

Nortel Retirees and former employees Protection Canada (NRPC)

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

Retired from Quebec

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 an insert in your Options Letter and on the KM website

Introductions

- Morneau Shepell
- The Régie des Rentes du Québec
- Koskie Minsky
- Actuaries and Financial Advisors
- NRPC

The Agenda

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

Housekeeping

- Q&A at the end of each segment
- For town halls: Morneau Shepell, Koskie Minsky, 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 Quebec Member Meeting



Hamish Dunlop



Business. Needs. People.

Purpose of the Meeting

- To provide information to Quebec 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 Wind Up Date).

The Process so Far

- May 2011 – Superintendent declares that the Pension Benefits Guarantee Fund (PBGF) applies in respect of Ontario service. 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 service outside Ontario and Nova Scotia.
- January 2014 – Wind Up Report filed with the Financial Services Commission of Ontario (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.
- Unusual 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 for Ontario members.

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 be provided with an annuity, and permit deferred members to choose between a lump-sum transfer or an annuity.
- Ontario & Quebec permit retirees to take a lump-sum transfer.
- Some Quebec members (either pensioners or pension eligible as of the wind up date) may transfer their entitlement to the Regie.

What Law applies to you?

- Unfortunately, like many companies, Nortel did not keep complete 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 jurisdictional pools
- Ontario
- Quebec
- All remaining provinces
- The Quebec assets were then split into separate pools for members in pay and not in pay as of the w/u date.
- 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 October 2010 and August 2011.
- 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.
- The amounts on your option forms are estimates, the final funded ratio will only be known at the final settlement date.

Pensioner Options

Option	Ontario	Quebec Pensioner as of W/U date	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				

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.

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 withdrawals that must be made from a LIF.

Locked-In Retirement Account (LIRA)

- A LIRA is similar to a locked-in RSP; like a LIF it is a registered account with a financial institution that must be ultimately used to provide retirement income.
- You are responsible for the investment of funds in your LIRA.
- Money can generally not be withdrawn from a LIRA (with some exceptions), and LIRA monies are usually transferred to a LIF when you are eligible to commence your pension.

LIF/LIRA

- If you elect a LIF or a LIRA, you must have a locking-in agreement filled out by your financial institution and returned to us.
- Once we receive the required documents, and the final funded ratio is known, we will transfer the funds to your financial institution.
- If you elected a LIF, you can start drawing income after the transfer.

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 (this will be indicated on your Option Form), the excess 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 (fill out the Excess Amount Option Election Form to do this).
- The Option form will specify if the lump-sum amount exceeds the ITA limit.
- If a portion the transfer is taxable, withholding tax will be deducted on the excess amount.

Quebec non-pensioners as of October 1, 2010

- Must take a lump-sum transfer.
- Transfer amount listed in letter is an estimate, and will depend on the final funded ratio which will not be known until settlement.
- Transfers can be made to a LIRA, a LIF (if of retirement age), another pension plan or to an insurance company to purchase an individual annuity.
- Members who were Retirement-eligible as of Oct 1/2010 may transfer their lump-sum to the Regie to pay them a pension.

Quebec Pensioners

- May elect either a lump-sum transfer, an annuity, or a pension from the Regie (the Quebec regulator).
- Numbers listed in the option form are an estimates.

Quebec Annuity/Regie Transfer

- Quebec retirees who elect either an annuity or a Regie transfer and who are entitled to indexed benefits have the option of electing either a non-indexed pension.
- If a non-indexed pension is elected, the initial pension amount will be increased.
- The increase will vary depending upon your age.

Quebec Annuity/Regie Transfer

- The Regie transfer will see your pension paid as an annuity, but the Regie will manage the pension assets for up to five to ten years.
- If investment return is better than expected, you will receive additional benefits.
- If investment returns are poorer than expected, your pension is guaranteed by the Regie.

Indexation

- Whether you elect an annuity or a Regie transfer, if 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.

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 with service in Quebec are not entitled to any supplemental payment, since the final funded ratio is lower than what they were already paid.
- They have a residual claim against the estate of Nortel, and when CCAA money is received, they will receive a pro-rata share of the proceeds.

The CCAA Claim

- As Administrator of the Plan, we have made 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, Nortel Quebec members will be entitled to additional pension benefits.

The CCAA Claim

- It is very important that you and/or your survivors remain in touch with Morneau Shepell 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 your benefit under 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



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Thank You.



The option to entrust administration of pension benefits to the Régie des rentes du Québec

Information meetings for Nortel Networks Negotiated Pension Plan
Ottawa, Montreal, Quebec City
December 2015

Who are we?

Régie des rentes du Québec

Pension plans (pension funds)

RRQ (public plan)

Responsible for oversight

Administration of retirees' pensions

Agenda

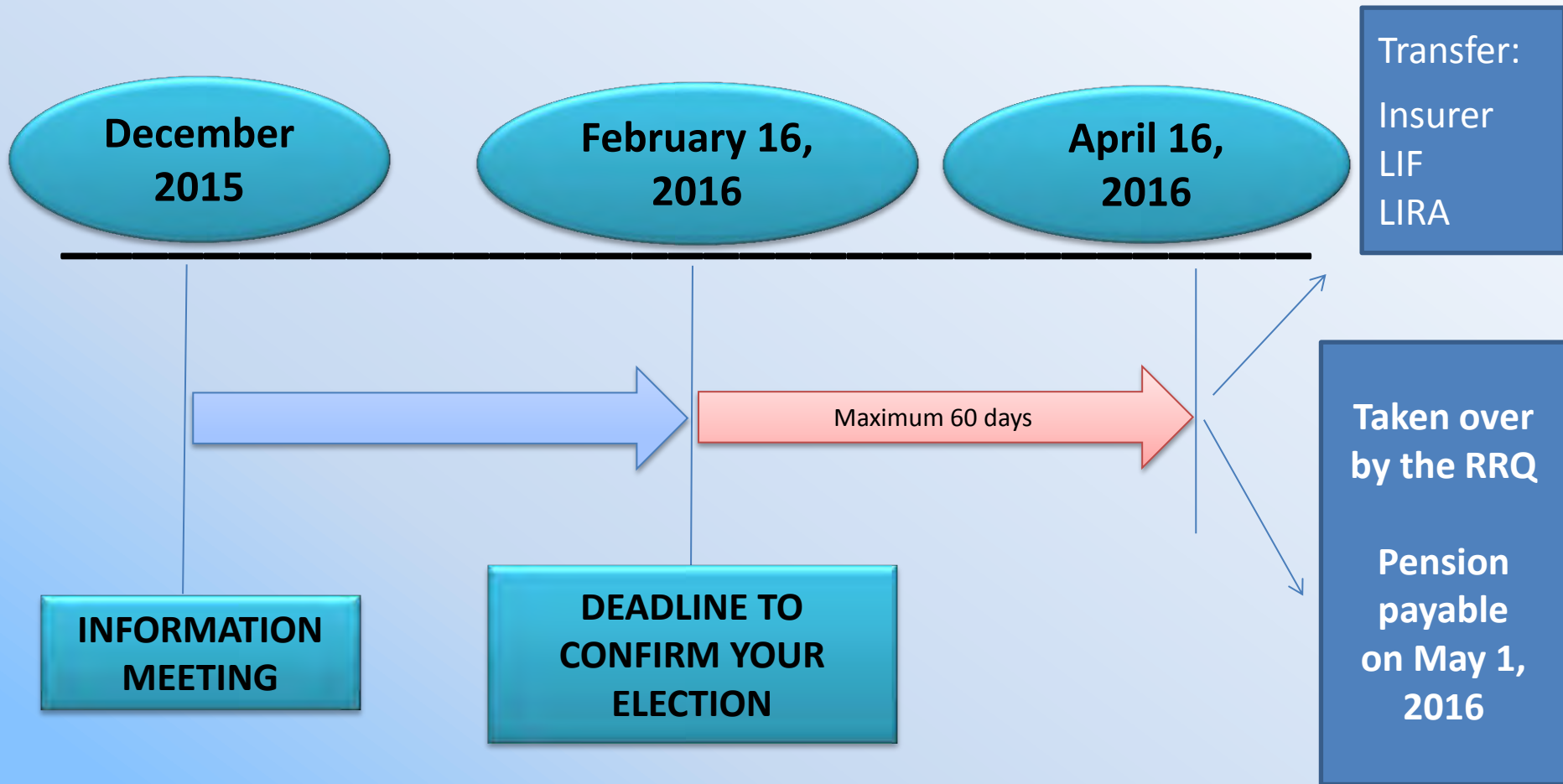
- 1. Individuals affected and deadline**
- 2. The RRQ option**
- 3. The indexation issue**
- 4. Question period**

Individuals Affected

- Those who were receiving pension benefits at the time of plan termination* (retirees)
- Those who would have received pension benefits, had they applied for them, at the time of plan termination* (non-retirees)

*Termination of the Nortel Networks plan as of October 1, 2010
(Ontario registration # 587766)

Deadline



Payment Options

Retiree	Non-retiree
<ol style="list-style-type: none"> 1. Indexed pension administered by the RRQ 2. Non-indexed pension administered by the RRQ 	<ol style="list-style-type: none"> 1. Indexed pension administered by the RRQ 2. Non-indexed pension administered by the RRQ
<ol style="list-style-type: none"> 3. Indexed pension with an insurer 4. Non-indexed pension with an insurer 	<ol style="list-style-type: none"> 3. Transfer - Annuity purchased from an insurer by the plan member
<ol style="list-style-type: none"> 5. Transfer into a Life Income Fund (LIF) 	<ol style="list-style-type: none"> 3. Transfer into a Life Income Fund (LIF) 3. Transfer into a Locked-In Retirement Account (LIRA)
	<ol style="list-style-type: none"> 3. Transfer - Another employer's pension plan

Payment Options

Make Your Choice

Default option:

- Retiree = **Non-indexed** pension administered by the RRQ.
- Non-retiree = Transfer election, requires your form, otherwise could go to the Public Curator. Leads to delays.

Deadline: February 16, 2016

The RRQ Option

- From the date the RRQ takes over, your reduced pension will not decrease
- Your pension is guaranteed by the government
- Your pension could be improved in the future
- There is no need to worry about investments
- The usual rules apply in the case of death
- Temporary administration by the RRQ (5 years, maximum 10 years)

The RRQ Option

Role and Responsibilities of the RRQ

The RRQ acts as a plan administrator and must:

- Make sure that the pensions are paid
- Select service providers and experts
- Develop an investment policy
- Meet the requirements of the supervisory authority
 - Annual audited financial report
 - Annual actuarial valuation
- Inform retirees and beneficiaries
 - Annual statement and annual meeting

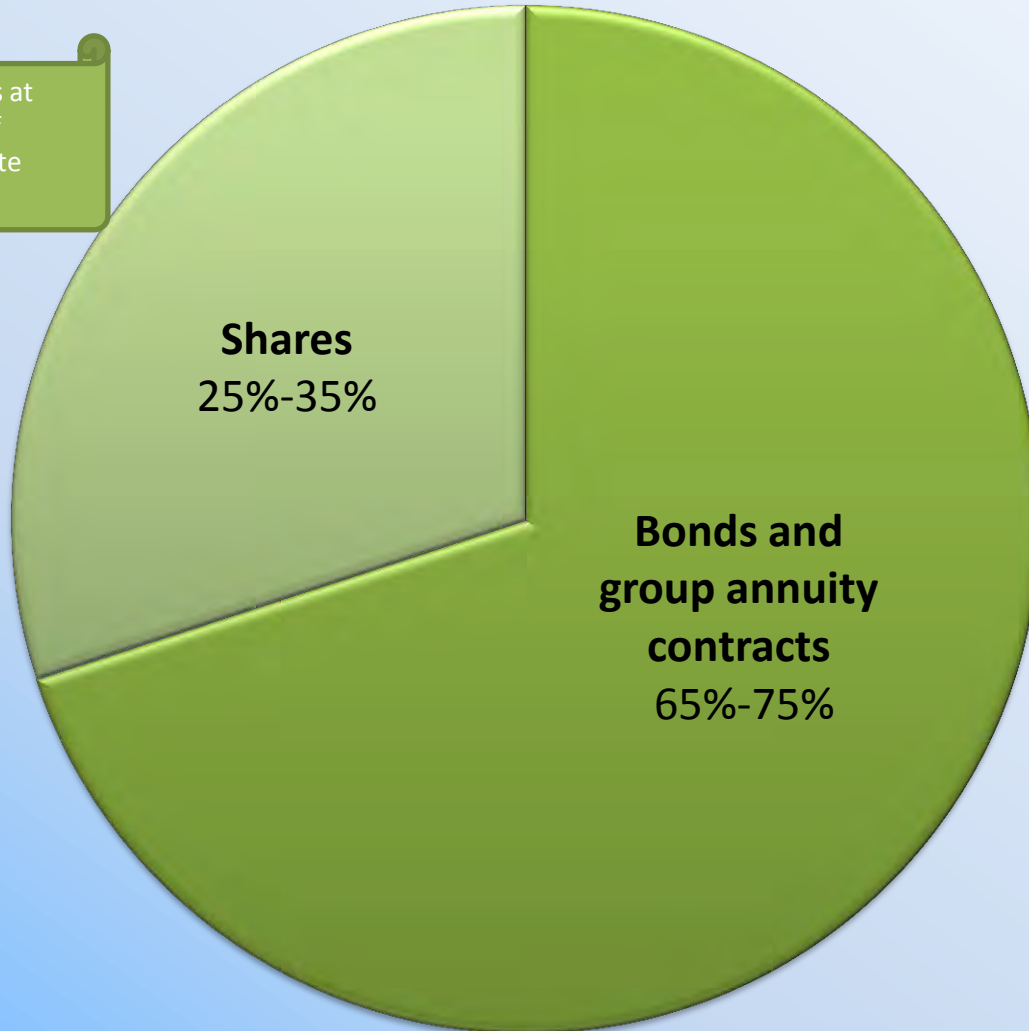
The RRQ Option

Administrative Expenses

- There are costs associated with each option (i.e., insurer, LIRA, LIF, and the RRQ)
- Administrative expenses will be paid by the pension fund
- RRQ expenses must be reasonable and comparable to those of similar plans
- Expenses must be accounted for at the annual meeting (to ensure transparency)

The RRQ Option Investment Policy

Targets at
start of
mandate



Target at
end of
mandate

100% of
annuities
purchased
from an
insurer

The RRQ Option

Possible Improvements

- Annually (during our administration)
 - Lump sum payment, if conditions allow
 - A financial cushion must be provided, as required by law
- At the end of administration by the RRQ
 - Increase in your retirement income for life, if conditions allow

The RRQ Option

Improvements - Possible Situations

Plan assets = \$202M
Cost = \$200M

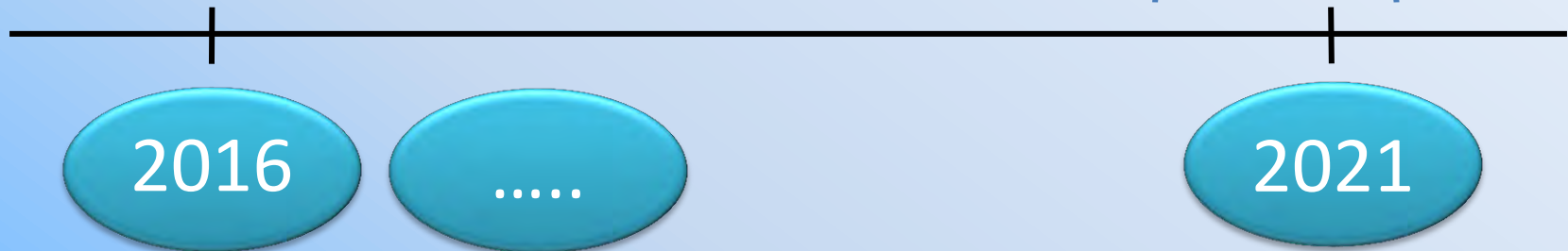
A 4% cushion must be
maintained = \$8M

No lump sum this year

AT THE END
PURCHASE OF ANNUITIES
Plan assets = \$200M
Cost = \$204M

Guaranteed by the
government for \$4M

Insurer selected by
the RRQ



The RRQ Option

Improvements - Possible Situations

Plan assets = \$202M
Cost = \$200M

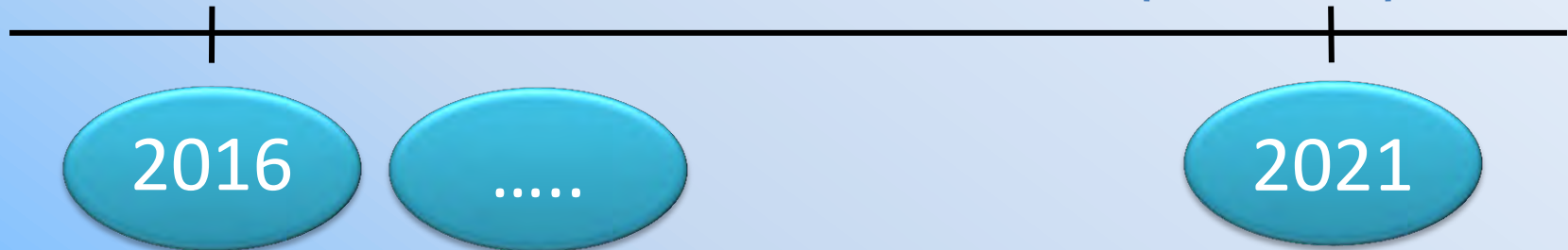
A 4% cushion must be
maintained = \$8M

No lump sum this year

AT THE END
PURCHASE OF ANNUITIES
Plan assets = \$210M
Cost = \$200M

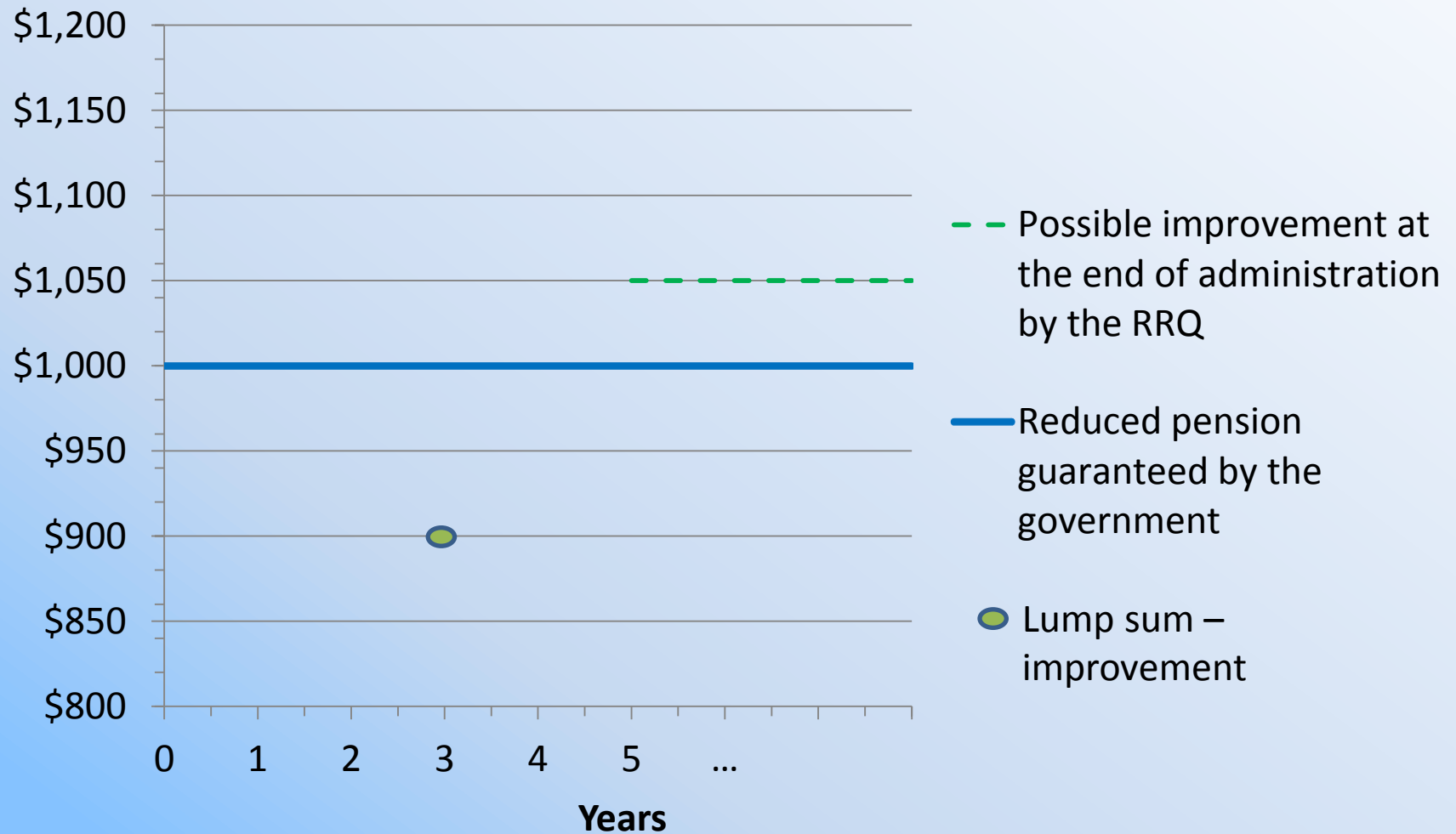
Increase in pensions
\$10M

Insurer selected by
the RRQ



The RRQ Option

A secured pension that can be improved



The Indexation Issue

CPI = Consumer Price Index

- The increased (non-indexed) pension is an equivalent choice to the indexed pension
 - 80% of the CPI, maximum 6%
- The role of the RRQ is to provide neutral and impartial information
 - A few figures and examples, see your personal statements
 - Important message: Seek advice from people you trust

The Indexation Issue

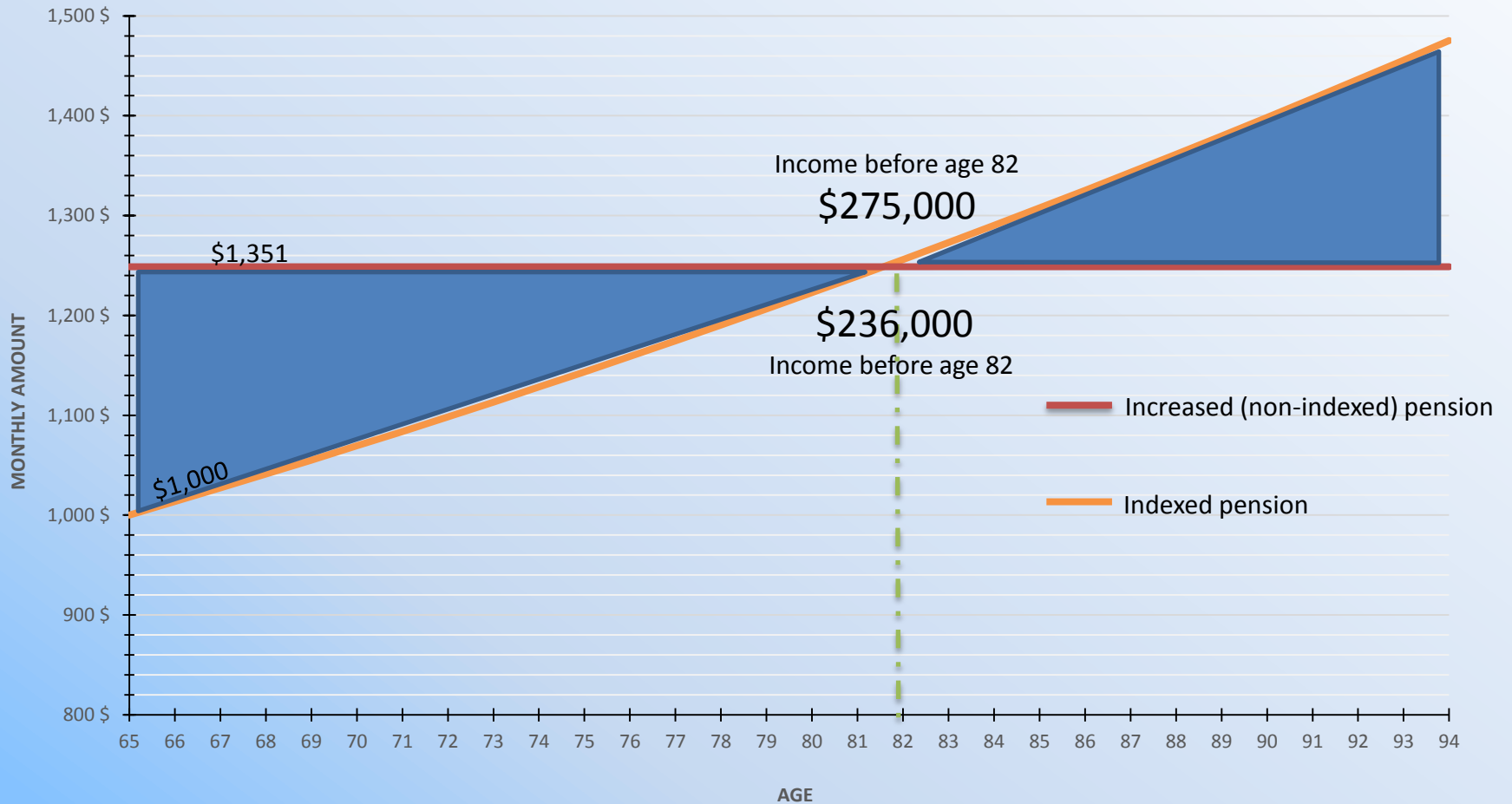
CPI assumptions – over the next few years

Year	CPI set by the Bank of Canada* (between 1% and 3%)	Indexed Nortel formula 80% X CPI
2015	2.25%	1.8%
2016	2.25%	1.8%
2017	2.25%	1.8%
2018	2.25%	1.8%
2019	2.25%	1.8%
2020	2.25%	1.8%
2021	2.25%	1.8%
2022	2.25%	1.8%
2023	2.25%	1.8%
And so on...

* Based on the Monetary Policy Report Summary – October 2015 Bank of Canada

The Indexation Issue

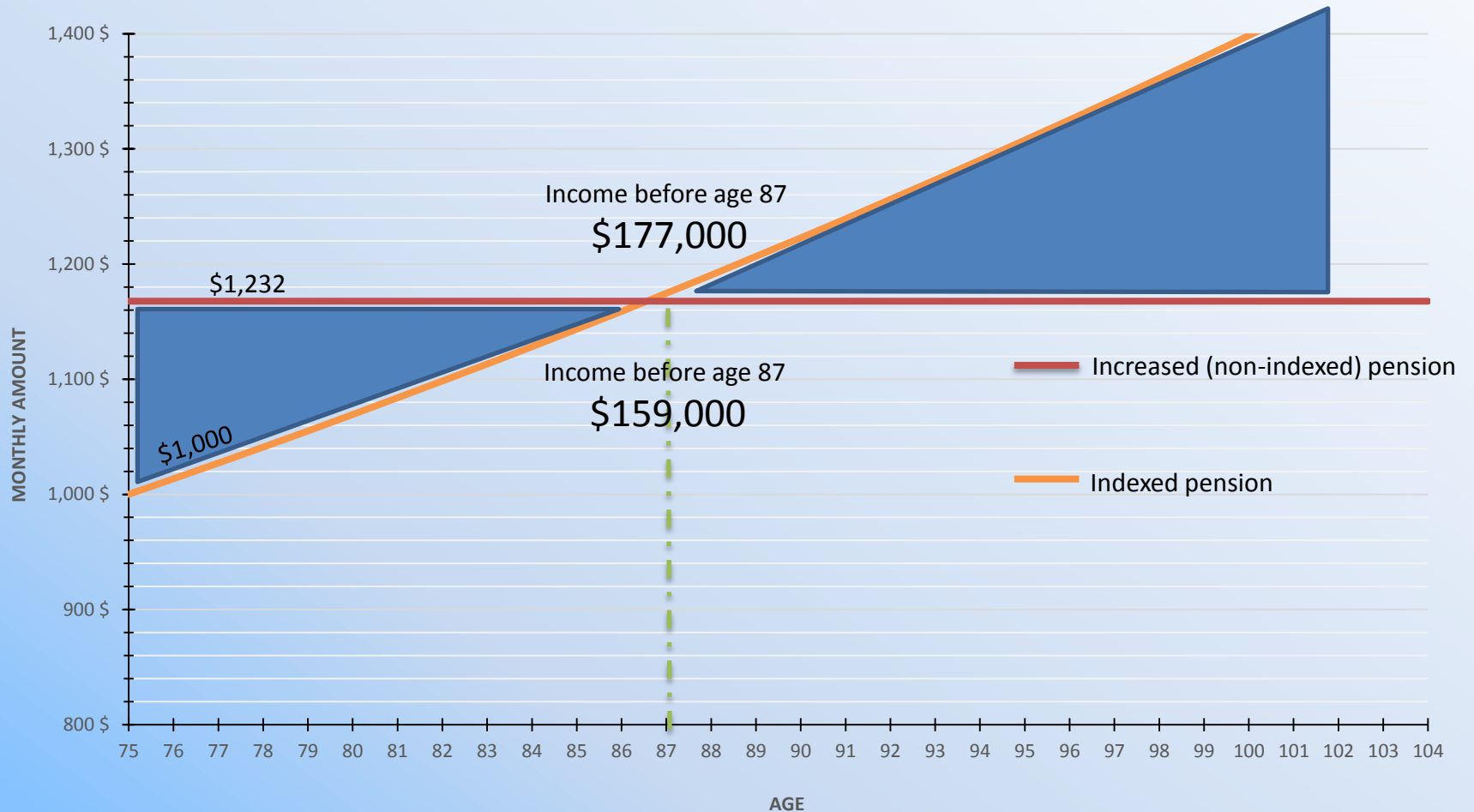
Overview of pension (illustrative purposes) – age 65



Your personal data are on your statement

The Indexation Issue

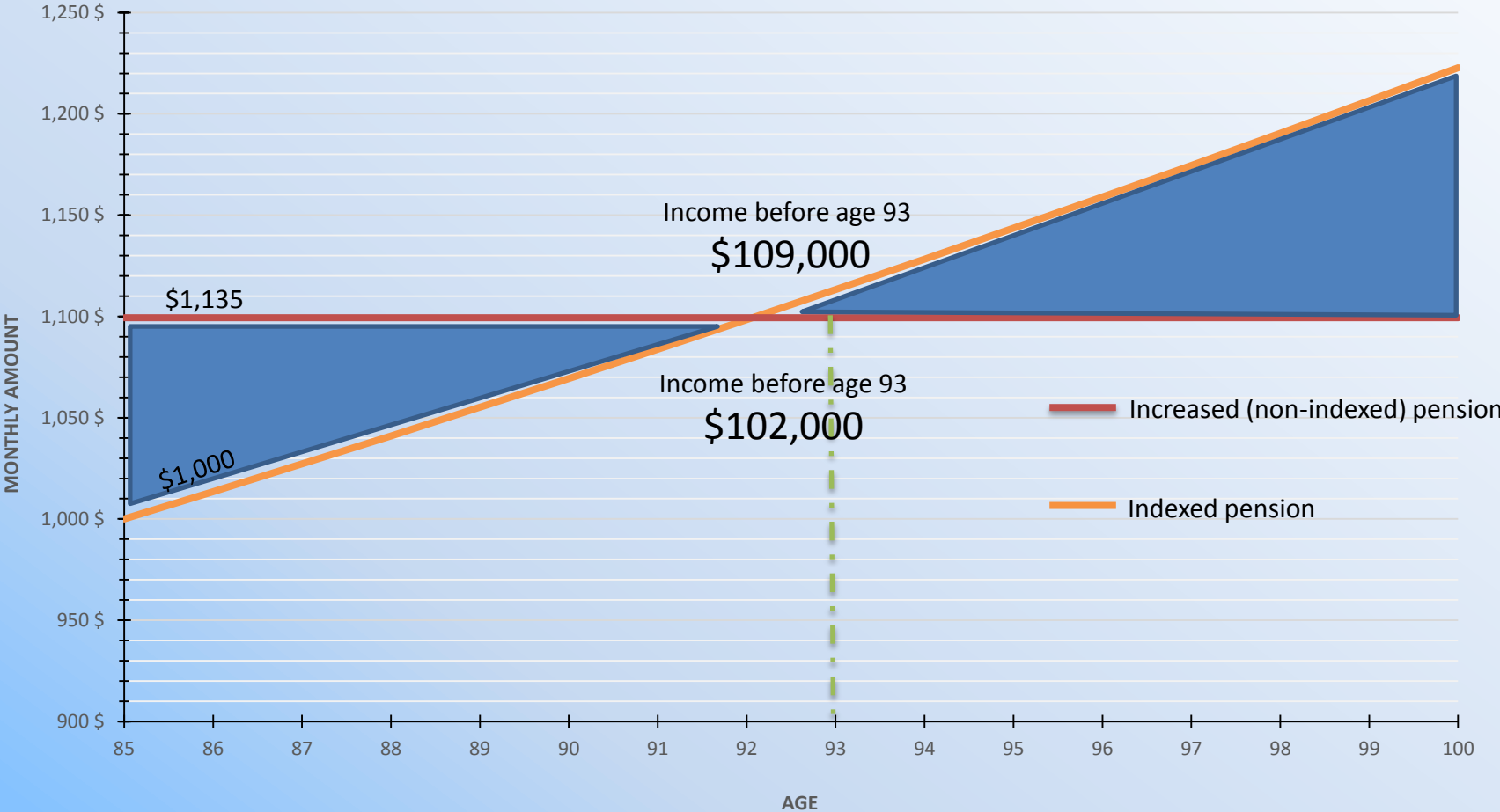
Overview of pension (illustrative purposes) – age 75



Your personal data are on your statement

The Indexation Issue

Overview of pension (illustrative purposes) – age 85



Your personal data are on your statement

The Indexation Issue

A life-long choice

- Your choice of an indexed or increased (non-indexed) pension will be one that is guaranteed by:
 - The government with a possibility of future improvements: RRQ choice 1 or 2
 - The insurer without possibility of future improvements: Insurer choice 3 or 4
- Your pension will be payable for the rest of your life at the same conditions
- If you elect the RRQ, you will be notified in writing as soon as your pension is taken over

QUESTION PERIOD

Questions about your personal statements
prepared by Morneau Shepell

1-877-392-2073

At the Régie des rentes du Québec

For the RRQ option

1-877-744-9278

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 12th 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 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 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>