

POST-RETIREMENT  
HEALTH CARE SPENDING ACCOUNT  
FOR RETIRED VIA RAIL EMPLOYEES  
WHO ARE CAW MEMBERS

**Group no. 93545**



LIST OF BENEFITS

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Effective date: January 1, 2010

Group 93545

## Introduction

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At retirement, a VIA-HCSA will be created in your name as long as you have met the eligibility requirements. The VIA-HCSA will provide you with a fixed amount based on your age and service at retirement that can be used to pay the monthly premiums required under the Health Care Plan for VIA Rail Pensioners sponsored by VIA Rail Canada or reimburse eligible medical expenses (as defined under the tax laws) incurred following retirement.

This guide is intended to provide you with the details you need to understand the operation of your VIA-HCSA.

### **In this guide:**

“HCP-VIA Rail” refers to the Health Care Plan paid by the retirees, administered by VIA Rail Canada and insured by Medavie Blue Cross under Group Insurance Contract n° 93105.

“Health expenses” refers to medical expenses.

“VIA-HCSA” refers to the post-retirement VIA Rail Health Care Spending Account sponsored by VIA Rail Canada and jointly administered by Medavie Blue Cross and VIA Rail Canada under Service Contract n° 93545. Medavie Blue Cross is the claim administrator; while VIA Rail Canada is responsible of other administrative functions.

It should be emphasized that the VIA-HCSA and the HCP-VIA Rail are two separate and different plans. The VIA-HCSA is the VIA-sponsored Health Care Spending Account provided for new VIA Rail retirees who are members of CAW and actively at work as of January 1, 2010. The VIA-HCSA can be used to pay the monthly premiums due under the HCP-VIA Rail and/or certain eligible health expenses.

Both the VIA-HCSA and the HCP-VIA Rail are administered by Medavie Blue Cross, so it will be very important for you to properly identify which of the two you are referring to when corresponding with Medavie Blue Cross.

## Eligibility

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Upon retirement from VIA Rail Canada, you will be eligible to participate in the VIA-HCSA if you were a permanent unionized CAW employee in Canada immediately prior to retirement.

No enrollment is required. You will automatically become a participant if you were actively at work on January 1, 2010, or later. You will also be eligible if you were in receipt of short-term or long-term disability benefits, or were on maternity, parental, compassionate care or union office leave as of January 1, 2010 or later.

In order to be entitled to receive benefits, you must retire from VIA Rail Canada before age 65 and begin receiving immediate pension payments from the VIA Pension Plan after January 1, 2010. Furthermore, you must be at least age 55 and have at least 85 pension points\* at the time of retirement.

\* *Sum of age plus Pensionable Service as defined in the VIA Pension Plan. For greater clarity, the same Pensionable Service that is used to calculate an employee's pension under the VIA Pension Plan will be used to calculate benefits payable under the VIA-HCSA.*

## Plan description

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If you satisfy the preceding eligibility conditions you will be entitled to receive a fixed, annual post-retirement health care benefit between your early retirement date and the age of 65. The amount of the annual post-retirement health care benefit will vary based on service in excess of 15 years.

### *Dollar amount on My Account*

The annual benefit amount will be calculated as follows:

\$25 per year of Eligible Service\*\* for employees with at least 85 points at the time of retirement, inclusive of Provincial Retail Sales Taxes, where applicable.

\*\* *Eligible Service is defined as years of Pensionable Service at the time of retirement in excess of 15 years*

The maximum eligible service is 20 years for a maximum fixed benefit amount of \$500 per year (i.e. \$25 x 20 years = \$500 per year).

### *Example*

Age at retirement:		55
Pensionable Service at retirement:		32.5
Points at retirement:		87.5
Eligible Service at retirement:	$32.5 - 15 =$	17.5
Annual fixed benefit amount:	$17.5 \times \$25 =$	\$437.50

You can use this amount to pay HCP-VIA Rail premiums and/or be reimbursed for eligible health expenses as defined under the tax laws.

### *Form and Method of Payment*

Following your retirement, your fixed annual amount will be allocated to you on a monthly basis on the first day of each month at the rate of 1/12th of the fixed annual amount.

If you elected to use this amount to pay HCP-VIA Rail premiums, it will reduce accordingly your monthly premium payment. Any residual amount will be transferred to your VIA-HCSA

If you elected to transfer the full amount to the VIA-HCSA or if any residual amount is transferred to your VIA-HCSA, your account will grow each month with your monthly allocation and will be reduced by any withdrawals you make for payment of benefits.

Federal and Quebec tax laws define the eligible health expenses which can be paid from a HCSA.

### *Period of Coverage*

You will become eligible to the VIA-HCSA on the first day of the month following your retirement and cease to be eligible on the last day of the month of your 65th birthday. For greater clarity, the monthly allocations to your VIA-HCSA will cease upon reaching age 65 regardless of the start date. The maximum number of monthly allocations is 120 (10 years X 12 months).

### *Surviving Spouse Benefit*

In the event you die prior to your 65<sup>th</sup> birthday while in receipt of this benefit and have an eligible spouse as defined in the VIA Pension Plan, your surviving spouse will be entitled to 55% of your post retirement health care benefit. The reduced benefit (55% survivor benefit) will be allocated to your surviving spouse in the same form and until the same date at which your benefits would have ceased, i.e. the last day of the month of your 65th birthday. Any unused amounts in your account will be transferred to the VIA-HCSA of your eligible surviving spouse.

### *Use it or Lose it Rule*

Note that Canada Revenue Agency and Ministère du Revenu du Québec rules allow unused amounts in your VIA-HCSA to be carried forward for a maximum of 12 months following the calendar year in which they have been allocated.

**Therefore, any amounts allocated in a calendar year must be used by the end of the next calendar year or they will be forfeited.**

Once unused amounts have been carried forward to the next calendar year, they can only be used to reimburse eligible health expenses incurred in that next year — subject to a 90-day reporting period at the start of the new calendar year. During this 90-day reporting period, you will be allowed to claim eligible health expenses incurred in the prior calendar year; however, you may only pay those eligible health expenses with unused amounts you have carried forward.

Amounts allocated to your VIA-HCSA in the new calendar year may not be used to reimburse reported eligible health expenses incurred in the previous calendar year.

### Example 1:

- A total amount of \$500 has been allocated to your VIA-HCSA in calendar year 1;
- You incur eligible expenses of \$400 in calendar year 1 and submit these eligible expenses in calendar year 1;
- The \$100 remaining in the VIA-HCSA is carried forward to the following calendar year (year 2) and must be used in this calendar year 2 or it will be lost.

Example 2:

- A total amount of \$500 has been allocated to your VIA-HCSA in calendar year 1;
- You incur eligible expenses of \$300 in calendar year 1 and submit these eligible expenses in calendar year 1;
- You also incur eligible expenses of an additional \$100 in calendar year 1 but do not submit these eligible expenses in calendar year 1;
- You have 90 days in calendar year 2 to claim your additional eligible expenses of \$100 incurred in calendar year 1 to your unused allocated amount of \$200 (\$500 - \$300) carried forward to calendar year 2.

*Options under the VIA-HCSA*

Upon retirement from VIA Rail Canada, if you have met the eligibility requirements, you **must** indicate if you wish to use your VIA-HCSA monthly allocation to pay the HCP-VIA Rail monthly premiums or to reimburse other eligible health expenses **by completing the selection form included in your retirement package and returning it to VIA Rail Canada's Pension Plans Administration**. This must be done within 60 days after your retirement date (the same timeframe allowed to retirees to enroll in the HCP-VIA Rail).

If you decide to use your VIA-HCSA monthly allocation to pay the monthly premiums required under the HCP-VIA Rail, the VIA-HCSA will be used first to pay the premiums and the excess, if any, will be available to reimburse other eligible health expenses.

Retirees residing in the province of Quebec should be aware that they must by law enroll themselves and their dependents in the HCP-VIA Rail which provides drug insurance protection, unless they are covered by another group insurance plan.

Example 1:

- A monthly amount of \$40 is allocated to your VIA-HCSA;
- You have elected to use your VIA-HCSA to partially pay the HCP-VIA Rail monthly premium of \$75;
- Your VIA-HCSA would be completely used to pay your HCP-VIA Rail monthly premium; therefore, no excess amount would be available to reimburse other eligible health expenses.

Example 2:

- A monthly amount of \$40 is allocated to your VIA-HCSA;
- You have elected to use your VIA-HCSA to reimburse your eligible health expenses;
- Your VIA-HCSA can only be used to reimburse your eligible health expenses (you will not be able to use it to pay your monthly premium under the HCP-VIA Rail).

### *How to make your selection*

You must complete the selection form provided with your retirement package and indicate your choice between option 1, to pay the HCP-VIA Rail premiums, or option 2, reimbursement of eligible health expenses, before returning the completed form to the address below, regardless of your province of residence:

VIA Rail Canada  
Pension Plans Administration  
3 Place Ville-Marie, Suite 500  
Montréal, Québec  
H3B 2C9

Medavie Blue Cross will subsequently send you a certificate, a supply of VIA-HCSA claim forms and instructions on how to access the Medavie Blue Cross member portal.

### *Default Option*

If your selection form is not returned to **VIA Rail Canada's Pension Plans Administration**, the amount allocated to your VIA-HCSA will first be for reimbursement of eligible health expenses.

You or your spouse, as applicable, will be able to change or review your choice at a later date as follows:

- when you reach age 60;
- at the 65th birthday of your spouse;
- upon your death or the death of your spouse;
- upon your divorce or legal separation;
- upon the breakdown of a common law relationship;
- when you move to another province;
- when you no longer participate in the HCP-VIA Rail;
- upon joining the HCP-VIA Rail at a later date, when your coverage under another plan terminates.

### *Who Pays for this Plan?*

VIA Rail Canada pays the full cost of the monthly allocation plus any administrative fees required by Medavie Blue Cross to administer the VIA-HCSA plan. Your monthly allocation will be used to pay eligible health expenses and premiums, plus any applicable provincial retail sales tax (currently 8% in Ontario; 9% in Quebec and none elsewhere).

### *How to Make a Claim*

If you wish to use the VIA-HCSA to be reimbursed for an eligible medical expense, simply complete a VIA-HCSA claim form bearing contract number 93545 and send it to the address indicated on the form for your home province.

You may submit a claim under the VIA-HCSA whenever you have an eligible health expense that is not fully reimbursed elsewhere.

Medavie Blue Cross will provide you with an explanation of benefits every time you claim against your VIA-HCSA, which explanation will include the balance in your account.

Note that your account balance can also be obtained at any time on the Medavie Blue Cross member portal once you have registered yourself on-line.

For additional claim forms you may call free of charge the following number: 1-888-873-9200.

### *Statements*

Medavie Blue Cross will issue statements at the end of every calendar year indicating the amount available in your VIA-HCSA and when such amount expires.

### *Eligible Medical Expenses*

Your VIA-HCSA is non-taxable under the federal Income Tax Act, provided it covers only certain specified eligible expenses.

Here is a partial list:

- medical and dental expenses, or portion of expenses, not reimbursed due to the application of a deductible under any group plan, including HCP-VIA Rail ;
- the portion of eligible medical and dental expenses that you must pay due to a reimbursement percentage other than 100%, or a maximum reimbursement amount under any group plan, including HCP-VIA Rail;
- prescribed over-the-counter drugs not reimbursed by any group plan, such as decongestants and certain vitamins prescribed by a doctor;
- eyeglasses (Maximum of \$200 for frames in Quebec);
- full-time services of medical attendants;
- acquisition of special equipment for a visually impaired person.

Please refer to the income tax return guides for a more complete list of the medical expenses that you can claim under your VIA-HCSA. You can also visit the Canada Revenue Agency and the Ministère du revenu du Québec Web sites.

Furthermore, your VIA-HCSA can be used to reimburse eligible medical expenses incurred by anyone who qualifies as a dependant on your income tax return.

If you are unsure whether an expense is eligible to be claimed under your VIA-HCSA, please call Medavie Blue Cross.

## Taxes

### Retail Sales Tax

Provincial retail sales taxes apply to health expenses in some provinces. These taxes are paid for out of the amounts allocated to your VIA-HCSA. Currently, these taxes exist in Quebec (9%) and Ontario (8%), however, any change to provincial retail sales taxes in the future will also be paid out of your VIA-HCSA allocation.

Here is an example of how retail sales taxes would be charged to your VIA-HCSA:

#### Example:

You are a resident of Quebec and purchase prescription drugs for a total of \$35.00 which you claim against your VIA-HCSA. An amount of  $\$35.00 + 9\% = \$38.15$  will be charged to your VIA-HCSA.

Note that the retail sales tax is already included in the monthly premiums for the HCP-VIA RAIL. So, if you use your VIA-HCSA to pay for such premiums, no additional sales tax will be charged.

### Taxable Benefit for Quebec Residents

If you reside in Quebec, the following amounts constitute taxable income at the provincial level: withdrawals from your VIA-HCSA for payment of premiums or health expenses + administration fees paid by VIA Rail Canada + taxes.

Each year, your Quebec provincial taxable benefit will be calculated by Blue Cross Medavie and will be reported in box J of the Relevé 1 provided by VIA Rail Canada.

#### Example 1:

You are a Quebec resident and \$500 was allocated to your VIA-HCSA in calendar year 1. Assume you used your VIA-HCSA to reimburse \$367 of eligible expenses and assuming that the administration fees were 12% of the amount reimbursed.

Your taxable benefit will be \$411.04 (as described below) and you will have to include such amount in your taxable income.

Eligible expenses:		\$367.00
Administration fees:	$0.12 \times (\$367) =$	\$44.04
Taxable benefit:		\$411.04

Example 2:

You are a Quebec resident and \$500 was allocated to your VIA-HCSA in calendar year 2 and \$300 was carried forward from calendar year 1. Assume you used your VIA-HCSA to reimburse \$634 of eligible expenses and assuming that the administration fees were 12% of the amount reimbursed.

Your taxable benefit will be \$710.08 (as described below) and you will have to include such amount in your taxable income.

Eligible expenses:		\$634.00
Administration fees:	0.12 x (\$634) =	\$76.08
Taxable benefit:		\$710.08

*Contact Information*

Medavie Blue Cross can be reached by calling 1-866-660-7670 Monday to Friday from 8:00 am to 5:00 pm. Further information can also be obtained by accessing their website at [www.medavie.bluecross.ca](http://www.medavie.bluecross.ca).

**Disclaimer**

**This guide provides an overview of the benefits made available to you under the VIA-HCSA. Its purpose is to assist you in understanding the VIA-HCSA. VIA Rail Canada does not intend for it to be a complete summary of your benefits. In case of discrepancy between this guide and the official contracts that govern the administration of the VIA-HCSA, the official contracts will govern. Such contracts also describe exclusions and limitations.**

**The VIA-HCSA is also intended to comply with all applicable federal and provincial laws. In the event of any conflict, the terms of any applicable laws will govern. VIA Rail Canada reserves the right to amend or terminate the plan described herein. In particular, VIA Rail Canada reserves the right to amend or terminate the VIA-HCSA plan as required so that any change in applicable legislation or regulations, or in the interpretation thereof, shall not have the effect of increasing the costs initially intended to be incurred by VIA Rail Canada upon the establishment of the plan.**