

March 29, 2012

Communications Department
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Via Mail

Dear Deferred Pensioner of the Nortel Pension Plans:

Re: Nortel Networks Limited Managerial and Non-Negotiated Pension Plan and Nortel Networks Limited Negotiated Pension Plan (“Nortel Pension Plans” or the “Plans”)

You have been identified as one of 5,400 individuals who may have deferred pension entitlements in one of the Nortel Pension Plans, and we, your court-appointed representatives, through our legal counsel Koskie Minsky LLP, write to provide information about the wind-up of those plans and how you can stay informed and in touch with us.

Donald Sproule, David Archibald, and Michael Campbell were appointed by the court in May of 2009 to represent Former Employees, including Pensioners and Deferred Pensioners, of Nortel. Koskie Minsky LLP is our court-appointed counsel, and we have retained actuarial and financial advisors. While much has transpired since Nortel filed for court protection in January of 2009, there has been little direct impact on those former employees of Nortel whose only remaining connection with the company is an entitlement in one of the Plans. That will change soon as the wind up of the Nortel Pension Plans progresses.

1. Morneau Shepell:

Morneau Shepell (“Morneau”) was appointed by the Superintendent of Financial Services of Ontario to wind up the Nortel Pension Plans effective October 1, 2010. Since their appointment in September of 2010, Morneau has assumed responsibility for the administration of the Plans, and has taken a number of steps in the process of terminating the Plans, including estimating the funded position of the Plans, adjusting pensions-in-pay to reflect that there is a significant deficit in each of the Plans, applying for and receiving limited funding from the Pension Benefits Guarantee Fund (PBGF) for Nortel workers in Ontario, and confirming and clarifying plan member data.

One of the next steps for Morneau in the wind-up process will be to confirm plan member information for all individuals with deferred entitlements in the Plans. They anticipate contacting you via mail (Canada Post) in Q2 or Q3 of 2012 in order to verify your personal data and employment history. Please take time now to check your records for communications from Nortel or Mercer (Nortel’s previous pension administrator). It is extremely important that Morneau has your current mailing address, and that you provide them with any changes to your contact information. **If you have moved, please contact Morneau at the following numbers to advise them of your current address:**

Negotiated Plan: 1-877-392-2073
Managerial Plan: 1-877-392-2074

They may require written confirmation of your address change.

Without your current address information it will not be possible for Morneau to communicate with you about the options available to you for settlement of your pension entitlements. At the appropriate time (once the wind-up actuarial report has been filed with the pension regulator – the Financial Services Commission of Ontario (“FSCO”) – and approved) Morneau will contact you to determine how you would like your pension settled: by way of annuity, lump sum commuted value (CV) transfer to a locked-in retirement arrangement, or the G-LIF (described further below) or other life income funds.

If you have reached retirement age and would like to start your pension, you can inquire about doing so by contacting Morneau at the numbers above.

2. The NRPC

The NRPC (Nortel Retirees and former employees Protection Canada) is a non-profit corporation that was formed in response to Nortel’s insolvency and is dedicated to “bettering the outcome of this insolvency for all former Nortel workers”, including deferred pensioners. The composition of the Board of Directors of the NRPC reflects the varying interests of Nortel’s former employees and the current Board includes pensioners from both the Managerial and the Negotiated Plans, deferred pensioners, former employees who have transferred a portion of their CV out of the Plans, and has broad geographical representation, with members from western Canada, Ontario, Québec, eastern Canada and foreign jurisdictions. Two of the three court-appointed representatives sit on the Board and all three are on the NRPC’s legal, pension and G-LIF committees.

a. Successes

The NRPC has made significant efforts to achieve outcomes of benefit to its constituents. The NRPC has:

- ensured that PBGF funds are available to Nortel pensioners who worked in Ontario, including deferred pensioners;
- improved the tax treatment of commuted value (CV) transfers;
- attained modifications which improve the Québec wind-up options for pensioners and deferred pensioners in Québec;
- advanced changes to Ontario laws to expand options on wind-up beyond annuity purchase (to include transfers to life income funds – LIFs) in order to alleviate cost pressures;
- encouraged the other provinces to support LIF transfers from the Nortel Plans.

The NRPC continues to engage the Federal Government to ensure fairer and more appropriate tax treatment of pension funds transferred out of the Plans given that pensions have been reduced. Success on this front will also benefit deferred pensioners.

b. Alternative to the Conventional Wind-up

The wind-up of the insolvent Nortel Pension Plans is of a magnitude unprecedented in Canadian history. The sheer size of the Plans (roughly \$4 billion in aggregate) makes it difficult to complete a wind-up in a

“normal” timeframe (usually wind-ups take 2-4 years) and the absence of a robust market for indexed annuities (the Nortel Plans require pensions to be increased with inflation) make it very expensive. The Ontario Government has recognized the deficiencies in the conventional wind-up process and will provide for Nortel pensioners to opt out of the conventional wind-up process and transfer their pensions to a Life Income Fund (“LIF”). We have been working with our financial and legal advisors to try to ensure that a LIF option that provides guaranteed pension benefits for the member’s lifetime at the lowest possible cost will be available.

The product which is in the process of being developed has been named the **Nortel Group Life Income Fund (“G-LIF”)**. Deferred pensioners will be entitled to choose the G-LIF (or other LIF options). It is the product of an extensive process and discussions with many global banks and insurance companies. When completed, it is hoped that the G-LIF will provide pension benefits superior to those available under a conventional wind-up or a traditional LIF. We are working diligently to ensure that the risk profile of the G-LIF is commensurate with the other pension wind-up alternatives. Our legal and financial advisors are now in the process of negotiating the terms of a binding agreement with the consortium of financial services providers that will ultimately guarantee and administer the G-LIF. If completed, the agreement, along with the proposed material that will be sent to pensioners explaining the G-LIF will be provided to the Court and Court approvals will be requested to the extent appropriate. More information will be provided as we move through this process, possibly including public information sessions.

On a more frequent basis, information will be made available as this process develops and unfolds on the NRPC website, www.nortelpensioners.ca and through the NRPC newsletters.

c. NRPC Communications to Members

The NRPC serves a number of functions. In addition to its role as political advocate for its members, the NRPC is the mechanism through which we, the court-appointed representatives, survey and glean input from our constituents. We look to the NRPC National Committee as the sounding board for decisions in the insolvency process.

The NRPC also keeps its members informed about major events in the insolvency, and provides a link to the professional resources guiding us through it.

The NRPC National Committee meets bi-weekly and committees of the NRPC Board meet regularly with:

- our legal, actuarial and financial advisors on insolvency matters (weekly)
- our legal and financial advisors on G-LIF matters (weekly)
- Morneau Shepell on the windup of the Pension Plans (monthly)
- Ernst & Young Inc. (court-appointed monitor) on the Compensation (employment-based) Claims Process (related to claims other than registered pension plan claims), as needed
- Federal MPs and Provincial MPPs, as appropriate
- Ministry of Finance staff, as appropriate

The NRPC produces a bi-monthly newsletter for its members. It is focused on providing information about what is expected to happen in the insolvency process over the subsequent two months.

If you would like to receive the NRPC newsletters you can do so by joining the NRPC at www.nortelpensioners.ca. Click the "Join" or "Renew" tab. You can also communicate with us by sending an email to queries@nortelpensioners.ca or visit our legal counsel's website www.kmlaw.ca or send them an email at nortel@kmlaw.ca.


Yours truly,



Donald Sproule



Michael A. Campbell, P. Eng.



David Archibald

Court-appointed Representatives of Former Employees, including Pensioners and Deferred Pensioners, of Nortel Networks Limited and related Canadian companies ("Nortel")

This letter has been sent to all deferred members of the Nortel Negotiated Pension Plan, including those who may have signed a retainer with the CAW-Canada in 2009 and therefore who may be otherwise represented by the CAW. If you are a former CAW member who signed a retainer with the CAW, please direct your questions to the legal representative for the CAW – Barry Wadsworth, Associate Counsel at (416) 495-3776 or by e-mail to linda.cantin@caw.ca.