

**Frequently Asked Questions and Answers:**  
**Types of Claims**

**1. Is there a claim for pensioner life insurance?**

*Yes. If you were entitled to retiree life insurance as of December 31, 2010 then you have a claim for your lost coverage. Most retirees will have a claim for lost group coverage. However, there are some individuals who are members of different benefit plans and will have a claim for other types of life insurance that are referred to as 'death benefits' or 'additional death benefits'.*

*The value of the life insurance claim is based on actuarial assumptions and methodologies.*

*The lump sum distribution is taxable in the year the payment is received. The payment will be subject to withholding tax.*

**2. Is my claim for pensioner life insurance made against the Nortel estate or the Nortel HWT?**

*Individuals who have a claim for pensioner life insurance will receive a portion of their claim amount from the Nortel Health and Welfare Trust, with the balance of the claim to be made against the Nortel estate. Your claim against the Nortel estate will be reduced by the amount of the distribution(s) you receive from the HWT.*

*The first interim distribution from the Nortel HWT in respect of pensioner life insurance occurred in December 2011. It is not certain when the final distribution of the Nortel HWT will be made as there are matters to be resolved before this can occur.*

**3. What life insurance claims do disabled employees have?**

*Many disabled employees will have a claim for lost entitlement to pensioner life insurance. This will be calculated in the same method as it is calculated for retirees who have a claim for pensioner life insurance, which is in accordance with the court approved methodologies.*

*Disabled employees may also have claims for lost coverage of other life insurance benefits Nortel offered to its employees in receipt of LTD income benefits including: LTD Basic Life benefits, LTD Optional Life benefits, LTD Accidental Death & Dismemberment Benefits and LTD Dependent Life Benefits. Your entitlement to life insurance coverage will depend on the benefit plan that you were a part of and on other individual circumstances. Therefore entitlement will vary by individual. Please review your Information Statement to determine what types of life insurance claims you have.*

*The lump sum distribution in respect of life insurance is taxable in the year the payment is received. The payment will be subject to withholding tax.*

**4. Is my claim for LTD life insurance made against the Nortel estate or the Nortel HWT?**

*Individuals who have a claim for LTD/pensioner life insurance will receive a portion of their claim amount from the Nortel Health and Welfare Trust, with the balance of the claim to be made against the Nortel estate. Your claim against the Nortel estate will be reduced by the amount of the distribution(s) you receive from the HWT.*

*As a disabled employee you likely have already received an interim distribution (the fourth interim distribution) in respect of your entitlement to lost LTD life insurance. Disabled employees who have entitlement to pensioner life insurance will receive another interim distribution from the Nortel HWT in respect of pensioner life insurance before the end of 2011.*

*It is not certain when the final distribution of the Nortel HWT will occur as there are matters that must be resolved before this can happen.*

## **5. What are ‘Non-Registered Pension Benefits’ – and will I have claim?**

*Nortel administered a number of benefit plans that offered pension-type benefits that are not a part of Nortel’s two registered pension plans. These benefits include:*

- i **Transitional Retirement Allowance (TRA)** for eligible non-unionized employees*
- i **Retirement Allowance Plan (RAP)** for eligible unionized employees*
- i **Nortel Excess Plan** benefits for eligible employees who upon retirement became eligible or who during their notice period became eligible for pension benefit amounts in excess of limits imposed by Canada’s Income Tax Act*
- i **Supplemental Executive Retirement Plan (SERP)** benefits for eligible employees who upon retirement became eligible or who during their notice period became eligible for pension benefit amounts in excess of limits imposed by Canada’s Income Tax Act*
- i **International Pension Plan (IPP)** benefits for certain eligible employees who have years of foreign service with Nortel*

*Individuals who are eligible and have entitlement to these claims will have a claim against the Nortel estate outlined in Form A of their Information Statement Package. Please review your Information Statement which will outline the various claims that have been registered on your behalf. If you believe that you are entitled to a claim under these benefit plans but you do not see it listed in Form A of your Information Statement, you must complete a Form C - Proof of Claim, which must be returned to the Monitor’s office along with supporting documentation by January 6, 2012. **Please contact Koskie Minsky for information and assistance.***

*Lump sum distributions will be taxable in the year received. Distributions will be subject to withholding tax.*

## **6. What is a ‘TRA’ and an ‘RAP’?**

*TRAs and RAPs are entitlements that arose through Nortel’s Transitional Retirement Allowance Plan (TRA) and Retirement Allowance Plan (RAP). The TRA is a benefit that Nortel paid to certain eligible non-unionized former employees whereas the RAP was paid to eligible unionized employees. Nortel stopped paying these benefits when it entered CCAA proceedings in January 2009 and therefore many individuals have a claim against the Nortel estate for lost TRA/RAP entitlement.*

*For the precise definition or eligibility requirements for the TRA/RAP, you may wish to review the Mercer report (in particular at pages 6 and 36-48) on the Valuation of Non-*

*Registered Pension Benefits, which is located at Appendix B of the Monitor's 75<sup>th</sup> Report to the Court.*

**7. Why don't I see a claim for the loss I have experienced as a result of the reduction to my monthly registered pension plan payment?**

*The claim for the unfunded liabilities in Nortel's two registered pension plans is not included in this 'Compensation Claims Process' and is not a claim that is made by individual pensioners. Rather, the claims for the deficits in Nortel's two pension plans are dealt with through a separate Claims Procedure Order. Recoveries will be paid into the pension funds for the benefit of all plan members and will improve pensions. This is tax effective.*

***Has this claim already been made?** Claims for such deficit amounts were submitted in September 2009 by Nortel as past plan administrator. Morneau Shepell, the current plan administrator that has been appointed to wind-up Nortel's pension plans, will submit an amended claim once a more accurate estimate of the unfunded liabilities at wind-up is known.*

**8. I am a pensioner who lost retiree health & dental coverage. Will I have a claim?**

*Yes. If you lost retiree health and dental coverage you will have a claim against the Nortel estate. The value of your claim has been actuarially determined. The actuarial calculations are complex and involve specialized actuarial computer models and many underlying assumptions.*

*The distribution you will receive will not be subject to tax. This is as a result of significant lobbying by your court-appointed Representatives. The 2011 Federal Budget released earlier this year provides that lump sum payments made in lieu of health and dental coverage, if received from an employer who became insolvent prior to 2012, remain non-taxable. For more information, please visit:*

*<http://www.cra-arc.gc.ca/gncy/bdgt/2011/qa07-eng.html>*

*Therefore these payments are non-taxable and you need not report them as income on your income tax return. There is no requirement to withhold tax on these distributions.*

**9. I have purchased private health insurance to replace the Nortel coverage that I lost - can I claim that?**

*No. The value of your lost health and dental coverage has been calculated in accordance with the court-approved methodology for this type of benefit. You cannot challenge the methodology used to calculate your claim. You will see the value of your claim, if you have entitlement, listed on Form A – Your Compensation Claim Amount.*

*The court-appointed methodology includes an increase of 10% on the present value of medical and dental benefits to account for administrative and tax expenses, and availability and cost of replacing coverage for these benefits.*