



The Pension Plan For Salaried Employees of Bowater Mersey Paper Company Limited ("Plan")

Paul Chang and Paula Boyd

December 2012

Agenda

- Introduction
- General
 - Province's Purchase of Bowater Mersey
 - Pension Oversight
- Wind-Up of the Plan
 - Process
 - Considerations
- Next Steps

This presentation is not complete without accompanying commentary

Introduction

- On Dec. 10, 2012, the Province purchased Bowater Mersey from Resolute/Washington Post
 - Orderly sale of Bowater Mersey assets
 - **Monthly pension payments will continue to be paid**
 - **DB pension plan will be wound-up in near future**
 - **Based on Nov 30 2012 Balance Sheet, DB pension plan will be fully funded on wind-up**
 - **DC pension plan will continue for time being**
 - Bowater Mersey (as owned by the Province) appoints Morneau Shepell the third party administrator and consultant to the Bowater Mersey pension plans

3

Confidential – Not for Distribution

Morneau Shepell

Introduction

- Morneau Shepell is a Canadian-based firm providing human resource consulting and outsourcing services
- We have the largest pension consulting practice in Atlantic Canada with over 70 staff located between Halifax and Fredericton
- Work for Bowater Mersey to be handled by Halifax office
 - Significant local experience with pulp and paper industry pension plans

4

Confidential – Not for Distribution

Morneau Shepell

General – Purchase of Bowater Mersey

- Effective December 10, 2012, Province owns Bowater Mersey
- All assets and liabilities of Bowater Mersey remain with Bowater Mersey*
 - Physical Sawmill asset is not part of the transaction
 - Liabilities of former Sawmill employees remain part of Bowater Mersey
- Value of Bowater Mersey assets anticipated to be greater than liabilities

* Renamed Renova Scotia Bioenergy Inc.

5

Confidential – Not for Distribution

Morneau Shepell

General – Purchase of Bowater Mersey

Assets (in Millions)		Liabilities, Other Costs (in Millions)	
Lands	\$117.7	Pension	\$100.0
Brooklyn Power	25.0	Other liabilities, employee costs	18.4
Mill Site	5.0	Portion of debt	18.0
Fiber Inventory	1.5		
Cash	1.0		
Tax credits	.2		
Total Assets	\$150.4	Total Liabilities	\$136.4

Source: Province NS press release

Difference of
\$14 M

6

Confidential – Not for Distribution

Morneau Shepell

General – Purchase of Bowater Mersey

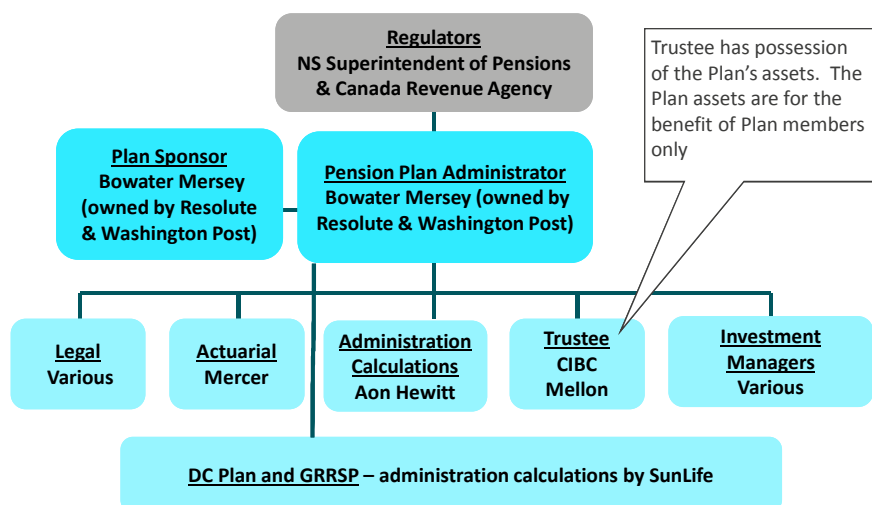
- Purchase of Bowater allows Province to conduct orderly sale of Bowater Mersey assets and ensure proceeds used to pay down Bowater Mersey liabilities
 - Selling lands assets to the Department of Natural Resources for \$117.7 million
 - Brooklyn Power to Emera for \$25 million
 - Other assets of \$7.7 million

7

Confidential – Not for Distribution

Morneau Shepell

General – Pension Plan Oversight (prior to sale)

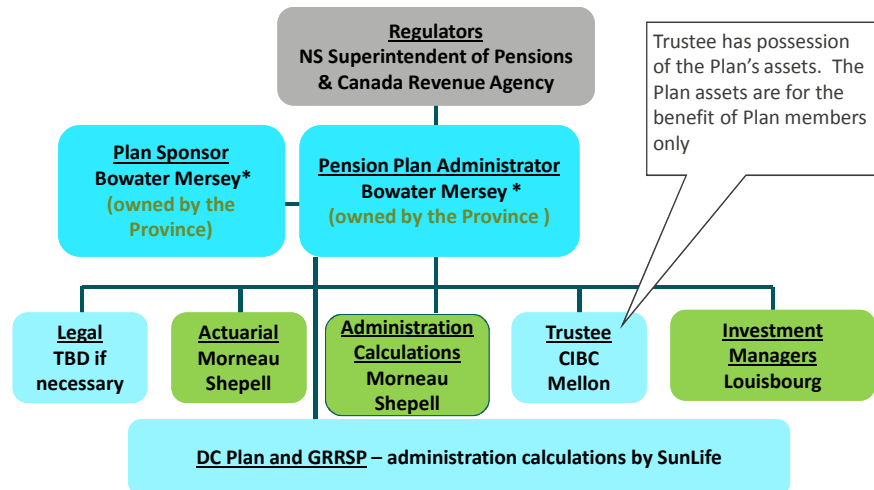


8

Confidential – Not for Distribution

Morneau Shepell

General – Pension Plan Oversight **(after sale)**



* Renamed Renova Scotia Bioenergy Inc.

9 Confidential – Not for Distribution

Morneau Shepell

General – Pension Plan Oversight (today)

- Role of Morneau Shepell as third-party pension plan administrator and consultant:
 - Take direction from Bowater Mersey (as owned by the Province)
 - Independent of Regulators, Investment Managers, Custodian and Prior Service Providers
 - Must administer Plans according to Plan text, NS *Pension Benefits Act*, and *Income Tax Act*
 - Conduct independent review of historical administration, funding and interpretation of Plan to ensure appropriate administration of benefits
 - Co-ordinate with SunLife regarding DC pension plan

10

Confidential – Not for Distribution

Morneau Shepell

General – Pension Plan Oversight (today)

- Morneau Shepell will:
 - Process retirement requests and authorize new retirements
 - Keep members informed and answer member questions
 - Submit information to regulators
 - Manage the wind-up process
- Due to pending wind-up: processing of terminations and authorization of lump sum payouts are suspended

11

Confidential – Not for Distribution

Morneau Shepell

General – Pension Plan Oversight (today)

- Morneau Shepell does not:
 - Hold Plan assets
 - Make decisions on when contributions are made to the Plan
 - Market any services directly to Plan members
 - Make investment decisions or decide the wind-up date (we may offer advice to Bowater on these matters)
- Morneau Shepell is paid from DB Plan assets
 - To ensure independence, we do not receive commission or income from any other source for our services to the Plan
 - Actual cost of services will depend on time spent

12

Confidential – Not for Distribution

Morneau Shepell

General – Pension Plan Oversight (today)

Salaried Defined Benefit Pension Plan

Estimated Wind-Up Position at November 30, 2012 (millions)	
Assets	\$72
Liabilities	<u>102</u>
Surplus / (Shortfall)	\$(30)

- Estimate only – actual results may vary
- Proceeds from the sale of Bowater Mersey assets will be used to pay for Bowater Mersey liabilities including the shortfall in the pension plans

More on when assets will be remitted to the Plan later

13

Confidential – Not for Distribution

Morneau Shepell

General – Pension Plan Oversight (today)

- Investments:
 - Equities sold and will be re-invested in fixed income
 - Reduces likelihood of changes in the wind-up shortfall
 - Provides more certainty on amount that must be contributed by Bowater Mersey to fully fund the pension plan
 - New investment manager (Louisbourg) hired with a focus on fixed income investments

14

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan

- DB Plan to be wound-up in the near future:
 - Orderly payout of Plan assets and settlement of obligations
 - No further service accruals or benefits earned in pension plan
 - Grow-in benefits available (in the case of a fully funded plan)
 - Members who previously terminated who already received part of their transfer payout will receive remaining amount
 - When assets are transferred and all obligations are settled the plan ceases to exist
 - **Monthly pensions continue to be paid throughout and after process**

NOTE: Salaried DC Plan administered by SunLife continues

15

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan

- Pensioners/Survivors
 - Plan assets for pensioners/survivors are transferred to an insurance company who takes over responsibility for payment of monthly pensions
 - › Pensions paid from Insurance companies guaranteed by ASSURIS
 - Pensioners/survivors continue to be paid on the exact same terms (guarantee period, survivor benefits, bridge and monthly pension amounts)

16

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan

- Non-Retired Members
 - Transfer of commuted values are suspended until wind-up report is approved
 - Grow-in benefits (for a fully funded plan)
 - › Members with 55 points (age plus continuous service) deemed to continue in employment for eligibility for unreduced retirement
 - › Members with 55 points (age plus continuous service) and 10 years service deemed to continue in employment for eligibility for bridge benefits

17

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan

- Non-Retired Members (continued)
 - Option to receive pension entitlement as:
 - › Retain monthly pension to be paid by insurance company starting after age 55; or
 - › Transfer of commuted value to a locked-in financial vehicle
 - NOTE: Part of commuted value may have to be paid in cash due to Income Tax Act limits. Any portion paid in cash would not be locked-in
 - PAR calculated and reported at time of final payout

Locked-in vehicles include LIRA (Locked-In Retirement Account, LIF (Life Income Fund) if over age 55, another registered pension plan (if plan accepts the transfer) or an individual annuity purchase. Monies in locked-in vehicle are intended to provide for retirement income starting after age 55.

18

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan - Process

- Decision on effective wind-up date
- Letter to members confirming data and entitlements
- Submit wind-up report to regulators (+6 months from wind-up date)
- Approval of regulators (+8)
- Election forms sent to non-retired members (+10)
 - Choice of commuted value transfer or annuity purchase
 - All retirees on wind-up date receive annuity purchase

19

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan - Process

- Member Meetings (+10/+11)
 - Group meeting for non-retired members to help with:
 - › Decision #1: Commuted Value transfer or Annuity Purchase?
 - **May be one of the largest financial decisions of you life**
 - **A one time irrevocable decision**
 - › Decision #2: If commuted value transfer, how/where to invest?
 - Option of personal meetings with Morneau Shepell to help with decision #1
 - › No cost to you
 - › No personal financial interest in the decision you make
 - › Answer your questions

20

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan - Process

- Member Meetings (+10/+11) (continued)
 - Group meeting for retired members to provide update and answer questions
- Receive funds from Bowater Mersey to fund the Plan
 - Pension legislation allows up to 5 years to fund shortfall
 - **Wind-up process could take 1 to 5 years depending on when contributions are remitted by Bowater**

21

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan - Process

- Before Plan is fully funded:
 - Monthly pensions continue to be paid from the Plan
 - Members eligible to start pension may do so
 - Members electing a transfer may be paid an amount equal to their contributions with interest (subject to locking-in rules)
- After Plan is fully funded:
 - Members electing a transfer (or still owed an entitlement from prior transfer) will be paid their remaining entitlement
 - Annuities will be purchased from insurance company and insurance company will start making monthly pension payments

22

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan - Considerations

- Company is considering the declaration of an earlier effective wind-up date (e.g., December 28, 2012)
 - Earlier completion of wind-up funding
 - Enables members who are eligible for a commuted value payout to receive their entitlement sooner
- Want to ensure that members are kept whole relative to if Plan had continued to end of salary continuance
 - Additional benefits may be payable outside Plan if you are on salary continuance and accruing benefit in the DB plan

23

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan - Considerations

- For members on STD/LTD and earning benefit in DB Plan:
 - Value of DB pension accrual may continue to a fixed date (TBD) and this value may be paid directly by Bowater and/or
 - Members may be transferred to DC plan for future accrual
- Outstanding issue of potential partial wind-up related to terminations/retirements since the date that mass severance packages were offered in Q4 2011
 - Portability to affected members
 - Grow-in rights

24

Confidential – Not for Distribution

Morneau Shepell

Next Steps

- Determine Wind-Up date and communicate to members
- Receive and setup member data from prior service provider
- Start ongoing administration (e.g., retirement requests)
- Letter to members confirming data and entitlements
- Prepare Wind-Up report
- We will provide an update during Q1 of 2013 and ongoing updates as necessary

25

Confidential – Not for Distribution

Morneau Shepell



Contact us starting Monday January 7th:

1-855-346-9067 (toll free)
bowater@morneaushepell.com

General information is available at:
www.pensionwindups.morneaushepell.com

MORNEAU
SHEPELL 



The Pension Plan For Salaried Employees of Bowater Mersey Paper Company Limited ("Plan")

Paul Chang and Paula Boyd

December 2012

Agenda

- Introduction
- General
 - Province's Purchase of Bowater Mersey
 - Pension Oversight
- Wind-Up of the Plan
 - Process
 - Considerations
- Next Steps

This presentation is not complete without accompanying commentary

Introduction

- On Dec. 10, 2012, the Province purchased Bowater Mersey from Resolute/Washington Post
 - Orderly sale of Bowater Mersey assets
 - **Monthly pension payments will continue to be paid**
 - **DB pension plan will be wound-up in near future**
 - **Based on Nov 30 2012 Balance Sheet, DB pension plan will be fully funded on wind-up**
 - **DC pension plan will continue for time being**
 - Bowater Mersey (as owned by the Province) appoints Morneau Shepell the third party administrator and consultant to the Bowater Mersey pension plans

3

Confidential – Not for Distribution

Morneau Shepell

Introduction

- Morneau Shepell is a Canadian-based firm providing human resource consulting and outsourcing services
- We have the largest pension consulting practice in Atlantic Canada with over 70 staff located between Halifax and Fredericton
- Work for Bowater Mersey to be handled by Halifax office
 - Significant local experience with pulp and paper industry pension plans

4

Confidential – Not for Distribution

Morneau Shepell

General – Purchase of Bowater Mersey

- Effective December 10, 2012, Province owns Bowater Mersey
- All assets and liabilities of Bowater Mersey remain with Bowater Mersey*
 - Physical Sawmill asset is not part of the transaction
 - Liabilities of former Sawmill employees remain part of Bowater Mersey
- Value of Bowater Mersey assets anticipated to be greater than liabilities

* Renamed Renova Scotia Bioenergy Inc.

5

Confidential – Not for Distribution

Morneau Shepell

General – Purchase of Bowater Mersey

Assets (in Millions)		Liabilities, Other Costs (in Millions)	
Lands	\$117.7	Pension	\$100.0
Brooklyn Power	25.0	Other liabilities, employee costs	18.4
Mill Site	5.0	Portion of debt	18.0
Fiber Inventory	1.5		
Cash	1.0		
Tax credits	.2		
Total Assets	\$150.4	Total Liabilities	\$136.4

Source: Province NS press release

Difference of
\$14 M

6

Confidential – Not for Distribution

Morneau Shepell

General – Purchase of Bowater Mersey

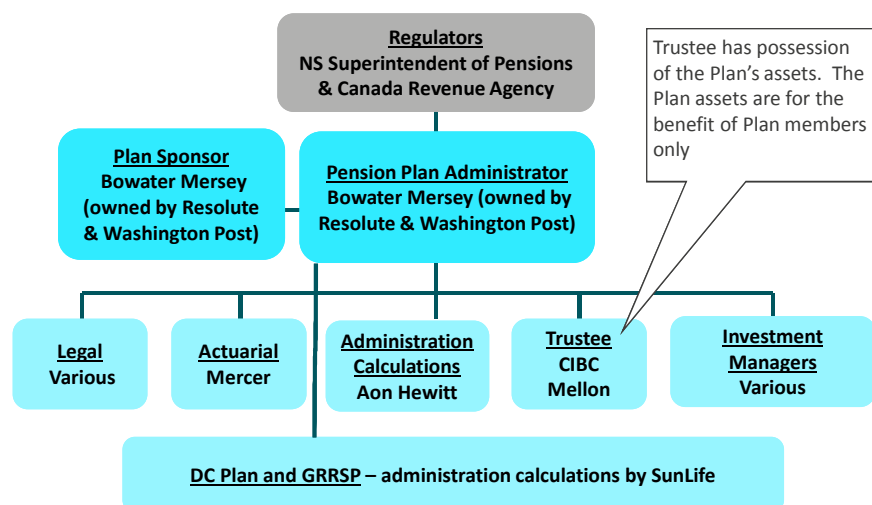
- Purchase of Bowater allows Province to conduct orderly sale of Bowater Mersey assets and ensure proceeds used to pay down Bowater Mersey liabilities
 - Selling lands assets to the Department of Natural Resources for \$117.7 million
 - Brooklyn Power to Emera for \$25 million
 - Other assets of \$7.7 million

7

Confidential – Not for Distribution

Morneau Shepell

General – Pension Plan Oversight (prior to sale)

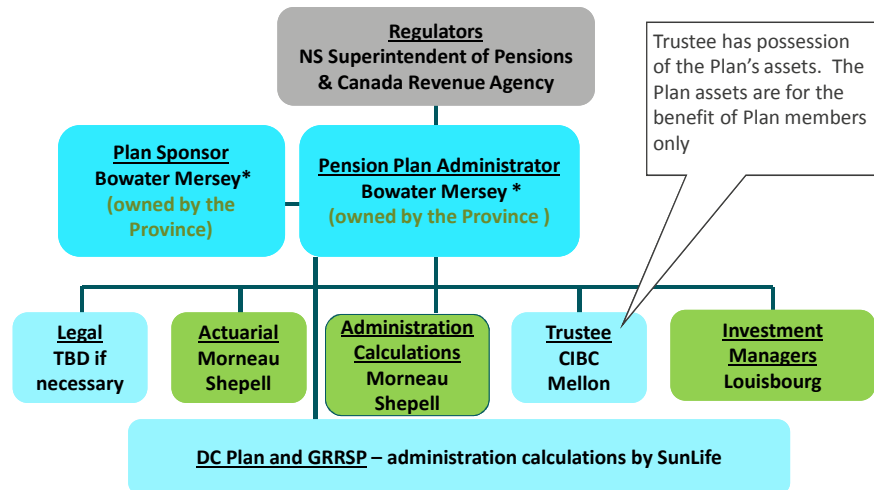


8

Confidential – Not for Distribution

Morneau Shepell

General – Pension Plan Oversight **(after sale)**



* Renamed Renova Scotia Bioenergy Inc.

9 Confidential – Not for Distribution

Morneau Shepell

General – Pension Plan Oversight (today)

- Role of Morneau Shepell as third-party pension plan administrator and consultant:
 - Take direction from Bowater Mersey (as owned by the Province)
 - Independent of Regulators, Investment Managers, Custodian and Prior Service Providers
 - Must administer Plans according to Plan text, NS *Pension Benefits Act*, and *Income Tax Act*
 - Conduct independent review of historical administration, funding and interpretation of Plan to ensure appropriate administration of benefits
 - Co-ordinate with SunLife regarding DC pension plan

10

Confidential – Not for Distribution

Morneau Shepell

General – Pension Plan Oversight (today)

- Morneau Shepell will:
 - Process retirement requests and authorize new retirements
 - Keep members informed and answer member questions
 - Submit information to regulators
 - Manage the wind-up process
- Due to pending wind-up: processing of terminations and authorization of lump sum payouts are suspended

11

Confidential – Not for Distribution

Morneau Shepell

General – Pension Plan Oversight (today)

- Morneau Shepell does not:
 - Hold Plan assets
 - Make decisions on when contributions are made to the Plan
 - Market any services directly to Plan members
 - Make investment decisions or decide the wind-up date (we may offer advice to Bowater on these matters)
- Morneau Shepell is paid from DB Plan assets
 - To ensure independence, we do not receive commission or income from any other source for our services to the Plan
 - Actual cost of services will depend on time spent

12

Confidential – Not for Distribution

Morneau Shepell

General – Pension Plan Oversight (today)

Salaried Defined Benefit Pension Plan

Estimated Wind-Up Position at November 30, 2012 (millions)	
Assets	\$72
Liabilities	<u>102</u>
Surplus / (Shortfall)	\$(30)

- Estimate only – actual results may vary
- Proceeds from the sale of Bowater Mersey assets will be used to pay for Bowater Mersey liabilities including the shortfall in the pension plans

More on when assets will be remitted to the Plan later

13

Confidential – Not for Distribution

Morneau Shepell

General – Pension Plan Oversight (today)

- Investments:
 - Equities sold and will be re-invested in fixed income
 - Reduces likelihood of changes in the wind-up shortfall
 - Provides more certainty on amount that must be contributed by Bowater Mersey to fully fund the pension plan
 - New investment manager (Louisbourg) hired with a focus on fixed income investments

14

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan

- DB Plan to be wound-up in the near future:
 - Orderly payout of Plan assets and settlement of obligations
 - No further service accruals or benefits earned in pension plan
 - Grow-in benefits available (in the case of a fully funded plan)
 - Members who previously terminated who already received part of their transfer payout will receive remaining amount
 - When assets are transferred and all obligations are settled the plan ceases to exist
 - **Monthly pensions continue to be paid throughout and after process**

NOTE: Salaried DC Plan administered by SunLife continues

15

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan

- Pensioners/Survivors
 - Plan assets for pensioners/survivors are transferred to an insurance company who takes over responsibility for payment of monthly pensions
 - › Pensions paid from Insurance companies guaranteed by ASSURIS
 - Pensioners/survivors continue to be paid on the exact same terms (guarantee period, survivor benefits, bridge and monthly pension amounts)

16

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan

- Non-Retired Members
 - Transfer of commuted values are suspended until wind-up report is approved
 - Grow-in benefits (for a fully funded plan)
 - › Members with 55 points (age plus continuous service) deemed to continue in employment for eligibility for unreduced retirement
 - › Members with 55 points (age plus continuous service) and 10 years service deemed to continue in employment for eligibility for bridge benefits

17

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan

- Non-Retired Members (continued)
 - Option to receive pension entitlement as:
 - › Retain monthly pension to be paid by insurance company starting after age 55; or
 - › Transfer of commuted value to a locked-in financial vehicle
 - NOTE: Part of commuted value may have to be paid in cash due to Income Tax Act limits. Any portion paid in cash would not be locked-in
 - PAR calculated and reported at time of final payout

Locked-in vehicles include LIRA (Locked-In Retirement Account, LIF (Life Income Fund) if over age 55, another registered pension plan (if plan accepts the transfer) or an individual annuity purchase. Monies in locked-in vehicle are intended to provide for retirement income starting after age 55.

18

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan - Process

- Decision on effective wind-up date
- Letter to members confirming data and entitlements
- Submit wind-up report to regulators (+6 months from wind-up date)
- Approval of regulators (+8)
- Election forms sent to non-retired members (+10)
 - Choice of commuted value transfer or annuity purchase
 - All retirees on wind-up date receive annuity purchase

19

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan - Process

- Member Meetings (+10/+11)
 - Group meeting for non-retired members to help with:
 - › Decision #1: Commuted Value transfer or Annuity Purchase?
 - **May be one of the largest financial decisions of you life**
 - **A one time irrevocable decision**
 - › Decision #2: If commuted value transfer, how/where to invest?
 - Option of personal meetings with Morneau Shepell to help with decision #1
 - › No cost to you
 - › No personal financial interest in the decision you make
 - › Answer your questions

20

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan - Process

- Member Meetings (+10/+11) (continued)
 - Group meeting for retired members to provide update and answer questions
- Receive funds from Bowater Mersey to fund the Plan
 - Pension legislation allows up to 5 years to fund shortfall
 - **Wind-up process could take 1 to 5 years depending on when contributions are remitted by Bowater**

21

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan - Process

- Before Plan is fully funded:
 - Monthly pensions continue to be paid from the Plan
 - Members eligible to start pension may do so
 - Members electing a transfer may be paid an amount equal to their contributions with interest (subject to locking-in rules)
- After Plan is fully funded:
 - Members electing a transfer (or still owed an entitlement from prior transfer) will be paid their remaining entitlement
 - Annuities will be purchased from insurance company and insurance company will start making monthly pension payments

22

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan - Considerations

- Company is considering the declaration of an earlier effective wind-up date (e.g., December 28, 2012)
 - Earlier completion of wind-up funding
 - Enables members who are eligible for a commuted value payout to receive their entitlement sooner
- Want to ensure that members are kept whole relative to if Plan had continued to end of salary continuance
 - Additional benefits may be payable outside Plan if you are on salary continuance and accruing benefit in the DB plan

23

Confidential – Not for Distribution

Morneau Shepell

Wind-Up of the Plan - Considerations

- For members on STD/LTD and earning benefit in DB Plan:
 - Value of DB pension accrual may continue to a fixed date (TBD) and this value may be paid directly by Bowater and/or
 - Members may be transferred to DC plan for future accrual
- Outstanding issue of potential partial wind-up related to terminations/retirements since the date that mass severance packages were offered in Q4 2011
 - Portability to affected members
 - Grow-in rights

24

Confidential – Not for Distribution

Morneau Shepell

Next Steps

- Determine Wind-Up date and communicate to members
- Receive and setup member data from prior service provider
- Start ongoing administration (e.g., retirement requests)
- Letter to members confirming data and entitlements
- Prepare Wind-Up report
- We will provide an update during Q1 of 2013 and ongoing updates as necessary

25

Confidential – Not for Distribution

Morneau Shepell



Contact us starting Monday January 7th:

1-855-346-9067 (toll free)
bowater@morneaushepell.com

General information is available at:
www.pensionwindups.morneaushepell.com

MORNEAU
SHEPELL 