



Pension Plan for Salaried Employees of Bowater Mersey Paper Company Information Session for Members on LTD/WC

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January 2014

Audience

- Members of the *Pension Plan for Salaried Employees of Bowater Mersey Paper Company Limited* (“Salaried Plan”) receiving Long Term Disability (“LTD”) or Worker’s Compensation (“WC”) benefits on December 28, 2012
- Family members and financial representatives

The information provided in this meeting does not apply to members not on LTD or WC on December 28, 2012

Audience

- This meeting is focusing on additional benefits being provided to LTD / WC members of the Plan
- For further information on your election statements and options please attend the general session for non-retired plan members
 - Tonight 5:30 to 7:00 here (Best Western Bridgewater)
 - If you cannot attend or would like additional information, consider booking an individual appointment (more information on this at the end of the session)

Preamble

- LTD monthly benefits are paid through fully insured insurance contracts
 - LTD payments not impacted by wind-up of the Company
 - LTD benefits will continue under terms of LTD contract
 - Suggest you confirm the age that LTD benefits cease

Agenda

- Background
- December 2012 Disabled Member Special Considerations
- Fall 2013 Disabled Member Special Consideration
- Summary

**This presentation is not complete without accompanying commentary –
This presentation contains the best available information and is subject to
the final decisions of the Company**

Background – Purchase of Bowater Mersey

- On Dec. 10, 2012, the Province purchased Bowater Mersey from Resolute/Washington Post
 - Purchase of Bowater allows Province to conduct orderly sale of Bowater Mersey assets and ensure proceeds used to pay down Bowater Mersey liabilities
 - Bowater Mersey (as owned by the Province) appoints Morneau Shepell the third party administrator and consultant to the Bowater Mersey pension plans
 - Bowater Mersey is renamed ***Renova Scotia Bioenergy Inc.***

Background – Purchase of Bowater Mersey

- All assets and liabilities of Bowater Mersey remain with Bowater Mersey (Renova Scotia Bioenergy Inc.) (“the Company”)
- Value of Company assets anticipated to be greater than liabilities
 - Many of the assets have been sold
 - › Lands to the Department of Natural Resources
 - › Brooklyn Power to Emera
- The Company’s objective is to wind-up the Company

Background – Pension Plans

- As a part of this goal, a wind-up of the Defined Benefit Pension Plans was declared as of December 28, 2012
 - Orderly payout of Plan assets and settlement of obligations
 - Company goal to treat Salaried and Union Plan members consistently
 - Goal is to provide total value to members as if the Salaried Plan wound-up on April 30, 2014
 - › Consistent treatment with union employees
 - › April 30, 2014 is the expiry of union contract
 - Special consideration in respect of disabled members

The Defined Contribution Plan is currently on-going

Background - Disabled Member Status

- As at December 28, 2012, disabled individuals continued to be treated as employees of the Company
- As employees, disabled individuals receive:
 - Health
 - Dental
 - Life insurance
- Severance not payable while considered an employee
 - Future entitlement unclear

December 2012 Disabled Member Special Considerations



December 2012 Disabled Member Special Considerations

- December 2012 Company decided:
 1. Disabled members would receive pension based on 2011 base year for pre-2003 benefits (base year provided in plan document for terminations after January 1, 2014)
 2. For disabled members, the value of future pension accrual between December 28, 2012 and the earlier of:
 - i. When a member ceases to be actively employed
 - Under the Salaried Plan rules active employment for Disabled members ceases at age 61 (age 65 for anyone who became disabled on or after January 1, 2002)
 - ii. April 30, 2014

December 2012 Disabled Member Special Considerations

- Most significant value to Disabled members comes from item 2. Future Pension Accruals
- Future Accruals are either
 1. Defined Contributions (“DC”)
 2. Defined Benefits (“DB”)

Depending on what pension plan you were participating in on December 28, 2012

December 2012 Disabled Member Special Considerations

- Defined Contribution Future Accruals
 - Currently continuing to be remitted to the DC Plan
 - Should the DC plan wind-up prior to April 30, 2014, any addition owed contributions will be paid in cash
 - › This may impact disability payments by an equal amount (“clawback”)
 - As of today plan has not been wound up
 - › Likely wind-up date will be April 30, 2014
 - All DC accruals would therefore be made

December 2012 Disabled Member Special Considerations

- Defined Contribution Future Accruals
 - If earnings after December 2012 would increase final average earnings used in DB Plan, DB benefit would be increased and additional value provided
 - See DB Future Accruals section

December 2012 Disabled Member Special Considerations

- Defined Benefit Future Accruals
 - DB Plan was wound up on December 28, 2012
 - Since you cannot accrue service in a pension plan after the wind-up date, the value of this benefit was to be paid in cash directly to members (less withholding taxes)

December 2012 Disabled Member Special Considerations

- Defined Benefit Future Accruals
 - ISSUE: Insurance carriers paying LTD advised that a cash payment to LTD recipients would reduce disability payments by an equal amount (“claw back”)
 - › No net financial change to individual on LTD
 - › Clearly not acceptable
 - Insurance carriers confirmed that payments from a pension plan (tax sheltered as well as cash payments) would not impact disability payments
 - To be addressed in January 2014 Disabled Members Special Considerations

Fall 2013 Disabled Member Special Considerations



January 2014 Disabled Member Special Considerations

- In the fall of 2013 the Company (consistent with an agreement reached in principle with the Union) addressed the unique issues related to disabled members
 - How to effectively provide value of Pension Accrual from December 28, 2012 to April 30, 2014 to disabled members accruing DB service
 - Company agreed to pay Severance to disabled members
 - Confirmed entitlement of disabled members to health, dental, life insurance benefits until April 30, 2014

These benefits are consistent with what has been agreed to in principal with the union and are subject to that agreement being finalized

Fall 2013 Disabled Member Special Considerations

- Value of DB Pension Accrual (Dec 2012 to April 2014)
 - To avoid claw back, we worked with the Company and the NS Superintendent of Pensions to find a way to provide disabled members with additional value through the pension plan
 - › CANNOT provide service after a plan wind-up date
 - › CANNOT simply add extra value to transfer value
 - Value paid from a pension plan needs to be linked to a benefit
 - Solution: Amend the Plan terms for disabled members to provide value of future pension accruals through pension increases (indexing) after retirement

Fall 2013 Disabled Member Special Considerations

- Value of DB Pension Accrual (Dec 2012 to April 2014)
 - Election Form Option 1: Transfer value increased by same amount as if pension accruals (Dec 2012 to April 2014) had been provided
 - › Due to particulars of situation, transfer value are payable in cash to disabled members
 - › Same result as simply paying the benefit directly in cash, but without claw back of LTD benefits
 - No impact on disability payments (confirmed with insurers)

Fall 2013 Disabled Member Special Considerations

- Value of DB Pension Accrual (Dec 2012 to April 2014)
 - Election Form Option 2: Disabled members will be entitled to pension indexing after retirement
 - › Your pension will increase by the same specified percentage annually
 - Percentage varies by member
 - Percentage is indicated in your election package
 - › Not the same impact as if additional accruals were granted (where you would receive a higher initial pension with no future increase), but equal in value
 - › Unique issue for members on LTD discussed in Summary section

Fall 2013 Disabled Member Special Considerations

- Severance
 - Disabled members as at April 30, 2014 will cease to be employees and receive severance
 - › 2.0 weeks of earnings X continuous service from the date of hire to April 30, 2014 (max of 52 weeks)
 - Issue: Any severance paid in cash is also subject to claw back
 - Solution: Provide disabled members with pension indexing after retirement equal to value of severance
 - › Same as DB pension accrual solution
 - › Same impact on option 1 and option 2 as discussed above
 - › Amounts shown on form include value of additional service and severance value

Fall 2013 Disabled Member Special Considerations

- Special considerations will require sign-off
 - In order to receive the additional DB pension accruals and/or severance payment, the Company will require you to complete some additional paperwork
 - Paperwork expected to be provided in February 2014

Summary



Summary

- Members who are disabled on April 30, 2014 will cease to be employees of the Company on April 30, 2014:
 - Monthly LTD benefits will continue per LTD contract
 - DC pension accruals continue until April 2014
 - Value of a) DB pension accruals from Dec 2012 to April 2014 and b) severance will be payable through the pension plan
 - › Values are included in options 1 and 2 of election form
 - Company paid health and dental cease April 30, 2014
 - Company paid life insurance ceases April 30, 2014
 - › Any LTD Waiver of Premium life insurance will continue
 - AD&D ceases April 30, 2014

Summary

- If member was disabled on December 28, 2012 but retired prior to April 30, 2014:
 - No severance payable
 - Value of a) DB pension accruals from Dec 2012 to date of retirement will be payable through the pension plan
 - › Values are included in options 1 and 2 of election form

Summary

- Pension Election Package
 - The same as for other non-retired members but includes one additional form (Form 1A) detailing:
 - › Value of your additional DB pension accrual
 - › Value of your severance
 - › Impact on your benefits payable from the Pension Plan
 - Transfer Option
 - Annuity Purchase Option
- Packages to be reviewed at meeting later today

Summary

- Pension Election: Unique issues to LTD members
 - If you elect an annuity purchase (Option 2) and start a pension before LTD payments end, LTD payments will likely be clawed back by insurance company
 - Due to claw back, if your unreduced retirement date is prior to the date your LTD benefits stop, there is no advantage to starting your pension at your unreduced retirement date
 - › In this case you may be losing pension value by delaying the start of your pension and, subject to your situation, may want to consider the transfer value (Option 1)
 - › Discuss with your financial planner or in one-on-one meeting with Morneau

Final Note

- 20 minute one-on-one sessions with a Morneau Shepell representation to answer any outstanding questions or review any information provided are available:
 - Friday, January 31 (10 am to 4 pm and 6 pm to 9 pm)
Best Western in Liverpool
 - Saturday, February 1 (9 am to 4 pm and 6 pm to 8 pm)
Best Western in Bridgewater
 - Halifax at Morneau Shepell office as needed

Call 1-855-346-9067 to book an appointment



1-855-346-9067 (toll free)
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General information is available at:
www.pensionwindups.morneaushepell.com

