

March 12, 2008

**TO: REP Alliance Members formerly employed by Bell Sygma in the Province of Quebec who were affected by the Partial Wind-Up of the BCE Inc. Pension Plan in 1999.**

**Re: BCE Inc. Pension Plan Surplus**

Dear Quebec REP Alliance Member:

### **Background**

We last wrote to you in January 2000, eight years ago, concerning the establishment of the Rights for Equitable Pension (REP) Alliance. The REP Alliance was organized to help protect the pension rights of former Bell Sygma employees who terminated membership in the BCE Inc. Pension Plan (the "Pension Plan") following the July 1998 acquisition of the former Bell Sygma by the CGI Group, and to advocate that these pension plan beneficiaries receive their full entitlements under the Pension Plan. As part of this corporate transaction involving BCE, a "partial wind up" of the Pension Plan was declared in respect of affected Bell Sygma employees who were transferred to CGI. Their pension entitlements terminated as of December 31, 1999. We sent the letter to you and all other similarly-situated former Bell Sygma employees, asking you to join the REP Alliance and support our cause.

As part of our organizing efforts we retained the Toronto law firm of Koskie Minsky LLP, a firm that is well-known for its representation of employees in such situations. Koskie Minsky LLP has represented pension plan beneficiaries of Eatons', Dominion Stores, Stelco, the National Hockey League and the Confederation Life Insurance Company, among others.

In our 2000 letter, we explained that there was a case before the Financial Services Commission of Ontario ("FSCO") arguing that any surplus existing in an Ontario pension plan at the time of a "partial wind up" should be distributed among the Plan beneficiaries. In July, 2004 the Supreme Court of Canada in the "*Monsanto*" decision determined that when a pension plan is partially wound up in Ontario, any surplus remaining in the pension plan that is attributable to the Ontario portion of the partial wind up must be distributed from the plan to the rightful beneficiaries. **The *Monsanto* case only dealt with pension benefits covered by Ontario pension legislation.** As a result of this Court decision, BCE is now required to deal with the distribution of surplus assets relating to the Ontario portion of the 1999 partial wind up.

### **BCE Partial Wind Ups in the 1990s**

In addition to the Bell Sygma-CGI partial wind up, BCE declared two other partial wind ups of the Pension Plan, in connection with certain sales, divestitures and downsizings which affected BCE in the 1990s and which resulted in the termination of employment of a number of

employees. At the time of each partial wind up, there was a surplus in the Pension Plan. As such, BCE is now required to deal with the surplus in all three partial wind ups. The three partial wind ups at issue are as follows:

- Effective December 31, 1993, the Pension Plan was partially wound-up as a result of the closure of Bell Canada International's office (BCI) in Ottawa and the transfer of those operations to an affiliate, BCE Telecom International (the "1993 PWU"). The 1993 PWU affected 26 employees, all of whom were employed in Ontario and terminated employment and Plan membership as of December 31, 1993;
- Effective October 15, 1996, the Pension Plan was partially wound-up as a result of the sale of part of the Bell Sygma operations to ISM/IBM Canada (the "1996 PWU"). Bell Sygma was a participating employer in the Pension Plan at the time. The 1996 PWU affected 241 employees whose employment transferred to IBM, all of whom terminated Plan membership as of October 15, 1996. Among this group, 120 employees were employed in Ontario; and
- Effective December 31, 1999, the Pension Plan was partially wound-up further to the sale of Bell Sygma to CGI Telecom (the "1999 PWU"). CGI acquired the former Bell Sygma in July, 1998 and became a participating employer in the Pension Plan for a period of time. CGI subsequently terminated participation in the Pension Plan (except with respect to a certain group of employees who would have been eligible to retire with an unreduced pension by December 31, 2005). The 1999 PWU affected employees whose employment transferred to CGI, all of whom terminated Plan membership as of December 31, 1999 when CGI ceased participation in the Pension Plan. In addition, certain "Option B" employees had the option to elect to continue in the Plan from 2000 until their date of retirement prior to the end of 2005, and the Ontario employees among them are also to be included in any surplus proposal. The 1999 PWU (including the "Option B" group) affected 1,694 employees in total, among whom 880 were employed in Ontario.

It is this third partial wind up, the 1999 PWU, which affects the original REP Alliance members.

### **Revised Mandate of the REP Alliance**

As a result of the *Monsanto* decision, BCE is now required to distribute the surplus in connection with the Ontario portion of these three partial wind ups. Toward that end, BCE has expressed a wish to negotiate a fair and equitable sharing of this surplus with a representative group of former employees affected by the partial wind ups. Given its resources and background, the REP Alliance was the sensible starting point.

As a result of BCE's proposal to negotiate a settlement of the surplus distribution, the REP Alliance Steering Committee has agreed to revise its original mandate since it formed in 2000, specifically as follows:

- to narrow the Committee's representation of the 1999 PWU group to only those affected members formerly employed by Bell Sygma / CGI in Ontario; and
- to expand the Committee's mandate to include Ontario members affected by the 1993 PWU and 1996 PWU.

In light of the REP Alliance's revised mandate, the Steering Committee has changed its name to the BCE ONTARIO EMPLOYEES' PENSION SURPLUS COMMITTEE. This is an independent Committee, not formed by or part of BCE.

### **Effect on Quebec Members affected by the 1999 PWU**

The Committee did not make its decision lightly to limit its representation to Ontario employees, and set out on its own enquiries about the rights of Quebec members. In addition to receiving legal advice from its Ontario counsel, Koskie Minsky LLP, the Committee retained the Quebec law firm Rivest Schmidt, a leading pension law firm in Montreal. The Committee enquired as to whether any of the Quebec PWU employees have any claim to surplus pursuant to the *Monsanto* decision, as it may be applied to the Quebec pension legislation (the Supplemental Pension Plans Act – the "QSPPA"), or pursuant to the terms of the Pension Plan itself.

There were no Quebec members affected by the 1993 PWU. With respect to the Quebec members affected by the 1996 PWU and 1999 PWU, our legal team advised us as follows:

- The rights of the Quebec members are governed by Quebec law, not Ontario law, and in particular, the relevant provisions of the QSPPA. The Ontario pension regulator (FSCO) requires that the affected Quebec members be treated according to the QSPPA;
- The QSPPA has different provisions than the Ontario *Pension Benefits Act* with respect to partial wind ups and surplus distribution rights;
- The Quebec members affected by the 1996 PWU and 1999 PWU do not have a present claim, as do the Ontario members, to require BCE to distribute any of the surplus attributable to the Quebec portion of the partial wind ups, and BCE is under no obligation to distribute any of this surplus to Quebec members;
- Nothing in the Pension Plan text can be reasonably understood to give affected Quebec members the same rights on a plan partial wind up as affected Ontario members;
- Because the Pension Plan is an ongoing concern and is not wholly terminated, limitations in QSPPA may make it difficult, if not prohibited, to distribute surplus to the affected Quebec members at this time.

In light of the conclusions of our legal counsel, the Committee concluded that Quebec members do not have any viable legal claim to a distribution of the surplus attributable to the 1996 PWU or 1999 PWU.

Since the affected Ontario members do have a claim, and the affected Quebec members do not, the Committee has agreed in principle with BCE to confine its negotiations to Ontario members only. As stated, this was agreed to only after a careful and thorough legal analysis by the Committee of the rights of the former Quebec constituency, and was ultimately determined to be in the best interests of the Pension Plan members affected by the three PWUs on the whole.

**Refund of REP Alliance – Quebec contributions**

You may have previously contributed money toward the cause of the REP Alliance prior to the Committee's commencement of negotiations with BCE. If you are a former REP Alliance – Quebec member, we propose to negotiate, as part of the distribution of surplus to eligible Ontario members, the refund your contributions to the Alliance. This can only occur after all necessary terms have been agreed to and all regulatory and other legal issues are appropriately addressed. At such time, we expect that your contributions will be refunded.

Yours Truly,

Rob Adlam, Michael Grosz, Ross Maloney.