the plan, provided the pension had been adjusted on an actuarial equivalence basis according to 4.4 of

By-law no. 534 or according to 14.1 of By-law no. 582, of By-law no. 653, of By-law no. 676, of By-law no. 679 or of the plan, to provide the spouse with a 60 % pension.

If the pension established according to the preceding provisions has not been reduced in compliance with 4.3, the reduction, if any, shall apply on the 1st day of the month immediately following the date of the pensioner's 65th birthday, and the pension set out under 4.1A and 4.6 ceases to apply at this same date.

6.3.3 (a) Subject to subsection *b* below, the entitlement to benefits pursuant to 6.3.1 and 6.3.2 shall disappear upon a legal separation, a divorce, a marriage annulment or a termination of the conjugal relationship.

(b) In the case of the benefits pursuant to 6.3.1 and 6.3.2, if there has been no division of benefits accrued by the member under the plan following a legal separation, a divorce, a marriage annulment or a termination of the conjugal relationship, the pensioner may notify the committee in writing to pay the survivor benefit to the spouse who is legally separated or to the former spouse, despite such legal separation, divorce, marriage annulment or termination of the conjugal relationship.

(c) In the case of a pensioner who was receiving a pension on December 31, 1989, subsections *a* and *b* of this Section shall apply only in the case of a divorce, a marriage annulment or termination of the conjugal relationship.

6.3.4 Subject to the provisions of 6.3.3*b*, if a pensioner who did not have a spouse on his retirement date dies without a spouse, the survivor benefit pursuant to 6.3.1 shall be paid to the children.

6.3.5 If a pensioner who had a spouse on his retirement date dies without a spouse, the survivor benefit pursuant to 6.3.1 and 6.3.2 shall be paid to the children.

6.4 Death of surviving spouse

If the surviving spouse of a member or the surviving spouse of a pensioner dies, the survivor benefit that was being paid to the spouse shall continue to be paid to the children.

6.5 Upon termination of the pension payable pursuant to By-law no. 83, By-law no. 278, By-law no. 534, Sections 6.3.1, 6.3.2, 6.3.3, 6.3.4, 6.3.5 and 6.4 of By-law no. 582, of By-law no. 653, of By-law no. 676, of By-law no. 679 or of the plan, or when no pension is payable, any excess of the contributions paid by the member pursuant to By-law no. 83, Part I of By-law

no. 278, Part I of By-law no. 534, Part I of By-law 582, Part I of By-law no. 653, Part I of By-law no. 676, Part I of By-law no. 679 or Part I of the plan plus interest over the sum of the pensions already paid shall be paid to the estate. For the purpose of this subsection, the benefits paid pursuant to Sections 38 and following of By-law no. 83, Part II of By-law no. 278, Part II of By-law no. 534, Part II of By-law no. 582, Part II of By-law no. 653, Part II of By-law no. 676, Part II of By-law no. 679 or Part II of the plan and Part III of By-law no. 676, Part III of By-law no. 679 or Part III of the plan are not to be considered.

SECTION 7 **TERMINATION BENEFITS**

7.1 Any member with at least 2 years of credited service or continuous service who terminates employment with the employer before his normal retirement date shall not be entitled to a refund of his contributions for the years of contributory service after December 31, 1989. Instead, the member shall receive a deferred retirement benefit payable at the normal retirement date, but for an amount equal to the benefit accrued at the termination date, calculated pursuant to 4.1*c*, 4.1*d*, 4.1A, 4.3*b*, 4.4, 4.5 and 4.6.

7.2 A member who leaves the employer without fulfilling the above requirements shall receive a cash payment equal to his contributions for the years of contributory service after December 31, 1989, plus interest.

7.3 Any member who terminates employment with the employer after age 45 but before the normal retirement date shall not be entitled to a refund of his contributions paid for the years of contributory service prior to January 1, 1990, if he has at least 10 years of credited or continuous service. Instead, he shall receive a deferred retirement benefit payable at the date and under the conditions of normal retirement for an amount equal to the retirement benefit accrued at the termination date, pursuant to 4.1*a*, 4.1*b*, 4.2 and 4.3*a*. However, in the case of a female member who was an employee on December 31, 1979 and who is entitled to a deferred retirement benefit as of her normal retirement date, the portion of the deferred retirement benefit for the years of contributory service after December 31, 1965 but prior to January 1, 1980 shall be adjusted on an actuarial equivalence basis for the deferral of benefit payments from the member's 60th to her 65th birthday.

Notwithstanding the above, the amount of the deferred retirement benefit shall be at least equal to the retirement benefit whose present value is equal to the contributions in respect of the years of contributory service prior to January 1, 1990, plus interest.

7.4 A member who terminates his employment without meeting the age and service conditions described in 7.3 shall receive a cash payment equal to his contributions for the years of contributory service prior to January 1, 1990, with interest.

7.5 When a member referred to in 2.3 is entitled to recall rights following his termination of employment, he must leave his employee contributions, if any, in the pension fund for a maximum of 24 months, and there shall be no interruption of the years of continuous service. If the member is not rehired within a maximum period of 24 months, the years of continuous service shall be considered to have terminated at the end of this period.

7.6 The provisions in respect of retirement at the request of the employer and postponed retirement shall not apply to deferred retirement benefits. The provisions in respect of voluntary retirement, with the exception of the provisions of 5.2*c*, and early retirement at the request of the member shall apply to deferred pensions.

From January 1, 1997 to December 31, 2000 and from January 1, 1997 to December 31, 2003 for members concerned, the provisions in respect of voluntary retirement pursuant to the 3rd paragraph of 5.2*a* and those in respect of early retirement at the request of the member pursuant to 5.4*d* shall apply to deferred pensions if the two following requirements are met:

- i. termination of employment happens during this period;
- ii. one of the requirements set out in sub-paragraph *i* or *ii* of the 3rd paragraph of 5.2*a* is fulfilled during this period.

7.7 The provisions with respect to survivor benefits payable to the spouse, failing which, to the children, shall apply to a deferred retirement benefit when a former member dies after one of the following dates:

- (a) the date on which he would have been entitled to an early retirement at the request of the member according to the provisions of 5.4*c*, 5.4*d* and 5.4*e*;
- (b) the date on which he would have been entitled to a voluntary retirement;
- (c) the normal retirement date

and for the purposes of death benefits, spousal status shall be established on the day preceding the death of the former member.

7.8 When on the death of a former member no retirement benefit is payable pursuant to 7.7 above, his contributions for years of contributory service prior to January 1, 1990, plus interest, shall be payable in a single lump sum to his estate, except for the years of contributory service prior to January 1, 1966 if these have already been refunded. On the other hand, the present value of the deferred retirement benefit at the termination of employment date for the years of credited service after December 31, 1989 shall be payable in a single lump sum to the spouse or, if there is no spouse, to the estate.

7.9 Any member who is more than 10 years from normal retirement age on the date of termination of employment with the employer, if such date is after December 31, 1989, shall be entitled, according to the provisions of the Supplemental Pension Plans Act, to transfer the present value of the deferred retirement benefit pursuant to 7.1 and 7.3 to another pension plan regulated by the Supplemental Pension Plans Act or defined by the regulations adopted by the Government of Québec pursuant to such Act.

The member or former member may make an election as to his available options within the following periods:

- (a) during the 180-day period following his termination of employment;
- (b) subsequently, every 5 years, within 180 days following the date of anniversary of his termination of employment date but, at the latest, by the date provided for in *c*;
- (c) within 180 days following the date 10 years prior to his normal retirement age.

In the cases provided for in *b* and *c*, a new present value of the deferred retirement benefit shall be determined at each 5th anniversary of the termination of employment date, but at the latest, on the former member's 55th birthday.

Notwithstanding any disposition to the contrary, a former participant with a physical or mental disability may exercise his right to transfer at all times before age 55 if his life expectancy is reduced to a period inferior to that remaining before exercising his right to a transfer. A medical certificate must be obtained.

7.10 The provisions of 7.9 above shall not apply to retirement at the request of the employer, even if the member is under age 55.

7.11 Any amount that the member or former member is entitled to transfer under 7.9, that is less than 10 % of the year's maximum pensionable earnings for the year in which he has this right of transfer, shall be transferred by the committee to another pension plan as defined by the regulations adopted by the Government of Québec pursuant to the Supplemental Pension Plans Act and chosen by the member or former member or, if not available, by the committee. This measure does not apply in the event of dismissal if the member did not exercise his entitlement to transfer.

However, the committee shall not transfer such amount if the amount has been used to provide a retirement benefit already in the course of payment.

7.12 Any amount transferred to any registered plan under this Section shall be subject to the Income Tax Act and to any regulations adopted by the Government of Canada pursuant to that Act.

SECTION 8 TRANSFER OF BENEFITS BETWEEN SPOUSES

8.1 In the event of a legal separation, a divorce or marriage annulment, the benefits accrued to a member, former member or pensioner under the plan shall, upon application in writing to the committee, be divided between the member and his spouse to the extent provided for in the Civil Code of Québec or by a court order.

Where the court awards to the spouse of a member, former member or pensioner, as payment for a compensatory allowance, the benefits accrued to such member, former member or pensioner under the plan, the benefits shall, upon application in writing to the committee, be transferred to the spouse to the extent provided for by the court order.

8.2 In the event of the cessation of the conjugal relationship between a spouse and a member, former member or pensioner, within the meaning of 1.24*b*, the member, former member or pensioner and spouse may, within 6 months, agree in writing to a partition of the accrued benefits of the member, former member or pensioner under the plan, in accordance with the provisions of the Supplemental Pension Plans Act.

8.3 Upon presentation of an application for a legal separation, a divorce, a marriage annulment or a payment of a compensatory allowance, or in the event of the cessation of a conjugal relationship, a member, former member or pensioner and his spouse shall be entitled, upon application in writing to the committee, to obtain a statement of the accrued benefits of the member, former

member or pensioner under the plan and of the present value thereof as at the date of the institution of the action. Such application shall also contain the following documents and information or any other documents or information prescribed by the regulations adopted by the Government of Québec pursuant to the Supplemental Pension Plans Act:

(a) the name and address of the member, former member or pensioner and his spouse;

(b) in the case of married spouses, a marriage certificate, a copy of the application for a legal separation, a divorce, a marriage annulment or a payment of a compensatory allowance, as well as the date of such application;

(c) in the case of unmarried spouses, a joint declaration stating the dates on which their conjugal relationship began and ended and, if they have lived in a conjugal relationship for more than 1 year but less than 3 years, proof of one of the events set out in 1.29*b*.

The committee shall provide the applicant and his spouse with such statement within the periods and with the information as set out in the Supplemental Pension Plans Act and any regulations adopted by the Government of Québec pursuant thereto.

8.4 Any application for the partition or transfer of benefits of the member, former member or pensioner made in writing to the committee shall be accompanied by a copy of the following documents, if applicable, and any other documents prescribed by the regulations adopted by the Government of Québec pursuant to the Supplemental Pension Plans Act:

(a) the court order for the legal separation from divorce, marriage annulment or payment of a compensatory allowance and, where applicable, the agreement entered into between the married spouses in respect of the partition or transfer of the benefits of the member, former member or pensioner;

(b) any other court order related to the partition or transfer of the benefits of the member, former member or pensioner;

(c) the divorce certificate and, in the case of another court order pursuant to *a* or *b* above, the non-appeal certificate;

(d) in the case of unmarried spouses, the agreement between them with respect to the partition of benefits of the member, former member or pensioner.

8.5 Unless it is a joint application for partition or transfer of benefits, the Committee shall provide the member, former member or pensioner with a written notice informing him of such application and the present value of the benefits claimed by his spouse.

The committee may not proceed with the execution of the partition or transfer until 60 days have elapsed since such notice is sent to the member, former member or pensioner. Moreover, the committee may not proceed if it is notified that the spouse of the member, former member or pensioner has duly waived his rights to benefits or that the member, former member or pensioner has initiated a legal action in opposition to the application for partition or transfer.

8.6 The value of the accrued benefits of the member, former member or pensioner shall be determined in accordance with the provisions of the regulations adopted by the Government of Québec pursuant to the Supplemental Pension Plans Act.

8.7 Unless it has been notified of the spouse's waiver of or a judicial opposition to the partition or transfer of the benefits of the member, former member or pensioner, the committee shall, within 120 days of the expiry of the period provided for in the second paragraph of 8.5, transfer any amount to which the spouse is entitled as a result of such partition or transfer into a pension plan, as defined by the Supplemental Pension Plans Act and any regulations adopted by the Government of Québec pursuant thereto.

When the benefits to which the spouse is entitled as a result of the partition or transfer are a refund to which the member would have been entitled at the date of institution of the action, the committee shall pay the spouse the amount corresponding to such benefits or transfer same into a pension plan as defined by the Supplemental Pension Plans Act and any regulations adopted by the Government of Québec pursuant thereto.

8.8 The procedure provided for in 8.5 and 8.7 shall be subject to the provisions of any regulations adopted pursuant to the Supplemental Pension Plans Act, and any provisions of such regulations adopted by the Government of Québec amending such procedure shall form part of and amend this Section.

8.9 Subject to the provisions of the Supplemental Pension Plans Act and any regulations adopted by the Government of Québec pursuant thereto, the benefits allocated to the spouse following the partition of the benefits of the member, former member or pensioner or as payment of a compensatory allowance may be used solely to purchase a life annuity, and shall be transferred to another plan.

8.10 Execution of the partition or transfer shall reduce the benefits of the member, former member or pensioner pursuant to the provisions of the Supplemental Pension Plans Act and any regulations adopted by the Government of Québec pursuant thereto.

SECTION 9 CALCULATION OF INTEREST

9.1 Employee contributions shall bear interest as of the date they are paid into the pension fund, until the date of payment thereof.

9.2 In the case of a member or former member who avails himself of the provisions of 7.9, the employee contributions shall bear interest until the date used to determine the present value of the deferred retirement benefit. Subsequently, the present value of the deferred retirement benefit shall bear interest for the period between the date on which such value was established and the date of transfer at a rate determined according to the actuarial assumptions and methods filed with the Régie des rentes du Québec, in accordance with the provisions of the Supplemental Pension Plans Act.

9.3 Excess contributions, if any, shall bear interest as of the date of their calculation pursuant to 3.5*b* and until such time as they are refunded, transferred to another plan, or used to provide an additional benefit.

9.4 No interest shall be credited on employee contributions after the date on which the member or former member starts to receive a retirement benefit or after the date of death of the member or former member.

9.5 Employee contributions shall bear interest starting only on January 1, 1966.

9.6 As of January 1, 1990, interest shall be determined as follows:

(a) for the first 6 months of a year, the interest shall correspond to the average of the rates in 1.19 for the 6-months ended October 31st of the previous year;

(b) for the last 6 months of a year, the interest shall correspond to the average of the rates in 1.19 for the 6-months ended April 30th of the same year.

SECTION 10 REDEMPTION OF YEARS OF CONTRIBUTORY SERVICE

10.1 A member who:

(a) starts to receive benefits under a long-term disability plan of the employer after January 6, 1982;

(b) receives an indemnity from the “Commission de la santé et de la sécurité du travail” as a result of a preventive leave under the Act Respecting Occupational Health and Safety, R.S.Q., c. S-2.1, or an occupational accident under the Act Respecting Industrial Accidents and Occupational Diseases, R.S.Q., c. A-3.001 and who did not avail himself, after December 31, 1989, of the provisions set out in 3.6*b ii*;

(c) avails himself of unpaid leave under the parental benefits plan and who did not avail himself of the provisions set out in 3.6*d ii 2*;

(d) avails himself of an unpaid leave that an employer must grant under any applicable legislation

and who returns to work before his normal retirement date, may have all or part of the period of temporary leave of absence counted as a year of contributory service, provided he pays the employee contributions, plus interest, subject to the following terms and conditions:

i. the contributions are calculated on the basis of the earnings rate appearing on his employer’s payroll during the temporary leave of absence, the year’s maximum pensionable earnings, the basic exemption and the rate of contribution in effect during the period of temporary leave of absence;

ii. the member avails himself of this option and selects his method of refund pursuant to 10.4.

10.2 If a member elects to have only part of his period of temporary leave of absence counted as a year of contributory service, the years of contributory service thus credited shall be presumed to be those just prior to his return to work.

10.3 A member on temporary leave of absence as a result of his election to the Québec National Assembly or the House of Commons, who returns to work before his normal retirement date, may have all or part of his years as elected representative counted as years of contributory service, provided he pays the employee contributions, plus interest, in accordance with the terms and conditions as set out in 10.1 and 10.2. This provision shall not apply if for this period of leave of absence the member is entitled to a pension under a pension plan for the members of the Québec National Assembly or of the House of Commons.

10.4 A member can avail himself of the option provided for in 10.1 and 11.1 one time only, and do so within 180 days following his return to work or rehiring. The refund may be made:

(a) in a single lump sum payment within 90 days following the exercise of the option provided the payment is made before the earlier of the retirement date and the normal retirement date;

or

(b) through earnings deductions at each pay period of which the amount, plus the interest, shall be established by Hydro-Québec; however, the full refund can neither be done over a period exceeding 5 years, starting on the date the option is exercised nor extend beyond the earlier of the retirement date and the normal retirement date;

or

(c) through annual payments of which the amount, plus the interest, shall be established by Hydro-Québec; however, the full refund shall not exceed 5 years of contributory service, as of the date the option is exercised nor extend beyond the earlier of the retirement date and the normal retirement date.

Interest shall accumulate from the date contributions are due to be made into the pension fund; the 180-day period provided for exercising said option and the terms of payment described above shall not in any way delay or cancel the charging of interest. Should the member fail to make a payment, accumulated interest shall be added to the balance of the redemption.

Once each year, the member may make a lump sum payment to reduce or eliminate the balance of contributions to be recovered.

The member may decide to terminate his redemption at any time by submitting a written notice to the employer. This decision shall be irrevocable. The years of contributory service shall then be established in relation to the refunds paid as at the date of termination of the redemption.

10.5 (a) A member who avails himself of the provisions set out in 3.6*d i* and whose temporary leave of absence lasts more than one pay period must advise the employer in writing at least 30 days before the beginning of his temporary leave of absence.

(b) A member shall receive from the employer a statement showing the number of payments he must make, the amount of each payment and the date at which each of these payments is due. Such payments shall be made as follows:

i. by cheque, if the member does not receive any earnings during the pay period in question or if the earnings paid are not sufficient to cover the contributions due; or

ii. by deductions at source each pay period, in other cases.

(c) Any unpaid contribution at the due date shall be increased by the interest accumulated until the balance is paid. The member may pay the balance of unpaid payments, plus accumulated interest, at the end of his temporary leave of absence, provided the date of full payment is no later than 90 days after the end of said temporary leave of absence and does not extend beyond the earlier of the retirement date and the normal retirement date.

(d) The member may decide to terminate his redemption at any time by submitting a written notice to the employer. This decision shall be irrevocable. The years of contributory service shall then be established in relation to the payments made as at the date of termination of the redemption.

10.6 A member who avails himself of the provisions set out in 3.6*d i 1* and whose temporary leave of absence is expected to last less than 10 days per pay period and not extend beyond subsequent pay periods, must advise the employer in writing before the beginning of said leave of absence or within 180 days of his return.

The contribution due shall be deducted from the member's earnings provided the earnings paid are greater than or equal to the contribution due. If such is not the case, the member may make his payment by cheque. No interest is chargeable if the date at which the member's notice is received makes it possible to pay the contribution through a deduction at source or a payment by cheque during the pay period the temporary leave of absence is taken. In all other cases, the contribution due shall be deducted from the member's earnings at a subsequent pay period and this contribution shall be increased by the interest due from the date said contribution was due to be made into the pension fund.

A member who does not avail himself of the provisions set out hereinabove cannot avail himself of the provisions of 10.9.

10.7 A member who avails himself of the provisions set out in 3.6*b ii* must advise the employer in writing, if applicable, as soon as he knows the date of his eligibility for the payment of compensation by the "Commission de la santé et de la sécurité au travail".

The provisions as described in 10.5*b i*, in 10.5*c* and 10.5*d* apply to such member.

10.8 A member who avails himself of the provisions set out in 3.6*d ii 2* must advise the employer in writing at least 15 days prior to the beginning of his temporary leave of absence.

The provisions as described in 10.5*b i*, in 10.5*c* and in 10.5*d* apply to such member.

10.9 A member who did not avail himself of the periodic payment option pursuant to 3.6*d i* and who returns to work or to a full-time schedule before his normal retirement date may avail himself of the provisions set out in 10.4 for the redemption of the years of contributory service which correspond to these temporary leaves of absence. However, only a temporary leave of absence or part of a temporary leave of absence taken between January 1, 1997 and December 31, 2000 and between January 1, 1997 and December 31, 2003 for a member concerned may be redeemed. The member must exercise his redemption option no later than on the earlier of the following two dates, that is:

i. within 180 days following his return to work or to a full-time schedule; or

10. June 30, 2001 or June 30, 2004 for a member concerned.

10.10 The provisions of this Section shall be subject to the Income Tax Act and any regulations adopted by the Government of Canada pursuant thereto.

10.11 Temporary Plan for the Redemption of Non-Contributory Leaves of Absence

10.11.1 Any member at the date this By-law comes into force shall be considered to be an eligible individual for the Temporary Plan for the Redemption of Non-Contributory Leaves of Absence.

10.11.2 Leaves of absence eligible for the Temporary Plan for the Redemption of Non-Contributory Leaves of Absence must correspond to years of service with the employer or a subsidiary or to years during which the individual has fulfilled a function with one of the preceding. Leaves of absence shall be eligible according to the following priority:

(a) an unpaid leave under the parental benefits plan;

(b) a period of service prior to membership in the Plan and during which the individual had the status of a temporary employee and would have contributed to the Plan had it not been for his status;

(c) any other temporary unpaid leave of absence.

A maximum of 2 years is applicable for each of *a*, *b* and *c* above, subject to 10.11.5.

Notwithstanding the foregoing, unpaid leaves of absence which are unauthorized or owing to a strike or a suspension and leaves of absence during which an individual is entitled to recall rights following his termination of employment and to whom provisions in 7.5 apply shall not be eligible for the Temporary Plan for the Redemption of Non-Contributory Leaves of Absence.

10.11.3 Eligible individual may have all or a part of the period of leave of absence eligible for the Temporary Plan for the Redemption of Non-Contributory Leaves of Absence counted as a year of contributory service. Terms and conditions set out in 10.2 are applicable. The required employee contribution provided for in 10.11.4 must be calculated and made according to the following terms and conditions:

(a) if the required employee contribution corresponds to the employee and employer contributions, if any, plus interest, it is based on the earnings rate shown on the employer's payroll during the eligible leave of absence, the year's maximum pensionable earnings, the basic exemption and the rate of contribution in effect during the eligible leave of absence;

(b) in other cases, the required employee contribution is based on the earnings rate shown on the employer's payroll at the date he avails himself of the option and the current service cost for the member and based on the actuarial valuation report prepared by the actuary and filed with the Régie des rentes du Québec, applicable at the date the member avails himself of the option;

(c) the eligible individual avails himself of the option and selects a method of refund pursuant to the provisions set out in 10.4, except as regards the 180-day time limit, and in accordance with the time limit set out in the Temporary Plan for the Redemption of Non-Contributory Leaves of Absence. The refund must be made while the eligible individual is in continuous service. Notwithstanding the foregoing, for eligible members who are retired at the date they avail themselves of the option, the refund must be made in a single lump sum payment within 90 days following the exercise of the option.

10.11.4 Required employee contributions are as follows:

(a) for an eligible leave of absence provided for in 10.11.2a and 10.11.2b, an amount corresponding to the employee contributions, plus interest;

(b) for an eligible leave of absence provided for in 10.11.2c, the contribution provided for in 3.6, 10.1, 10.3 or 10.9, as the case may be, plus interest;

(c) for an eligible leave of absence provided for in 10.11.2c and for which the contribution is not provided for in 3.6, 10.1, 10.3 or 10.9, the required employee contribution is based on the earnings rate shown on the employer's payroll at the date the member avails himself of the option and the current service cost for the member and based on the actuarial valuation report prepared by the actuary and filed with the Régie des rentes du Québec, applicable at the date the member avails himself of the option.

Notwithstanding *c* hereinabove, for union activities and leaves of absence eligible under the Programme de bourses universitaires d'Hydro-Québec, the required employee contribution corresponds to the employee contributions, plus interest.

10.11.5 Any unfunded actuarial liabilities resulting from the Temporary Plan for the Redemption of Non-Contributory Leaves of Absence in excess of the amounts paid by the eligible individuals, cannot exceed \$50,000,000 at the date this By-law comes into force.

To respect the cumulative limit set out in the preceding paragraph, eligible individuals may redeem eligible leaves of absence, up to the above-mentioned limit, according to the priority set out in 10.11.2.

SECTION 11 REHIRING

11.1 Any member who has received a refund of contributions or who would have received such a refund had it not been for the partial or total reduction in employee contributions resulting from 3.4A pursuant to Section 7 of the plan, of By-law no. 679, of By-law no. 676, of By-law no. 653, of By-law no. 582, of By-law no. 534, of By-law no. 278 or to Section 18 of By-law no. 83 may, if he is rehired, and subject to the provisions of the Income Tax Act and of any regulations adopted by the Government of Canada pursuant thereto, have a portion or all of the years of contributory service prior to his termination of employment counted, provided he returns the amount required, according to the terms and conditions set out in 10.4. The amount required equals the amount reimbursed plus interest for the period elapsed between the date of the refund and the date of the first payment for the redemption, multiplied by the number of contributory years that the member wishes to have counted divided by the number of contributory years preceding his termination of employment. This provision shall not apply to the values of the retirement

benefits transferred under the provisions of Section 7 or refunded pursuant to 27.7, except in the case of reinstatement following firing, if the pension amounts transferred or refunded, accrued with interest, are paid into the pension fund.

11.2 Any person who receives a retirement benefit under the plan, By-law no. 679, By-law no. 676, By-law no. 653, By-law no. 582, By-law no. 534, By-law no. 278 or By-law no. 83 shall cease to receive the retirement benefit if he is rehired as a member prior to his normal retirement date. However, he shall retain all the years of contributory service prior to his retirement date for which he has not received a refund of contributions under the provisions of Section 7.4 of the plan, of By-law no. 679, of By-law no. 676, of By-law no. 653 or of By-law no. 582, Section 7.5 of By-law no. 534, Section 7 of By-law no. 278 or Section 18 of By-law no. 83.

Any person who receives a retirement benefit under the plan, By-law no. 679, By-law no. 676, By-law no. 653, By-law no. 582, By-law no. 534, By-law no. 278 or under By-law no. 83 shall cease to receive the retirement benefit if he is rehired as a member after his normal retirement date but before December 1 of the year in which he reaches the age limit provided for in applicable legislation. Such retirement benefit shall then be postponed pursuant to 5.5 and, where applicable, Section 19.

11.3 Any person who is entitled to a deferred retirement benefit under the plan, By-law no. 679, By-law no. 676, By-law no. 653, By-law no. 582, By-law no. 534, By-law no. 278 or By-law no. 83 shall lose his right to such deferred retirement benefit if he is rehired as a member before his normal retirement date. However, he shall retain all the years of contributory service prior to his termination date for which he has not received a refund of contributions under the provisions of Section 7.4 of the plan, of By-law no. 679, of By-law no. 676, of By-law no. 653 or of By-law no. 582, Section 7.5 of By-law no. 534, Section 7 of By-law no. 278 or Section 18 of By-law no. 83.

11.4 Any member who has been retired pursuant to 5.3a ii 2 and who before reaching his 60th birthday becomes capable of carrying out the functions equivalent to those he held prior to his retirement, may be rehired by the employer. If he refuses the position offered him, the retirement benefit he receives shall be replaced by a deferred retirement benefit pursuant to Section 7, even if he does not satisfy the conditions pursuant to 7.3.

11.5 When the member has had a portion of the period preceding his termination of employment counted

as a year of contributory service, the recognized years of contributory service correspond to those closest to his termination of employment for which the remitted contributions were paid.

SECTION 12

MAXIMUM BENEFITS

12.1 From the normal retirement date

12.1.1 The annual pension payable starting from the normal retirement date credited to the member for years of contributory service after December 31, 1991 shall be subject to the limit described in 12.1.2.

12.1.2 The annual pension established in 12.1.1 shall be limited to the defined benefit limit established on the date of event, multiplied by the number of years of contributory service after December 31, 1991.

12.1.3 The limit obtained in 12.1.2 shall be reduced by 0,25 % per month, if applicable, for each month between the retirement date and the 1st day of the month coinciding with or immediately following the earliest of these dates:

(a) the date on which the member would have reached his 60th birthday;

(b) the date on which the member would have completed 30 years of continuous service;

(c) the date on which the years of continuous service plus the member's age would have totaled 80.

12.2 Before the normal retirement date

12.2.1 The annual pension payable from the retirement date up to the normal retirement date credited to the member for the years of contributory service after December 31, 1991 shall be subject to the lower of the limits described in 12.2.2 and 12.2.3.

12.2.2 The first limit referred to in 12.2.1 shall be established on the date of event and shall correspond to the sum of the following amounts:

(a) the defined benefit limit, multiplied by the number of years of contributory service after December 31, 1991;

(b) 25 % of the average of the year's maximum pensionable earnings of the current year and of the previous 2 years, multiplied by the ratio expressed by the number of years of contributory service after December 31, 1991 over 35; this ratio shall not exceed 1.

12.2.3 The second limit referred to in 12.2.1 shall be established on the date of event and shall correspond to the sum of the following amounts:

- (a) the annual pension obtained in 12.1;
- (b) the sum of:
 - i. the maximum annual pension payable under the Old Age Security Act;
 - ii. the maximum annual pension that would be payable to the member under the Québec Pension Plan Act if he were 65 years of age, multiplied by the ratio of his three-year average compensation to the corresponding average year's maximum pensionable earnings, subject to a maximum of 1.

This amount is reduced by 0,25 % per month, as applicable, for each month between the retirement date and the date of the member's 60th birthday, and multiplied by the ratio representing the member's number of years of continuous service over 10; this ratio shall not exceed 1.

12.3 The application of the provisions of 12.1 and 12.2 shall take into account, as the case may be, any pension resulting from the surplus distributed at the time the plan is wound up.

12.4 The application of the provisions of 12.1 and 12.2 shall not take into account, as the case may be, any benefits transferred to the spouse under Section 8 and any lump sum payments made pursuant to 5.6.

12.5 The provisions of 12.1 and 12.2 shall not apply to the part of the annual pension provided from excess contributions determined according to the provisions of 3.5.

12.6 The reductions provided for in 12.1.3 and 12.2.3*b* shall not apply in the case of pension payable for total and permanent disability under 5.3*a ii 2*.

12.7 The date of event for the purposes of 12.1 and 12.2 shall correspond to the date pension benefits become payable, except under the following conditions:

- (a) in the case of postponed retirement, the normal retirement date shall be used;
- (b) in the case of termination of employment, the date of termination of employment shall be used;
- (c) in the case of dissolution of the plan, the date on which the plan is dissolved shall be used;

(d) in the case of legal separation, divorce or marriage annulment of a member, the date of the application for legal separation, divorce or marriage annulment shall be used;

(e) in the case of cessation of a conjugal relationship between a member and his spouse as defined in 1.29*b*, the date on which the conjugal relationship ceased shall be used.

(f) in the case of progressive retirement, the benefit payment date as established under 5.6 shall be used.

12.8 All pension benefits provided under the plan shall be subject to the limits imposed by the Income Tax Act and by any regulations adopted by the Government of Canada pursuant to that Act regarding pension adjustments.

12.9 The annual pension established in the first paragraph of 18.2 shall be subject to the limits in 12.1 and 12.2, determined using the years of continuous service rather than the years of contributory service.

SECTION 13 INDEXATION

13.1 On January 1 of each year, the amount of the retirement and survivor benefits being paid under the plan, By-law no. 679, By-law no. 676, By-law no. 582, By-law no. 534, By-law no. 278, By-law no. 83 and the supplemental plans shall be updated to reflect the change in the pension index, in the following manner:

(a) The amount of the retirement or survivor benefit expressed as an annual amount and paid as at December 31st of the preceding year shall be multiplied by the greater of:

- i. the pension index for the year in question, reduced by 3 %;
- ii. the pension index for the year in question, subject to a maximum of 102 %.

Any retirement or survivor benefit, the payment of which has begun during the year, shall be updated on the following January 1st and prorated according to the number of months that have elapsed since payment of the benefit began, with the exception of a survivor benefit paid to the spouse or children of a deceased pensioner, which benefit shall be indexed for the entire year in which it began to be paid.

In the event that a pensioner dies in the year during which he began to receive his retirement benefit, the

survivor benefit paid to the spouse or children shall be updated on the following January 1st and prorated according to the number of months that have elapsed since his retirement date.

(b) If the method of calculation of the consumer price index for any particular year is changed, Hydro-Québec shall determine the method of calculation of the pension index for the said year.

13.2 Retirement and survivor benefits paid under a supplemental plan shall be indexed according to this Section only when the adjustment rate provided for in the plan is higher than that provided for in the supplemental plan, and in such case, the indexing shall be based solely on the difference between those adjustment rates.

13.3 Indexation of retirement and survivor benefits under supplemental plans, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan as provided for under this Section shall not be paid to the pensioner, his spouse or his children where the spouse has not waived the right to the 60 % survivor benefit, which indexation shall be considered in the actuarial equivalence provided for in 4.4 of By-law no. 534 or in 14.1 of By-law no. 582, of By-law no. 653, of By-law no. 676, of By-law no. 679 or of the plan.

13.4 Indexation of deferred retirement benefits shall apply in the manner provided for in 13.1a, as of January 1st of the year following the date on which they start to be paid.

13.5 Any retirement benefit not in payment on the normal retirement date or after such date shall also be updated pursuant to 13.1.

SECTION 14 OPTIONAL FORMS OF PENSION

14.1 Prior to the date on which pension payments begin, the employee's spouse, if any, may waive the death benefit provided for in 6.3.2 by so notifying the Committee in writing. This waiver may be revoked by notifying the Committee in writing within the period provided for above.

If the employee's spouse, if any, has not waived the benefit provided for in 6.3.2, the annual pension calculated in 4.1, 4.1A, 4.2, 4.3, 4.4, 4.5 and 4.6 increased, where applicable, by the pension benefit provided for in 5.2c, shall be adjusted on an actuarial equivalence basis with the normal pension provided for in 6.3.1, to pay the spouse a 60 % pension.

Spousal status, for the purposes of application of the above provisions shall be established on the day preceding the date on which the member's retirement benefit begins.

14.2 A member, a former member or a spouse who is entitled to a pension from the plan and who is 10 years or less away from the normal retirement age may elect to replace such pension, in whole or in part, with a temporary pension, the amount(s) of which must be set by him prior to payment commencement, subject to the limits and conditions established under applicable legislation. Payment of such pension shall cease no later than the last day of the month following the month in which such member, former member or spouse attains age 65.

The choice made by a member, a former member or a spouse as per 14.2 shall be forwarded in writing to the committee prior to the payment date beginning.

The amount of pension resulting from the election of this option shall be the actuarial equivalent of the normal pension payable from the plan.

SECTION 15 ADMINISTRATION OF THE PLAN

15.1 Administration of the plan shall be the responsibility of the Committee; however, Hydro-Québec, as trustee, shall be responsible for management of the pension fund.

15.2 Hydro-Québec Pension Fund

(a) The pension fund shall consist of:

i. funds from the Hydro-Québec Pension Plan, pursuant to By-law no. 679, employee, employer and equalizing contributions, as well as investment income derived therefrom;

ii. funds paid as a result of an agreement to participate in the plan, pursuant to 29;

and, from January 1, 1999:

iii. funds from the Pension plan for employees of the Compagnie d'électricité du Sud du Québec;

iv. funds from the Pension plan for employees of the Compagnie d'électricité du nord du Québec;

v. funds from the Pension plan for employees of the Compagnie électrique du Saguenay;

vi. funds from the Pension plan for employees of the Compagnie de Pouvoir du Bas St-Laurent.

(b) The Hydro-Québec Pension Fund may receive any amount transferred from a registered plan for the purpose of meeting the obligations pursuant to Sections 10, 11 and 28.

(c) All expenses related to the administration of the plan and the management of the fund shall be assumed by the pension fund.

(d) Retirement benefits granted by Montreal Light, Heat & Power Consolidated before April 15, 1944 and by Hydro-Québec after this date, under Section 17 of the By-laws of Montreal Light, Heat & Power Consolidated or the benefits payable under By-law no. 12 of Hydro-Québec, shall be paid directly from the pension fund.

(e) The payment of benefits shall be a debit to the pension fund.

15.3 Accounting

Separate accounts shall be kept for the premiums and contributions resulting from the application of Sections 38 and following of By-law no. 83, of Part II of By-law no. 278, of Part II of By-law no. 534, of Part II of By-law no. 582, of Part II of By-law no. 653, of Part II of By-law no. 676, of Part II of By-law no. 679 and of Part II of the plan, and for the income derived therefrom, as well as for the payment of related benefits and indexation of said benefits.

Separate accounts shall also be kept for the funds identified in sub-paragraphs *iii* to *vi* of 15.2*a* and their corresponding revenues, for the expenses defined in 15.2*c* attributable to the administration and management of Part III of By-law no. 676, of Part III of By-law no. 679 or of Part III of the plan, together with the payment of corresponding benefits.

15.4 Management of the pension fund

Hydro-Québec shall manage the pension fund pursuant to the provisions of the Hydro-Québec Act and the applicable provisions of the Supplemental Pension Plans Act. Specifically Hydro-Québec shall:

(a) prepare, within six months of the end of each fiscal year of the plan, a financial report containing a statement of the plan assets and liabilities as well as a statement of revenues and expenses for the fiscal year just terminated. Such report shall be audited by the individuals appointed by the Government of Québec for the auditing of the Hydro-Québec accounts under the Hydro-Québec Act;

(b) prepare a written investment policy that takes into account the characteristics of the plan, its financial liabilities, and the applicable provisions of the Supplemental Pension Plans Act and any regulations adopted by the Government of Québec pursuant thereto;

(c) determine on the investments to be made with the assets of the plan and ensure that these are made in accordance with the investment policy and applicable legislation;

(d) authorize the payment of amounts required to discharge the obligations pursuant to Section 28;

(e) have the actuary prepare an actuarial valuation of the plan at the latest as at the last fiscal year-end of the plan that falls within three years following the date of the latest actuarial valuation of the plan, or, where the Régie des rentes du Québec so requires, at a date set by the Régie. It shall also have such a valuation prepared at the effective date of the plan and at the effective date of any amendment to the plan which affects its funding or its solvency;

(f) have the actuary prepare a report relating to any actuarial valuation of the plan. Such report shall contain the information as prescribed by the Supplemental Pension Plans Act or any regulations adopted by the Government of Québec pursuant thereto;

(g) provide the Committee with any information it deems necessary for the sound administration of the plan, in particular the financial report provided for in *a* above, and the actuarial valuation report provided for in *f* above.

15.5 Hydro-Québec Pension Committee

(a) The committee shall be made up of 13 members, including seven representatives of Hydro-Québec, one independent member and five members elected by the plan members, former plan members and pensioners; three of these five members shall be selected from among the unionized employees who are plan members, one among the non-unionized employees who are plan members, and one among the pensioners or former plan members.

(b) The Committee members elected in accordance with subsection *a* shall be chosen from among the plan members who are not on unpaid temporary leave at the time their candidacies are submitted, and among pensioners and former plan members; they shall be elected in accordance with the procedures set out by the committee.

(c) The Hydro-Québec representatives on the committee and the independent member shall be appointed by Hydro-Québec. The independent member must qualify pursuant to the provisions of the Supplemental Pension Plans Act.

(d) During the annual meeting provided for in 15.6n, the plan members, former plan members and pensioners may choose to appoint additional Committee members to those already elected in accordance with *a* and *b* above. In such case, the plan members, former plan members and pensioners shall appoint a single Committee member to represent them, or the plan members shall appoint an additional Committee member and the former plan members and pensioners shall appoint another committee member.

(e) Hydro-Québec shall appoint to the committee additional representatives which number will correspond to the number of committee members appointed by the plan members, former plan members and pensioners pursuant to *d* above. The term of office of such committee members shall be one year.

(f) The committee shall elect its chairman from among the Committee members appointed by Hydro-Québec. The Committee shall designate a secretary, who does not have to be a committee member.

(g) The committee members in office on January 1, 1990 shall remain in office until they are replaced by members elected or appointed pursuant to this Section.

(h) The term of office of committee members representing plan members, former plan members and pensioners shall be 3 years, not to exceed 4 years, with the exception of those elected at the time of the annual meeting, whose term shall not exceed one year. A committee member whose term has expired shall remain in office until he is reappointed or replaced. Any new Committee member shall take office as at the first meeting following his election or appointment.

(i) Subject to *e* above, Hydro-Québec representatives on the committee shall remain in office until such time as their successors are appointed.

(j) In the event of any vacancy on the committee, the members who remain, if they represent a quorum, may continue to exercise the powers and rights of the committee until such time as a replacement is appointed or elected.

(k) The chairman shall preside over the meetings of the committee, ensure that its decisions are executed, and sign the appropriate documents.

(l) The secretary shall write up the minutes of the committee meetings and shall keep them in the record book maintained for that purpose. He shall be responsible for maintaining all records and books prescribed by the committee.

(m) The quorum for the committee meetings shall be seven when the Committee consists of thirteen members, eight when the committee consists of fifteen members, and nine when the Committee consists of seventeen members, and any decision shall be made by a majority of those members present. The chairman shall have the deciding vote in the case of a tie.

(n) With the exception of the independent member, the committee members shall not be entitled to any remuneration.

15.6 Duties of the Committee

Subject to the provisions of 15.1 and 15.4 in respect of the role of trustee of the pension fund exercised by Hydro-Québec, the committee shall have the duties it is assigned under the Supplemental Pension Plans Act, in particular to:

(a) provide the Régie des rentes du Québec with the application for registration of the plan or its amendments, together with the information and documents provided for under the Supplemental Pension Plans Act and any regulations adopted by the Government of Québec pursuant thereto;

(b) inform the members when it plans to apply for the registration of an amendment to the plan, in accordance with the Supplemental Pension Plans Act and any regulations adopted by the Government of Québec pursuant thereto;

(c) see to the application of the provisions of the plan;

(d) interpret the provisions of the plan in the case of doubt;

(e) authorize the payment of benefits by Hydro-Québec;

(f) draw up internal rules of procedure in those areas falling within its jurisdiction and, in particular, adopt the procedure for election to the committee of representatives of the plan members, former plan members and pensioners;

(g) hold meetings at least once a month;

(h) prepare an annual report on its activities for Hydro-Québec;

(i) transmit to Hydro-Québec its recommendations for improving the administration of the plan or increasing the efficiency thereof;

(j) allow employees, plan members, former plan members, pensioners or their agents who so request, to review, during regular business hours, within 30 days following receipt of such written request, any document prescribed by the Supplemental Pension Plans Act and any regulations adopted by the Government of Québec pursuant thereto, under the terms and conditions established by the act and regulations;

(k) allow plan members, former plan members, pensioners or their agents who so request, to review, during regular business hours, within 30 days following receipt of such written request, any plan provision in force at any time during the period in which such person was a plan member;

(l) requests for documents or the review of documents may be made free of charge by an individual not more than once in a 12-month period. A fee may be charged for any additional request(s) by an individual within such period;

(m) provide every plan member, within 90 days of his joining the plan or of the date of registration of the plan, with a copy of the applicable provisions of the plan, as well as a description of the rights and obligations of the member. In the event of any amendment to the plan, the employer shall provide every plan member, former plan member or pensioner with such document within 90 days of the registration date of the amendment by the Régie des rentes du Québec;

(n) within six months of every fiscal year-end of the plan or within the additional period granted by the Régie des rentes du Québec, convene a meeting, as per the procedure adopted by the committee, by written notice to every member, former member, pensioner and the employer to:

i. inform them of the amendments made to the plan, of any situations in respect of conflicts of interest noted by any committee member, and of the financial status of the plan;

ii. allow the plan members, former plan members and pensioners to decide whether or not to appoint one or two member(s) to the committee, pursuant to 15.5*d*, and, where applicable, proceed with such appointment(s);

iii. report on its administration;

(o) transmit to every plan member, former plan member and pensioner with the notice of the annual meeting, a statement containing the information prescribed by the regulations adopted by the Government of Québec pursuant to the Supplemental Pension Plans Act;

(p) within 60 days of the date on which the committee is informed that a person has ceased to be a plan member, provide such person or provide any other person who is entitled to a refund or to any other benefits with a statement containing the information prescribed by the Supplemental Pension Plans Act and any regulations adopted by the Government of Québec pursuant thereto;

in addition, within 60 days of a written request to such effect, provide free of charge such statement updated to reflect the most recent data available;

in addition, within 30 days of a written request, provide free of charge the data used to determine such statement or update of same and more particularly those used to calculate the benefits to which he is entitled;

(q) within six months of each fiscal year-end, forward to the Régie des rentes du Québec an annual return with such information as prescribed by the regulations adopted by the Government of Québec pursuant to the Supplemental Pension Plans Act;

(r) forward the report pursuant to 15.4*f* to the Régie des rentes du Québec within six months of the fiscal year-end of the plan or as of the date set by the Régie;

(s) delegate all or part of its powers, or have itself represented by a third party for any particular action;

(t) within 30 days following the coming into office of a committee member appointed by the plan members, former plan members or pensioners, review the delegations of responsibilities to determine which are to be maintained and which are to be revoked.

15.7 Vacancy

(a) A person shall cease to be a committee member on the occurrence of one of the following:

i. his death;

ii. his termination of employment;

iii. his absence for more than six meetings of the committee in the course of one year;

iv. his resignation, or in the case of a Hydro-Québec representative or of the independent member, revocation of his mandate;

v. when he ceases to belong to the group he represents, except, where applicable, for committee members elected during the annual meeting.

(b) Any committee member may resign by giving the committee prior written notice of a minimum of 30 days.

15.8 Replacement

A vacancy on the committee shall be filled as follows:

(a) in the case of a Hydro-Québec representative and the independent member, the replacement shall be appointed by Hydro-Québec within 60 days of the vacancy;

(b) in the case of a representative of unionized employees, non-unionized employees or pensioners and of former plan members, the replacement shall be the defeated candidate who received the most votes at the most recent election held within the group in question, and this person shall remain in office until the end of the term of the person he replaces;

(c) in the case of a committee member appointed during the annual meeting, the committee shall appoint a plan member, former plan member or pensioner to fill the vacancy until the next annual meeting is held.

PART II SUPPLEMENTARY PROVISIONS

SECTION 16 DEFINITIONS

Unless the context indicates otherwise, the terms below shall have the following meaning:

16.1 “Vested Pension”: either of the following amounts:

(a) the amount of retirement benefit payable under a supplemental pension plan assuming it is paid to the beneficiary as soon as he is entitled thereto;

(b) the amount of retirement benefit payable under the provisions of Part III of By-law no. 676, of Part III of By-law no. 679 or of Part III of the plan assuming it is paid to the beneficiary as soon as he is entitled thereto;

(c) the sum of the following amounts calculated pursuant to 4.2, 4.5 and 5.2c:

i. the amount of retirement benefit calculated pursuant to 4.1(a) and 4.1b;

ii. the amount of retirement benefit calculated pursuant to 4.1c, 4.1d, 4.1A and 4.6.

16.2 “Total Pension”: the sum of the vested pensions.

SECTION 17 CONTRIBUTIONS

The contributions required for the complete funding and indexation of the benefits pursuant to Sections 38 and following of By-law no. 83, Part II of By-law no. 278, Part II of By-law no. 534, Part II of By-law no. 582, Part II of By-law no. 653, Part II of By-law no. 676, Part II of By-law no. 679 and Part II of the plan shall be paid entirely by the employer.

The contributions required to the funding and indexation of benefits for retirement at the request of the employer pursuant to 5.3a *ii* 1 shall be paid entirely by the employer. However, in such a case, the unfunded actuarial liability for each such retirement, as calculated immediately prior to the retirement date, and an amount equal to this liability shall be transferred from Part I of the plan to Part II of the plan.

SECTION 18 RETIREMENT BENEFIT GUARANTEE FORMULA

18.1 Eligibility

The following persons shall be deemed eligible for a retirement benefit guarantee formula, with the exception of deferred retirement members and recipients of spousal or children’s survivor benefits pursuant to a deferred retirement benefit:

(a) a member in the employ of a subsidiary prior to January 1, 1966, whose effective date of employment is recognized by Hydro-Québec to precede this date, and who retires subsequent to December 31, 1999 pursuant to the plan and who has at least 10 years of credited service or at least 15 years of credited service in the case of a member who retires pursuant to 5.4;

(b) the spouse of a pensioner referred to in *a* or in 16.1a of By-law no. 534 or in 18.1a of By-law no. 582, of By-law no. 653, of By-law no. 676 or of By-law no. 679 who dies after December 31, 1999;

(c) the spouse of a member in the employ of a subsidiary prior to January 1, 1966, whose effective date of employment which is recognized by Hydro-Québec pre-

cedes this date, who dies while still in service after December 31, 1999 and who has at the time of death at least 10 years of credited service.

18.2 Calculation method

The purpose of the retirement benefit guarantee formula is to provide:

(a) the eligible member at the time of retirement with a pension at least equal to 2.00 % of five-year average earnings times the total number of years of continuous service with Hydro-Québec or a subsidiary, as of the effective date of employment as recognized by Hydro-Québec for the purposes of the plan. However, the pension payable for years of continuous service prior to January 1, 1990 shall be limited to 80 % of the five-year average earnings.

If the years of contributory service total less than 5, the five-year average earnings, for the purposes of this Section, shall be calculated pursuant to 1.15, considering, for the purposes of said Section, the years of certified service as years of contributory service and the basic pay received during these years.

If the total pension is less than the amount calculated above, the pensioner shall receive the difference.

If the spouse's right to 60 % of the deceased's retirement benefit was not waived pursuant to 4.4 of By-law no. 534 or in 14.1 of By-law no. 582, of By-law no. 653, of By-law no. 676, of By-law no. 679 or of the plan, the amount referred to in the third paragraph above shall be adjusted on an actuarial equivalence basis. If applicable, this amount shall be increased by an additional amount calculated on an actuarial equivalence basis to take into account the guaranteed pension paid for a determined period under a supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan and the pension, where applicable, pursuant to Section 20.

(b) the eligible spouse referred to in 18.1 with a survivor benefit equal to the greater of the following amounts:

i. 50 % of the amount referred to in the first paragraph of 18.2a;

and

ii. 50 % of the total pension.

If the pension payable to an eligible spouse under a supplemental plan, under Part III of By-law no. 676,

under Part III of By-law no. 679 or under Part III of the plan and this plan prior to the application of Part II of the plan is less than the greater of the above amounts, the eligible spouse shall receive the difference.

If the spouse's right to 60 % of the deceased's pension was not waived pursuant to 4.4 of By-law no. 534 or to 14.1 of By-law no. 582, of By-law no. 653, of By-law no. 676, of By-law no. 679 or of the plan, the eligible spouse shall receive 60 % of the amount referred to in the fourth paragraph of 18.2a.

(c) the eligible spouse referred to in 18.1c with a survivor benefit equal to the greater of the following amounts:

i. (1) 50 % of the amount referred to in paragraph 1 of 18.2a, prorated according to the total number of years of continuous service between the effective date of employment as recognized by Hydro-Québec for the purposes of the plan and December 31, 1989, over the total number of years of continuous service between said effective date of employment and the date of the member's death; plus

(2) the survivor benefit resulting from the greater of the following amounts:

(a) the present value of the amount referred to in the first paragraph of 18.2a to which the member was entitled before his death, prorated according to the total number of years of continuous service between January 1, 1990 and the date of the member's death, over the total number of years of continuous service between the effective date of employment as recognized by Hydro-Québec for the purposes of the plan and the date of his death;

and

(b) the present value of the survivor benefit payable to the spouse. This survivor benefit shall be equal to 50 % of the amount referred to in the first paragraph of 18.2a, prorated according to the total number of years of continuous service between January 1, 1990 and the date of the member's death over the total number of years of continuous service between the effective date of employment as recognized by Hydro-Québec for the purposes of the plan and the date of his death.

and

ii. (1) 50 % of the vested pension pursuant to 16.1a, 16.1b and 16.1c *i*; plus

(2) the survivor benefit equal to the greater of the following amounts:

(a) the present value of the survivor benefit payable to the spouse. This survivor benefit is equal to 50 % of the retirement benefit credited to the member as at the date of his death pursuant to 16.1c *ii*;

and

(b) the present value of the retirement benefit to which the member was entitled before his death for years of credited service after December 31, 1989.

If the survivor benefit payable to the eligible spouse under the supplemental plans, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan and the plan prior to the application of Part II of the plan is less than the greater of the amounts referred to in *i* or *ii* above, the eligible spouse shall receive the difference.

18.3 Terms and conditions of application

(a) If an eligible spouse receives a separation allowance following the death of an eligible employee in the service of Southern Canada Power Company, Limited, the retirement benefit guarantee formula shall apply only at the end of the number of weeks used as the basis for calculating the allowance.

If said allowance is less than the amount established pursuant to the last paragraph of 18.2c, the retirement benefit guarantee formula shall not apply during such number of years as obtained by dividing A by B below:

A amount of the separation allowance;

B annual amount of the supplement resulting from the retirement benefit guarantee.

(b) If an eligible spouse's survivor benefit under a supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan before the application of Part III of the plan is greater than the amount established pursuant to 18.2b *i* or 18.2c *i*, only for a limited period of time, the retirement benefit guarantee formula shall apply at the end of this limited period. In the case of an eligible spouse of a pensioner, this paragraph shall apply only if the spouse's right to 60 % of the deceased's retirement benefit has been waived.

(c) If an eligible spouse elects to receive the survivor benefit to which he is entitled under a supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan as a lump sum payment, said survivor benefit shall be deemed to be paid out for the period provided for in the supplementen-

tal plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan, and the retirement benefit guarantee formula shall apply as pursuant to *b* above. In the case of an eligible spouse of a pensioner, this subsection shall apply only if the spouse's right to 60 % of the deceased's retirement benefit has been waived.

(d) If under a supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan an eligible spouse is entitled to a refund of contributions, the retirement benefit guarantee formula shall not apply for such number of years as obtained by dividing A by B below:

A total amount of the refund of contributions;

B annual amount of the supplement resulting from the retirement benefit guarantee.

(e) For purposes of the application of 18.2b and 18.2c, any amount payable upon the death of an eligible member or pensioner under a supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan shall be deemed as being paid to the eligible spouse. In the case of an eligible spouse of a pensioner, this subsection applies only if the spouse's right to 60 % of the deceased's retirement benefit has been waived.

18.4 Spouse of a pensioner as at December 31, 1989

(a) Upon the death of a pensioner who is in receipt of a retirement benefit as at December 31, 1989, his spouse shall be entitled, for his lifetime, to a survivor benefit equal to 50 % of the retirement benefit payable to the pensioner under a supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan and 50 % of the supplement as calculated pursuant to 15.2a and 15.4b *i* of By-law no. 278, less the amount of survivor benefit paid to the spouse or beneficiary under the supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan.

(b) The survivor benefit calculated in *a* above shall be subject to the following terms and conditions:

i. if a pensioner with a retirement benefit guaranteed which is payable for a limited period of time under a supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan dies before the end of this limited period, his spouse shall be entitled to the excess, if any, between 50 % of the sum of the following amounts:

(1) the supplement pursuant to the retirement benefit guarantee formula in force as at December 31, 1989; plus

(2) the retirement benefit payable under a supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan if said plan or Part III of the plan does not provide for payment of a survivor benefit to the spouse;

and the retirement benefit payable under a supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan, until the end of the period provided for in the supplemental plan. At the end of this period, the spouse shall be entitled, until death, to the survivor benefit calculated in *a* above.

ii. if the eligible spouse elects to receive the survivor benefit to which he is entitled under a supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan as a lump sum payment, such benefit shall be deemed to be paid and the spouse shall receive the excess, if any, between 50 % of the sum of the following amounts:

(1) the supplement pursuant to the retirement benefit guarantee formula in force as at December 31, 1989; plus

(2) the retirement benefit payable under a supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan when this plan or Part III of the plan does not provide for payment of a survivor benefit to the spouse;

and the retirement benefit payable under the supplemental plans, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan, until the end of the period as provided for in the supplemental plan, Part III of By-law no. 676, Part III of By-law no. 679 or Part III of the plan. At the end of this period, the spouse shall be entitled, for his lifetime, to the benefit as calculated in *a* above.

iii. for the purposes of application of this Section, any amount payable upon the death of a pensioner under a supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan shall be deemed as being paid to his spouse.

SECTION 19

RETIREMENT BENEFIT GUARANTEE FORMULA — POSTPONED RETIREMENT

19.1 The provisions of this Section 19 shall apply to members or spouses referred to in 18.1.

19.2 If an eligible member remains in the employ of the employer subsequent to his normal retirement date, the supplement resulting from the application of 18.2*a* shall be determined as at the normal retirement date and shall be postponed until the actual retirement date, but no later than December 1 of the year in which the member reaches the age limit provided for by applicable legislation, even if the member remains in the employ of the employer after that date.

19.3 During the postponement period, an eligible member may request payment of the supplement, in full or in part, but only to the extent necessary to compensate for a reduction in earnings, if any, during this period, including any decrease in earnings during such period which is the result of a change in status from a full-time to a part-time schedule or of a reduction of a part-time schedule, and not compensated pursuant to the application of 5.5*b*. The member may not make such a request more than once during any 12 month period.

19.4 The amount of the postponed supplement payable on the retirement date or a date no later than December 1 of the year in which the eligible member reaches the age limit provided for by applicable legislation, shall be equal to the sum of the following amounts:

(*a*) the supplement established as at the normal retirement date pursuant to the provisions of the fourth paragraph of 18.2*a* or the third paragraph of 18.2*a* if the spouse's right to 60 % of the deceased's retirement benefit has been waived pursuant to the provisions of 4.4 of By-law no. 534 or in 14.1 of By-law no. 582, of By-law no. 653, of By-law no. 676, of By-law no. 679 or of the plan or if the member had no spouse on his normal retirement date; plus

(*b*) the retirement benefit determined on an actuarial equivalence basis resulting from the adjustment made to offset the decrease in the value of the benefits by reason of the deferral, during the postponement period of the supplement provided for in *a* above, less, where applicable, any retirement benefit paid pursuant to 19.3.

The accrual of the supplement and the actuarial equivalence shall be determined pursuant to the provisions of 5.5*d*.

19.5 Upon the death of an eligible member subsequent to the normal retirement date but before December 1st of the year in which he reaches the age limit provided for by applicable legislation, the eligible spouse shall be entitled, for his lifetime, to the greater of the following amounts:

(*a*) i. the supplement determined pursuant to 18.2*c* as at the normal retirement date; plus

ii. the retirement benefit determined on an actuarial equivalence basis resulting from the adjustment made to offset the decrease in the value of the benefits by reason of the deferral, during the postponement period, of the supplement provided for in *i* above, less, where applicable, any benefits paid pursuant to 19.3;

and

(b) i. the supplement determined pursuant to 18.2*b* as at the normal retirement date; plus

ii. the retirement benefit determined on an actuarial equivalence basis resulting from the adjustment made to offset the decrease in the value of the benefits by reason of the deferral, during the postponement period, of the supplement provided for in *i* above, less, where applicable, any benefits paid pursuant to 19.3.

19.6 Upon the death of a pensioner who retired subsequent to his normal retirement date or who died while still in the employ of the employer after December 1st of the year in which he reaches the age limit provided for by applicable legislation, the eligible spouse shall be entitled, for his lifetime, to the sum of the following amounts:

(a) the supplement determined in 18.2*b* as at the normal retirement date and revised pursuant to Section 13;

(b) 60 % of the deceased's retirement benefit determined pursuant to 19.4*b* and as revised pursuant to Section 13, or 50 % if the spouse's right to 60 % of the deceased's retirement benefit has been waived pursuant to 4.4 of By-law no. 534 or to 14.1 of By-law no. 582, of By-law no. 653, of By-law no. 676, of By-law no. 679 or of the plan or if the pensioner had no spouse as at normal retirement date, and as revised pursuant to Section 13.

19.7 The provisions of 18.3 shall apply, *mutatis mutandis*, to the survivor benefit payable to a spouse pursuant to 19.5 and 19.6.

SECTION 20 MINIMUM RETIREMENT BENEFIT

20.1 Eligibility

Subject to the provisions of 20.2, the following persons shall be deemed eligible for an increase in benefits resulting from the application of the minimum retirement benefit:

(a) the pensioner who begins receiving a retirement benefit after December 31, 1999;

(b) the spouse of any pensioner deceased after December 31, 1999;

(c) the spouse of any member deceased after December 31, 1999 whose years of contributory service plus years of certified service is greater than or equal to 10 years.

20.2 The following persons shall not be eligible for an increase in benefits resulting from the application of the minimum retirement benefit:

(a) the beneficiary of a deferred retirement benefit or of a benefit payable to a spouse or child resulting from a deferred retirement benefit;

(b) the member who retires with less than 10 years of credited service;

(c) the member who retires pursuant to the provisions of 5.4*a* and 5.4*b*.

(d) the spouse of a member who retired pursuant to the provisions of 5.4*a* and 5.4*b*.

20.3 Method of calculation

(a) The total pension paid to the eligible pensioner or eligible spouse under the plan, By-law no. 679, By-law no. 676, By-law no. 653, By-law no. 582, By-law no. 534, By-law no. 278, By-law no. 83 and the supplemental plans shall be increased, where applicable, in order to guarantee a minimum annual pension of \$2,200.

(b) The increase resulting from the application of this Section shall be allocated proportionally to the years of credited service prior to January 1, 1990 and the years of credited service subsequent to December 31, 1989 over the total years of credited service.

20.4 Terms and conditions of application

(a) If the pension of any eligible person under 20.1 is greater than the minimum pension only for an established period of time, the minimum pension shall apply at the end of such period.

(b) The amount of the increase shall be calculated on the assumption that a member's vested pension under a supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan is paid upon his becoming eligible therefor.

(c) For the purposes of the determination of the minimum survivor benefit payable to an eligible spouse, any amount payable under a supplemental plan, under Part III

of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan shall be deemed paid to the eligible spouse.

(d) The amount of the increase is calculated without taking into account any benefit transferred to the spouse under Section 8, as well as any lump sum payment made pursuant to 5.6.

20.5 The increase provided for in this Section shall not be granted to an eligible pensioner or his spouse if the spouse's right to 60 % of the deceased's retirement benefit has not been waived, such increase being included pursuant to the provisions of the fourth paragraph of 18.2a.

SECTION 21 SPECIAL PROVISIONS

21.1 For the purposes of calculating the vested pension and total pension, as well as the supplements and increases established pursuant to the retirement benefit guarantee formula and minimum retirement benefit, the following items shall not be taken into consideration:

(a) any annuities purchased by the member with additional or voluntary contributions under a supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan;

(b) any options exercised by the beneficiary in respect of terms of payment;

(c) any amount resulting from the application of Section 13;

(d) the adjustment provided for in 4.4 of By-law no. 534, applied to the benefit under this plan or under a supplemental plan to grant a spouse a survivor benefit equal to 60 % of the deceased's retirement benefit;

(e) the benefit provided for in 4.5 of By-law no. 534 and 4.4 of By-law no. 582, of By-law no. 653, of By-law no. 676, of By-law no. 679 or of the plan;

(f) options pursuant to Section 14 of By-law no. 582, of By-law no. 653, of By-law no. 676, of By-law no. 679 or of the plan.

21.2 If a pensioner dies without a spouse after December 31, 1989, or if the surviving spouse dies after this date, the survivor benefit payable to the spouse provided for in Part II of the plan shall be paid to the children.

21.3 If a member dies without a spouse after December 31, 1989:

(a) the survivor benefit payable to the spouse under Part II of the plan, based on the years of credited service prior to January 1, 1990, shall be paid to the children;

(b) the present value of the retirement benefit to which the member was entitled prior to his death under Part II of the plan, based on the years of credited service after December 31, 1989, shall be paid to his estate.

21.4 Upon the death of a pensioner who retired prior to January 1, 1990 and who received a retirement benefit under a supplemental plan, under Part III of By-law no. 676, under Part III of By-law no. 679 or under Part III of the plan, Sections 38 and subsequent of By-law no. 83, Part II of By-law no. 278, the survivor benefit to which his spouse is entitled shall be increased by 50 % of the amount of indexation to which the pensioner was entitled for such retirement benefit at the date of his death.

Upon the death of a pensioner who retired after December 31, 1989 and who received a retirement benefit under Part II of By-law no. 534, Part II of By-law no. 582, Part II of By-law no. 653, Part II of By-law no. 676, Part II of By-law no. 679 or Part II of the plan, the survivor benefit to which his spouse is entitled shall be increased by 60 % of the amount of indexation to which the pensioner was entitled for such retirement benefit at the date of his death. If the spouse's right to 60 % of the deceased's retirement benefit has been waived, the spouse's survivor benefit shall be increased by 50 % of the amount of indexation to which the member was entitled under a supplemental pension plan, Part III of By-law no. 676, Part III of By-law no. 679 or Part III of the plan and Part II of By-law no. 534, Part II of By-law no. 582, Part II of By-law no. 653, Part II of By-law no. 676, Part II of By-law no. 679 or Part II of the plan.

21.5 Benefits in this Part shall be subject to the Income Tax Act and to any regulations adopted by the Government of Canada pursuant to this Act.

PART III PROVISIONS REGARDING THE SUBSIDIARIES' MERGED PLANS

SECTION 22 PENSION PLAN FOR EMPLOYEES OF THE COMPAGNIE D'ÉLECTRICITÉ DU SUD DU CANADA LTÉE

22.1 Provisions of Section 22 are added to the Hydro-Québec Pension Plan further to the merger of the Compagnie d'électricité du sud du Canada Ltée Employees Pension Plan with the Hydro-Québec Pension Plan. These provisions correspond to the provisions of

the Compagnie d'électricité du sud du Canada Ltée Employees Pension Plan with the required adaptations. Subject to applicable legislation, benefits payable to an employee who has left the Company prior to January 1, 1999 are determined according to provisions of the Southern Canada Power Company Limited Employees Pension Plan or the Compagnie d'électricité du sud du Canada Ltée Employees Pension Plan, as the case may be. Provisions of this Section apply only to benefits arising from participation in the Compagnie d'électricité du sud du Canada Ltée Employees Pension Plan.

22.2 Definitions

For purposes of Section 22, the following terms mean:

“Company”: the Compagnie d'électricité du sud du Canada Ltée and its subsidiary, the Compagnie de chemins de fer et d'électricité de Sherbrooke Ltée, its successors or assigns;

“Employee”: a permanent employee of the Company of either gender. An active employee at December 31, 1965 who participates in the Hydro-Québec Pension Plan as of January 1, 1966 remains an employee for purposes of this Section 22, even if he becomes employed by Hydro-Québec or of one of its subsidiaries;

“Normal retirement age”: sixty-five (65) years old for men and sixty (60) years old for women;

“Participation date”: the date set in the agreement between the Company and Hydro-Québec from which Company employees became members of the Hydro-Québec Pension Plan, i.e., January 1, 1966;

“Pensioner”: a person, other than a spouse, a beneficiary or an assign, receiving pension benefits under the Southern Canada Power Company Limited Employees Pension Plan or the Compagnie d'électricité du sud du Canada Ltée Employees Pension Plan or under this Section 22.

22.3 Special provisions

Employees in active service on the participation date have ceased to accrue pension credits under the Southern Canada Power Company Limited Employees Pension Plan and the Compagnie d'électricité du Sud du Canada Ltée Employees Pension Plan.

Employees in active service on the participation date retain all their pension credits for service or participa-

tion prior to that date. These credits will be paid to them according to provisions of this Section 22.

Where Section 22 mentions the average of an employee's total monthly earnings received during his last 10 years of service, it means the average of total monthly earnings received by an active employee on participation date for his last 10 years of service in the employment of either the Company or Hydro-Québec.

For purposes of this Section 22, years of service accrued after the participation date by permanent or regular employees of Hydro-Québec or one of its subsidiaries count as years of service with the Company for purposes of establishing the right to a pension, but not to establish the amount of such pension. In this case, only the years of service prior to January 1, 1966 are computed.

22.4 Benefits

(a) Normal Retirement

Employees who have reached normal retirement age and who have been continuously employed by the Company for 10 years or more are entitled, from the first day of the month following the month during which they have reached the normal retirement age, to a monthly pension equal to 1 % for each year of service with the Company, based on their average total monthly earnings during their last 10 years of service, subject to a minimum of \$50 per month or 50 % of the average of such monthly earnings, whichever is lower.

The determination of any additional amount required to bring the pension benefits to the \$50 monthly minimum takes into account the amount of pension paid under Part I and Part II of the Plan, excluding any additional amount payable on account of provisions regarding minimum pension or half-pension.

(b) Early retirement at the request of the employee

An employee who has reached 55 years of age and has been continuously employed by the Company for a period of 15 years or more may retire at any time prior to his normal retirement date. In such a case, the monthly pension payable from the first day of the month following his retirement is equal to 1 % for each year of service with the Company, based on the average of his total monthly earnings during the last 10 years of service, multiplied by a factor determined as per the following table:

Age on due date of first monthly payment	Factor	
	Men	Women
55	0.60	0.80
56	0.64	0.84
57	0.68	0.88
58	0.72	0.92
59	0.76	0.96
60	0.80	1.00
61	0.84	
62	0.88	
63	0.92	
64	0.96	
65	1.00	

Age is computed in complete months; where required, the factor is determined using straight line interpolation. In such a case, however, the minimum monthly pension provision set out under *a* above does not apply.

(c) Early retirement at the request of the employer

An employee who has reached 55 years of age and has been continuously employed by the Company for a period of 15 years or more may be retired by the employer before having reached his normal retirement age. In such a case, the monthly pension payable from the first day of the month following his retirement is equal to 1 % for each year of service with the Company, based on the average of his total monthly earnings during the last 10 years of service, multiplied by a factor determined as per the following table:

Age on due date of first monthly payment	Factor	
	Men	Women
55	0.80	0.90
56	0.84	0.92
57	0.88	0.94

Age on due date of first monthly payment	Factor	
	Men	Women
58	0.86	0.96
59	0.88	0.98
60	0.90	1.00
61	0.92	
62	0.94	
63	0.96	
64	0.98	
65	1.00	

Age is computed in complete months; where required, the factor is determined using straight line interpolation. In such a case, however, the minimum monthly pension provision set out under *a* does not apply.

(d) Disability benefits

An employee who has been continuously employed by the Company for 10 years or more, and who can no longer perform his regular tasks on account of physical or intellectual disability, is entitled (but only during the period where such physical or intellectual disability prevents him from going back to full active service with the Company) to receive a monthly retirement pension equal to 1 % for each year of service with the Company, based on the average of his total monthly earnings during the last 10 years of service. In such a case, however, the minimum monthly pension provision set out under *a* above does not apply.

(e) Death benefits

On the death of a male employee who was receiving a pension pursuant to *a* above, a monthly pension equal to half the monthly pension payable to such employee is paid to his widow for life. Such half-pension is not payable to widows of employees who retired prior to September 23, 1955.

On the death of a male employee who was receiving or was entitled to a pension pursuant to *b* above, a monthly pension equal to half the monthly pension payable to such employee if he was retired or to half the pension which he would have been entitled to had he retired on the date immediately preceding the date of his

death, pursuant to the provisions of *b* above, is paid to his widow for life. Such half-pension only applies to widows of employees who become entitled to a pension pursuant to *b* above on or after December 1, 1962.

On the death of a male employee who was receiving a pension pursuant to *c* above, a monthly pension equal to half the monthly pension payable to such employee pursuant to the provisions of *c* above is paid to his widow for life. Such half-pension only applies to widows of employees who retired pursuant to *c* above on or after December 1, 1962.

On the death of a male employee who was in active service with the Company on December 1, 1962 and who, after this date and while in active service with the Company, became eligible to a pension pursuant to *d* above, a monthly pension equal to the product of *i* and *ii* below is paid to his widow for life.

- i. the monthly pension payable to such pensioner, and
- ii. a factor of: $0.01 \times X - 0.15$

(Where X is the age of the retired employee in complete years at the date on which the Company began paying him the pension to which he was entitled pursuant to *d* above.)

22.5 Miscellaneous provisions

(a) Subject to the provisions of *f* below, the pension payment commencement date is the first day of the month following the month during which the employee retired, or any other date determined by the Committee. The pension payment commencement date for any widow, as established above, is the first day of the month following the month during which the employee died.

(b) Subject to the provisions of 22.4*d*, employee retirement pensions granted to employees are paid from the retirement date until death.

(c) The service period includes fractions of year.

(d) Leaves of absence or temporary lay-offs due to staff reductions, or leaves to satisfy military obligations are not considered as breaks in service.

(e) Former employees who left the service of the Company on or after December 1, 1962 with more than 15 years of continuous service and who are rehired lose only the period during which they were not in the service of the Company.

(f) Termination benefits

Any employee having reached 45 years and counting 15 years or more of continuous service who terminated employment with the Company on or after December 1, 1962 is entitled to a monthly pension payable from his normal retirement age. This pension is equal to 1 % for each year of service with the Company, based on the average of the employee's total monthly earnings during the last 10 years of service. In such a case, however, the minimum monthly pension provision set out under 22.4*a* does not apply. The retirement pension set out in this paragraph *f* is not payable to employees who already receive a pension under 22.4*d*.

22.6 This Section adds to the preceding provisions of Section 22, without reducing the rights conferred by such Section 22.

(a) Deferred pension

Any employee who meets the following conditions at the time he leaves the service of the employer is entitled to a deferred pension at least equal to the monthly pension payable from the normal retirement age:

- i. having reached 45 years of age but not the normal retirement age;
- ii. having completed at least 10 years of continuous service.

(b) Early retirement

An employee who has completed a minimum of 10 years of continuous service and whose period of continuous service ends in the 10 years immediately preceding the date on which he attains the normal retirement age is entitled to receive an early retirement pension. The early retirement pension is the actuarial equivalent of the pension payable at normal retirement age.

(c) Postponed retirement

An employee who remains in the employer's service after his normal retirement date may retire as of the first day of any month following this date. The employee's monthly retirement benefit shall be postponed until his actual retirement date, but no later than December 1 of the year in which the employee reaches the age limit provided for in applicable legislation, even if he remains in the employer's service after this date. The amount of the postponed retirement benefit is an actuarial equivalent based on the retirement benefit payable at normal retirement age and the length of the postponement period.

During the postponement period, the employee may request payment in whole or in part of his retirement benefit, but only insofar as is necessary to compensate for any reduction in earnings during this period. The employee may not make such request more than once per 12-month period.

Should the employee die during the postponement period, his spouse is entitled to a pension, the value of which is equal to the value of the pension that would have been payable to the employee, had payment of the pension began on the day preceding the date of death.

(d) Spousal pension

Upon the death of a pensioner who had retired after December 31, 1989 or of an employee whose period of continuous service had ended after this date and who is expecting the commencement of a benefit payable pursuant to Section 22, and provided the employee's spouse has not waived the right to a 60 % pension at the time of the employee's retirement pursuant to Part I, the employee's spouse shall receive a lifetime pension equal to 60 % of the pension that the pensioner was receiving or was entitled to receive at the time of his death, such pension being the actuarial equivalent of the pension he would have been entitled to receive in the absence of the right conferred herein to the spouse.

Prior to the date on which pension payments begin, the employee's spouse, if any, may waive the right to a spousal pension by so notifying the Committee in writing. This waiver may be revoked by notifying the Committee in writing within the period provided for above.

(e) Payment of benefits and transfer

The provisions of 7.9 to 7.12 apply, *mutatis mutandis*, to the benefits provided under Section 22.

SECTION 23
PENSION PLAN FOR EMPLOYEES OF THE
COMPAGNIE D'ÉLECTRICITÉ DU NORD DU
QUÉBEC LIMITÉE

23.1 Provisions of Section 23 are added to the Hydro-Québec Pension Plan further to the merger of the Compagnie d'électricité du nord du Québec Limitée Employees Pension Plan with the Hydro-Québec Pension Plan. These provisions correspond to the provisions of the Compagnie d'électricité du nord du Québec Limitée Employees Pension Plan, with the required adaptations. Subject to applicable legislation, benefits payable to an employee who has left the Company prior to January 1, 1999 are based on the provisions of the northern Quebec Power Company, Limited Employees

Pension Plan or the Compagnie d'électricité du nord du Québec Limitée Employees Pension Plan, as the case may be. The provisions of this Section apply only to benefits arising from participation in the Compagnie d'électricité du nord du Québec Limitée Employees Pension Plan.

23.2 Definitions

For purposes of Section 23, the following terms mean:

“Company”: the Compagnie d'électricité du nord du Québec Limitée, its successors or assigns;

“Employee”: a permanent employee of the Company of either gender. An active employee at December 31, 1965 who participates in the Hydro-Québec Pension Plan from January 1, 1966 continues to be an employee for purposes of this Section 23, even if he becomes employed by Hydro-Québec or of one of its subsidiaries.

“Normal retirement age”: sixty-five (65) years old for men and sixty (60) years old for women;

“Participation date”: the date set in the agreement between the Company and Hydro-Québec from which the Company employees become members of the Hydro-Québec Pension Plan, i.e., January 1, 1966;

“Pensioner”: a person, other than a spouse, a beneficiary or an assign, receiving pension benefits under the northern Quebec Power Company, Limited Employees Pension Plan or the Compagnie d'électricité du nord du Québec Limitée Employees Pension Plan or under this Section 23.

23.3 Special provisions

Employees in active service on the participation date have ceased to accrue pension credits under the northern Quebec Power Company, Limited Employees Pension Plan and the Compagnie d'électricité du nord du Québec Limitée Employees Pension Plan.

Employees in active service on the participation date retain all their pension credits for service or participation prior to that date. These credits will be paid to them according to the provisions of this Section 23.

Where Section 23 mentions the average of an employee's total monthly earnings received during his final 10 years of service, it means the average of total monthly earnings received by an active employee on participation date during his last 10 years of service in the employment of either the Company or Hydro-Québec.

For purposes of this Section 23, years of service accrued after the participation date by permanent or regular employees of Hydro-Québec or one of its subsidiaries count as years of service with the Company for purposes of establishing the right to a pension, but not to establish the amount of such pension. In this case, only the years of service prior to January 1, 1966 are computed.

23.4 Benefits

(a) Normal retirement

Employees who have reached normal retirement age and who have been continuously employed by the Company for 10 years or more are entitled to the payment of the accrued pension.

(b) Disability pension

Employees who have been continuously employed by the Company for a period of 10 years or more and who can no longer perform their regular tasks on account of physical or intellectual disability are entitled to receive payment of their accrued pension (but only during the period where such physical or intellectual disability prevents them from going back to full active service with the Company).

(c) Accrued pension

The amount of the monthly pension is 1 % for each year of service with the Company, based on the employee's average total monthly earnings during his last 10 years of service, subject to a minimum of \$50 per month or 50 % of the average of such monthly earnings, whichever is lower.

The determination of any additional amount required to bring the pension benefits to the \$50 monthly minimum takes into account the amount of pension paid under Part I and Part II of the Plan, excluding any additional amount payable on account of provisions regarding minimum pension or half-pension.

(d) Death benefits

On the death of a male employee who was receiving a pension pursuant to *a* above, a monthly pension equal to half the monthly pension payable to such employee is paid to his widow for life. Such half-pension is not payable to widows of employees who retired prior to January 1, 1956.

23.5 Miscellaneous provisions

(a) The pension payment commencement date is the first day of the month following the month during which the employee retired, or any other date as determined by the Committee.

(b) Retirement pensions granted to employees are paid from the employees retirement dates until death.

(c) The service period includes fractions of year.

(d) Leaves of absence or temporary lay-offs due to staff reductions, or leaves to satisfy military obligations are not considered as breaks in service.

(e) Former employees counting 20 years or more of continuous service who have left and been rehired by the Company lose only the period during which they were not employed by the Company.

(f) Termination benefits

Any employee aged 50 or more having completed 20 years or more of continuous service with the Company is entitled to a monthly pension payable from his normal retirement age if he terminates his employment prior to normal retirement age. This monthly pension is based on accrued service as of the first of the following dates:

- i. the employee's termination date, or
- ii. the employee's date of participation.

However, in such cases, the provision relevant to the minimum monthly retirement benefit pursuant to 23.4c does not apply.

23.6 This section adds to the preceding provisions of Section 23, without reducing the rights conferred by such Section 23.

(a) Deferred pension

Any employee who meets the following conditions at the time of his termination of employment at the employer's service is entitled to a deferred pension at least equal to the monthly pension payable from the normal retirement age:

- i. having reached age 45, but not the normal retirement age;
- ii. having completed at least 10 years of continuous service.

(b) Early retirement

An employee who has completed a minimum of 10 years of continuous service and whose period of continuous service ends in the 10 years immediately preceding the date on which he reaches his normal retirement age is entitled to receive an early retirement pension. The early retirement pension is the actuarial equivalent of the pension payable at normal retirement age.

(c) Postponed retirement

An employee who remains in the employer's service after his normal retirement date may retire as of the first day of any month following this date. The monthly retirement benefit of the employee shall then be postponed until his actual retirement date, but no later than December 1 of the year in which the employee reaches the age limit provided for in applicable legislation, even if he remains in the employer's service after this date. The amount of the postponed retirement benefit is an actuarial equivalent based on the retirement benefit payable at normal retirement age and the length of the postponement period.

During the postponement period, the employee may request the total or partial payment of his retirement benefit, but only insofar as is necessary to compensate for any reduction in earnings during this period. The employee may not make such request more than once in any 12-month period.

Should the employee die during the postponement period, his spouse is entitled to a pension, the value of which is equal to the value of the pension that would have been payable to the employee, had payment of the pension began on the day preceding the date of death.

(d) Spousal pension

Upon the death of a pensioner who had retired after December 31, 1989 or of an employee whose period of continuous service had ended after this date and who is expecting the commencement of a benefit payable pursuant to Section 23, and provided the spouse has not waived the right to a 60 % pension at the time of the employee's retirement pursuant to Part I, the employee's spouse shall receive a lifetime pension equal to 60 % of the pension that the pensioner was receiving or was entitled to receive at the time of his death, such pension being the actuarial equivalent of the pension he would have been entitled to receive in the absence of the right conferred herein to the spouse.

Prior to the date on which pension payments begin, the employee's spouse, if any, may waive the right to a

spousal pension by so notifying the Committee in writing. This waiver may be revoked by notifying the Committee in writing within the period provided for above.

(e) Payment of benefits and transfer

The provisions of 7.9 to 7.12 apply, *mutatis mutandis*, to the benefits provided under Section 23.

SECTION 24

PENSION PLAN FOR EMPLOYEES OF THE COMPAGNIE ÉLECTRIQUE DU SAGUENAY

24.1 The provisions of Section 24 are added to the Hydro-Québec Pension Plan further to the merger of the Compagnie électrique du Saguenay Employees Pension Plan with the Hydro-Québec Pension Plan. These provisions correspond to the provisions of the Compagnie électrique du Saguenay Employees Pension Plan, with the required adaptations. Subject to applicable legislation, benefits payable to an employee who has left the Company prior to January 1, 1999 are based on the provisions of the Supplément à la caisse de retraite et d'assurance-vie des employés de la Compagnie électrique du Saguenay or the Compagnie électrique du Saguenay Employees Pension Plan, as the case may be. The provisions of this Section apply only to benefits arising from participation in the Compagnie électrique du Saguenay Employees Pension Plan.

24.2 Definitions

For purposes of Section 24, the following terms mean:

“Company”: the Compagnie électrique du Saguenay, its successors or assigns;

“Employee”: a permanent employee of the Company of either gender. An active employee at December 31, 1965 who participates in the Hydro-Québec Pension Plan since January 1, 1966 continues to be an employee for purposes of the Supplément à la caisse de retraite et d'assurance-vie des employés de la Compagnie électrique du Saguenay even if he becomes employed by Hydro-Québec or of one of its subsidiaries;

“Normal retirement age”: sixty-five (65) years old for men and sixty (60) years old for women;

“Participation date”: the date set in the agreement between the Company and Hydro-Québec from which Company employees become members of the Hydro-Québec Pension Plan, i.e., January 1, 1966;

“Pension and life insurance fund”: the plan or funds accumulated as of January 1, 1966 under any of the following contracts:

— Contract no. G.22 issued by the Department of Labour of Canada, Annuities Branch

— Policy no. 8918 G., issued by Sun Life Assurance Company of Canada

— Policy no. P.W. 10805, issued by the Standard Life Assurance Company;

“Pensioner”: a person, other than a spouse, a beneficiary or an assign, receiving pension benefits under the *Supplément à la caisse de retraite et d’assurance-vie des employés de la Compagnie électrique du Saguenay* or the *Compagnie électrique du Saguenay Employees Pension Plan*;

24.3 Special provisions

Employees in active service on the participation date have ceased to accrue pension credits under the *Supplément à la caisse de retraite des employés de la Compagnie électrique du Saguenay* or the *Compagnie électrique du Saguenay Employees Pension Plan*.

Employees in active service on the participation date retain all their pension credits for service or participation prior to that date. These credits will be paid to them according to the provisions of this Section 24.

For purposes of this Section 24, years of service accrued after the participation date by permanent or regular employees of Hydro-Québec or one of its subsidiaries count as years of service with the Company for purposes of establishing the right to a pension, but not to establish the amount of such pension. In this case, only the years of service prior to January 1, 1966 are computed.

24.4 Benefits

(a) Retirement benefits

Employees in active service on December 31, 1965 who become members of the *Hydro-Québec Pension Plan* after that date are entitled to a retirement pension equal to the difference between the amount of pension accrued to them under the pension and life insurance fund before any option and the amount established as follows, if such amount is higher:

1.5 % of the annual average earnings for the 36 consecutive months during which such earnings are the highest, whether these months have been spent in the service of the Company, Hydro-Québec or one of its subsidiaries, multiplied by the number of years of credited service prior to January 1, 1966, up to 50 % of such average annual earnings. However, a deduction is made for any pension payable under the Federal Old Age

Security Act at the time the employee retires, such government pension being reduced for purposes of this calculation in proportion of the number of years of credited service as of January 1, 1966 over such number increased by the number of years of participation from such date.

(b) Early retirement reduction

Should the employee retire prior to his normal retirement date, any pension benefits payable under 24.4a shall be reduced by actuarial equivalence, as shall be any retirement income to which he may be entitled to receive from the retirement and life insurance fund.

(c) Death after retirement

In the event of the death of an employee before 60 monthly pension payments have been made, the remaining monthly payments will continue to be made to his designated beneficiaries or, failing that, to his assigns, until 60 monthly payments have been made in total.

24.5 Miscellaneous provisions

The provisions, definitions, conditions and privileges set out under the pension and life insurance fund shall also apply to the benefits provided for under this Section 24 unless it is obvious that they are not applicable or that the provisions of Section 24 are contrary to such provisions, definitions, conditions and privileges or different in nature. In any instance where interpretation is required, the decision of the Committee is final.

24.6 This section adds to the preceding provisions of Section 24, without reducing the rights conferred by such Section 24.

(a) Deferred pension

Is entitled to a deferred pension at least equal to the monthly pension payable from the normal retirement age any employee who meets the following conditions at the time he leaves the service of the employer:

- i. having attained age 45, but not the normal retirement age;
- ii. having completed at least 10 years of continuous service.

(b) Early retirement

An employee who has completed a minimum of 10 years of continuous service and whose period of

continuous service ends in the 10 years immediately preceding the date on which he attains his normal retirement age is entitled to receive an early retirement pension. The early retirement pension is the actuarial equivalent of the retirement benefit payable at normal retirement age.

(c) Postponed retirement

An employee who remains in the employer's service after his normal retirement date may retire as of the first day of any month following this date. The monthly retirement benefit of the employee shall then be postponed until his actual retirement date, but no later than December 1 of the year in which the employee reaches the age limit provided for in applicable legislation, even if he remains in the employer's service after this date. The amount of the postponed retirement benefit is an actuarial equivalent basis based on the retirement benefit payable at normal retirement age and the length of the postponement period.

During the postponement period, the employee may request the payment of his retirement benefit, in whole or in part, but only insofar as is necessary to compensate for any reduction in earnings during this period. The employee may not make such request more than once per 12-month period.

Should the employee die during the postponement period, his spouse is entitled to a pension, the value of which is equal to the value of the pension that would have been payable to the employee, had payment of the pension commenced on the day preceding the date of death.

(d) Spousal pension

Upon the death of a pensioner who had retired after December 31, 1989 or of an employee whose period of continuous service had ended after this date and who is expecting the commencement of a benefit payable pursuant to Section 24, and provided the employee's spouse has not waived the right to a 60 % pension at the time of the employee's retirement pursuant to Part I, the employee's spouse receives a lifetime pension equal to 60 % of the pension that the pensioner was receiving or was entitled to receive at the time of his death, such pension being the actuarial equivalent of the pension he would have been entitled to receive in the absence of the right conferred herein to the spouse.

Prior to the date on which pension payments begin, the employee's spouse, if any, may waive the right to such spousal pension by so notifying the Committee in writing. This waiver may be revoked by notifying the

Committee in writing within the period provided for above.

(e) Payment of benefits and transfer

The provisions of 7.9 to 7.12 apply, mutatis mutandis, to the benefits provided under Section 24.

SECTION 25

PENSION PLAN FOR EMPLOYEES OF LA COMPAGNIE DE POUVOIR DU BAS ST-LAURENT

25.1 The provisions of Section 25 are added to the Hydro-Québec Pension Plan further to the merger of La Compagnie de Pouvoir du Bas St-Laurent Employees Pension Plan with the Hydro-Québec Pension Plan. These provisions correspond to the provisions of La Compagnie de Pouvoir du Bas St-Laurent Employees Pension Plan, with the required adaptations. Subject to applicable legislation, benefits payable to an employee who has left the Company prior to January 1, 1999 are based on the provisions of the Caisse de retraite des employés de La Compagnie de Pouvoir du Bas St-Laurent or La Compagnie de Pouvoir du Bas St-Laurent Employees Pension Plan, as the case may be. The provisions of this Section apply only to benefits arising from participation in La Compagnie de Pouvoir du Bas St-Laurent Employees Pension Plan.

25.2 Definitions

For purposes of Section 25, the following terms mean:

“Company”: La Compagnie de Pouvoir du Bas St-Laurent, its successors or assigns;

“Contributions”: the amounts that each member was required to pay to La Compagnie de Pouvoir du Bas St-Laurent Employees Pension Plan prior to the participation date;

“Earnings”: any regular compensation for services rendered to the Company, excluding any additional compensation or bonuses;

“Member”: any regular employee of La Compagnie de Pouvoir du Bas St-Laurent who joined and made regular contributions to the Caisse de retraite des employés de La Compagnie de Pouvoir du Bas St-Laurent;

“Participation date”: the date set in the agreement between the Company and Hydro-Québec from which the employees of the Company participate into the Hydro-Québec Pension Plan, i.e., January 1, 1966;

“Pensioner”: any person who has been a member and who receives a pension pursuant to the provisions of the Caisse de retraite des employés de La Compagnie de Pouvoir du Bas St-Laurent or La Compagnie de Pouvoir du Bas St-Laurent Employees Pension Plan, or pursuant to the provisions of this Section 25.

25.3 Special provisions

Employees in active service from the participation date have ceased to accrue pension credits under the Caisse de retraite des employés de La Compagnie de Pouvoir du Bas St-Laurent, the Pension plan for employees of La Compagnie de Pouvoir du Bas St-Laurent or this Section 25.

Employees in active service on the participation date retain all their pension credits for service or participation prior to that date. These credits will be paid to them according to the provisions of this Section 25.

For purposes of this Section 25, years of service after the participation date accrued by employees as permanent or regular employees of Hydro-Québec or one of its subsidiaries count as years of services with the Company only for the purposes of establishing the right to a pension.

25.4 Benefits

(a) Normal retirement date

The normal retirement date for a male member is the first day of the month following his 65th birthday anniversary.

The normal retirement date for a female member is the first day of the month following her 60th birthday anniversary.

(b) Annual pension at normal retirement date

The annual pension of a pensioner, payable from the normal retirement date or later, is equal to 2 % of the amount of earnings used as the basis for contributions from the date such pensioner joined the Caisse de retraite des employés de La Compagnie de Pouvoir du Bas St-Laurent and until payment of such pension or, for members on the participation date, until such participation date.

(c) Early retirement

Any member may retire during the 10 years immediately preceding the normal retirement date. In the event of total and permanent disability, a member may retire at any time following the completion of 10 years of service. In either case, the member receives an immediate reduced pension, based on the actuarial equivalent of the pension calculated pursuant to 25.5*b*.

(d) Death after retirement

In the event of the death of an employee before pension payments have been made for a period of 5 years, and failing his choice of an optional form of payment pursuant to the provisions of 25.5*c* hereinafter, the remaining payments will continue to be made to his designated beneficiaries or, failing that, to his assigns.

(e) Death prior to retirement

Subject to the provisions of 25.5*a*, in the event of the death of an employee prior to his retirement, his designated beneficiaries or, failing that, his assigns shall receive the contributions made by such employee, plus interest.

25.5 Miscellaneous provisions

(a) Payment option

The member, or his designated beneficiary after death, if any, may elect to receive payments spread over a maximum of 10 years, in lieu of the lump sum payment pursuant to 25.4*e*.

(b) Termination prior to retirement

A member who terminates employment with the employer prior to being entitled to a retirement pension pursuant to the above shall receive a refund of his contributions, with interest. However, where the member has completed 10 years of service or more, he may elect to leave his contributions in the Pension Plan for Employees of La Compagnie de Pouvoir du Bas St-Laurent and receive, from his normal retirement date, the pension accrued to him from his contributions plus a percentage of or the totality of the balance of the pension accrued to him pursuant to the provisions of 25.4*b*, as per the following table:

Years of service	Percentage (%)
10 years but less than 11	25.0
11 years but less than 12	32.5
12 years but less than 13	40.0
13 years but less than 14	47.5
14 years but less than 15	55.0
15 years but less than 16	62.5
16 years but less than 17	70.0
17 years but less than 18	77.5
18 years but less than 19	85.0
19 years but less than 20	92.5
20 years or more	100.0

In the event of the death, prior to the normal retirement date, of a former employee who had elected to leave his contributions in La Compagnie de Pouvoir du Bas St-Laurent Employees Pension Plan, his designated beneficiaries or, failing that, his assigns shall receive the contributions made by such former employee, plus interest.

(c) Optional forms of pension

Provided he retires on his normal retirement date or later, any member, prior to his retirement, may elect a form of pension payment other than the 5-year guaranteed pension set out under 25.4*d*; in such case, the pension payments are based on the actuarial equivalent of the pension established pursuant to such provisions. The member may select from three optional forms of payment:

Lifetime only pension: payments are made for life.

10 years guaranteed pension: payments are made to the member for life. Should the member's death occur before he has received 10 years of pension payments, the remaining payments will be made to his designated beneficiaries or, failing that, to his assigns.

Joint and survivor pension: payments are made to the member for life. After his death, partial or full payments are continued to his surviving spouse based on the choice made by the member at retirement time.

Adjustment to account for the pension payable under the Old Age Security Act: the pension amount is adjusted so that the sum of the pension payable from the Pension plan for employees of La Compagnie de Pouvoir du Bas St-Laurent and the Old Age Security pension payable at the time of retirement by the federal government result in equal monthly payments to the member for life.

25.6 This section adds to the preceding provisions of Section 25, without reducing the rights conferred by such Section 25.

(a) Normal retirement

Notwithstanding any of the above, the member is entitled to receive, from his normal retirement date, a pension at least equal to the pension resulting from his contributions, accumulated with interest.

(b) Deferred pension

Any employee who meets the following conditions at the time he leaves the service of the employer is entitled to a deferred pension at least equal to the monthly pension payable from the normal retirement age:

- i. having attained age 45, but not the normal retirement age;
- ii. having completed at least 10 years of continuous service.

In addition, the amount of the deferred pension must be at least equal to the pension resulting from his contributions, accumulated with interest.

(c) Early retirement

Any employee who has completed a minimum of 10 years of continuous service and whose period of continuous service ends in the 10 years immediately preceding the date on which he attains his normal retirement age is entitled to receive an early retirement pension. The early retirement pension is the actuarial equivalent of the pension payable at normal retirement age.

(d) Postponed retirement

An employee who remains in the employer's service after his normal retirement date may retire as of the first day of any month following this date. The employee's monthly retirement benefit shall then be postponed until his actual retirement date, but no later than December 1 of the year in which the employee reaches the age limit provided for in applicable legislation, even if he remains

in the employer's service after this date. The amount of the postponed retirement benefit is an actuarial equivalent based on the retirement benefit payable at normal retirement age and the length of the postponement period.

During the postponement period, the employee may request the payment of his retirement benefit, in whole or in part, but only insofar as is necessary to compensate for any reduction in earnings during this period. The employee may not make such request more than once in any 12-month period.

Should the employee die during the postponement period, his spouse is entitled to a pension, the value of which is equal to the value of the pension that would have been payable to the employee, had payment of the pension commenced on the day preceding the date of death. In addition, the actual value of the spousal pension must be at least equal to the pension resulting from the member's contribution, accumulated with interest.

(e) Spousal pension

Upon the death of a pensioner who had retired after December 31, 1989 or of an employee whose period of continuous service had ended after this date and who is expecting the commencement of a benefit payable pursuant to Section 25, and provided the spouse has not waived the right to a 60 % pension at the time of the employee's retirement pursuant to Part I, the spouse receives a lifetime pension equal to 60 % of the pension that the pensioner was receiving or was entitled to receive at the time of his death, such pension being the actuarial equivalent of the pension he would have been entitled to receive in the absence of the right conferred herein to the spouse.

Prior to the date on which pension payments begin, the employee's spouse, if any, may waive the right to a spousal pension by so notifying the Committee in writing. This waiver may be revoked by notifying the Committee in writing within the period provided for above.

(f) Payment of benefits and transfer

The provisions of 7.9 to 7.12 apply, *mutatis mutandis*, to the benefits provided under Section 25.

SECTION 26 CONTRIBUTIONS

The Employer shall make up any unfunded actuarial liability of Part III of the plan through one or more payments, the terms and conditions of which shall be determined by the employer, in accordance with the

provisions then in force of the Hydro-Québec Act and the Supplemental Pension Plans Act.

PART IV MISCELLANEOUS PROVISIONS

SECTION 27 BENEFITS PAYMENTS

27.1 The retirement benefit shall be payable as of the retirement date or a date no later than December 1st of the year in which a member reaches the age limit provided for by applicable legislation. Spousal or children's benefits shall be payable as of the 1 day of the month following the death of the member, pensioner or spouse.

27.2 Retirement benefits shall be paid by cheque on a monthly basis at the end of each month. Benefits shall be payable up to but not including the 1 day of the month following the death of a pensioner or member who receives it and the balance, if any, of the last month benefit shall be paid to his estate.

27.3 The spouse's survivor benefit shall be paid in the same manner as provided for in 27.2. This benefit shall be payable up to but not including the 1st day of the month following the death of the spouse and the balance, if any, of the last monthly benefit shall be paid to his estate.

27.4 If, pursuant to Section 6, survivor benefits are payable to a member's children, the amount of these benefits shall be split equally among all the children and shall be paid in the manner provided for in 27.2. These benefits shall accrue until the 1st day of the month following the date on which the last child ceases to be entitled thereto. In the event of the death of a child, the balance of the last monthly benefit to which he was entitled shall be paid to his estate.

27.5 Upon his retirement but no later than December 1st of the year in which he reaches the age limit provided for by applicable legislation, a member shall be entitled to the retirement benefit provided for by the plan, but not to a refund of contributions or to a refund or transfer of the present value of his retirement benefit.

27.6 Notwithstanding the provisions of 27.2, Hydro-Québec reserves the right to change the method of payment.

27.7 Notwithstanding the provisions of 27.5, if the present value of the benefits excluding the present value of the benefits provided for in 4.5 of By-law no. 534 or in 4.4 of By-law no. 582, of By-law no. 653, of By-law no. 676, of By-law no. 679 or of the plan, determined as

at the retirement or termination date, is less than 4 % of the year's maximum pensionable earnings, the present value of such benefits and the present value of the benefits provided for in 4.5 of By-law no. 534 or in 4.4 of By-law no. 582, of By-law no. 653, of By-law no. 676, of By-law no. 679 or of the plan shall be reimbursed, before they become payable, in a lump sum by cheque to the former member or pensioner.

27.8 When contributions or, where applicable, the present value of a benefit pursuant to 27.7 are refunded under the plan, the member or, where applicable, the member's spouse, may authorize the employer, in writing, to transfer all or part of the amount payable to him by the pension fund to another registered plan.

27.9 At any time during which the plan is not 100 % solvent, the present value of any benefits to which a member or beneficiary is entitled under the plan will be paid out in a lump sum only in proportion to the degree to which the plan is solvent.

This Section will not affect the periodic payments of a retirement or survivor benefit which has become payable.

27.10 The present value of any benefit which cannot be paid out under the terms of 27.9 shall be funded and will be paid pursuant to the provisions of the Supplemental Pension Plans Act.

27.11 Unless there are provisions to the contrary in any applicable act, the following shall be non-assignable and exempt from seizure:

(a) any employee or employer contributions paid or payable to the Hydro-Québec Pension Fund, plus interest;

(b) any benefits paid or amounts refunded or transferred under the plan;

(c) any amount allocated to the spouse of a member, a former member or a pensioner as a result of the partition or transfer of entitlements according to the provisions of Section 8, plus interest.

In addition, the benefits of a member, a former member, a pensioner or a beneficiary shall not be transferred, mortgaged, anticipated or offered in guarantee or waived.

27.12 Before the member or beneficiary is entitled to any benefits under this plan, proof of age and any other information or documents as the committee deems necessary must be provided.

27.13 All payments under this plan shall be made in Canadian dollars.

27.14 Notwithstanding any provisions to the contrary, a member, a former member or a spouse who is entitled to a pension may elect to replace such pension in whole or in part, before commencement, by a lump sum payment, but only to such extent as allowed under applicable legislation. The residual rights resulting from the payment of such benefit are established pursuant to applicable legislation.

SECTION 28

TRANSFER AGREEMENT

Hydro-Québec may draw up an agreement with any Government, corporation, company or legal entity who has a pension plan, to facilitate the mutual transfer of their employees and to establish the conditions and terms of transfer for purposes of retirement.

A member who, following termination of his employment, exercises the provisions of this Section, shall not be entitled to any termination benefits. If any payment of benefits has been authorized, it shall be cancelled. If the member has received a refund of contributions made prior to January 1, 1966, he shall repay the reimbursed amount plus interest for the period which has elapsed since the date the refund was made and the date on which the option is exercised pursuant to this Section.

A pensioner or member, who on termination of his employment had contributions or the present value of his deferred retirement benefit reimbursed pursuant to the provisions of 7.9, may not avail himself of the provisions of this Section.

SECTION 29

PLAN MEMBERSHIP AGREEMENT

29.1 The plan shall also apply to companies of which Hydro-Québec holds at least 90 % of the shares and with which it has drawn up a plan membership agreement, effective as of the date on which the agreement was reached between Hydro-Québec and the said company.

29.2 The plan membership agreement may make provisions for the transfer of the funds accumulated under pension plans of subsidiaries to the Hydro-Québec Pension Fund and for any payments from the Hydro-Québec Pension Fund of benefits already granted under such plans.

SECTION 30 ACQUIRED BENEFITS

This By-law does not in any way affect the rights and benefits of those receiving a retirement benefit or spousal or children's benefit as at January 1, 2000, nor of former members for whom entitlement to a deferred retirement benefit was vested as a result of their termination of employment prior to this date.

SECTION 31 SPECIAL PROVISIONS

31.1 The plan provisions in respect of members who were employed by a subsidiary shall apply to any person who becomes a member as a result of the acquisition by Hydro-Québec of any facility used for the production or distribution of electricity, based on the provisions of the plan.

31.2 Any pension plan in which a member as referred to in 31.1 participated while employed for a company or organization whose facility for the production or distribution for electricity were acquired in whole or in part by Hydro-Québec, shall be deemed a supplemental plan for the purposes of the plan.

31.3 If the member referred to in 31.1 is entitled to a deferred retirement benefit under an individual pension agreement issued after the wind-up or partial wind-up of the supplemental plan, in which the member participated, the said deferred retirement benefit shall be deemed a retirement benefit under a supplemental plan.

31.4 (a) If a member referred to in 31.1 receives a refund of contributions prior to his retirement from a supplemental plan in which he participated, the applicable years of credited service are not to be considered until such time as the member has accumulated 10 years of contributory service.

The retirement benefit guarantee formula shall not apply during the number of years calculated by dividing A by B below:

A total amount of the refund of contributions

B annual amount of supplement resulting from the retirement benefit guarantee

If the member dies before the number of years calculated by dividing A by B above has expired, the retirement benefit guarantee formula shall not apply to the spouse or children until that period has elapsed.

(b) Where the member referred to in 31.1 has received an amount representing the present value of a portion of the deferred retirement benefit, the retirement benefit guarantee formula shall not apply during the number of years calculated by dividing A by B below:

A the present value of said portion of the deferred retirement benefit

B the annual amount of supplement derived from the retirement benefit guarantee formula

If the member dies before the number of years calculated by dividing A by B above has expired, the guaranteed retirement benefit shall not apply to the spouse or children until such period has elapsed.

However, the member shall be credited with the total number of years of certified service.

Where the member receives the present value of the total deferred retirement benefit, Section 31.3 shall apply.

31.5 In applying the retirement benefit guarantee formula to a member referred to in 31.1, January 1, 1966 as it appears in Section 18 shall be replaced by the date on which the member was placed on the Hydro-Québec payroll.

SECTION 32 EFFECTIVE DATE

32.1 This By-law shall come into force on January 1, 2000. However, provisions of 3.4A shall come into force on the date of approval of this By-law by the Government of Québec and are effective on May 10, 1999 for the following members:

(a) a member concerned on the date of approval of this By-law by the Government of Québec or, subsequently, at the date set out in the agreement in principle;

(b) an employee for whom an application for union certification is pending at the date of approval of this By-law by the Government of Québec.

32.2 This By-law shall replace Hydro-Québec By-law no. 679.