

Frequently Asked Questions and Answers:
Wind-Up of Pension Plans – Inquiries from US Residents

We understand that a number of you have questions regarding various issues relating to the wind up of the Managerial Pension Plan and how it affects residents of the United States. The below frequently asked questions and answers relate solely to the wind-up of the Managerial Plan. Further information will be made available with respect to the Compensation Claims (i.e. all claims other than the registered pension claims, including: TRA, excess pension, severance and termination, LTD income, life insurance, etc.) in the near future.

1. What options are available to US residents?

The options available to residents of the US depend on the province they terminated their service in Canada, with some exceptions. For example, individuals with a relatively small benefit who terminated their service in Ontario and those who had not started their pensions but terminated their service in Québec must take a lump sum. For those who terminated service in Québec, you can transfer this into a LIRA or RRSP account if you are able to find an institution that will open an account for you.

If the lump sum transfer is taken in cash, there will be tax withholdings that are immediately applicable, as described further below.

For the purposes of the pension plan, the province where you terminated service if you transferred outside of Canada is the last province of employment with Nortel in Canada.

For further details regarding your entitlements, based on your final province of employment, please refer to the webinars on the Koskie Minsky website at the following link:

<https://kmlaw.ca/cases/nortel-networks-corporation/3/#pension>

2. I am a pensioner and terminated my employment with Nortel in Ontario. I am having difficulty finding a financial institution that will provide me with a LIF in the US. Is there anything I can do?

Many US residents have reported difficulty in finding a financial institution that is willing to provide a LIF. Unfortunately the legislation which was permitting pensioners to transfer monies from the Nortel plans to a LIF, passed by the province of Ontario was not designed for US residents and therefore not many institutions are willing to open a locked-in account.

If you terminated your service in Ontario and are interested in the lump sum option we recommend that you avail yourself of your existing relationships with financial institutions to see if they are willing to open such an account for you. Many financial institutions in the US have direct relationships with Canadian banks.

We have been advised by Giverny Capital that they may be prepared to open such accounts through their relationship with the National Bank of Canada. If you would like

more information about Giverny Capital, the financial products they offer and how they may be able to help you if you select the lump sum option, please contact Patrick Leger at 609-759-1250 or pleger@givernycapital.com. You can also visit their website at www.givernycapital.com.

Important: Please note no diligence was conducted by the Court-appointed Representative Counsel, Morneau Shepell, or the NRPC or any of their advisors with respect to Giverny Capital and as such none of these parties endorse or recommend this product.

3. What is a withholding and what will it be for members who elect a lump sum

A withholding (sometimes called a retention tax) is a government requirement for the payer of an item of income to withhold or deduct tax, from the payment, before it is sent to the recipient. The portion that is withheld is paid to the government. When the recipient files their taxes for the year, they include the income received and information with respect to the amounts that were withheld and based on their other income sources; they may receive a refund of a portion of the withholding or be required to pay more.

Withholdings will be made for amounts paid out of the Managerial Pension Plan for all members who have an address in the US. Withholding amounts will depend on the option you chose: Monthly payment streams (i.e. annuity elections) will be withheld at a 15% withholding rate (if you provide a NR3 form; otherwise 25% is withheld) and lump sums will have a 25% withholding amount.

All payments out of the Managerial Pension Plan will be made in Canadian dollars and will be exchanged based on the foreign exchange rate at the time of the transfer.

4. I had service in Canada and the US – how does my election in the Managerial Plan affect my US pension benefits?

The Canadian registered pension plan and the plan in the US were kept separate for all purposes and as a result any decision made with respect to your Canadian pension benefits will not affect your US pension benefits.

The Pension Benefit Guaranty Corporation (PBGC), a US Government agency, is responsible for the Retirement Income Plan. They can be reached at:

www.pbgc.gov

Customer contact center: 800-400-7242

Hours: Monday-Friday, 8:00am – 7:00pm ET