

Nortel Retirees and former employees Protection Canada (NRPC)

Plan Member Choices for the  
the Nortel Negotiated Plan  
(Reg 0587766)

Focus: ON and Pooled Provinces

# Part of a Communications Rollout

|           | ON and Pooled Focus      | QC Focus (English)     | QC Focus (French)         |
|-----------|--------------------------|------------------------|---------------------------|
| Webinar   | Nov 26 @ 10:00           | Nov 26 @ 1:00          | Nov 27 @ 10:00            |
| Town hall | Nov 30 @ 1:00 London     | Dec 03 @ 9:00 Montreal | Dec 02 @ 9:00 Gatineau    |
| “         | Dec 09 @ 9:00 Belleville |                        | Dec 03 @ 1:30 Montreal    |
| “         | Dec 10 @ 9:00 Toronto    |                        | Dec 04 @ 9:00 Montreal    |
| “         | Dec 10 @ 1:30 Toronto    |                        | Dec 07 @ 9:00 Quebec City |
| “         | Dec 14 @ 9:00 Moncton    |                        |                           |
| “         | Dec 16 @ 10:00 Calgary   |                        |                           |
| “         | Dec 17 @ 9:00 Vancouver  |                        |                           |

- The webinars / town halls are at the request of the NRPC
- Details are on the insert in your Options Letter and on the Koskie Minsky website

# Introductions

- Morneau Shepell
- Koskie Minsky
- Actuaries and Financial Advisors
- Unifor
- NRPC

# The Agenda

- Windup Choices: Morneau Shepell
- CCAA Status: Koskie Minsky
- Q&A
- Close and Thank-you's

# Housekeeping

- Q&A period at the end of each segment
- For town halls: Morneau Shepell, Koskie Minsky, and the actuaries and financial advisors are available at the end
- On the Koskie Minsky and NRPC websites
  - Presentations
  - Webinars
  - “Things to Consider”
    - One Page summary (also handed out at town halls)
    - More detailed chart deck
- The Morneau Shepell 1-800 line for Negotiated Plan Queries
  - 1-877-392-2073

# Nortel Negotiated Plan Windup

Hamish Dunlop



Health • Benefits • Employee Assistance • Retirement

**Business. Needs. People.**

# Purpose of the meeting

- To provide information to members of the Nortel Negotiated Pension Plan regarding their options on the settlement of the Nortel Plans.
- To update Nortel Negotiated Plan members on the wind up process.

# The Process so Far

- January, 2009 - Nortel obtained creditor protection under the Companies' Creditors Arrangement Act (CCAA).
- October 1, 2010 - The Superintendent of Financial Services appoints Morneau as replacement Administrator with a mandate to administer and wind up the Plan
- March, 2011 - Superintendent orders the Plan wound up with an effective date of October 1, 2010.



# The Process so Far

- May 2011 – Superintendent declares that the Pension Benefits Guarantee Fund (PBGF) applies to the Plan. An interim allocation of \$97 million is allocated from the PBGF into the Plan.
- August 2011 – Pensions are cut back to an estimated funded ratio of 75% for Ontario service, and 57% for other provinces (later adjusted to 69% for Nova Scotia service).
- February 2012 – Wind up report for the defined contribution portion of the Plan is approved.

# The Process so Far

- August 2012 – Indexation increase of 3.65% implemented for non-Ontario, non-Nova Scotia service.
- January 2014 – Wind Up Report filed with the Financial Services Commission of Canada (FSCO).
- September 2015 – Wind Up report approved.
- November 2015 – Option forms mailed out to members.

# The Plan

- As of the wind up date, the Plan had 7,915 members, almost 6,000 of whom were receiving a pension.
- The plan had members in every Canadian province, and was registered in Ontario with the provincial regulator.
- Unusually for a private sector plan, it had extensive indexing features.

# The Plan

- As of the wind up date (i.e. before any PBGF allocation) the Plan had assets of about \$760 million but liabilities of about \$1,280 million.
- The total deficit in the Plan was about \$520 million. A claim has been filed against the estate of Nortel for the deficit, but unclear when this will be settled.
- \$97 million received from PBGF in respect of guaranteed benefits.

# What Law applies to you?

- The Plan is registered in Ontario, so Ontario pension legislation applies to the administrative requirements for the wind up.
- However, benefits earned are governed by the legislation in the province where the member was employed – if you were employed in more than one province, this means different legislation applies to different portions of your benefit.
- The law of the province in which you terminated employment determined the options you have on wind up.

# What Law applies to you?

- Different provinces have very different pension rules on wind up, for example
- Ontario has a guarantee fund
- Ontario and Nova Scotia eliminate indexation
- Most provinces require retirees to take an annuity, and permit deferred members to choose between a lump-sum payment or an annuity.
- Ontario & Quebec permit retirees to take a lump-sum.
- Quebec requires deferred members to take a lump-sum, and permits pensioners to transfer their entitlement to the Regie (retirement eligible deferred members as of the w/u date can transfer their lump-sum to the Regie).

# What Law applies to you?

- Unfortunately, like many companies, Nortel did not keep adequate records of members' province of employment. Recreating this data has been a major task for us.
- Finally, the Income Tax Act (ITA) also has rules related to the settlement of pension entitlements.

# Asset Split

- Assets were split pro-rata to liabilities into three pools
- Ontario
- Quebec
- All remaining provinces
- If you accrued benefits in more than one province, your pension may be paid for out of these different asset pools.



# Cutbacks

- Pensioners are entitled to receive their interim pensions calculated at the appropriate reduced rate as of the wind up date of October 1, 2010.
- We were only able to implement cutbacks effective in August, 2011, in the meantime pensioners had received 100% of their pensions.
- Most pensioners were therefore overpaid between Oct/10 and Aug/11.
- These overpayments were recovered by actuarially reducing remaining pensions.

# Option Forms

- Nortel members will have received either option forms (if they have an option) or a letter from Morneau indicating what will be purchased for them (if you have not received anything you should contact us).
- The options differ depending on your status and the province in which you terminated employment in Nortel.

# Pensioner Options

## (Includes pension-eligible in Quebec)

| Option                      | Ontario | Quebec | Nova Scotia | Other Provinces |
|-----------------------------|---------|--------|-------------|-----------------|
| Indexed Annuity             |         | X      |             | X               |
| Non-Indexed Annuity         | X       | X      | X           | X               |
| LIF/LIRA Transfer           | X       | X      |             |                 |
| Regie Transfer – Indexed    |         | X      |             |                 |
| Regie Transfer– non-Indexed |         | X      |             |                 |

# Non - Pensioner Options

| Option                      | Ontario | Quebec | Nova Scotia | Other Provinces |
|-----------------------------|---------|--------|-------------|-----------------|
| Indexed Annuity             |         |        |             | X               |
| Non-Indexed Annuity         | X       |        | X           | X               |
| LIF/LIRA Transfer           | X       | X      | X           | X               |
| Regie Transfer - Indexed    |         |        |             |                 |
| Regie Transfer– non-Indexed |         |        |             |                 |

# Ontario

- Ontario eliminates indexation on wind up, which results in an increase in the Plan funded ratio. This largely explains why the Ontario funded ratio (79.59%) is higher than in other jurisdictions.
- Ontario also has the PBGF, which guarantees basic pension benefits.
- Ontario also 'fixes' the funded ratio as of the wind up date, so the 79.59% funded ratio listed in the wind up report is the amount that will be paid out.

## Ontario – the PBGF

- The Pension Benefits Guarantee Fund (PBGF) applies to all pensioners as of the wind up date and all deferred members who combined age plus years of service equal 60 or more.
- The PBGF partially applies for all deferred pensions where the members age plus years of services is 50 or more but less than 60.
- In general, the PBGF guarantees that the first \$1,000 per month in pension is paid in full – any pension in excess of \$1,000 is paid at the plan funded ratio, or 79.59%.

# Ontario – Retiree Options

- Ontario retirees have received option forms indicating that they can elect to either have a pension purchased for them (an annuity) or elect a lump-sum transfer from the Plan.
- For Ontario service only, the amounts listed on your option form are not estimates, they are the actual amounts that you will receive (however, timing of retiree lump-sums can affect amount).

# Annuities

- An annuity is a contract with an insurance company to provide you with a pension in the same form you were receiving from the Plan (e.g. Life-only, J&S 60).
- Annuities are guaranteed under the Assuris program – the first \$2,000 per month of pension is guaranteed.
- If your pension exceeds \$2,000 per month, we will purchase 2 or more annuities to ensure that you have full Assuris coverage.



# Annuities

- Ontario annuities will be purchased last.
- The deferred annuity purchase does not affect you, as the purchase will not change your pension amount, just who deposits the pension into your account.

# Retiree Life Income Funds

- Ontario amended its pension legislation to permit Nortel pensioners who terminated employment in Ontario to transfer a lump sum to a Life Income Fund.
- The lump sum value is the commuted value of your pension on the wind up date, less any pension payments made to you since that date, plus interest.

# Retiree Life Income Funds

- A LIF is a registered account with a financial institution that must be used to provide retirement income.
- You are responsible for the investment of funds in your LIF.
- There are annual maximum and minimum payments that must be made out of a LIF.
- This pensioner lump-sum option is not available to Ontario survivor/spouses of pensioners who died after October 1, 2010.

# Retiree Life Income Funds

- If you elect a LIF, you must have a locking-in agreement filled out by your financial institution and returned to us.
- Once we receive the required documents, we will transfer the funds to your financial institution, and you can start drawing income from the LIF.

# ITA Limits

- The ITA limits the amount of money that can be transferred in a lump-sum from a pension plan on a tax-free basis.
- If the lump-sum exceeds the ITA limits, it will be paid to you in cash (i.e. not to the LIF) and is taxable, unless you have sufficient RSP room to enable us to transfer it to your RSP.
- The Option form will specify if the lump-sum amount exceeds the ITA limit.
- If the transfer is taxable, withholding tax will be deducted.

# Ontario non-pensioners

- Deferred members have a choice of either a non-indexed annuity, a lump-sum transfer or a transfer of the lump-sum amount to another pension plan if the terms of that plan permit it.
- If an annuity is purchased, it is a deferred annuity unless the member is eligible to commence a pension immediately.
- The lump-sum transfer amount is prescribed by the legislation, but is essentially the present value of your future pension.

## Ontario non-pensioners

- The transfer will be made to either a Locked-In Retirement Account (LIRA), which is essentially a locked-in RSP, or to a LIF (a locked-in RIF).
- Again there may be excess-ITA amounts that are payable in cash and taxable unless you have sufficient RSP room.

# Option Forms

10 Ontario Retiree with Lif and Max Transfer (2).pdf - Adobe Reader

File Edit View Window Help

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Tools Sign Comment

**Nortel Networks Negotiated Pension Plan (the "Plan")**  
Registration No. 0597796

**Statement of Wind Up Benefits and Election of Option:**

**NOTE:** You will be eligible for further payment, should the Plan receive any funds in the future resulting from the *Companies Creditors Arrangement Act* ("CCAA") claim against the estate of Nortel on behalf of the Plan.

The options on this statement are in respect of the pension benefits to which you are entitled under the Plan. They are based on the Actuarial Report on the Wind Up of the Plan as at October 1, 2010, which was approved by the Superintendent of the Financial Services Commission of Ontario.

|  |  |
|--|--|
| <b>Name of Member:</b> Jane Doe                      | <b>Credited Service:</b> 23.08                                     |
| <b>Social Insurance Number:</b> 123-456-789          | <b>Normal Retirement Date ("NRD"):</b> October 1, 2026             |
| <b>Global ID:</b> 12345                              | <b>Earliest Retirement Date ("ERD"):</b> October 1, 2016           |
| <b>Date of Birth:</b> September 3, 1961              | <b>Earliest Unvested Retirement Date ("EURD"):</b> October 1, 2016 |
| <b>Member's Proof of Age on File:</b> No             | <b>Name of Spouse:</b> Not on File                                 |
| <b>Date of Hire:</b> September 24, 1987              | <b>Date of Birth of Spouse:</b> Not on File                        |
| <b>Date of Entry in the Plan:</b> September 24, 1987 | <b>Spouse's Proof of Age on File:</b> No                           |
| <b>Date of Transfer:</b> n/a                         | <b>Name of Beneficiary:</b> John Doe                               |
| <b>Date of Termination:</b> October 1, 2010          | <b>Declaration of Marital Status Form on File:</b> No              |
| <b>Province of Employment:</b> ON                    | <b>Wind Up Date of Plan:</b> October 1, 2010                       |
| <b>Union:</b> CAW                                    |  |

**Instructions on completing this Statement - To be completed and returned within 60 days**

- Choose one of the two options in Section A below by placing a checkmark in the appropriate box.
- Complete section B by providing the requested information.

**Section A - Wind Up Options** All amounts shown below are as of December 1, 2015

- ☐ A deferred pension\* of \$1,141.21 per month, commencing on your EURD and payable for your lifetime.
- (a) ☒ Locked-in entitlement: A lump sum transfer of \$161,164.98, plus interest to the month of transfer, to:
 

|                                 |                                |   |  |
|---------------------------------|--------------------------------|---|--|
| <input type="checkbox"/> a LIRA | <input type="checkbox"/> a LIF | <input type="checkbox"/> another pension plan | <input type="checkbox"/> an insurance company to purchase an immediate or deferred annuity |
|---------------------------------|--------------------------------|---|--|
- (b) **Excess Maximum Transfer**  
The amount in excess of the maximum amount permitted for a direct transfer is estimated to be \$76,884.31. This amount may change over time. Please refer to the enclosed letter on Excess Maximum Transfer and complete the Excess Maximum Option Election form.

\*You may commence an early reduced pension anytime on or after the date you are 55 years of age. Your monthly pension will be actuarially reduced for each month your pension commencement date precedes your NRD.

**B. Certification by Member**

I certify that I have read the information on both sides of this Statement and I have advised the Administrator of any errors or omissions. The terms of the Plan, my rights, options and entitlements on the Plan wind up have been fully explained to my satisfaction. I acknowledge that the Administrator reserves the right to make adjustments for errors or omissions and that between the terms of the Plan and the information on this Statement, I hereby irrevocably elect one option in Section A, as indicated above.

Name (please print) \_\_\_\_\_

Address \_\_\_\_\_

City, Province and Postal Code \_\_\_\_\_

Phone Number \_\_\_\_\_

Signature of Member \_\_\_\_\_

Date \_\_\_\_\_

Name of Witness (please print) \_\_\_\_\_

Signature of Witness \_\_\_\_\_

Date \_\_\_\_\_

ID: ON-Udwr 55-Excess-MTV - Detail-PSG2



# Option Forms – Ontario Deferred Member

10 Ontario Retiree with Lif and Max Transfer (2).pdf - Adobe Reader

File Edit View Window Help

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Tools Sign Comment

**Nortel Networks Negotiated Pension Plan (the "Plan")**  
Registration No. 0587766

**Statement of Wind Up Benefits and Election of Options**

**NOTE:** You will be eligible for further payment, should the Plan receive any funds in the future resulting from the *Companies Creditors' Arrangement Act* ("CCAA") claim against the estate of Nortel on behalf of the Plan.

The options on this statement are in respect of the pension benefits to which you are entitled under the Plan. They are based on the Actuarial Report on the Wind Up of the Plan as at October 1, 2010, which was approved by the Superintendent of the Financial Services Commission of Ontario.

|  |   |
|--|---|
| <b>Name of Member:</b> Jane Doe                      | <b>Credited Service:</b> 23.08                                      |
| <b>Social Insurance Number:</b> 123-456-789          | <b>Normal Retirement Date ("NRD"):</b> October 1, 2026              |
| <b>Global ID:</b> 12345                              | <b>Earliest Retirement Date ("ERD"):</b> October 1, 2016            |
| <b>Date of Birth:</b> September 3, 1961              | <b>Earliest Unreduced Retirement Date ("EURD"):</b> October 1, 2016 |
| <b>Member's Proof of Age on File:</b> No             | <b>Name of Spouse:</b> Not on File                                  |
| <b>Date of Hire:</b> September 24, 1987              | <b>Date of Birth of Spouse:</b> Not on File                         |
| <b>Date of Entry in the Plan:</b> September 24, 1987 | <b>Spouse's Proof of Age on File:</b> No                            |
| <b>Date of Transfer:</b> n/a                         | <b>Name of Beneficiary:</b> John Doe                                |
| <b>Date of Termination:</b> October 1, 2010          | <b>Declaration of Marital Status Form on File:</b> No               |
| <b>Province of Employment:</b> ON                    | <b>Wind Up Date of Plan:</b> October 1, 2010                        |
| <b>Union:</b> CAW                                    |   |

**Instructions on completing this Statement – To be completed and returned within 60 days**

1. Choose **one** of the two options in Section A below by placing a checkmark in the appropriate box.
2. Complete section B by providing the requested information.

99% 2:24 PM

# Option Forms – Ontario Deferred Member

10 Ontario Retiree with Lif and Max Transfer (2).pdf - Adobe Reader

File Edit View Window Help

1 / 12 100%

Tools Sign Comment

Date of Entry in the Plan: September 24, 1987 Spouse's Proof of Age on File: No  
 Date of Transfer: n/a Name of Beneficiary: John Doe  
 Date of Termination: October 1, 2010 Declaration of Marital Status Form on File: No  
 Province of Employment: ON Wind Up Date of Plan: October 1, 2010  
 Union: CAW

**Instructions on completing this Statement – To be completed and returned within 60 days**

- Choose **one** of the two options in Section A below by placing a checkmark in the appropriate box.
- Complete section B by providing the requested information.

**Section A – Wind Up Options** All amounts shown below are as of December 1, 2015

- ☐ A deferred pension\* of \$1,141.21 per month, commencing on your EURD and payable for your lifetime.
- (a) **Locked-in entitlement:** A lump sum transfer of \$161,164.10, plus interest to the month of transfer, to:
 

|                                 |                                |   |  |
|---------------------------------|--------------------------------|---|--|
| <input type="checkbox"/> a LIRA | <input type="checkbox"/> a LIF | <input type="checkbox"/> another pension plan | <input type="checkbox"/> an insurance company to purchase an immediate or deferred annuity |
|---------------------------------|--------------------------------|---|--|
- (b) **AND**  
**Excess Maximum Transfer**  
 The amount in excess of the maximum amount permitted for a direct transfer is estimated to be \$76,304.31. This amount may change over time. Please refer to the enclosed letter on Excess Maximum Transfer and complete the Excess Maximum Option Election form.

\*You may commence an early reduced pension anytime on or after the date you are 55 years of age. Your monthly pension will be actuarially reduced for each month your pension commencement date precedes your NRD.

**B. Certification by Member**

I certify that I have read the information on both sides of this Statement and I have advised the Administrator of any errors or omissions. The terms of the Plan, my rights, options and entitlements on the Plan wind up have been fully explained to me.

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# Option Forms – Ontario Deferred Member

10 Ontario Retiree with Lif and Max Transfer (2).pdf - Adobe Reader

File Edit View Window Help

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Tools Sign Comment

**Excess Maximum Transfer**

The amount in excess of the maximum amount permitted for a direct transfer is estimated to be \$76,304.31. This amount may change over time. Please refer to the enclosed letter on Excess Maximum Transfer and complete the Excess Maximum Option Election form.

\*You may commence an early reduced pension anytime on or after the date you are 55 years of age. Your monthly pension will be actuarially reduced for each month your pension commencement date precedes your NRD.

**B. Certification by Member**

I certify that I have read the information on both sides of this Statement and I have advised the Administrator of any errors or omissions. The terms of the Plan, my rights, options and entitlements on the Plan wind up have been fully explained to my satisfaction. I acknowledge that the Administrator reserves the right to make adjustments for errors or omissions and that between the terms of the Plan and the information on this Statement, I hereby **irrevocably** elect one option in Section A, as indicated above.

|                                |  |
|--------------------------------|--|
| <hr/>                          |  |
| Name (please print)            |  |
| <hr/>                          |  |
| Address                        |  |
| <hr/>                          |  |
| City, Province and Postal Code |  |
| <hr/>                          |  |
| Phone Number                   |  |
| <hr/>                          |  |
| Signature of Member            |  |
| <hr/>                          |  |
| Date                           |  |
| <hr/>                          |  |

|                                |  |
|--------------------------------|--|
| <hr/>                          |  |
| Name of Witness (please print) |  |
| <hr/>                          |  |
| Signature of Witness           |  |
| <hr/>                          |  |
| Date                           |  |
| <hr/>                          |  |

1D ON Under 55-Excess MTV – Partial PBGF

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# Option Forms – Ontario Pensioner

10 Ontario Retiree with Lif and Max Transfer (4).pdf - Adobe Reader

File Edit View Window Help

1 / 2 75% Tools Sign Comment

**STATEMENT OF BENEFITS – ONTARIO PENSIONER**  
Nortel Networks Negotiated Pension Plan (the "Plan")  
Registration No. 0587766  
Wind Up Date October 1, 2010

**NOTE:** The amounts quoted below reflect your 100% benefit entitlement from the Plan (supported by the reduced Plan funding and the additional funding from the Pension Benefits Guarantee Fund). Therefore, you are unlikely to receive any further payment, should the Plan receive any funds in the future resulting from the *Companies Creditors' Arrangement Act* claim against the estate of Nortel on behalf of the Plan in the proceeding before the Ontario Court Justice identified as court file number 09-CL-7950, unless the recovery from the claim is more than sufficient to pay all non-indexed benefits in the Plan.

The options on this statement are in respect of the pension benefits to which you are entitled in compliance with the *Pension Benefits Act* (the "Act") including the recently instituted Section 102 of the Act which provides limited portability to Ontario Pensioners of the Plan (the "Special Provision"). They are based on the Wind up Report as at October 1, 2010, which was approved by the Ontario regulator.

|   |               |            |        |  |                           |
|---|---------------|------------|--------|--|---------------------------|
| Member SIN:                                       | 123-456-789   | Global ID: | 123456 | Birth Evidence on file:                        | Yes, if no please provide |
| Member Name:                                      | John Doe      |            |        | Declaration of Marital Status ("DMS") on file: | Yes                       |
| Member Date of Birth:                             | June 10, 1949 |            |        | Spouse Date of Birth:                          | August 8, 1948            |
| Spouse at Retirement:                             | Jane Doe      |            |        | Spouse Birth Evidence on file:                 | Yes, if no please provide |
| Current Funded Level:                             | 75%           |            |        | Current Monthly Amount:                        | \$929.32                  |
| Final Funded Level:                               | 79.59%        |            |        | Final Monthly Amount:                          | \$929.32                  |
| Commuted Value of Pension:                        | \$150,544.57  |            |        | Form of Pension:                               | Joint & Survivor 60%      |
| Commuted Value Calculation Date: December 1, 2015 |               |            |        |  |                           |

Choose either Option A (Annuity Settlement) OR Option B (Life Income Fund Settlement)

**DEFAULT OPTION**  
Failure to complete, sign and return this option form and required documents to Morneau Shepell Ltd. within 90 days of the date of the cover letter will result in your deemed selection of **Option A – the ANNUITY SETTLEMENT**, and an annuity will be purchased accordingly.

| Option A.                | Annuity Settlement   |
|--------------------------|--|
| <input type="checkbox"/> | I elect to have the Plan purchase an annuity of \$929.32 per month, payable for my lifetime with a Joint & Survivor 60% pension upon my death. |

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# Option Forms – Ontario Pensioner

Choose either Option A (Annuity Settlement) OR Option B (Life Income Fund Settlement)

## DEFAULT OPTION

Failure to complete, sign and return this option form and required documents to Morneau Shepell Ltd. within 90 days of the date of the cover letter will result in your deemed selection of Option A – the ANNUITY SETTLEMENT, and an annuity will be purchased accordingly.

### Option A. Annuity Settlement

- ☐ I elect to have the Plan purchase an annuity of \$929.32 per month, payable for my lifetime with a Joint & Survivor 60% pension upon my death.

I realize that I will continue to receive my monthly pension from the Plan until the Administrator advises me of the details of my personal annuity purchase. This process may take a considerable amount of time, due to the volume of annuities that the Plan must purchase.

#### Member Certification

I certify that I have read and understood all the information provided in the cover letter, in this form and in the enclosed Form 5.3 in their entirety and I have advised the Administrator of any errors or omissions. Form 5.3 is considered to be incorporated into this Statement of Benefits form by reference, for purposes of satisfying Section 102 of the Act. The terms of the Plan and my rights, options and entitlements on the Plan wind up have been fully explained to my satisfaction. I acknowledge that the Administrator reserves the right to make adjustments for errors or omissions and that the terms of the Plan will govern (subject to the applicable legislation and the Plan assets) if there is an inconsistency between the terms of the Plan and the information on the statement.

I hereby irrevocably elect the Annuity Settlement option, as indicated above.

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2015.  
(City) (Day) (Month)

Member Signature \_\_\_\_\_

Witness Name \_\_\_\_\_ (Please Print)

Witness Signature \_\_\_\_\_

If you elect the Annuity Settlement, you do not need to complete the enclosed Form 5.3 – Nortel Ontario Pensioner Direction and Waiver form, issued by the Financial Services Commission of Ontario. Simply complete the above Member Certification and mail the completed Statement of Benefits form (along with a copy of birth evidence and DMS, if not on file) to our office, in the envelope provided.

# Option Forms – Ontario Pensioner

10 Ontario Retiree with LIF and Max Transfer (4).pdf - Adobe Reader

File Edit View Window Help

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Tools Sign Comment

**Option B. Life Income Fund (LIF) Settlement**

☐ **In lieu of the Annuity Settlement, I elect a locked-in commuted value transfer to my LIF of approximately \$140,133.28 as at December 1, 2015 (the "Calculation Date"), in compliance with the Special Provision that applies only to Ontario Pensioners of the Plan.**

**IN ADDITION – an Excess Maximum Transfer**

Based on the *Income Tax Act* and *Income Tax Regulations*, a portion of your transfer is in excess of the prescribed amount allowable for transfer to a tax-sheltered vehicle. The amount is estimated to be **\$10,231.29**. This amount may increase or decrease over time.

**Please refer to the enclosed letter on Excess Maximum Transfer and complete the Excess Maximum Transfer Option Election form. If you do not return this form, any excess maximum transfer amount will be paid to you in cash, less applicable withholding tax.**

**Member Certification**

**Under the Special Provision with limited portability:**

1. I realize my monthly pension payment will be terminated, once the Administrator has received and processed the required documents requesting a transfer to my LIF.
2. I realize my commuted value has been calculated in accordance with Section 3500 of the Canadian Institute of Actuaries' *Standards of Practice - Practice Specific Standards for Pension Plans*. This commuted value was adjusted to reflect pension payments from October 1, 2010 to the Calculation Date.

## Non-Ontario Wind up

- Unlike Ontario, where the PBGF absorbs any gains or losses after the wind up date, the funded ratio for non-Ontario benefits depends on a number of factors, including post wind up mortality and the cost of annuities.
- The amounts listed on your option forms or letters are therefore estimates, and the actual pension or lump-sum may be different.

# Indexation

- If you elect an annuity and you are entitled to indexed benefits you have the option of electing either an indexed or a non-indexed pension.
- If you elect to convert your indexed pension to a non-indexed pension, you will receive a pension of the same value, but with a higher initial monthly payment.



# Nova Scotia

- Pensioners are entitled to a non-indexed annuity only.
- Non-pensioners may elect either a non-indexed annuity, or a lump-sum transfer.

## All Other Provinces

- Pensioners only have the option for either an indexed or a non-indexed annuity.
- Non-pensioners may elect either an indexed or a non-indexed annuity, or a lump-sum transfer.

# Alberta Deferred Member

3J - AB NB SK Opt Form UNREDUCED Over 65 non-Indexing MTV (2).pdf - Adobe Reader

File Edit View Window Help

1 / 2 100%

Tools Sign Comment

**Nortel Networks Negotiated Pension Plan (the "Plan")**  
**Registration No. 0587766**  
**Statement of Wind Up Benefits and Election of Options**

**NOTE:** You will be eligible for further payment, should the Plan receive any funds in the future resulting from the *Companies Creditors' Arrangement Act* ("CCAA") claim against the estate of Nortel on behalf of the Plan.

The options on this statement are in respect of the pension benefits to which you are entitled under the Plan, payable at the estimated 65.70% funded level. These amounts will change subject to the final funded level established at the actual settlement date. They are based on the Actuarial Report on the Wind Up of the Plan as at October 1, 2010, which was approved by the Superintendent of the Financial Services Commission of Ontario.

|  |   |
|--|---|
| Name of Member: Jane Doe                     | Social Insurance Number: 123-456-789                      |
| Global ID: 123456                            | Normal Retirement Date ('NRD'): June 1, 2011              |
| Date of Birth: January 1, 1945               | Earliest Retirement Date ('ERD'): June 1, 2000            |
| Proof of Age on File: Yes                    | Earliest Unreduced Retirement Date ('EURD'): June 1, 2000 |
| Date of Hire: September 1, 1980              | Name of Spouse: John Doe                                  |
| Date of Entry in the Plan: September 1, 1980 | Date of Birth of Spouse: June 1, 1952                     |
| Date of Termination: August 1, 2010          | Spouse's Proof of Age on File: Yes                        |
| Credited Service: 30 years                   | Name of Beneficiary: John Doe                             |
| Province of Employment: AB                   | Declaration of Marital Status Form on File: Yes           |
| Union: CAW                                   | Wind Up Date of Plan: October 1, 2010                     |
|  | Indexation Applies: YES                                   |

**Instructions on completing this Statement – To be completed and returned within 90 days**

- Choose **one** of the two options in Section A below by placing a checkmark in the appropriate box.
- Complete section B by providing the requested information.

**Section A – Wind Up Options** All amounts shown below are estimates at April 1, 2016 (the projected Settlement Date)

- ☐ An immediate unreduced indexed pension of approximately \$1250.45 per month, commencing on the actual settlement date and payable for your lifetime. Please complete the enclosed Election Statement form (pink

# Alberta Deferred Member

3J - AB NB SK Opt Form UNREDUCED Over 65 non-Indexing MTV.pdf - Adobe Reader

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Tools Sign Comment

**Instructions on completing this Statement – To be completed and returned within 90 days**

- Choose one of the two options in Section A below by placing a checkmark in the appropriate box.
- Complete section B by providing the requested information.

**Section A – Wind Up Options** All amounts shown below are estimates at April 1, 2016 (the projected Settlement Date)

- ☐ An immediate unreduced indexed pension of approximately \$1250.45 per month, commencing on the actual settlement date and payable for your lifetime. Please complete the enclosed Election Statement form (pink form).

If you elect this option, we cannot commence monthly pension payments until the applicable annuities have been purchased.

Please see cover letter for full details.

- Locked-in entitlement:** A lump sum transfer of approximately \$ 185,678.23, plus interest to the month of transfer, to:  
☐ a LIRA      ☐ a LIF (RRIF if SK)      ☐ another pension plan      ☐ an insurance company to purchase an immediate or deferred annuity
  - AND
  - Non locked-in entitlement:** A lump sum transfer of approximately \$ 10,644.30, plus interest to the month of transfer, to:  
☐ a RRSP      ☐ cash      ☐ another pension plan
  - AND

**Excess Maximum Transfer**

The amount in excess of the maximum amount permitted for a direct transfer is estimated to be \$ 6,567.24. This amount may change over time. Please refer to the enclosed letter on Excess Maximum Transfer and complete the Excess Maximum Option Election form.

**Section B - Member Certification**

I certify that I have read the information on both sides of this statement and I have advised the Administrator of any errors or omissions. The terms of the Plan, my rights, options and entitlements on the Plan wind up have been fully explained to my satisfaction. I acknowledge that the Administrator reserves the right to make adjustments for errors or omissions and that the terms of the Plan will govern (subject to the applicable legislation and the Plan assets) if there is an inconsistency between

# Alberta Deferred Member

3J - AB NB SK Opt Form UNREDUCED Over 65 non-Indexing MTV.pdf - Adobe Reader

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Tools Sign Comment

☐ a RRSP ☐ cash ☐ another pension plan  
AND

**Excess Maximum Transfer**

The amount in excess of the maximum amount permitted for a direct transfer is estimated to be \$ 6,567.24. This amount may change over time. Please refer to the enclosed letter on Excess Maximum Transfer and complete the Excess Maximum Option Election form.

**Section B - Member Certification**

I certify that I have read the information on both sides of this statement and I have advised the Administrator of any errors or omissions. The terms of the Plan, my rights, options and entitlements on the Plan wind up have been fully explained to my satisfaction. I acknowledge that the Administrator reserves the right to make adjustments for errors or omissions and that the terms of the Plan will govern (subject to the applicable legislation and the Plan assets) if there is an inconsistency between the terms of the Plan and the information on this statement. I hereby irrevocably elect one option in Section A, as indicated above.

|                                |                                |      |
|--------------------------------|--------------------------------|------|
| Address                        | Signature of Member            | Date |
| City, Province and Postal Code | Name of Witness (Please Print) |      |
| Phone Number                   | Signature of Witness           | Date |

3J NEW - DV, AB/NB/SK -UNREDUCED Over 65- Indexing. Excess MTV

**Statement of Wind up Benefits and Election of Options**

Plan Assets  
The Plan at the wind up date of October 1, 2010 is approximately 65.70% funded. This statement reflects your pension benefit entitlement under the Plan. However, the amounts quoted on your statement are estimates and will be adjusted to reflect the final funded level which will be established at the actual settlement date.

Pension Adjustment Reversal (PAR)  
Some members who choose the lump sum payment may be eligible to receive a PAR. A PAR is issued when the post-January 1990 portion of the lump sum value of a pension is less than the total Pension Adjustments reported. The value of the PAR is used to restore lost RRSP room, for those who have not reached age 72 in the year of transfer. Unfortunately, the records

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# Alberta Retiree

Choose either Option A (Non-Indexed Annuity) **OR** Option B (Indexed Annuity)

## DEFAULT OPTION

Failure to complete, sign and return this option form to Morneau Shepell Ltd. within 90 days of the date of the cover letter will result in your deemed selection of **Option B – the Indexed Annuity Settlement and an indexed annuity will be purchased accordingly.**



### Option A. NON-INDEXED Annuity Settlement

☐ I elect to have the Plan purchase a **NON-INDEXED annuity payable for my lifetime <with a Joint and Survivor xxx%> pension upon my death.** The Report estimated funded level of 65.70% would provide me with a monthly annuity payment of approximately **<\$xxx.xx>.**

I realize that by electing this Option A, I give up all future indexation as described in Option B below, and the monthly amount of my pension will be fixed after an annuity is purchased for me.

I realize that I will continue to receive my monthly pension from the Plan at the current amount I am receiving until the Administrator advises me of the details of my personal annuity purchase. This process may take a considerable amount of time, due to the volume of annuities that the Plan must purchase.

#### Member Certification

I certify that I have read and understood all the information provided in the cover letter and in this form in their entirety and I have advised the Administrator of any errors or omissions. The terms of the Plan and my rights, options and entitlements on the Plan wind up have been fully explained to my satisfaction. I acknowledge that the Administrator reserves the right to make adjustments for errors or omissions and that the terms of the Plan will govern (subject to the applicable legislation and the Plan assets) if there is an inconsistency between the terms of the Plan and the information on the statement.

**I hereby irrevocably elect the NON-INDEXED Annuity Settlement option, as indicated above.**

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2015.  
(City) (Day) (Month)

Member Signature \_\_\_\_\_

Witness Name \_\_\_\_\_ (Please Print)

Witness Signature \_\_\_\_\_

**If you elect the non-indexed annuity simply complete the above Member Certification and mail the completed Election Form (along with a copy of birth evidence, if not on file) to our office, in the envelope provided.**

# Alberta Retiree

RETIREE Elect Form Indexed or non-Indexed JS.doc [Read-Only] [Compatibility Mode] - Microsoft Word

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was implementing a one-time adjustment for all eligible pensioners in August 2012, the one-time increase implemented did not precisely reflect member entitlements.

However, your exact entitlements will be taken into account when benefits are settled by annuity purchase.

☐ **Member Election**  
I elect to have the Plan purchase an **INDEXED annuity payable for my lifetime with a Joint and Survivor** **<xxx>% pension upon my death**. The Report estimated funded level of 65.7% would provide me with a monthly annuity payment of approximately **<\$xxx.xxx>**.

I realize that I will continue to receive my monthly pension from the Plan at the current amount I am receiving, until the Administrator advises me of the details of my personal annuity purchase. This process may take a considerable amount of time, due to the volume of annuities that the Plan must purchase.

**Member Certification**  
I certify that I have read and understood all the information provided in the cover letter and in this form in their entirety and I have advised the Administrator of any errors or omissions. The terms of the Plan, my rights options and entitlements on the Plan wind up have been fully explained to my satisfaction. I acknowledge that the Administrator reserves the right to make adjustments for errors or omissions and that the terms of the Plan will govern (subject to the applicable legislation and the Plan assets) if there is an inconsistency between the terms of the Plan and the information on the statement.

**I hereby irrevocably elect the INDEXED Annuity Settlement option, as indicated above.**

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2015.  
(City) (Day) (Month)

Member Signature \_\_\_\_\_

Witness Name \_\_\_\_\_ (Please Print)

Witness Signature \_\_\_\_\_

**If you elect the Indexed Annuity simply complete the above Member Certification and mail the completed Election Form (along with a copy of birth evidence, if not on file) to our office, in the envelope provided.**

Page: 2 of 2 Words: 1,188 English (U.S.)

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## Partially Paid Members

- There were a number of members who elected, after Nortel entered CCAA protection but prior to our appointment, to cash out their pension entitlement by a lump-sum transfer.
- Since the Plan was underfunded, these transfers were only partially paid (at 85% early on, and at 69% up to our appointment)



## Partially Paid Members

- Partially Paid members will only receive a supplemental payment under the Wind Up if the lump-sum they are entitled to under the wind up is greater than the amount they have already received.
- For members outside Ontario, since the estimated wind up funded ratio is less than 69%, no further payments will be made to members at this time.
- PBGF coverage for Ontario members means that some partially paid members will receive an additional payment.

## Partially Paid Members

- We don't yet know how much money the Plan will receive from the CCAA claim. Once the CCAA money is paid we will recalculate the funded ratio and some partially paid people (particularly those paid at 69%) will become entitled to a supplementary payment).

# The CCAA Claim

- As Administrator of the Plan, we have a claim under CCAA against the estate for the deficit in the pension fund.
- The claim has not been settled, but if any recovery is made on the claim, most Nortel members will be entitled to an additional payment.

# The CCAA Claim

- It is very important that you and/or your survivors remain in touch with Morneau so this supplementary settlement can be made.
- The details have yet to be worked out, but the CCAA settlement will likely be in the same form as your election (i.e. additional lump-sum payment or increase to annuity).

# Adjustments for Pensioners

- If the final funded ratio is higher than the estimated ratio that we have been paying, then you have been underpaid since the wind up date and will receive a cash payment to reflect this.
- If the final funded ratio is lower than the estimated ratio that we have been paying, then you have been overpaid since the wind up date and your pension will be adjusted to recover this payment.
- Additional adjustments will be made for indexation, etc.

# Timing

- Your option forms were mailed out November 16, 2014.
- Options forms must be returned to us within 90 days, or by February 16, 2016.
- If you fail to return the option form, we will settle you by the default option noted in your letter.
- We intend to settle benefits by mid- April, 2016.

# The Future

- Most of you will be entitled to additional monies when the CCAA claim is settled.
- Still unclear when and how much this recovery will be.
- CCAA monies likely settled in the same way as you elect.
- Very important that you or your estate keep in touch with us so we can pay you what you are owed.

# Questions

- If you have questions regarding your option forms, or if you have not received one, please contact our call centre at 1-877-392-2073





Business. Needs. People.

Thank You.

# Nortel Legal Summary

Koskie Minsky LLP

# Allocation Litigation - Timeline

- **May 12, 2015** — the Ontario Superior Court of Justice and the US Bankruptcy Court released consistent decisions requiring the allocation of the \$7.3B lockbox (assets from the sale of Nortel's businesses and intellectual property) be based on a modified *pro rata* approach.
- **June 25, 2015** — joint hearing to determine some points of clarification of the May 12<sup>th</sup> decisions.
- **July 6, 2015** — both Courts release decisions denying reconsideration of issues raised by the US Interests while providing clarifications to the May 12th allocation decisions.
- **July 2015** — Appeals commenced in Canada and the US

# Allocation Litigation - Highlights

- Allocation to be determined *pro rata* (modified) to claims against each estate
  - materially different from the pro rata approach we advocated during the trial as it permits certain intercompany and inter-estate claims, and allows each estate to keep its own assets (cash on hand)
- No double-counting. Any claim that can be made against more than one estate may be made only once for purposes of determining allocation.
- Bondholder claims must be made against the debtor estate of the issuer

# Allocation Litigation - Impact

- Claims processes to determine claim amounts as yet incomplete in all estates.
- Final distributions cannot occur until the finalization of claims globally.
- HOWEVER - based on preliminary data provided by the estates and certain assumptions, we estimate that recoveries in Canada would be in the 45% to 49% range if the allocation decisions could be implemented today
  - Litigation and appeal costs will detract

# Allocation Litigation — appeals pending

- Canada – leave to appeal has been sought by various US Interests (US Debtor, Bondholders, UCC); we await a decision from the Ontario Court of Appeal on whether leave is to be granted
  - US parties are still seeking post-filing interest and use of the ‘revenue theory’ as the allocation key.
  - success on these appeals could put Canadian creditor recoveries at an estimated range of 10 to 15%.
- US (Delaware) – appeal briefing process underway
  - Briefing starts December 3, 2015; scheduled to be heard by the US District Court on April 5, 2016
- If appeals proceed, there could be further appeals, putting final distribution years away

# Settlement Discussions

- The parties have engaged in confidential discussions as part of the US appeal process.
- Contrary to reports in the media, no offer has been made to Canada which would generate a 55% (or a 71%) payment (dividend) to creditors.
- The Court-appointed representatives are certainly amenable to a fair settlement but will not be bullied.

# Other Litigation

- **Bondholder Post-Filing Interest** - on October 13, 2015, the Ontario Court of Appeal unanimously dismissed the Bondholders' appeal from Judge Newbould's decision denying post-filing interest, with costs.
- **Tax Appeal** — the August 20, 2015 hearing date was adjourned on consent of both parties and a case management judge was appointed on October 28, 2015.
- **UK Pension Guarantee Litigation** — the appeal is scheduled to be heard by the Ontario Court of Appeal on February 17-18, 2016.



# Questions

- For more information, please contact KM at [nortel@kmlaw.ca](mailto:nortel@kmlaw.ca) or by calling our toll free hotline at 1.866.777.6344.
- For further information concerning Nortel's CCAA proceedings, please visit our website at:
  - <http://kmlaw.ca/cases/nortel-networks-corporation/>
- For access to all public Court documents, please visit the Monitor's website at:
  - <http://documentcentre.eycan.com/Pages/Main.aspx?SID=89&Redirect=1>